Pine Indemnity DAC

Solvency & Financial Condition Report
and
Quantitative Reporting Templates

1 June 2019 - 31 May 2020

Table of Contents

Table of Contents 2
Definitions 4
Summary 5
1. Introduction 5
2. Business and performance summary 5
3. System of governance summary 7
4. Risk profile summary 8
5. Valuation for solvency purposes summary 9
6. Capital management summary 10
A Business and Performance 11
A.1 Business 11
A.2 Underwriting performance 14
A.3 Investment performance 16
A.4 Performance from other activities 17
A.5 Other information 17
B System of Governance 18
B.1 General information on system of governance 18
B.2 Fit and proper requirements 23
B.3 Risk management system including the own risk and solvency assessment 24
B.4 Internal control system 26
B.5 Internal Audit Function 28
B.6 Actuarial Function 29
B.7 Outsourcing 29
B.8 Assessment of adequacy of system of governance 32
C Risk Profile 33
C.1 Summary of risks 33
C.2 Underwriting risk 34
C.3 Market risk 38
C.4 Credit risk 40
C.5 Liquidity risk 42
C.6 Operational risk 42
C.7 Other material risks 44

D Valuation for Solvency Purposes 45
D.1 Assets 45
D.2 Technical provisions 47
D.3 Other liabilities 51
D.4 Alternative methods for valuation 51
D.5 Other information 51
E Capital Management 52
E.1 Own funds 52
E.2 Solvency Capital Requirement and Minimum Capital Requirement 54
E.3 Use of duration based equity risk sub-module in the Solvency Capital Requirement 55
E.4 Differences between the standard formula and any internal model used 55
E.5 Compliance with the MCR and SCR 55
E.6 Other information 55
Appendix 1 – Quantitative Reporting Templates 56

Definitions

AIMD	Aon Insurance Managers (Dublin) Limited
AGRC	Aon Global Risk Consulting
AOTP	Actuarial Opinion on Technical Provisions
ARMC	Audit, Risk Management and Compliance
ARTP	Actuarial Report on Technical Provisions
BMA	Bermuda Monetary Authority
CBI	Central Bank of Ireland
Control estimate	The probability weighted average (also referred to as mean or expected value) of the range of actuarially projected ultimate loss estimates under long-term average claim conditions
CRO	Chief Risk Officer
FVTPL	Fair Value Through Profit or Loss
IBNE	Incurred But Not (fully) Evaluated reserves
IFRS	International Financial Reporting Standards
IFRS financial statements	Financial statements prepared in accordance with IFRS
IT	Information Technology
Member firms	Independent members of an international network of professional services firms
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
Park	Park Indemnity Limited
Pine	Pine Indemnity DAC
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
SLA	Service Level Agreement
The Company	Pine Indemnity DAC
The Group	Park Indemnity Limited and its subsidiary companies
ULAE	Unallocated Loss Adjustment Expenses
USD	United States Dollar

Summary

1. Introduction

This Solvency & Financial Condition Report for Pine Indemnity DAC ("Pine" or the "Company") is for the year ended 31 May 2020. This report has been prepared on a solo basis. The Company considers the United States Dollar ("USD" or "$") as the currency that most represents the economic effects of its underlying transactions, events and conditions. All figures are therefore reported in USD. All figures have been rounded to the nearest thousand unless otherwise stated[1].

2. Business and performance summary

Company background

Pine was incorporated in Ireland on 6 January 1999, is supervised by the Central Bank of Ireland ("CBI") and is licensed to provide professional indemnity insurance (General Liability - Class 13). It is a wholly owned subsidiary of Park Indemnity Limited ("Park"), a Bermuda licensed captive insurer, supervised by the Bermuda Monetary Authority ("BMA").

Both Park and Pine were formed for the sole purpose of insuring the professional liability risks of independent member firms of an international network of professional services firms (the "member firms") affiliated with KPMG International Cooperative (a Swiss entity). The ultimate beneficial owners of Park are 16 member firms who are also policyholders of Park or Pine, none of whom individually own or control more than 20% of Park. The Company writes direct business on a claims-made basis to policyholders that are primarily domiciled in the European Union.

The professional liability insurance provided by Pine is subject to potentially high severity claims which are complex and with a claims settlement process that extends for many years. For these reasons, professional liability insurance business is subject to highly volatile underwriting results from year to year and the profits or losses associated with specific policy years emerge over a long period of time. Such insurance is typically a cyclical business with several years of adverse claims activity often followed by several favourable years and vice versa. Pine mitigates this risk though the purchase of substantial reinsurance.

Pine's insurance coverage is not directly exposed to pandemic risks, such as those arising from COVID-19.

Business review

Pine's audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect a net income of $1,576,000 for the year ended 31 May 2020 (2019: $235,000) as summarized in the table below.

[1] This may mean that figures may appear not to add correctly.

$000s	2020	2019	QRT	Report Section
Net premiums written and earned	1,582	1,504		
Net claims incurred	414	(648)		
Net underwriting income before expenses	1,996	856		
Expenses	(765)	(741)		
Net underwriting income (loss) after expenses	1,231	115	S.05.01	A.2
Net investment income	582	174		A.3
Other miscellaneous expenses	(11)	(21)		
Net income before tax	**1,802**	**268**		
Tax	(226)	(33)		
Net income	**1,576**	**235**		

As discussed more fully in Section A.2, "Underwriting Performance", the net underwriting results before expenses for both 2020 and 2019 reflect the following:

- Net premiums written and earned increased slightly from $1,504,000 to $1,582,000. As explained in more detail elsewhere in this report, the premium pricing model responds to recent loss experience and also allows for increases in the exposure of the policyholders as well as annual claims inflation. Such premiums are discounted to the reflect the time value of money, recognizing that premiums are collected in the near-term whereas claims are typically paid over a 5 to 7 year period;
- Given the continuing favourable claims environment as reflected in Pine's underwriting results for the last several years, the premiums for both 2020 and 2019 were based on more optimistic actuarial estimates of potential funding requirements relative to longer-term Control estimates[2]. However, in accordance with the Company's Loss Reserving Policy, claims provisions are established using the Control loss estimates, thereby producing a small underwriting loss for the current policy year in each of 2020 and 2019;
- However, for 2019 and 2020, the current policy year losses were more than offset by continued favourable development (i.e. decreases) in ultimate loss estimates for earlier policy years; and
- Net claims incurred also reflect the benefit of foreign exchange gains of $120,000 (2019: $497,000) on the translation of Euro denominated net claims provisions into the USD reporting currency using year end exchange rates. As discussed further below, such foreign exchange gains are largely offset by foreign exchange losses on investments consistent with the Company's asset-liability matching policy.

Expenses primarily consist of fees paid for captive management, other support services, Director services, investment management and consultancy. These expenses remained relatively stable year-on-year.

[2] The probability weighted average (also referred to as mean or expected value) of the range of actuarially projected ultimate loss estimates under long-term average claim conditions.

Consistent with its objectives of preserving capital and ensuring sufficient liquidity to meet claims obligations as they fall due, Pine generally only invests in cash and cash equivalents and relatively short-duration Eurozone Government bonds and US Treasuries. Investment income therefore reflects the prevailing low interest rate environments with the net investment return, before foreign exchange gains and losses, for 2020 averaging 1.7% (2019: 2.2%). Net foreign exchange losses arising from the revaluation of the investment portfolio at year end exchange rates, as well as those arising on the disposal of investments, were $62,000 in 2020 (2019: $566,000) primarily due to the weakening of the Euro against the USD. As noted above, the net foreign exchange losses on investments largely offset the net foreign exchange gains on Pine's net claims provisions[3] consistent with its asset-liability matching policy.

For the year ending 31 May 2020, there have been no major changes in Pine's business including its:

- Overall business objectives and strategy (see Section A);
- Underwriting strategy and net risk exposure such as through changes in pricing methodologies, policyholder base, policy terms and limits (see Sections A to C);
- Reserving and actuarial methodologies (see Sections A to D); and
- Investment strategy (see Sections A to C);

3. System of governance summary

The governance structure for Pine reflects the relatively small number of individual transactions and resulting relatively simple day-to-day operations of the Company, notwithstanding the complexity and volatility of the underlying professional liability insurance business. As is typical with many captive insurers, the Company does not have any of its own employees and uses an outsourced business model to access relevant expertise from third party service providers, most notably captive management and actuarial services, as well as support from senior resources at Park pursuant to a Support Services Agreement. The third-party service providers and Park have no decision-making authority on behalf of Pine and report directly to the Pine Board under the supervision of the Chairman of the Board.

Pine's governance structure consists of:

- Board of Directors and Chairman; and
- Audit, Risk Management and Compliance Committee.

Pine has the following key Control Functions with designated Heads of each Function:

- Risk management;
- Compliance;

[3] As recognised in net underwriting income.

- Internal audit; and
- Actuarial.

Further details on Pine's system of governance can be found in Section B.

4. Risk profile summary

Risk management is the cornerstone of all major decision-making on behalf of the Company. The risk management system includes relevant policies, processes and controls to identify, measure, mitigate, monitor and report on the Company's risks.

The following are the Company's principal risks:

- Non-life underwriting risk;
- Credit risk;
- Market risk;
- Liquidity risk; and
- Operational risk.

Pine seeks to manage its underwriting risk primarily through (a) the use of an actuarial pricing model that reflects the past loss history of the policyholders and peer companies, and (b) the purchase of significant reinsurance protections, including excess of loss reinsurances with commercial reinsurers, and quota share and stop loss reinsurance from Park[4].

Pine is therefore not materially exposed to underwriting risk on a net of reinsurance basis; however, Pine has significant credit risk as a result of such reinsurance. This risk is mitigated through the use of large number of highly rated reinsurers on the commercial reinsurance program and, for other reinsurances (including the quota share and stop loss from Park), the receipt of collateral to secure the reinsurers' obligations to the Company.

The quota share reinsurance arrangements also significantly reduce Pine's investment risks as the payment of the reinsurance premium essentially transfers the related investment risks to Park. The residual investment and liquidity risks are mitigated through the use of primarily short-duration sovereign debt and robust asset-liability management of the currency and interest rate risks associated with Pine's net claims provisions.

As noted above, Pine's insurance coverage is not directly exposed to pandemic risks such as those related to COVID-19.

There have been no major changes in Pine's risk profile during the period. Further details on Pine's risk profile can be found in Section C.

[4] The excess of loss reinsurance inures to the benefit of the quota share and stop loss.

5. Valuation for solvency purposes summary

The classification and valuation of assets and liabilities for Solvency II purposes is generally the same as that reported in the Company's IFRS financial statements ("IFRS financial statements") except for the following:

- Classification:
  - The loss reserves and unearned premium reserves[5] in the IFRS financial statements are re-classified as claims provisions and premium provisions, respectively, and, along with the risk margin, are collectively referred to as technical provisions for Solvency II reporting purposes.
- Valuation:
  - The gross and reinsurers' share of technical provisions includes premium provisions for bound but not incepted business (i.e. for the 1 June 2020 renewal); such amounts are not included in the IFRS financial statements;
  - The gross and reinsurers' share of technical provisions are recorded for Solvency II purposes at their fair value based upon the net present value of expected future cash flows, whereas such reserves are not discounted for purposes of the IFRS financial statements;
  - The fair value of the reinsurers' share of technical provisions also incorporates an allowance for irrecoverable amounts due to the potential default of counterparties; such amount is based on an assessment of the probability of default of each reinsurer and the average loss resulting therefrom with due regards to any collateral provided to the Company; and
  - The Solvency II technical provisions also incorporate a risk margin to reflect the uncertainties associated with the amount and timing of expected future cash flows net of related reinsurance amounts.

The following summarises the effects of such adjustments on the Company's own funds:

$000s	**31 May 2020**	**31 May 2019**
Shareholder's equity per the IFRS financial statements	**25,470**	**23,894**
Net premium provisions for bound but not incepted business	(1,376)	(1,379)
Discounting and counterparty credit default adjustments to technical provisions	(157)	(20)
Risk margin	(1,858)	(1,803)
Other adjustments	(362)	108
Excess of assets over liabilities for solvency purposes	**21,717**	**20,800**

[5] The policy year and fiscal year both run from 1 June to 31 May and so the premiums are fully earned at year end. As such the unearned premiums at 31 May 2020 are $nil (2019: $nil).

The approach to valuing assets and liabilities for Solvency II purposes remained materially unchanged from that used for the year ended 31 May 2019. Further details of Pine assets and liabilities can be found in Section D, "Valuation for Solvency Purposes".

6. Capital management summary

Pine has adopted the Solvency II standard formula for determining its Solvency Capital Requirement ("SCR") and has not made use of partial internal models, simplifications or undertaking-specific parameters. Methodologies for valuing own funds, calculating the SCR and Minimum Capital Requirement ("MCR"), and managing capital remains consistent with the prior year. Pine complied with its overall risk appetite and solvency requirements throughout the year ended 31 May 2020. The SCR coverage ratio at 31 May 2020 was 343% (2019: 313%), with own funds of $21,717,000 (2019: $20,800,000) and an SCR of $6,334,000 (2019: $6,652,000). See Section E, "Capital Management", for further details.

Pine prepares an Own Risk and Solvency Assessment ("ORSA") at least annually and more frequently to the extent that there are any material changes to the Company's business plan, risk profile, capital adequacy, risk management framework, or any changes in regulations that have the potential to materially affect Pine's capital adequacy. See Section B.3, "Risk Management System & ORSA" for further details.

A Business and Performance

A.1 Business

A.1.1 Basic information

a. Undertaking

Name:	Pine Indemnity DAC
Legal form:	Designated Activity Company
Address:	The Metropolitan Building James Joyce Street Dublin 1, Ireland

b. Supervisory authority

Name:	Central Bank of Ireland
Address:	PO Box 559 New Wapping Street North Wall Quay Dublin 1, Ireland
Telephone:	+353 1 224 6000

c. External auditor

Name:	Mazars[6]
Address:	Harcourt Centre, Block 3 Harcourt Road Dublin 2, Ireland
Telephone:	+353 1 449 4400

d. Employees

Full time equivalents:	Nil[7].

[6] Mazars were appointed on 4 December 2019 to replace the vacancy arising from the resignation of EisnerAmper.

[7] Pine uses a specialist captive insurance management company, Aon Insurance Managers (Dublin) Limited, to oversee the Company's activities under the direct supervision of the Board.

A.1.2 Shareholder and group structure

a. Immediate parent company

Name:	Park Indemnity Limited
Location:	Bermuda
Proportion of interest held in Pine:	100%
Supervisor:	Bermuda Monetary Authority BMA House, 43 Victoria Street Hamilton, Bermuda Tel: +441 295 5278

b. Registered shareholder of immediate parent company

Name:	Pembroke Company Limited ("Pembroke")
Location:	Bermuda

Pembroke is a service company, owned and operated by a Bermuda law firm. It merely acts as the nominee registered shareholder on behalf of its clients, in this case each of the ultimate shareholders of Park, and has no beneficial ownership interest in Park or any ability to exercise control or significant influence over Park. Pursuant to the Nominee Agreements between Pembroke and each of Park's beneficial shareholders, Pembroke agrees (and the shareholder authorises Pembroke) to only to act on instructions from the shareholders in relation to the following limited activities:

- having the shares registered in its name;
- executing and delivering any proxies (including proxies granting discretionary powers) for meetings of shareholders; and
- receiving any dividends paid by Park for onward payment to the beneficial shareholders.

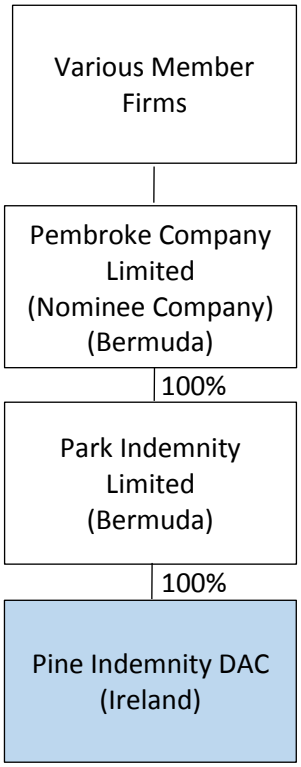
c. Ultimate parent entity or natural person:

Park is beneficially owned by 16 independent members of an international network of professional services firms (the "member firms") affiliated with KPMG International Cooperative (a Swiss entity), each of whom are policyholders of either Park or Pine. None of the shareholders or any natural person individually own or control more than 20% of Park's issued share capital.

d. Material related undertakings:

Pine does not have any related undertakings.

e. Simplified group structure:



A.1.3 Group supervision

Park is licensed as a Class 2 captive by the BMA. The BMA has not sought Solvency II equivalence for purposes of captive supervision and, as such, the CBI has determined that it will perform the role as group supervisor at the level of Park, as parent company of Pine. The CBI has elected to apply "Other Methods" under Article 262 (2) of the Solvency II Directive. This requires Pine to submit certain QRTs to the CBI with respect to Park and its subsidiary companies ("the Group"), including information on group solvency, group risk concentrations and intra-group transactions.

A.1.4 Material lines of business and geographical areas that business is carried out

Pine was formed for the sole purpose of insuring the professional liability risks of certain member firms. The Company is licensed by the CBI to provide such insurance (General Liability - Class 13) and writes the business on a claims made basis.

As a mono-line captive insurer, Pine does not manage its business activities with regards to any geographical segments and conducts all of its business activities, including Board decision making, underwriting, premium invoicing & collection, claims reserving & payments, financial and regulatory reporting, and investing from its offices in Dublin, Ireland. However, the vast majority of its policyholders are based within other member nations of the European Union.

The CBI has provided a written waiver of the requirement to disclose material geographical areas (and related analysis of underwriting results) as Pine has only a single policyholder in each geographic location and is obligated to its policyholders to keep such information confidential.

A.1.5 Significant business or other events

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

A.2 Underwriting performance

A.2.1 Underwriting performance by material line of business

As noted above, Pine only writes professional liability insurance business. An analysis of underwriting performance for the years ended 31 May 2020 and 2019 is provided below.

$000s	2020	2019
Premiums written and earned		
Gross (direct business)	22,446	21,423
Reinsurers' share	(20,864)	(19,919)
Net premiums written and earned	1,582	1,504
Claims incurred		
Gross (direct business)	(8,275)	10,941
Reinsurers' share	7,861	(10,293)
Net claims incurred	(414)	648
Net underwriting income before expenses	1,996	856
Expenses incurred	765	741
Net underwriting income	1,231	115

Given the continuing favourable claims environment as reflected in Pine's underwriting results for the last several years[8], the premiums for both 2020 and 2019 were based on the more optimistic actuarial estimates of potential funding requirements.

The increase in premiums for 2020 relative to 2019 is primarily due to adjustments to individual policyholder premiums based upon their individual loss experience and risk exposure as per the premium allocation approach noted in Section C.2.3 (a), "Pricing Risk".

[8] Pine has generated an underwriting income before expenses in nine out of the last ten fiscal years, aggregating over $14m.

Reinsurance premiums have increased by a similar percentage to gross premiums written, reflecting the fact that the quota share and stop loss reinsurance pricing is a proportion of gross premiums.

Notwithstanding the use of the more optimistic actuarial estimate for premium setting purposes, the Board-approved Loss Reserving Policy requires that the Company's technical provisions be established using longer-term Control loss estimates thereby producing a small underwriting loss for the most recent policy year in each of the 2020 and 2019 fiscal years. For both 2020 and 2019, these losses are more than offset by continued favourable development (i.e. decreases) in claim reserve estimates for earlier policy years. Reflective of the favourable claims environment, gross claims incurred in 2020 and 2019 remain at a low level (compared to both premium volumes and the high per claim limits provided by the Company). Indeed, gross claims incurred for 2020 were negative due to significant favourable claims development.

There has been some year-on-year movement in the reinsurers' share of incurred losses as a percentage of gross incurred losses. This reflects the way that changes in gross loss estimates affect the various reinsurance protections, which may be different for each policy year depending on whether, and the extent to which, the net ultimate losses exceed the stop loss reinsurance attachment point for the relevant policy year.

Gross and net paid losses for the year were $2,153,000 and $215,000 respectively. In 2019, Pine recovered prior claim payments of $415,000 (or $41,000 after the effects of reinsurance). The original payments were made in 2018 pursuant to a court judgement against the policyholder which was subsequently appealed and overturned in 2019.

The 2020 underwriting results include net foreign exchange gains of $120,000 (2019: $497,000). Specifically, net claims incurred reflect the benefit of foreign exchange gains on the conversion of Euro denominated net claims provisions into Pine's USD reporting currency using year end exchange rates. As discussed further below, the 2020 foreign exchange gains are offset by foreign exchange losses on investments of $62,000 (2019: $566,000); this is consistent with the objectives of the Company's asset-liability matching policy. The foreign exchange differences for both net claims provisions and matched investments are primarily due to the weakening of the Euro against the USD. See Section A.3, "Investment Performance" for further detail.

Expenses incurred primarily consist of fees incurred for captive management, other support services, Director services, investment management and consultancy. These expenses remained relatively stable year-on-year.

A.2.2. Underwriting performance by material geographical area

The CBI has provided a written waiver of the requirement to disclose underwriting performance by material geographical areas as Pine only has one policyholder in each geographical area and is obligated to its policyholders to keep such information confidential.

A.3 Investment performance

As part of the Company's asset-liability matching policy, the "Matched Portfolio" comprises Eurozone Government Bonds which reflect the amount, duration and currency characteristics of Pine's net technical provisions, which are primarily denominated in Euros. As such, any foreign exchange gains or losses in net technical provisions, which are recorded in underwriting performance, will be largely offset by corresponding foreign exchange gains or losses in the Company's investment results.

The Company's capital funds are invested in the "Surplus Portfolio", which comprises relatively short-duration US Treasuries consistent with the Company's preservation of capital objective.

An analysis of investment performance for the years ended 31 May 2020 and 2019 is provided below:

$000s	**"Matched Portfolio" Eurozone Government Bonds**		**"Surplus Portfolio" US Government Treasuries**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Interest income	132	136	392	408	524	544
Net realised (loss) / gain on investments	(189)	(34)	(163)	33	(352)	(1)
Net unrealised (loss) / gain on investments	(17)	(12)	488	209	471	197
Net investment income / (loss) before foreign exchange gains	**(74)**	**90**	**717**	**650**	**643**	**740**
Net foreign exchange loss	(62)	(566)	-	-	(62)	(566)
Net investment (loss) / income	**(136)**	**(476)**	**717**	**650**	**581**	**174**

Interest income, as a percentage of the average market value of cash and investments, for the year ending 31 May 2020 is materially consistent with the prior year at 1.5% (2019: 1.6%). However, movements in the market valuation of the investment securities, caused primarily by interest rate fluctuations, have resulted in some realised and unrealised gains and losses during each period. Net investment returns, before foreign exchange gains, on the average market value of cash and investments over the period equated to 1.7% (2019: 2.2%). Net foreign exchange losses arising from the periodic revaluation of the investment portfolio and disposal of assets were $62,000 in 2020 (2019: $566,000) primarily due to the weakening of the Euro against the USD. The net foreign exchange gains and losses on investments are largely offset by corresponding net foreign exchange gains and losses on Pine's net claims provisions consistent with Pine's asset-liability matching policy[9].

All investment results including unrealised gains or losses (including foreign currency) are recorded in net income.

Pine does not invest in equities, securitized instruments or derivatives.

[9] As recognised in net underwriting income.

A.4 Performance from other activities

Pine does not conduct any other activities.

A.5 Other information

There is nothing further to report with respect to the Company's business and performance.

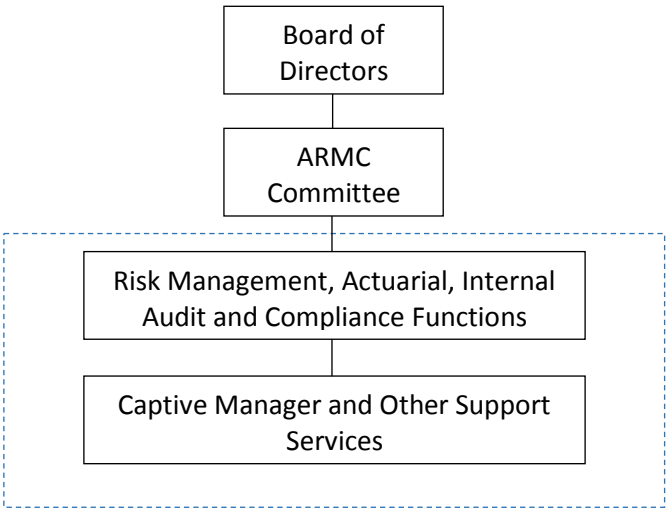
B System of Governance

B.1 General information on system of governance

B.1.1 General information

The governance structure for Pine reflects the relatively small number of individual transactions and resulting relatively simple day-to-day operations of the Company, notwithstanding the complexity and volatility of the underlying professional liability insurance business. As is typical with many captive insurers, the Company does not have any of its own employees and uses an outsourced business model to access relevant expertise from third party service providers, most notably captive management and actuarial services, as well as support from senior resources at Park pursuant to a Support Services Agreement.

This is set out in the organisational chart below:



Notwithstanding the outsourced business model, the Board is responsible for all significant decisions on behalf of Pine. The Board also directly supervises all outsourced work and ensures that the duties and responsibilities of the various parties and individuals are allocated, segregated, coordinated and communicated by way of written processes and controls (see Section B.4, "Internal Control Framework"). The Board also ensures that each Control Function has the appropriate resources, skills and expertise to discharge their duties (see Section B.2 for Fitness and Propriety requirements). An assessment of key Control Functions (including Heads of such Functions) and key outsourced service providers is performed and reviewed by the Board at least annually. As part of this process, the general performance of the service providers is assessed, including their ability and capacity to deliver such services taking into account Pine's objectives and needs. The respective roles and responsibilities of the Board, key Control Functions, and third party service providers are set out below.

a. Board of Directors

The Board is authorized by its constitutional documents to exercise all of the powers of the Company save for those that are specifically reserved for the shareholder under such constitutional documents or applicable Irish laws and regulations. The Board's primary responsibilities include, but are not limited to, (a) setting and overseeing the strategic objectives; (b) undertaking all significant decisions; (c) developing corporate governance and risk management systems, including the establishment of risk appetites and risk tolerances; (d) ensuring that risks and compliance are properly managed; and (e) providing oversight of the Audit, Risk Management and Compliance Committee.

The Board delegates a range of operational responsibilities to the Company's captive insurance manager with support and advice from other third parties as set out in their respective Service Level Agreements ("SLAs") or letters of appointment. Such arrangements ensure the orderly, efficient and effective running of the Company's affairs under the oversight and supervision of the Board. The Board also retains responsibility for all key decision making, including the binding of the Company to contractual obligations as well as the approval of (a) the business plan and related ORSA; (b) all material aspects of the insurance program and reinsurance arrangements; (c) all claims provisions and payments; (d) the investment strategy and periodic re-balancing of the approved asset allocation; (e) processes and controls for all key areas; (f) compliance with laws and regulations; and (g) the audited IFRS financial statements and other regulatory returns.

The Directors each have access to the advice and services of the Company Secretary, key Control Functions and independent external expert advice.

b. Chairman

The Board appoints a non-rotating non-executive Chairman of the Board on an annual basis. The Chairman can be any Director of the Board, albeit not an employee of the Company or its captive insurance manager. The Chairman leads the Board in meeting its responsibilities for the business and affairs of the Company and its oversight of the Company's captive insurance manager and other outsourced service providers, while also promoting effective relations with the shareholder and policyholder representatives.

c. Audit, Risk Management and Compliance Committee

An Audit, Risk Management and Compliance ("ARMC") Committee has been appointed by the Board to assist the Board in performing its duties with respect to the integrity of the Company's financial reporting, the external audit process, governance & risk management, internal audit and compliance. The Committee's role, responsibilities, constitution, membership, reporting requirements, etc. are set out in detail in its separate Terms of Reference as approved by the Board. The Committee consists of at least two Directors experienced in audit, accounting, actuarial, governance & risk management and legal and regulatory matters. The main responsibilities include overseeing (a) the integrity of Pine's accounting records and financial reporting, including audited IFRS financial statements and regulatory filings; (b) the system of internal controls and procedures, including compliance with ethical

standards; (c) the independent auditor's qualifications, independence and performance; (d) the risks to which Pine is exposed in meeting its strategic objectives; (e) the Risk Management, Actuarial, Internal Audit and Compliance key Control Functions; and (f) compliance with legal and regulatory requirements.

The Committee acts solely in an advisory capacity with no decision-making authority unless explicitly delegated in writing by the Board.

Following the resignation of one of Pine's Directors and member of the ARMC Committee, during the year ended 31 May 2020, the Board temporarily assumed all of the responsibilities of the ARMC Committee pending further review of the membership of the Committee.

d. Key Control Functions

As noted earlier, the Board has designated four key Control Functions to assist in the fulfilment of the Board's governance and risk management responsibilities. Each of the key Control Functions are outsourced to the Company's principal outsourced service providers to ensure broad support and relevant expertise. The Board has also appointed specific individual(s) from such service providers to act as the Head of each Control Function. The activities of each Control Function can be spread across a number of individuals, but the Head of the relevant Control Function has overall responsibility for ensuring compliance with the relevant requirements as summarized below:

(i) Risk Management

The Risk Management Function, as lead by the Chief Risk Officer ("CRO"), reports to the Board, with oversight from the ARMC Committee. Responsibilities of the Risk Management Function are set out in Section B.3.1, "Risk Management System". The CRO is supported by a team that possesses skills ranging from risk management, actuarial, claims, legal, information technology and the Irish regulatory environment.

(ii) Actuarial

The Actuarial Function, as lead by the Head of the Actuarial Function, reports to the Board, with oversight from the ARMC Committee. Responsibilities of the Actuarial Function are set out in Section B.6, "Actuarial Function". The Head of the Actuarial Function is supported by a team of actuarial specialists.

(iii) Internal Audit

The Internal Audit Function, as lead by the Head of Internal Audit, reports to the Board with oversight from the ARMC Committee. Responsibilities of the Internal Audit Function are set out in Section B.5, "Internal Audit Function". The Head of Internal Audit is supported by various Board approved external service providers that have the requisite skills and experience to perform the

audit work. This approach ensures that there is a strong level of independence from operational activities. Further information on independence is provided in Section B.5.

(iv) Compliance

The Compliance Function, as lead by the Head of Compliance Function, reports to the Board, with oversight from the ARMC Committee. Responsibilities of the Compliance Function are set out in Section B.4.2, "Compliance Function". The Head of the Compliance Function is supported by a team with skills that include the Irish regulatory environment, financial crime, data protection, monitoring and compliance, etc.

The Heads of each Function have the requisite levels of experience commensurate with the requirements of their role as noted above and are subject to the Fitness and Propriety requirements as set out in Section B.2. All Heads of Control Function are designated as Pre-approved Control Functions as approved by the CBI.

e. Captive insurance manager

As set out in Section B.7, "Outsourcing", Pine's appointed captive insurance manager is its primary outsourced service provider. It is responsible for Pine's day-to-day activities and the coordination with various other third-party service providers, in-line with an agreed SLA. However, all decision making is reserved for the Board.

The captive insurance manager interacts with and / or supports the Board, ARMC Committee, key Control Functions and other outsourced service providers. Communication and reporting lines are depicted in the organisational chart earlier in this Section B.1.1.

f. Other support services

Pine utilises the services of other support service providers. Further details are provided in Section B.7, "Outsourcing". These service providers interact and / or support the Board, ARMC Committee, key Control Functions and other outsourced service providers.

g. Material changes in the system of governance

There have been no major changes in Pine's system of governance since the prior reporting period.

B.1.2 Remuneration policy

As noted above, the Company does not have any employees as its business model relies upon the services of its captive insurance manager together with other third-party service providers. Also, given the simple nature of its operations the Board has determined that it is not necessary to establish a Remuneration Committee of the Board; any responsibilities for remuneration / compensation rest with the Board itself.

The Board has approved a Remuneration Policy as it relates to Director compensation. Directors that are also on the Board of Park are not eligible for any additional compensation from Pine. For all other Directors, the remuneration is set at competitive market rates commensurate with the scope and nature of the individuals' service to the Pine Board and committee(s) thereof. Remuneration for Directors consists of a fixed annual cash retainer only, which is earned and paid semi-annually in arrears. Market rates are assessed based on an analysis of peer company surveys and with regards to best practices in the local insurance industry.

Total fees paid for Director services amounted to $64,000 for the year ending 31 May 2020 (2019: $65,000).

All third-party service providers are engaged on an arm's length basis in accordance with Pine's transfer pricing and outsourcing policies.

None of the Directors or service providers receive any incentive compensation based on customary financial metrics (e.g. earnings per share, net income, growth in book value, etc.), therefore the fees paid to all Directors and third-party service providers do not induce excessive or inappropriate risk taking and reflect the long-term interests of the Company with proper regard to the interests of Pine's stakeholders.

B.1.3 Material related party transactions

As noted earlier, Pine provides insurance to certain member firms that form part of the international network of independent member firms affiliated with KPMG International. Furthermore, some of Pine's policyholders are ultimate beneficial owners of the Company. For purposes of this document and its annual financial reporting in accordance with IFRS, Pine considers all member firms, including its policyholders, to be related parties.

Certain of the member firms provide professional services to Pine (Cost 2020: $44,000; 2019: $25,000), $17,000 of which is included in Other liabilities at 31 May 2020 in the balance sheet (2019: $7,000).

During the year ended May 31, 2020, one of the Directors (2019: one) served as a senior executive with Pine's captive insurance manager and declared their interests in such arrangements. The captive insurance manager charged Pine $22,000 (2019: $23,000) for the provision of services of a Director as part of its management fee.

Pine had the following related party transactions and resulting balances with Park, its parent company:

a. The purchase of reinsurance from Park:
   - Premiums ceded of $20,763,000 (2019: $19,792,000);
   - Actual claims costs recovered / (repaid) of $1,938,000 (2019: $(373,000); and

- Reinsurers' share of Solvency II technical provisions at 31 May 2020 of $101,950,000 (2019: $106,383,000).

Park provided collateral to secure its reinsurance obligations to Pine in the amount of $128,888,000 (2019: $113,314,000).

b. The purchase of certain support services from Park resulted in the following:
   - Expenses, including VAT at 23%, of $147,000 (2019: $148,000); and
   - Accounts payable and accrued expenses at 31 May 2020 of $nil (2019: $30,000).

Other than the fees paid for Director services as noted above and in Section B.1.2, "Remuneration Policy", no other material transactions took place with Directors. Furthermore, no other material transactions took place with shareholders or persons who exercise significant influence over the Company.

B.2 Fit and proper requirements

Pine is committed to ensuring that each person that holds a responsible person position has the appropriate skills and experience commensurate with the role that they hold. Responsible persons include members of the Board, persons responsible for key Control Functions and other persons who are materially involved in the provision of services to the Company.

The Board ensures that the Directors collectively have appropriate qualifications, experience and knowledge about (a) insurance and financial markets, (b) business strategy and business models, (c) system of governance, (d) financial and actuarial analysis, and (e) the applicable regulatory framework and requirements.

Assessments of a responsible person's fitness and propriety are made (a) prior to appointment; (b) when circumstances change that may adversely affect the assessment of fitness or propriety, and (c) on an annual basis. The Board considers whether each responsible person has:

- The necessary skills, knowledge, expertise and relevant qualification;
- The competence in fulfilling responsibilities previously in their career;
- The appropriate character, diligence, integrity and judgement;
- Any potential conflicts of interest;
- Sufficient time to devote to the role and, in the case of Directors, whether the number of directorships exceed the regulatory limits;
- Been reprimanded, or disqualified, or removed, by a professional or regulatory body;
- Been the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities; and
- Been substantially involved in the management of a business which has failed.

The Board obtains such information through, inter alia, evidence of academic and professional qualifications; evidence of continuing professional development in respect of professional qualifications, debt judgement searches, Restricted / Disqualified Director searches; and Central Bank Settlement Agreements searches.

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

B.3.1 Risk management system

Risk management operates across all the activities of the Company and is the cornerstone of all major decision-making on behalf of the Company.

The Risk Management Function, as lead by the CRO, is responsible for the following:

- Developing and monitoring an effective risk management system;
- In conjunction with the Board, implementing approved risk management policies, principles and control mechanisms;
- Monitoring the overall risk profile and assessing compliance with risk appetites and tolerances;
- Identifying and reporting risk exposures and emerging risks; and
- Contributing to the ORSA process.

Pine's risk management system is a continuous process overseen by the Board that incorporates the following:

- Identification of key risks faced by the Company that must be measured, managed, monitored and reported in order for the Company to be successful in meeting its business objectives. Key risks are tracked through the use of a risk register;
- For each significant risk category, preparation of a qualitative assessment of the risk and identification of appropriate risk mitigation activities;
- Assessment of the likelihood of occurrence of each risk and potential impact on capital adequacy, both before and after any relevant risk mitigation activities;
- An overall Risk Appetite Statement which reflects approved risk appetites, targets and tolerances;
- For each significant risk category, development of a risk management policy with objectives, processes and identified responsibilities for the ongoing management, monitoring and reporting of risks;
- For each significant business function, development of written processes and controls to ensure, in all material respects, the completeness and accuracy of financial reports and management information as well as compliance with applicable laws and regulations;

- Assessment of the Company's capital adequacy, via the ORSA process and other periodic reports, reflecting all of the significant risks in the business and with due regards to realistic stress scenarios;
- Development of a capital management policy and medium-term capital management plan to reflect the results of the steps outlined above in order to ensure ongoing capital adequacy under base case and stress test scenarios over the Company's business planning cycle; and
- Development and approval of other supporting policies relating to, inter alia, outsourcing, remuneration, succession planning, and risk management reporting.

The risk management framework and related documents are aligned with the current regulatory requirements under the Solvency II regime with due regards also to the CBI Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015.

The Board has developed communication lines and specific responsibilities to identify, measure, manage, monitor and report on all key risks so as to ensure the ongoing functioning of all components of internal control and the achievement of the Company's objectives. The Risk Management Function, led by the CRO with support from the captive insurance manager and Head of Compliance Function, reports to the ARMC Committee and Board on a quarterly basis as follows:

- Monitoring of the Company's key risks and the effectiveness of the mitigation actions;
- Monitoring of the governance and risk management framework and matters arising therefrom;
- Status of the internal audit plan, work and findings on any reviewed areas;
- Tax, legal and regulatory developments;
- Emerging issues and trends that may affect the achievement of the Company's business objectives;
- Any fraudulent activities or investigations into suspicious activity; and
- Any significant breach, or suspected breach of compliance standards, laws, regulations or other legal obligations.

In addition to the formal reporting to the ARMC Committee and Board, the key Control Functions and the captive insurance manager communicate and coordinate directly with each other where appropriate.

Furthermore, any person with concerns over how the business is being conducted is required to report such matters to the Chairman or other Board members on a timely basis with due regards also to any reporting responsibilities to the CBI.

B.3.2 Own risk and solvency assessment

The ORSA is prepared at least annually and more frequently to the extent that there are any material changes to the Company's business plan, risk profile, capital adequacy or its risk management

framework, or any changes in regulations that have the potential to materially affect Pine's capital adequacy.

The ORSA process brings together business strategy, risk profile, approved risk appetite and tolerances, risk management and capital management to determine the current and future capital needs of the Company. The ORSA also considers the evolving risk profile of the Company.

The Board leads all aspects of the ORSA process and has ultimate responsibility for directing the process, including the establishment of appropriate stress test scenarios, challenging the outcomes and the implementation of any further risk mitigation or capital management activities. The Risk Management Function, in conjunction with the Actuarial Function, coordinates the process and provides such other support as the Board deems appropriate. The ORSA focuses on the identified material risks that may threaten the accomplishment of the Company's strategic objectives or might have a substantial impact on the SCR and/or Eligible Own Funds. The ORSA is documented in the form of a report, reviewed by the ARMC Committee and approved by the Board. It is then submitted to the CBI in summary form in accordance with the stipulated template.

B.4 Internal control system

B.4.1 Internal control system

The Board's philosophy and operating style promotes the importance of control awareness, integrity, ethical behaviour, and the pursuit of best practices, thereby setting the tone for an effective control environment to support and strengthen the other control elements within Pine's operating framework.

Pine has adopted a continuous process effected by its Board and other personnel to provide reasonable assurance regarding the achievement of objectives relating to operations, financial reporting and compliance with laws & regulations. This process includes, inter alia:

- Adopting and implementing an internal control framework that reflects its business strategy;
- Creating an appropriate control environment by demonstrating commitment to integrity, ethics, competence, accountability and establishing clearly defined responsibilities;
- Maintaining sound accounting and administrative and accounting procedures to ensure accurate financial reporting;
- Reviewing, updating and prioritising strategic risk assessments in line with Company objectives;
- Selecting and developing control activities which are supported through written processes and controls;
- Facilitating structured, regular and timely communication of risk information to the Board, the ARMC Committee and other relevant parties both internal and external; and
- Ensuring ongoing evaluation, monitoring and reporting of risks and action plans including the assessment and communication of deficiencies or other concerns identified from the work performed by the Actuarial, Risk Management, Internal Audit and Compliance Functions.

Pine has written processes and controls in place for all key areas of its operations, including underwriting, reinsurance, claims, investments, payments and cash processing, financial reporting, compliance with laws & regulations, Information Technology Systems, data privacy, and disaster recovery/business continuity. The processes and controls are reviewed annually and approved by the Board and incorporate specific procedures, internal controls and responsibilities to ensure, inter alia:

- Pine's business objectives are met;
- Adequate segregation of duties;
- Pine's assets are safeguarded against loss or misappropriation;
- Completeness and accuracy of Pine's accounting records and financial reporting, including the Supervisory Reporting and Public Disclosures; and
- Compliance with laws and regulations.

Such processes and controls are subject to periodic internal audit review and testing in accordance with the Board approved internal audit plan (see Section B.5, "Internal Audit Function").

B.4.2 Compliance Function

The Compliance Function is outsourced to the captive insurance manager, which also provides senior persons to act as Head of Compliance Function to oversee and perform a number of compliance activities on behalf of the Company as summarised below. This outsourcing arrangement reflects the fact that the captive insurance manager has significant expertise in this area and a good understanding of the relevant Irish laws and regulations.

Whilst the Board has ultimate responsibility for Pine's compliance with applicable laws and regulations, the Head of the Compliance Function is responsible for the following, inter alia:

- Establishing a compliance plan to set out the planned activities of the Function, taking into account all significant activities of the Company and their exposure to compliance risk;
- Ensuring the completeness and reliability of all information transmitted to the CBI;
- Liaising with other Control Functions on related compliance control activities and any matters arising;
- Reporting to the ARMC Committee and Board on work performed, ongoing actions and follow-up of recommendations;
- Monitoring, reporting and assessing the impact of new and emerging laws and regulations that may impact the Company and pose a compliance risk;
- Reporting any material compliance deficiencies to the CBI in accordance with applicable requirements; and
- Participating in the periodic internal review of the Company's system of governance.

The Head of Compliance Function acts independently of all of Pine's other activities but receives the requisite support and cooperation from the captive insurance manager's staff and other key Control Functions to ensure that the responsibilities as set out above are met.

B.5 Internal Audit Function

B.5.1 Internal Audit Function operation

The Internal Audit Function is outsourced to Park which also provides a senior person to act as Head of Internal Audit Function to oversee all internal audit activities on behalf of the Company. This outsourcing arrangement reflects the fact that Park and Pine have similar risks and approaches to managing those risks, as well as similar policies and procedures for each significant business function, including premium setting and claims management and reserving.

The Internal Audit Function, as led by the Head of the Internal Audit Function, is responsible for the following:

- Establishing, implementing and maintaining a rolling multi-year audit plan setting out the audit work to be undertaken, taking into account the Company's activities and its system of governance and risk management. The audit plan reflects a risk-based approach in deciding priorities;
- On an annual basis, or more frequently if there are any proposed changes to the audit plan, presenting the audit plan to the ARMC Committee and, upon receiving its recommendation, obtain Board approval;
- Identifying appropriate third-party resources to complete each internal audit project and establish a detailed scope and fee estimate for review by the ARMC Committee and, upon receiving its recommendation, obtain Board approval prior to the commencement of work;
- Submitting the third party's written report to the ARMC Committee for review upon the completion of each internal audit project, including findings, recommendations and timelines for any remediation work;
- Presenting the final report to the Board; and
- Following up to ensure that agreed remediation work is completed on a timely basis and reporting further to the ARMC Committee and Board as necessary.

Internal audit reviews are intended to provide an independent and objective assessment as to whether Pine's financial and operational controls are (a) appropriately designed to manage its risks and achieve its objectives, and (b) operating as designed in an efficient, effective and ethical manner.

The Internal Audit Function is subject to the oversight of the ARMC Committee and reports directly to the Board to ensure independence from operational activities. Independence is essential to the effectiveness of the Internal Audit Function. As such, the role of the Internal Audit Function is limited to a planning and coordination role with actual internal audit work performed by third party service providers selected by the Board, which also approves the scope, fees and engagement terms following

recommendations from the ARMC Committee. This ensures that the service provider conducting the internal audit is able to perform its duties in an objective manner and provide impartial advice to the Board.

B.6 Actuarial Function

The Actuarial Function has been outsourced to Aon Global Risk Consulting, UK ("AGRC"), a subsidiary of Aon plc and a leading global provider of risk management, insurance and reinsurance consulting services. AGRC also provides a senior person to act as the designated Head of the Actuarial Function.

The Actuarial Function is responsible for:

- Coordinating the calculation of the technical provisions;
- Providing an Actuarial Opinion on Technical Provisions ("AOTP") and an Actuarial Report on Technical Provisions ("ARTP");
- Expressing an opinion on the overall underwriting policy and adequacy of reinsurance arrangements;
- Contributing to the effective implementation of the risk management system and reviewing the calculations of capital adequacy and the ORSA process, including providing an actuarial opinion to the Board in respect of each ORSA process; and
- Submitting a written report to the Board, at least annually, documenting all tasks that have been undertaken by the Actuarial Function and their results, clearly identifying any deficiencies and recommendations as to how such deficiencies should be remedied.

B.7 Outsourcing

As noted earlier, and in common with many captive insurance companies, Pine is managed by an independent captive insurance manager and uses the services of several other third-party service providers so as to access specialist advice or services, including the performance of the Risk Management, Actuarial, Internal Audit and Compliance key Control Functions.

None of the outsourced service providers have any authority to contract on behalf of the Company unless specifically approved by the Board. Pine's Chairman has been nominated by the Board as the person responsible for having direct oversight over all of the outsourced activities and services.

B.7.1 Outsourcing policy

The purpose of the outsourcing policy is to set out the matters for consideration prior to the (re)appointment of any third-party service providers, or material change or development in outsourcing arrangements, and to assign responsibilities in relation to the appointment, coordination, supervision, oversight and ongoing monitoring of the service provider and underlying services.

The outsourcing policy applies to any services that are material to the Company's core activities, primarily those relating to underwriting, reinsurance, claims, investments, bookkeeping, accounting, financial reporting, and cash payments and receipts. The policy operates in conjunction with Pine's Fitness and Propriety policy as discussed in Section B.2, "Fit and proper requirements".

The outsourcing policy is approved and reviewed at least annually by the Board and revised as deemed appropriate.

The objectives of the outsourcing policy are to ensure that, inter alia:

- There is no material impairment in the quality of the Company's system of governance, risk profile, the Company's ability to fulfil its obligations to stakeholders, nor impede the effective supervision by regulators, as a result of outsourcing a key activity or Control Function;
- The Company's approved policies and procedures are adhered to by such service providers; and
- No material conflicts of interest result from outsourcing a key activity or Control Function.

The outsourcing policy incorporates, inter alia:

- Requirements to notify the CBI prior to outsourcing critical or important functions or activities and subsequent material developments with respect to those functions or activities;
- Procedures for performing appropriate due diligence of the service provider, such as fitness and propriety, resource adequacy and financial stability, adequacy of internal controls and risk management systems, impact on Pine's system of governance, potential conflicts of interest, and business continuity contingency plans;
- Documentation requirements supporting the due diligence in relation to Board appointments, the review of applicable SLAs, and compliance with the Company's policies relating to outsourced activities;
- Provisions for ensuring applicable risks arising from outsourcing are included in the risk register;
- Requirements for all outsourcing relationships to be governed by a written, legally binding SLA which clearly define the respective rights and obligations of the parties and incorporates certain key provisions such as services, deliverables, timelines, responsibilities, fee, payment terms, key performance indicators, dispute resolution processes, confidentiality, regulatory and external auditor access to records and on-site visits, business continuity contingency plans and termination;
- The Board's ultimate responsibility for the approval and termination of significant outsourcing arrangements; and
- The Board's annual review of the performance of outsourced service providers against the agreed SLA, including previously agreed key performance indicators.

B.7.2 Outsourced activities and services

Details of the principal roles and activities performed by third party service providers are shown in the table below. As noted earlier, no service providers have decision making authority on behalf of Pine.

Service Provider	Description of roles and activities
AIMD	**Financial management, corporate governance and company secretarial** • General bookkeeping, maintenance of accounting records, preparation of financial reports, annual audited IFRS financial statements, regulatory reporting, preparation and monitoring of budgets, banking, execution of Board approved investment transactions etc.; • Company secretarial support; • Preparation of Board materials and attendance at Board meetings; and • Maintaining security of company data. **Underwriting and claims management** • Underwriting activities including coordination of insurance renewals, premium invoicing and collection, and policy issuance; and • Claims processing, including notifications, case reserves, paid losses, and reinsurance recoveries, payment of claims, and the coordination with other service providers relating to claims and IBNE reserving. **Compliance** • Compliance Function and Head of Compliance Function.
AGRC	**Actuarial** • Actuarial Function and Head of Actuarial Function; and • IBNE reserving, premium funding, and capital adequacy calculations etc.; • Reinsurance broker for commercial arrangements.
Park	**Internal audit** • Head of Internal Audit Function. **Risk management** • Risk Management Function and Chief Risk Officer. **Underwriting and claims support** • Insurance and reinsurance program design, including pricing methodologies; and • Oversight of claims management process.

As noted in Section B.4, “Internal control system”, all roles and responsibilities are set out in the Company’s processes and controls documentation which apply to relevant service providers. As set out in Section B.5, “Internal Audit Function”, these controls are periodically reviewed as part of the internal audit program.

a. AIMD

Pine is managed by an independent captive insurance manager, AIMD, which is located in Ireland. AIMD is a subsidiary of Aon plc, a leading global provider of risk management, insurance and reinsurance consulting services.

AIMD is registered as an insurance intermediary and is regulated by the CBI. Fitness & Probity procedures are conducted for certain key individuals within AIMD that work with Pine.

b. AGRC

As described in more detail in Section B.6, "Actuarial Function", AGRC fulfils the responsibilities of the Actuarial Function and provides the Head of Actuarial Function, a senior member of staff within AGRC and an experienced, qualified Actuary who is a Fellow of the Society of Actuaries in Ireland and a Fellow of the Institute of Actuaries (UK).

The Board has overall responsibility for the Actuarial Function, with further oversight provided by the ARMC Committee. The Risk Management Function also interacts regularly with the Head of Actuarial Function.

c. Park

Park provides support to Pine and the Board, as set out in the table above, including the Risk Management and Internal Audit Control Functions and related Heads of such Functions. These services generally reflect that, as captive insurers of the same network of professional services firms, each Company has common goals and objectives and similar risks and approaches to managing those risks.

Specific roles and responsibilities are established in a Support Services Agreement between the parties as approved by the respective Boards of Pine and Park.

B.8 Assessment of adequacy of system of governance

The Board, with input and expertise from the captive insurance manager and the Risk Management and Compliance Functions, performs an annual assessment of the adequacy of Pine's system of governance, with due regards to Solvency II laws, regulations, and related guidance as well as the CBI Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015.

The Board's assessment is supplemented by periodic internal audit work and compliance activities.

Based on the most recent assessment, the Board has concluded that the system of governance is appropriate for the nature, scale and complexity of the Company.

C Risk Profile

C.1 Summary of risks

Pine is exposed to the following key risks:

- Non-life underwriting risk;
- Market risk;
- Credit risk;
- Liquidity risk; and
- Operational risk.

Pine seeks to manage underwriting risks primarily through (a) an actuarial pricing model that is continually updated to reflect the most recent loss experience of the policyholders, and (b) the purchase of reinsurance protection for both frequency and severity risks. Such reinsurances comprise excess of loss reinsurances with commercial reinsurers and quota share and stop loss reinsurances with Park.

The combined effect of these reinsurances is that Pine is not materially exposed to underwriting risk; in particular, Pine's maximum net underwriting loss for each policy year is capped in accordance with the terms of the stop loss reinsurance contracts. As such, Pine is not materially exposed to underwriting risk on a net of reinsurance basis; however, it has significant credit risk as a result of such reinsurances. This risk is mitigated through the use of between 30 and 40 commercial reinsurers in Europe, North America and Bermuda, each of whom must meet Board approved credit rating criteria (typically minimum ratings of A- from A.M Best or Standard & Poor's) and, for other reinsurances (including the quota share and stop loss from Park), the receipt of collateral to secure reinsurers' obligations to the Company.

As a result of the significant annual quota share reinsurances, the market risks associated with the investment of gross premiums written are effectively also transferred to Park. The residual amounts retained by Pine as well as its capital funds are invested in accordance with the "prudent person principle" as contemplated by Article 132 of the Solvency II Directive with the primary objectives being to preserve capital and maintain liquidity to meet claim obligations as they fall due. This is discussed further in Sections C.3 – C.5 below.

Each risk is considered in more detail below.

C.2 Underwriting risk

C.2.1 Key underwriting risks

The professional liability insurance provided by Pine is subject to potentially high severity claims which are complex and with a claims settlement process that extends for many years. For these reasons, professional liability insurance business is subject to highly volatile underwriting results from year to year and the profits or losses associated with specific policy years emerge over a long period of time. Such insurance is typically a cyclical business with years of adverse claims activity often followed by favourable years and vice versa.

As a result of these factors, significant judgement is involved in the estimation of ultimate losses and resulting technical provisions. The reliability of such estimates rests on the outcomes of relatively few claims involving substantial sums. Consequently, actual losses may deviate materially from amounts recorded.

Pine's primary underwriting risks and measures used to assess them, which have not materially changed over the period, can be broken down as follows:

- Pricing / exposure – the risks that (a) the ultimate frequency and/or severity of claims are significantly higher than those estimated in the Company's pricing model, and/or (b) the timing of loss payments are faster than currently estimated in the premium provisions, both resulting in an understatement of current premium provisions;
- Reserving – the risk that the ultimate frequency and/or severity of claims are significantly higher than those estimated in the current estimate of claims provisions, including IBNE, resulting in adverse development in ultimate loss estimates from prior policy years. Similarly, the timing of loss payments are faster than currently estimated in the discounting of claim provisions for Solvency II valuation purposes;
- Model error – the risks of inaccurate calculations or the use of inappropriate assumptions or methodologies in the actuarial models; and
- Data accuracy and reliability – the risk of using incomplete or inaccurate data in the actuarial models.

Pine's approach to managing and mitigating such risks is set out in Section C.2.3 below.

C.2.2 Risk concentrations

As a captive insurer, Pine's underwriting risks are concentrated on professional liability risks of a network of professional services firms that are primarily domiciled in the European Union and have similar risk characteristics.

C.2.3 Risk mitigation

a. Pricing risk

Pricing is based on an independent actuarial estimate of ultimate claim costs using the past loss history of the policyholders as well as relevant peer company data. The resulting estimates are discounted to their net present value as premiums are collected at policy inception, whereas claims will be settled over an extended period of time.

The actuarial estimate of ultimate claim costs reflects average claims conditions during the data capture period with the expectation that premiums collected over the long-term will approximate aggregate claims costs over the same period (referred to as the Control estimate). Recognizing that the current claims environment may be better or worse than the long-term average, the actuaries provide a range of reasonable funding estimates using more optimistic and more pessimistic assumptions with respect to claims frequency and claims severity.

The final aggregate premium determination by the Board also takes into account the current claims environment relative to longer-term averages, internal operating costs and reinsurance costs relative to expected investment income on capital funds, and an assessment of capital adequacy.

Aggregate premiums are reviewed by the Risk Management Function and the Head of Actuarial Function. This is to ensure the completeness and accuracy of data and to perform an assessment of the appropriateness and consistency of actuarial methodologies and assumptions, as well as the reasonableness of the results compared to prior years, and with due regard to recent observed claim trends and developments.

As there is insufficient credible claims data to perform actuarial analysis of premium funding separately for each individual policyholder, the premiums are initially determined in the aggregate for all Park and Pine policyholders. Such premiums are then allocated between policyholders, including those relating to Pine, based on a number of factors, including relative exposure base (policyholder revenues are used as a proxy), relative amounts of insurance cover and prior loss experience of each policyholder. Pricing reflects a reasonable market rate for the exposure being accepted.

The premium allocation methodology and any changes thereto are reviewed by the Pine Board, and periodically by internal auditors, for ongoing appropriateness and accuracy. The final schedule of premiums by policyholder is approved by Pine's Board. All subsequent adjustments to premium (i.e. prior year write-offs, endorsements for additional premium or return premium, etc.) require approval by the Pine Board.

See also details of Pine's further risk mitigation through the purchase of reinsurance protection as described in Section b. below.

b. Exposure risk

The overall insurance structure, limits and deductibles provided by Pine to each of its policyholders are presented to the Board for approval prior to policy issuance. Consideration of individual and aggregate risk exposure, capital adequacy and the risk mitigating techniques noted below are considered as part of this process.

Pine seeks to manage pricing and exposure risks through the purchase of significant reinsurance protection, including both frequency and severity risks. Such reinsurances comprise various layers of excess of loss reinsurances with commercial reinsurers and quota share and stop loss reinsurances with Park.

The combined effect of these reinsurances is that Pine is not materially exposed to underwriting risk, with Pine's maximum net underwriting loss for each policy year being capped in accordance with the terms of stop loss reinsurance contracts. As such, Pine's most significant risk relates to the creditworthiness of its reinsurers as addressed in Section C.4, "Credit Risk".

c. Reserving risk

Notwithstanding the high limits of insurance provided by Pine and resulting potentially volatile underwriting results, the risk of material adverse development in current claims provisions is limited due to the significant reinsurance protection outlined in Section b. above.

Other risk mitigation techniques to manage reserving risks are set out below:

(i) Case reserves

Specific case reserves are set on a claim by claim basis, using the Company's best estimate of the ultimate cost (including related defence costs) of each individual open matter. The reserves reflect input of external claims advisors that specialize in professional liability litigation.

The Board is responsible for reviewing recommended changes to specific case reserves.

(ii) IBNE

Pine complements its case-specific reserves with an IBNE reserve based on the results of semi-annual independent actuarial studies. The actuaries prepare a Control estimate (also known as the best, central or mean value estimates) of the expected ultimate loss estimates under long-term average claim conditions. This represents the probability weighted average of the range of modelled possible outcomes. To calculate the IBNE reserve, the actuaries then apply an emergence pattern, based on past loss history, to estimate how much of the ultimate loss has still to emerge beyond the currently known reported losses.

The IBNE studies are reviewed by the Head of Actuarial Function and the Risk Management Function to ensure the completeness and accuracy of the data used in the study and to perform an assessment of the appropriateness of actuarial methodologies and assumptions, as well as the reasonableness of the results compared to observed claim trends and developments. Details of the actuarial assumptions and methodologies are set out in Section D.2, "Technical Provisions".

The IBNE studies are presented to the ARMC Committee and Board with an analysis of key actuarial drivers and other changes in ultimate loss estimates from the prior year.

Pine's Head of Actuarial Function certifies the adequacy of the total technical provisions at each fiscal year end and issues the AOTP, and the more detailed annual ARTP, which are filed with the CBI following review by the ARMC Committee and Pine Board.

(iii) Risk margin

To further mitigate the risk of adverse development in carried claims provisions, the Company records a risk margin, determined in accordance with Solvency II regulations, to reflect the inherent uncertainties of estimating the amount and timing of future claims payments (net of reinsurance recoveries) and to represent the 'market premium' that would need to be paid in order to transfer the Company's portfolio of net technical provisions to a third party.

d. Model error risk

A separate firm of actuarial specialists are engaged periodically to further review the actuarial methodology and assumptions used by the Company's independent actuaries in determining the Company's IBNE reserves. The results of such reviews are reviewed by the Risk Management Function and are reported to the ARMC Committee and Board and also reviewed by the Head of Actuarial Function.

e. Data accuracy and reliability risk

The policyholder claim data, primarily historical paid and reserved amounts, used in the actuarial analysis is reconciled to the accounting records maintained by Pine and Park, for their respective policyholders to ensure such information is complete and accurate. Such data is supplemented by claims data from other peer group organisations to enhance credibility of data and reliability of results.

Underwriting risks are monitored continuously throughout the year by the Risk Management Function and reported to the ARMC Committee and Board on a quarterly basis.

C.2.4 Risk sensitivity

The Company carries out stress and scenario testing as part of the ORSA process, including the potential impact of claim activity significantly above long-term averages, the impact of adding new

policyholders with significant premium volumes and a combination of the claim and premium stresses. Due to the significant reinsurance protections in place as described in Section b. above, Pine would meet its SCR and overall capital risk appetite under such stress scenarios for the next several years, save for extreme cases at the end of the business planning period. The Board has identified corrective action steps should such stress events occur.

C.3 Market risk

C.3.1 Risk exposure and concentrations

As a result of the limited net underwriting retention, and in particular the quota share reinsurance contract with Park, the market risks associated with the investment of gross premiums written are largely transferred to reinsurers. The residual market risks relate to the investments underlying Pine's net technical provisions and capital funds.

Pine's primary market risks and measures used to assess them, which have not changed materially over the period, are as follows:

- Currency risk – Pine's functional currency is the USD and the insurance premiums and policy limits are also denominated in USD. However, the majority of the claims costs are incurred in Euros. As such, Pine is exposed to the strengthening of the Euro against the USD as changes in such foreign currency exchange rates will increase the carrying value of the Company's technical provisions; and
- Interest rate risk - Pine's fixed-income securities will decline in value if interest rates increase. Conversely, the fair value of Pine's technical provisions will increase if interest rates decline.

The Company's approach to managing such risks is set out below in Section C.3.2, "Risk Mitigation".

In addition, the Board approved investment strategy ensures that investments are properly identified, measured, monitored, managed, controlled and reported, and that the resulting market risks are appropriately taken into account in the assessment of Pine's overall solvency needs. Furthermore, the investment strategy does not permit investment in (a) derivative financial instruments, (b) non-routine or securitized investments, (c) assets not admitted for trading on a regulated financial market or (d) securitized instruments. Additionally, the Company's investments cannot be pledged or otherwise encumbered.

C.3.2 Risk mitigation

Pine's investment strategy takes into account the nature and characteristics of its insurance business and its primary objectives of preserving capital and ensuring sufficient liquidity to meet claims obligations as they fall due.

Assets held in relation to obligations to the policyholders (including claims and premium provisions) are invested prudently in a "Matched Portfolio" of high-quality, liquid government securities and cash equivalents that replicate the characteristics of Pine's claims provisions in terms of amount, currency and duration so as to manage the resulting foreign currency and interest rate risks outlined in Section C.3.1 above within the Board approved risk targets and risk tolerances, which are reviewed at least quarterly. More specifically:

a. Currency risk

The Company expects that significantly all of its claims liabilities will be incurred and settled in Euros. As such, assets used to match obligations to the policyholders are invested in Euro denominated Sovereign Debt securities and cash equivalents with a target aggregate investment value equal to the current Euro carrying value of net technical provisions.

b. Interest rate risk

Assets used to match obligations to the policyholders are invested in securities and cash equivalents with a target average duration that matches the estimated duration of the carrying value of net technical provisions. The duration of the net technical provisions is derived from the most recent IBNE analysis using the estimated loss settlement pattern provided by the independent actuaries.

Investments of the Company's own (capital) funds are generally invested in US Treasuries of relatively short duration with the primary objective of preserving capital through minimization of credit, interest rate and foreign currency risks. The Board has set currency and duration risk targets and risk tolerances which are reviewed at least quarterly.

Market risks are monitored continuously throughout the year by the Risk Management Function and reported to the Board and ARMC Committee on a quarterly basis. As part of this process, the effectiveness of the currency and duration matching techniques outlined above are assessed with investment portfolios rebalanced as deemed necessary by the Board.

C.3.3 Risk sensitivity

Stress and scenario testing of market risks are considered as part of the ORSA process. For the 2019 ORSA, market risks were considered immaterial given (a) the relatively limited size of the investment portfolio, and (b) the asset-liability matching techniques and other risk mitigation activities noted above.

C.4 Credit risk

C.4.1 Risk exposure

Pine's primary credit risks and measures used to assess them, which have not materially changed over the period, can be broken down as follows:

- Reinsurance – the substantive reliance on reinsurance as noted above in Section C.2.3, "Risk Mitigation", exposes Pine to significant credit and concentration risk relating to the reinsurers' willingness and ability to settle amounts recoverable as and when they fall due. The risk is exacerbated by the fact that the long-tail nature of the business means that there is a significant time period between the date of reinsurance placement and the future dates as to which amounts may become recoverable;
- Investments – the risk that the counterparty to a financial instrument will fail to discharge its obligation in full, or in part, and cause the Company to incur a financial loss. Changes in the economic environment can result in a widening of credit spreads which may adversely affect the fair value of Pine's fixed income securities. Pine's investment portfolio is concentrated in Eurozone Sovereign Debt and US Treasury fixed income securities; and
- Cash – the risk that the financial institutions holding Pine's deposits will fail to discharge its obligation in full or in part and cause the Company to incur a financial loss.

C.4.2 Risk concentrations and mitigation

a. Reinsurance

Given the significance of the reinsurance arrangements to the effectiveness of Pine's risk management strategy and resulting capital adequacy, all reinsurance is placed only with reinsurers of high credit quality and/or where such reinsurers provide adequate security or other protection to mitigate Pine's exposure to credit risk.

(i) Commercial reinsurance arrangements

In the first instance, Pine is able to collect reinsurance from the commercial reinsurance program. Commercial reinsurers must meet minimum financial strength and other criteria in order to be accepted on the program. The financial strength of such reinsurers is then monitored on a regular basis. The commercial reinsurance wordings include various impairment provisions which allow Pine to terminate the coverage or seek collateral if certain triggers are met.

The credit ratings of the commercial reinsurers are monitored by the captive insurance manager in conjunction with the reinsurance broker and with support from the Risk Management Function and Head of Actuarial Function. The credit ratings are reported to the Board at least annually and more frequently if there are significant financial rating downgrades or warnings.

There are typically between 30 and 40 reinsurers on the program in any one policy year so as to reduce potential concentration risk to any reinsurer over all open policy years. The Risk Management Function considers concentration risk to any individual reinsurer or affiliated group of reinsurers and issues a report to the Board prior to the reinsurance renewal, including assessments on a 'Limits Exposed' basis (i.e. total limits reinsured) and on an 'incurred losses' basis (i.e. current estimates losses recoverable comprising specific case reserves and IBNE reserves).

(ii) Other reinsurance arrangements

The Board approves all non-commercial reinsurers after considering their current financial position. Most significantly, the above commercial reinsurance is supplemented by quota share and stop loss reinsurances provided by Park. This exposes Pine to material credit and concentration risk, albeit substantially mitigated by the fact that Park collateralizes its reinsurance obligations to Pine (including IBNE) measured in accordance with Solvency II valuation principles. To the extent collateralized, the net counterparty default risk charge for reinsurance obligations is considerably reduced.

b. Investments

Credit risk arising from investments is primarily mitigated through investing in highly rated Eurozone Sovereign Debt and US Treasuries and by diversifying the Euro denominated securities across multiple countries in-line with Board approved investment allocation targets.

The Company reviews its Eurozone country target and actual allocations for government bonds annually or more frequently to the extent there are unforeseen economic events or changes in yields.

c. Cash

In order to minimize credit and concentration risk, the target maximum amount of cash and cash equivalents that can be held with any one financial institution is subject to Board approved risk targets and tolerances. All financial institutions holding Pine's cash and cash equivalents must have a minimum short-term financial strength rating as approved by the Board.

C.4.3 Risk sensitivity

Stress and scenario testing of credit risks are considered as part of the ORSA process. In prior ORSAs, credit risks have been assessed by assuming a downgrade of the credit quality steps for the investments, commercial reinsurance exposures and assets supporting collateral provided. The analysis demonstrated that the Company can withstand severe counterparty rating downgrades. This is primarily because the most significant reinsurance protection, which is provided by Park, is fully collateralized as noted in Section C.4.2(a)(ii) above.

C.5 Liquidity risk

C.5.1 Risk exposure and concentrations

Liquidity risk may arise from Pine having insufficient cash resources to pay claim and other obligations as they fall due without incurring a material cost or loss to sell other available assets.

As noted below, Pine does not consider itself to have material liquidity risk concentrations and such risks have not materially changed during the period.

C.5.2 Risk mitigation

All investments are in highly liquid Eurozone Sovereign Debt and US Treasuries. Further, such investments reflect the estimated duration of the Company's claims provisions with a spread of maturity dates over the next several years. In addition, the inter-company reinsurance arrangements incorporate provisions to ensure reinsurance recoveries are executed on a simultaneous settlement basis so that Pine has the necessary funding to meet its gross claim obligations.

Pine also holds sufficient funds in short-term money market funds and bank accounts to meet annual operating expenses and to act as a buffer in case claims payments become due sooner than anticipated.

Liquidity is reported to the Board on an ongoing basis to ensure compliance with approved risk targets and risk tolerances.

C.5.3 Risk sensitivity

Given that liquidity is not a material risk for the Company, no specific risk sensitivity testing is considered necessary.

C.5.4 Other information

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) of the Commission Delegated Regulation (EU) 2015/35 at 31 May 2020 is $nil (2019: $nil).

C.6 Operational risk

C.6.1 Risk exposure

Pine's primary operational risks, which have not materially changed over the period, are as follows:

- Process execution – the risk of process errors occurring in daily operations;

- Business continuity – the risk that Pine's operations are threatened or disrupted from natural and/or man-made hazards;
- Information technology and data security – the risk that the existing system infrastructure and related controls will not be sufficient to support operations or adequately safeguard confidentiality, availability and integrity of the Company's data;
- Fraud – the risk of misappropriation or mismanagement of the Company's assets and the risk of fraudulent financial reporting;
- Legal & regulatory risk – the risk that (a) Pine's policy terms and conditions do not comply with the local laws and regulations in the jurisdictions of its policyholders or may be overridden by mandatory requirements in such jurisdictions, (b) Pine does not comply with relevant legal or regulatory requirements (including taxation), and (c) Pine becomes involved in litigation with its policyholders, reinsurers, or other third parties relating to contractual disputes; and
- Key man/succession – the risk that the loss of a key Director or third-party service provider (including senior employee of a service provider), including Heads of Key Control Functions, has an adverse effect on Pine's ability to operate and meets its strategic objectives.

There have been no material changes in the measures used to assess operational risk during the period.

C.6.2 Risk concentration

To a certain degree there is a moderate level of risk concentration arising from the use of the outsourced business model with services primarily provided by the captive insurance manager. These risks are managed and mitigated through the means described in Section B.7, "Outsourcing".

C.6.3 Risk mitigation

The following describes Pine's risk mitigating activities with regard to its primary operational risks:

- Process execution risk – Pine generally has a low volume of transactions, reflecting the limited number of policies issued by the Company and the relatively low frequency of claims. Pine has developed written policies, procedures and responsibilities for each of its main operational areas. Pine's processes are also subject to periodic internal audit inspections;
- Business continuity risk – Given that Pine outsources its day-to-day management to the captive insurance manager, it is reliant on the captive insurance manager's disaster recovery plans which are subject to periodic self-testing and risk assessment/review by the Risk Management Function and the Internal Audit Function. The risk is further mitigated by the fact that Park, as parent, generally has sufficient information and knowledge to support or replace the captive insurance manager, at least in the short-term, in the performance of all key activities and processes. There has been no impact on the continuity or quality of captive management services provided to Pine as a result of the COVID-19 pandemic;
- Information technology and data security risks – Pine relies on the captive insurance manager's IT systems, albeit these are not complex. Systems access and data security controls are

documented by the captive insurance manager and subject to periodic risk assessment/review by the Risk Management Function and internal audit inspection;

- Fraud risk – the risk of misappropriation or mismanagement of the Company's assets is mitigated through (a) segregation of duties within the captive insurance manager, (b) the requirement for Board approval of all material contracts and payments, and (c) dual signatories for all significant payments. The risk of fraudulent financial reporting is mitigated by the review of all financial reporting by the Risk Management Function and the independent certification of technical provisions, which is the most significant judgement in preparing the financial statements;
- Legal & regulatory risk - Pine's Compliance Function monitors compliance with legal and regulatory requirements on a regular basis and formally reports any actual or potential breaches in relation thereto to the Board. Where appropriate, Pine seeks legal advice from its lawyers and other consultants on relevant insurance laws and regulations in the jurisdictions of its policyholders and also seeks advice with respect to any new legislation, regulations or complex issues or transactions. Significant contracts, including insurance policies and reinsurance contracts are reviewed periodically by external lawyers to minimize the risks of contractual disputes and unenforceability; and
- Key man/succession risk – Pine does not have any of its own employees so this risk pertains primarily to reliance on the captive insurance manager and its key personnel and the unexpected resignation or retirement of individual Directors. As noted above, Park generally has sufficient information and knowledge to support Pine in the event of the loss of key personnel at the captive insurance manager. Succession planning for the Board is performed primarily at Group level and through discussions between the Park and Pine Chairmen. Park, as sole shareholder, can nominate replacement Directors from its own Board and, indeed, a wider resource pool within the network of the member firms. Key man risk is mitigated by extensive Board involvement in Pine's operations. Appointed Heads of key Control Functions are members of staff of the outsourced service providers. Within each service provider, alternative members of staff that are familiar with Pine's operation, that have appropriate skills and experience, could perform the roles if required. Furthermore, viable alternative third party service providers that also have familiarity with Pine's operations could be appointed if necessary. Viable alternatives for third party service providers are reviewed periodically by the Pine Board.

C.6.4 Risk sensitivity

Given that operational risks are not a material risk for the Company, no specific risk sensitivity is provided.

C.7 Other material risks

No further material risks.

D Valuation for Solvency Purposes

The adjustments made to revalue IFRS financial statement amounts in accordance with Solvency II fair valuation principles are relatively straightforward, largely relating to the classification and valuation of technical provisions. Quarter end closing procedures to calculate Solvency II amounts have been built into the Company's workflows, including reviews by the Risk Management Function and ARMC Committee.

D.1 Assets

A reconciliation between the carrying values of assets in the IFRS financial statements and the valuations in accordance with Solvency II principles is shown below:

$000s 31 May 2020	Financial statements valuation	Reclass	Solvency II revaluation	Solvency II valuation
Investments	35,775	(3,153)	-	32,622
Cash & cash equivalents	641	3,153	-	3,794
Other assets	172	(172)		-
Total	**36,588**	**(172)**		**36,416**

There have been no material changes made to the recognition and valuation bases used or to estimations during the reporting period. Further detail on each asset class is provided in the sections below.

D.1.1 Investments

Investments comprise the following:

$000s 31 May 2020	Financial statements valuation	Reclass	Solvency II valuation
Fixed income securities	32,527	-	32,527
Cash & cash equivalents	3,077	(3,077)	-
Accrued interest	171	(76)	95
Total investments	**35,775**	**(3,153)**	**32,622**

For the purpose of the IFRS financial statements, cash and cash equivalents included in the Company's investment accounts are classified in the balance sheet as investments as they are held for re-investment purposes rather than for the purpose of meeting short-term cash commitments. For solvency valuation purposes, these assets are reclassified as cash and cash equivalents.

Under IFRS, the Company classifies its fixed income securities as fair value through profit or loss ("FVTPL"). The Company's fixed income securities consisted of US Treasuries and Eurozone Government Bonds. The valuation techniques used by the Company to determine their fair value are described below:

US Treasuries: The fair values of the U.S. Treasuries are based on quoted market prices in active markets, as supplied to Pine via its investment custodian and manager. The Company believes the market for U.S. Treasuries is highly liquid and actively traded market given the high level of daily trading volume.

Eurozone Government Bonds: The fair values of Eurozone Government bonds are based on prices obtained from brokers/dealers and international indices, as supplied to Pine via its investment custodian and manager.

D.1.2 Cash and cash equivalents

A reconciliation between the IFRS financial statements and the valuation for solvency purposes is shown below:

$000s 31 May 2020	Financial statements valuation	Reclass	Solvency II valuation
Cash & cash equivalents	641	3,153	3,794

The above reflects the other side of the reclassification referred to in Section D.1.1.

Cash and cash equivalents are carried at fair value. Cash is comprised of cash on deposit with banks. Cash equivalents comprise money market funds, certificates of deposit, and other short-term highly liquid investments with an original maturity of three months of less.

At 31 May 2020, cash and cash equivalents includes an amount of $250,000 received from one of Pine's reinsurers as collateral for its reinsurance obligations These funds are held in a segregated account and are restricted as to use. Interest earned on the account accrues to the benefit of the reinsurer. Pine is only entitled to draw down on funds in the account to effect reimbursement of claim payments that are subject to these reinsurance arrangements. The funds are repayable to the reinsurer if not needed for this purpose. This obligation to repay is included in Other Liabilities; see Section D.3.

D.1.3 Other assets

A reconciliation between IFRS financial statements and the valuation for solvency purposes is shown below:

$000s 31 May 2020	Financial statements valuation	Solvency II revaluation	Solvency II valuation
Other assets	172	(172)	-

Other assets are not considered material. No deferred tax assets have been recognised.

D.2 Technical provisions

A reconciliation between IFRS financial statements and the valuation for Solvency II purposes is shown below:

$000s 31 May 2020	Financial statements valuation	Future claim events less future premium receipts	Discounting and credit default adjustments	Other Solvency II revaluation	Solvency II valuation
Premium provisions	-	15,552	271	157	15,980
Best estimate of claims provisions	121,269	-	928	534	122,731
Risk margin	-	-	-	1,858	1,858
Gross technical provisions	**121,269**	**15,552**	**1,199**	**2,549**	**140,569**
Reinsurers' share of premium provisions	-	(14,371)	(233)	-	(14,604)
Reinsurers' share of best estimate of claims provisions	**(110,917)**	-	(771)	(165)	(111,853)
Reinsurers' share of technical provisions	**(110,917)**	**(14,371)**	**(1,004)**	**(165)**	**(126,457)**
Net technical provisions	**10,352**	**1,181**	**195**	**2,384**	**14,112**

The following have not been adopted or applied:

- Matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; and
- Transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Further details on each component of technical provisions are provided in the sections below.

There have been no material changes made to the recognition and valuation bases used or to estimations during the reporting period.

D.2.1 Premium provisions: Gross and reinsurers' share

Premium provisions comprised of:

$000s 31 May 2020	Financial statements valuation	Future claim events less future premium receipts	Discounting and credit default adjustments	Other Solvency II revaluation	Solvency II valuation
Gross	-	15,552	271	157	15,980
Reinsurers' share	-	(14,371)	(233)	-	(14,604)
Net premium provisions	-	**1,181**	**38**	**157**	**1,376**

The Company's insurance policies and reinsurance contracts are coterminous with the financial year end. Consequently, in the IFRS financial statements the unexpired portion of the premiums relating to incepted contracts is $nil.

At the valuation date, the Company was sufficiently committed to renewing its insurance policies and reinsurance contracts on 1 June 2020 (collectively "unincepted contracts") and so for Solvency II valuation purposes, gross premium provisions are established to reflect the expected present value of the future cash inflows and outflows relating to these arrangements. Cash flows include the future premiums and estimated ultimate future claim costs for both the insurance and reinsurance arrangements.

Refer to Section C.2.3 (a), "Pricing risk", for details of the premium setting approach.

The expected present values have been discounted using prescribed rates and methodologies to allow for the time value of money, according to the period over which claims are expected to settle[10].

Included within the gross premium provisions is an estimate for cash flows arising from expenses (both allocated and overheads) that will be incurred in servicing the insurance obligations during their lifetime. These have been projected on an inflation adjusted, ongoing business basis; that is, assuming that new business will be written in the future.

In-line with Article 61 of Commission Delegated Regulation (EU) 2015/35, a simplified calculation of the best estimate allowance for counterparty default on risk mitigating contracts has been applied to

[10] Due to negative interest rates, discounting increases value of the provisions.

the reinsurers' share of the premium provisions. The counterparty default adjustment reflects the estimated present value of the loss given counterparty default, weighted by the probability of default for each counterparty. Default events during the whole run-off period of the recoverables have been considered. Risk mitigation techniques have been taken into account, such as the provision of collateral by reinsurers, after taking account of any credit risk associated with the collateral assets.

D.2.2 Best estimate of claims provisions: Gross and reinsurers' share

Gross and reinsurers' share of the best estimate of claims provisions consist of:

$000s **31 May 2020**	**Financial statements valuation**	**Discounting and credit default adjustments**	**Other Solvency II revaluation**	**Solvency II valuation**
Gross	121,269	928	534	122,731
Reinsurers' share	(110,917)	(771)	(165)	(111,853)
Best estimate of net claims provisions	10,352	**157**	**369**	**10,878**

Similar to most insurance companies, the most critical estimate in the preparation of Pine's financial statements relate to the valuation of claims provisions. The estimation of the Company's ultimate liability for claims costs requires significant judgement due to the potential high severity of claims, which are complex and with a claims settlement process that extends for many years.

Gross claims provisions comprise the following:

- Case Reserves - Specific case reserves are set on a claim by claim basis, using the Company's best estimate of the ultimate cost (including related defence costs) of each individual open matter. The reserves reflect input of external claims advisors that specialize in professional liability litigation.

- IBNE Reserves - The case reserves noted above reflect the current facts and circumstances of the underlying claims, each of which will be at varying stages of investigation, defence, and litigation proceedings. Additional information will become available as the claim progresses through final resolution and the reserves are re-estimated as such information emerges over the life of the claim.

  Recognizing that the ultimate cost of defending and resolving open claim matters will deviate, perhaps materially, from current case reserve estimates, the Company also establishes an IBNE reserve based on an independent actuarial analysis of historical claim cost development of the Group's policyholders and peer company data.

  The IBNE estimation process assesses a wide range of possible outcomes in resolving each of the open claims.

The IBNE reserves recorded by the Company are equal to the Control estimate (also referred to as the expected, best, central or mean estimate) which reflects the probability weighted average of the range of possible outcomes under long-term average claim conditions.

- Expense provision – For the purpose of preparing its IFRS financial statements, the Company records an unallocated loss adjustment expenses ("ULAE") provision which largely reflects claims management, monitoring and reporting expenses which are directly assignable to individual claims, contracts or transactions. Under Solvency II valuation principles, the estimate includes broader administrative overhead.

The claim provisions are not discounted for the time value of money in the IFRS financial statements. However, for Solvency II valuation purposes, the provisions are discounted in-line with prescribed rates and methodologies[11].

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, in respect of claims costs already paid by the Company that fall within the scope of the reinsurance arrangements, as well as longer term recoverables that relate to the case and IBNE reserves currently recorded by the Company. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance policies noted above.

Consistent with the premium provisions discussed in Section D.2.1 above, a counterparty default adjustment has been incorporated into the valuation of the reinsurers' share of technical provisions. In-line with Article 61 of Commission Delegated Regulation (EU) 2015/35, a simplified calculation of the best estimate allowance for counterparty default risk has been applied using the present value of the loss given counterparty default, weighted by the probability of default for each counterparty. Default events during the whole run-off period of the recoverables have been considered. Risk mitigation techniques have been taken into account, such as the provision of collateral by reinsurers, after incorporating any credit risk associated with the underlying collateral assets.

D.2.3 Risk margin

The risk margin is intended to represent the additional amount, or 'market premium', that would need to be paid in order to transfer the Company's portfolio of net technical provisions to a third party. It is calculated based on the discounted cost of capital that would be needed to support the full run-off of such obligations. This approach assumes a prescribed cost of capital, which is applied to the Company's estimated SCR in each year of the run-off period.

As a monoline insurer, it is not necessary to allocate the risk margin across other lines of insurance business.

[11] Due to negative interest rates, discounting increases value of the provisions.

D.3 Other liabilities

A reconciliation between IFRS financial statements and the valuation for solvency purposes is shown below:

$000s 31 May 2020	Financial statements valuation	Reclass	Solvency II revaluation	Solvency II valuation
Deposits from reinsurers	-	250	-	250
Other liabilities	766	(250)	(179)	337
	766	**-**	**(179)**	**587**

The reclassification of deposits from reinsurers from other liabilities relates to the funds received from one of its reinsurers to secure certain reinsurance obligations as discussed in D.1, “Assets” above and reflects Pine’s obligation to repay such funds if not needed for the designated purpose. There are no other material differences between the valuation or classification bases in the IFRS financial statements and Solvency II for other liabilities.

D.4 Alternative methods for valuation

Alternative methods for valuation have not been adopted.

D.5 Other information

No further material information regarding the Company’s valuation for solvency purposes.

E Capital Management

E.1 Own funds

E.1.1 Own funds management

Pine has a capital management policy in place to assess capital adequacy and potential future capital needs over a three to five-year business planning time horizon. The objectives of the policy are to ensure that own fund items satisfy the Solvency II criteria to be treated as eligible own funds and the Company has sufficient own funds to meet its capital requirements under Solvency II over the medium-term. The Company also maintains a medium-term capital plan to ensure ongoing capital adequacy in support of the Company's business plan and related financial projections as well as under realistic stress scenarios. Both the capital management policy and capital plan are reviewed, updated, and approved by the Board, at least annually.

E.1.2 Own funds summary

Pine's own funds position is as follows:

$000s	**31 May 2020**			**31 May 2019**		
	Total	**Tier 1 - unrestricted**	**Tier 3**	**Total**	**Tier 1 - unrestricted**	**Tier 3**
Ordinary share capital	1,500	1,500	-	1,500	1,500	-
Reconciliation reserve	9,467	9,467	-	8,108	8,108	-
Other own funds	10,750	10,750	-	10,750	10,750	-
Net deferred tax assets		-		442	-	442
Total basic own funds	**21,717**	**21,717**		**20,800**	**20,358**	**442**
Available and eligible own funds:						
To meet the SCR	21,717	21,717	-	20,800	20,358	442
To meet the MCR	21,717	21,717	-	20,358	20,358	-
SCR	6,334			6,652		
MCR	4,116			4,123		
Ratio of eligible own funds to SCR	343%			313%		
Ratio of eligible own funds to MCR	528%			494%		

The increase in own funds during the year ended 31 May 2020 can largely be explained by the decrease in ultimate loss estimates for prior policy years due to the continued favourable claims environment.

Ordinary share capital comprises the following:

$000s	31 May 2020	31 May 2019
Authorised:		
10,000,000 ordinary shares of $1 par value each	10,000	10,000
Allotted, called up and fully paid:		
1,500,000 ordinary shares of $1 par value each	1,500	1,500

The reconciliation reserve comprises the following:

$000s	31 May 2020	31 May 2019
Retained earnings per the IFRS financial statements	13,220	11,644
Adjustment from IFRS to Solvency II valuations as per Section E.1.3 below	(3,753)	(3,536)
Reconciliation reserve for Solvency II purposes	**9,467**	**8,108**

Other own funds as approved by the CBI for inclusion in Tier 1 own funds comprise[12]:

$000s	31 May 2020	31 May 2019
Capital contribution from parent	10,750	10,750

E.1.3 Reconciliation of shareholder's equity per the IFRS financial statements and excess of assets over liabilities for solvency purposes

$000s	31 May 2020	31 May 2019
Shareholder's equity per the financial statements	**25,470**	**23,894**
Net premium provisions	(1,376)	(1,379)
Discounting and counterparty credit default adjustments to net technical provisions	157	(20)
Risk margin	(1,858)	(1,803)
Other adjustments	(676)	108
Excess of assets over liabilities for solvency purposes	**21,717**	**20,800**

The material reconciling items noted above, which remain consistent with the prior year, are explained as follows:

- Net premium provisions: See Section D.2.1 for an explanation of the difference between unearned premium reserve in the IFRS financial statements and the premium provisions when valued for solvency purposes (including reinsurers' share).

[12] Such amounts may only be distributed to the shareholder with the prior approval of the CBI.

- Discounting and counterparty default adjustments to net technical provisions: No discounting is applied in the IFRS financial statements.
- Risk margin: See Section D.2.3, "Risk Margin".

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

Pine's SCR is as follows:

$000s	31 May 2020	31 May 2019
Non-Life underwriting risk	4,425	4,592
Counterparty default risk	671	733
Market risk	261	390
Diversification benefit	(485)	(598)
Basic SCR	**4,872**	**5,117**
Operational risk	1,462	1,535
SCR	**6,334**	**6,652**

Pine has adopted the Solvency II standard formula for determining its SCR and has not made use of partial internal models, simplifications or undertaking-specific parameters. No adjustment for the loss-absorbing capacity of deferred taxes has been made.

E.2.2 Minimum Capital Requirement

Pine's MCR is as follows:

$000s	31 May 2020	31 May 2019
Linear MCR	1,469	1,548
SCR	6,334	6,652
MCR cap	2,850	2,993
MCR floor	1,583	1,663
Combined MCR	**1,583**	**1,663**
Absolute floor	4,116	4,123
MCR	**4,116**	**4,123**

With the exception of the Absolute floor, all components of the MCR calculation are a function of the SCR which is considered in Section E.2.1, "Solvency Capital Requirement". The change in the absolute floor is driven solely by movements in the Euro:USD exchange rates.

E.3 Use of duration based equity risk sub-module in the Solvency Capital Requirement

The Company does not use the duration based equity risk sub-module in the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

Pine has adopted the Solvency II standard formula for determining its SCR and has not made use of partial internal models, simplifications or undertaking-specific parameters.

E.5 Compliance with the MCR and SCR

The company has complied with its SCR and MCR during the period.

E.6 Other information

No further material information regarding the Company's capital management.

Appendix 1 – Quantitative Reporting Templates

- Contents page
- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-life insurance claims
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement
- S.28.01.01 - Minimum Capital Requirement

Note: Non-disclosure of "S.05.02.01 - Premiums, claims and expenses by country" has been permitted by the CBI in order to comply with obligations to policyholders binding Pine to confidentiality.

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

		C0010
		Solvency II value
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	32,622
R0080	Property (other than for own use)	
R0090	Holdings in related undertakings, including participations	
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	32,622
R0140	Government Bonds	32,622
R0150	Corporate Bonds	
R0160	Structured notes	
R0170	Collateralised securities	
R0180	Collective Investments Undertakings	
R0190	Derivatives	
R0200	Deposits other than cash equivalents	
R0210	Other investments	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	Loans on policies	
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	
R0270	Reinsurance recoverables from:	126,457
R0280	Non-life and health similar to non-life	126,457
R0290	Non-life excluding health	126,457
R0300	Health similar to non-life	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	
R0330	Life excluding health and index-linked and unit-linked	
R0340	Life index-linked and unit-linked	
R0350	Deposits to cedants	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	3,794
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	162,873

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

		C0010 Solvency II value
Liabilities		
R0510	Technical provisions – non-life	140,570
R0520	Technical provisions – non-life (excluding health)	140,570
R0530	Technical provisions calculated as a whole	
R0540	Best Estimate	138,711
R0550	Risk margin	1,858
R0560	Technical provisions - health (similar to non-life)	0
R0570	Technical provisions calculated as a whole	
R0580	Best Estimate	
R0590	Risk margin	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	Technical provisions - health (similar to life)	0
R0620	Technical provisions calculated as a whole	
R0630	Best Estimate	
R0640	Risk margin	
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	Technical provisions calculated as a whole	
R0670	Best Estimate	
R0680	Risk margin	
R0690	Technical provisions – index-linked and unit-linked	0
R0700	Technical provisions calculated as a whole	
R0710	Best Estimate	
R0720	Risk margin	
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	250
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	194
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	
R0880	Any other liabilities, not elsewhere shown	143
R0900	Total liabilities	141,156
R1000	**Excess of assets over liabilities**	21,717

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110								22,446	
Gross - Prop reinsurance accepted	R0120									
Gross - Non-Prop reinsurance accepted	R0130									
Reinsurers' share	R0140								20,864	
Net	R0200	0	0	0	0	0	0	0	1,582	0
Premiums earned										
Gross - Direct Business	R0210								22,446	
Gross - Prop reinsurance accepted	R0220									
Gross - Non-Prop reinsurance accepted	R0230									
Reinsurers' share	R0240								20,864	
Net	R0300	0	0	0	0	0	0	0	1,582	0
Claims incurred										
Gross - Direct Business	R0310								-8,275	
Gross - Prop reinsurance accepted	R0320									
Gross - Non-Prop reinsurance accepted	R0330									
Reinsurers' share	R0340								-7,861	
Net	R0400	0	0	0	0	0	0	0	-414	0
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Prop reinsurance accepted	R0420									
Gross - Non-Prop reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550								766	
Other expenses	R1200									
Total expenses	R1300									

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				TOTAL
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110								22,446
Gross - Prop reinsurance accepted	R0120								0
Gross - Non-Prop reinsurance accepted	R0130								0
Reinsurers' share	R0140								20,864
Net	R0200	0	0	0	0	0	0	0	1,582
Premiums earned									
Gross - Direct Business	R0210								22,446
Gross - Prop reinsurance accepted	R0220								0
Gross - Non-Prop reinsurance accepted	R0230								0
Reinsurers' share	R0240								20,864
Net	R0300	0	0	0	0	0	0	0	1,582
Claims incurred									
Gross - Direct Business	R0310								-8,275
Gross - Prop reinsurance accepted	R0320								0
Gross - Non-Prop reinsurance accepted	R0330								0
Reinsurers' share	R0340								-7,861
Net	R0400	0	0	0	0	0	0	0	-414
Changes in other technical provisions									
Gross - Direct Business	R0410								0
Gross - Prop reinsurance accepted	R0420								0
Gross - Non-Prop reinsurance accepted	R0430								0
Reinsurers' share	R0440								0
Net	R0500	0	0	0	0	0	0	0	0
Expenses incurred	R0550								766
Other expenses	R1200								
Total expenses	R1300								766

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

		Line of Business for: life insurance obligations						Life reinsurance obligations		TOTAL
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									0
Reinsurers' share	R1420									0
Net	R1500	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	R1510									0
Reinsurers' share	R1520									0
Net	R1600	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	R1610									0
Reinsurers' share	R1620									0
Net	R1700	0	0	0	0	0	0	0	0	0
Changes in other technical provisions										
Gross	R1710									0
Reinsurers' share	R1720									0
Net	R1800	0	0	0	0	0	0	0	0	0
Expenses incurred	R1900									0
Other expenses	R2500									
Total expenses	R2600									0

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

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' 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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	R0010												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050												
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060								15,980				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								14,604				
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	0	0	0	1,376	0	0	0	0
Claims provisions													
Gross	R0160								122,731				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240								111,853				
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	0	0	0	10,878	0	0	0	0
Total Best estimate - gross	R0260	0	0	0	0	0	0	0	138,711	0	0	0	0
Total Best estimate - net	R0270	0	0	0	0	0	0	0	12,254	0	0	0	0
Risk margin	R0280								1,858				
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	0	0	0	0	0	0	0	140,570	0	0	0	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	0	0	0	126,457	0	0	0	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	0	0	0	14,112	0	0	0	0

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

		Accepted non-proportional reinsurance				TOTAL
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050					0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060					15,980
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					14,604
Net Best Estimate of Premium Provisions	R0150	0	0	0	0	1,376
Claims provisions						
Gross	R0160					122,731
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					111,853
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	10,878
Total Best estimate - gross	R0260	0	0	0	0	138,711
Total Best estimate - net	R0270	0	0	0	0	12,254
Risk margin	R0280					1,858
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					0
Best estimate	R0300					0
Risk margin	R0310					0
Technical provisions - total						
Technical provisions - total	R0320	0	0	0	0	140,570
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	0	0	126,457
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	0	0	0	14,112

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

Gross Claims Paid (non cumulative absolute amount)

		0	0	0	0	0	0	0	0	0	0	10+	Current year	All years
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100												0	0
N-9	R0160												0	0
N-8	R0170				2,499								0	2,499
N-7	R0180								362				362	362
N-6	R0190												0	0
N-5	R0200						1,792						1,792	1,792
N-4	R0210			415	-415								0	0
N-3	R0220												0	0
N-2	R0230												0	0
N-1	R0240												0	0
N	R0250												0	0
												Total	2,153	4,653

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

		0	0	0	0	0	0	0	0	0	0	0	Year End (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											5,045	5,071
N-9	R0160	36,954	29,446	20,531	13,221	10,516	6,010	3,681	2,310	1,245	744		750
N-8	R0170	31,143	25,038	13,728	10,976	24,606	25,198	24,906	22,461	1,000			1,008
N-7	R0180	28,443	18,134	13,309	8,945	7,759	5,735	3,780	1,717				1,730
N-6	R0190	19,167	17,180	13,562	9,591	7,349	5,060	3,119					3,142
N-5	R0200	19,998	23,350	18,775	15,548	13,121	11,043						11,144
N-4	R0210	21,915	19,963	15,061	12,992	19,591							19,796
N-3	R0220	22,445	19,797	14,769	8,195								8,248
N-2	R0230	22,807	21,365	14,502									14,591
N-1	R0240	31,507	25,937										26,102
N	R0250	30,910											31,150
												Total	122,731

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,500	1,500			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	9,467	9,467			
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	10,750	10,750			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	21,717	21,717	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	21,717	21,717	0	0	0
Total available own funds to meet the MCR	R0510	21,717	21,717	0	0	
Total eligible own funds to meet the SCR	R0540	21,717	21,717	0	0	0
Total eligible own funds to meet the MCR	R0550	21,717	21,717	0	0	
SCR	R0580	6,334				
MCR	R0600	4,116				
Ratio of Eligible own funds to SCR	R0620	3.428859304				
Ratio of Eligible own funds to MCR	R0640	5.276624131				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	21,717
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	12,250
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	9,467
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0

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

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0040	C0090	C0100
Market risk	R0010	261		
Counterparty default risk	R0020	671		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	4,425		
Diversification	R0060	-485		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	4,872		

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	1,462
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	6,334
Capital add-on already set	R0210	
Solvency capital requirement	R0220	6,334
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 - MCR (In thousands of USD)

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	1,469

Background information		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090	12,254	1,582
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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

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

Overall MCR calculation		C0070
Linear MCR	R0300	1,469
SCR	R0310	6,334
MCR cap	R0320	2,850
MCR floor	R0330	1,583
Combined MCR	R0340	1,583
Absolute floor of the MCR	R0350	4,116
Minimum Capital Requirement	R0400	4,116