

Vital Blue Insurance DAC

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

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Executive Summary

The new, harmonized EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by (re)insurers.

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

Company Background

Vital Blue Insurance DAC is a company incorporated in Ireland and authorised by the Central Bank of Ireland to carry out the following classes of non-life (re)insurance business:

- Class 7: Goods in Transit;
- Class 8: Fire and Natural Forces;
- Class 9: Other Damage to Property;
- Class 10: Motor Vehicle Liability
- Class 13: General Liability

The Company is a non-life captive (re)insurance undertaking that underwrites directly, and assumes by reinsurance, certain insurance risks of Baxter International Inc. Founded in November 2014, the Company writes property damage/business interruption ("Property program"), general/products liability, including clinical trials ("Casualty program"), marine cargo ("Transit program") and motor vehicle liability ("Auto liability program") risks.

Business and Performance

The Company made a profit for the year before tax in the amount of US\$2,180,271 (2019: profit of US\$3,400,423).

System of Governance

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

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

Outsourced Activities

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

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman (PCF-3)
	Compliance Function			
	Risk Management Function			
Baxter International Inc.	Internal Audit Function	External	USA	
Willis Towers Watson	Head of Actuarial Function	External	European Union	
Crawford & Company	Claims Administration	External	European Union	

Risk Profile

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

Risk	Capital Charge USD 2020	Capital Charge USD 2019
Non-life underwriting risk	30,240,338	30,618,579
Market risk	8,427,501	8,326,141
Counterparty default risk	9,810,165	6,289,961

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

Valuation for Solvency Purposes

The Company's assets and liabilities are valued on a best estimate basis under Solvency II methodology. This differs in some respects from the GAAP valuations presented in the financial statements. In particular, the technical provisions in the Solvency II balance sheet represent the present value of all future cash flows required to settle the insurance and reinsurance obligations over the lifetime of those obligations. A risk margin is also included within the Solvency II technical provisions, which represents the cost to the Company of holding an amount of eligible own funds equal to the Solvency Capital Requirement ("SCR") necessary to support insurance and reinsurance obligations over the lifetime of those obligations. Section D of this report compares in detail the Solvency II balance sheet with that included in the financial statements

Capital Management

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

The Company is a single shareholder entity whose ordinary shares are fully paid up. It has no debt financing nor does it have plans to raise debt or issue new shares capital over the three-year time horizon used for business planning. As at 31 December 2020, the Company had eligible own funds to cover the SCR of USD 59.3m (2019: USD 57.9m) on a Solvency II valuation basis. This compares to an SCR of USD 39.7m (2019: USD 37.6m) and indicates an SCR cover ratio of 149% (2019: 154%). The MCR cover ratio is 598% (2019: 616%).

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

Vital Blue Insurance DAC (hereinafter “the Company”) is incorporated in the Republic of Ireland and is a private company limited by shares.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking The Company is regulated by the Central Bank of Ireland (CBI). The CBI can be contacted at: Central Bank of Ireland, PO BOX 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.3 External auditor of the undertaking

The independent auditors of the Company are:

PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

A.1.4 Holders of Qualifying Holdings in the Undertaking The Company is wholly owned Baxter Healthcare SA, a company incorporated in Switzerland.

A.1.5 Legal Structure of the Group

The ultimate parent Company is Baxter International Inc., a company incorporated in the United States of America.

A.1.6 Material lines of business and geographical areas

The Company is a non-life captive (re)insurance undertaking that underwrites directly, and assumes by reinsurance, certain insurance risks of Baxter International Inc. Founded in November 2014, the Company writes property damage/business interruption (“Property program”), general/products liability, including clinical trials (“Casualty program”), and marine cargo (“Transit program”) risks.

A geographical split of EU and Non EU business is outlined on Page 8 of the report.

A.1.7 Significant Business events during the reporting period

There have been no significant business events during the period.

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life (re)insurance risks of Baxter International Inc.

The Company writes the following lines of business: Property Damage/Business Interruption (Classes 8 & 9), general/products liability, including clinical trials (Class 13), marine cargo (Class 7) and motor vehicle liability (Class 10). For the purposes of capital reporting these are categorised as:

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Fire and Other Damage to Property
General/Products Liability	General Liability
Marine Cargo	Marine, Aviation & Transport
Motor Vehicle Liability	Motor Vehicle Liability

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

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

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

Aggregate UW Performance	31/12/2020	31/12/2019
	USD'000	USD'000
Written Premiums	7,996	8,283
Earned Premiums	8,257	6,378
Claims Incurred	2,255	2,470
Underwriting Expenses	(538)	(493)
Reinsurer's Share	(3,779)	(5,869)
Allocated Investment Return	495	914
Net Technical Result	2,180	3,400

31/12/2020

European Union	Property Damage/Business Interruption	General/Products Liability	Marine Cargo	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Written Premiums	1,397	-	72	269	1,738
Earned Premiums	1,394	79	69	282	1,824
Claims Incurred	(38)	(13)	(185)	(232)	(468)
Underwriting Expenses	(49)	(22)	(4)	(15)	(90)
Reinsurer's Share	-	-	-	-	-
Allocated Investment Return	84	5	4	17	109
Net Technical Result	1,390	49	(116)	52	1,376

Rest of World	Property Damage/Business Interruption	General/Products Liability	Marine Cargo	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Written Premiums	5,669	(10)	579	20	6,258
Earned Premiums	4,972	887	556	18	6,433
Claims Incurred	(135)	(143)	(1,494)	(15)	(1,787)
Underwriting Expenses	(176)	(241)	(30)	(1)	(448)
Reinsurer's Share	(3,583)	-	(196)	-	(3,779)
Allocated Investment Return	298	53	33	1	386
Net Technical Result	1,376	555	(1,131)	3	804

31/12/2019

European Union	Property Damage/Business Interruption	General/Products Liability	Marine Cargo	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Written Premiums	1,381	294	120	279	2,074
Earned Premiums	1,172	127	59	141	1,499
Claims Incurred	(2)	44	(1)	(88)	(47)
Underwriting Expenses	(49)	(34)	(3)	(8)	(94)
Reinsurer's Share	-	-	-	-	-
Allocated Investment Return	169	18	8	20	215
Net Technical Result	1,290	155	63	65	1,573

Rest of World	Property Damage/Business Interruption	General/Products Liability	Marine Cargo	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Written Premiums	4,031	1,690	459	29	6,209
Earned Premiums	3,537	842	485	15	4,879
Claims Incurred	3,298	(79)	(692)	(9)	2,518
Underwriting Expenses	(144)	(226)	(28)	(1)	(399)
Reinsurer's Share	(5,677)	-	(192)	-	(5,869)
Allocated Investment Return	506	121	70	2	699
Net Technical Result	1,520	658	(357)	7	1,828

A.3 Investment Performance

A.3.1 Income and expenses arising by asset class

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

As at 31 December, the Company’s investment portfolio comprised the following material asset classes:

Asset Class	31/12/2020		31/12/2019	
	Amount USD'000	% of portfolio	Amount USD'000	% of portfolio
Cash at bank and in hand	29,409	42%	28,172	41%
Fixed Deposits	-	-	-	-
Loan to Group Undertaking	41,229	58%	40,519	59%
Total	70,638	100%	68,691	100%

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

Asset Class	31/12/2020	31/12/2019
	USD'000	USD'000
Cash and fixed deposits	-	-
Loan to Group Undertaking	495	914
Total	495	914

A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

A.3.3 Investments in securitisation

There are no investments in securitisation.

A.4 Performance of Other Activities

A.4.1 There have been no other significant activities undertaken by the company other than its (re)insurance and related activities.

A.5 Any Other Information

The Company continues to closely monitor the ongoing COVID-19 situation and has taken measures to ensure it can continue with business as usual. The Company continues to assess its overall risk exposure across all classes of business and geographical locations. The following lines could potentially be impacted due to the expected economic downturn as a result of the outbreak:

- Property Damage & Business Interruption – There is coverage for communicable disease in the policy issued. The disease must be present at an insured location (there is no contingent Business Interruption).
- Global Marine Cargo – there are potential losses due to damage/deterioration to Baxter transit stocks being held under quarantine in warehouses of freight forwarders or shipping companies.

As of the date of signing of the financial statements, there are no material reported losses as a result of COVID-19 directly or from the impact on the global economy.

B SYSTEM of GOVERNANCE

B.1 General information on the system of governance

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

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

Board of Directors:

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

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

P. Bates (Chairperson)

F. O'Boyle

B. McDonagh

Independent Control Functions:

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

Risk Management Function

The role of the Company's risk management function is to identify and evaluate the major risks facing The Company and to facilitate the implementation of the risk management system. Having considered the nature, scale and complexity of the Company, the Board have determined that the role of the RMF can be carried out by the Group Risk Manager who will be assigned responsibility for the RMF. The roles and responsibilities of the risk management function are set out within the risk management policy.

Compliance Function

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

Actuarial Function

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

Internal Audit Function

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

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

No material changes took place over the reporting period.

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

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

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

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

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

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

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

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

There is a credit agreement in place with Baxter and the loan balance to the Company as at 31 December 2020 was USD41.2m (2019: USD40.5m).

Mr. B. McDonagh, a director of the Company, is also a director of the Captive Administration Manager, Marsh Management Services (Dublin) Limited.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

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

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

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

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

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

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

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

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

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

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

B.3.1 Risk management system

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

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

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

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

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

Identify

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

Assess

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

Manage

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

Monitor/Report

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

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

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

B.3.2 Implementation of the Risk management system

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

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

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

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

1st Line of Defence – Day to Day:

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

2nd Line of Defence – Oversight:

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

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

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

3rd Line of Defence – Independent Assessment:

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

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

External Audit: The Board recognises that the independent external auditor has an important role in the effectiveness of the governance and risk management systems of the Company. The Company is required by law to appoint an external auditor on an annual basis.

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

B.3.3 ORSA

B.3.3.1 ORSA process

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

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

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



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

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

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

Current Business Activities, Risk Profile, Capital and Solvency: Analysis of the current business activities, risk profile (quantitative and qualitative), calculation and analysis of regulatory

and economic capital, analysis of solvency margin cover and description and assessment of risk mitigation techniques.

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

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

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

B.3.3.2 ORSA review and approval process

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

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

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

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

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

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

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

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

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

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

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

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

B.4 Internal Control System

B.4.1 Description of the internal control system

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

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

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

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

3rd Line of Defence – Independent Assessment, internal audit and actuarial functions (and also external audit).

B.4.2 Implementation of the compliance function

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

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

The role of the Board appointed Compliance Officer is to:

- assist the Board with ensuring ongoing compliance with legislation and applicable requirements;
- enhancing the Company's awareness of compliance matters;

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

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

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

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

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

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

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

B.5.2 Independence of the internal audit function

The internal audit function provides independent and objective assurance services.

B.6 Actuarial function

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

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

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

B.7 Outsourcing

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

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

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

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

Critical Outsourcing Arrangements				
Outsourced Provider	Service Outsourced	Internal/External	Jurisdiction	Outsourcing Oversight
Marsh Management Services (Dublin) Limited	Captive Manager	External	European Union	Chairman (PCF-3)
	Compliance Function			
	Risk Management Function			
Baxter International Inc.	Internal Audit Function	External	USA	
Willis Towers Watson	Head of Actuarial Function	External	European Union	
Crawford & Company	Claims Administration	External	European Union	

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

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

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

No material changes regarding the system of governance of the Company took place, aside from those mentioned in Section B1.2.

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

Non-Life underwriting risk at 31 December comprises 62% of the undiversified basic SCR.

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

Non-life premium and reserve risk

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

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

There are a number of material risks that are considered as a result of the Company's (re)insurance underwriting.

For premium risk, the Company has considered the risk of underpricing of premiums resulting in higher loss ratios than expected. The Board of Directors has approved an underwriting policy that established the standards and limitations' regarding the Company's underwriting activities.

Pricing is determined by negotiation with the fronting insurers, Chubb (Casualty) and Zurich (Property, Transit & Auto), and is based on the performance of the business.

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

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims. In this case, the Company has sufficient historical premium and claims data to demonstrate very stable insurance business written and has determined the appropriate loss ratio for the risks written.

Non-life catastrophe risk

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

C.1.2 Material risk concentrations

The Company seeks to avoid concentration of risks by accepting insurance of risks which are sourced across several countries and across different lines of business

C.1.3 Assessment and risk mitigation techniques used for underwriting risks

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

- Having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- Assessing insurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk, through reinsurance with high credit quality entities;
- Monitoring changing environment and market conditions that affect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Independent opinion on the reasonableness and adequacy of the overall underwriting policy is provided by the Head of Actuarial Function on an annual basis.

C.2 Market risk

C.2.1 Material market risks

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

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

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

Market Risk sub-module	USD'000 2020	USD'000 2019
Concentration	8,405	8,304
Spread	578	571

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

Concentration risk of US\$8.4m is the most significant market risk charge and arises from the intercompany loan to the Baxter Group.

Spread Risk: the sensitivity of the value of investments, primarily bonds and deposits in respect of the Company, to changes in the level or in the volatility of credit spreads. Spread risk is linked to the credit rating of assets held and the effect of a market change in the credit curve.

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

Interest and spread risk are not considered largely material given the nature and structure of the Company's investments. The Company has not allocated an interest rate charge. A spread risk charge of US\$578k has been allocated.

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

The Company has minimal exposure to currency risk.

C.2.2 Material risk concentrations

C.2.3 Prudent person principle applied to market risks

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

C.2.4 Assessment and risk mitigation techniques used for market risks

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

- Compliance with the Investment and Asset Liability Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- Monitoring changing environment and market conditions that affect risk;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.3 Credit risk

C.3.1 Material credit risks

Credit risk at 31 December comprises 20% of the undiversified basic SCR.

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

The counterparty default risk module in the Standard Formula is mainly driven by cash at bank and the reinsurer's share of technical provisions (under loss scenarios).

C.3.2 Material risk concentrations

C.3.3 Prudent person principle applied to credit risks

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

C.3.4 Assessment and risk mitigation techniques used for credit risks

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

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

C.4 Liquidity risk

C.4.1 Material liquidity risks

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

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

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

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

C.4.2 Prudent person principle applied to liquidity risks

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

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

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

- Compliance with the Liquidity and Concentration Policy as approved by the Company's Board of Directors;
- Retaining risk within an approved risk appetite and solvency requirements;
- The Manager monitors cash movements and performs cash flow forecasting which are regularly reported to the Company;
- Premiums are billed on an annual basis. Upon receipt of premium, investments are made in line with the Company's Investment and Asset Liability Policy;
- Reporting of cash, investment and liquidity positions takes place quarterly as part of the Company's management accounts reporting process.

C.5 Operational risk

C.5.1 Material operational risks

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

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

For such non-quantifiable risks, the Company has set a strategic surplus (target) of 20% as a prudent buffer to the Standard Formula calculation.

Operational risks are also addressed in the capital requirement as an addition to the BSCR to the extent that they have not been explicitly covered in other risk modules. The operational risk capital charge as at 31 December 2020 is USD382k (2019: USD290k).

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

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

- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit within the Company's business objectives;
- Implementing a robust system of internal controls and procedures;
- Segregation of duties;
- Monitoring and internal reporting;
- Outsourcing its management to an experienced management company;
- Setting a strategic surplus target of 20% above the SCR;
- Commitment of effective corporate governance.

C.6 Other material risks

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

Sample risks include:

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

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

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

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

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

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

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

C.8 Stress and sensitivity tests

The Company's ORSA contains 3 scenarios. Stress testing is based on the largest risks per the Company's risk register, which have been determined to be:

1. Downgrade of all financial institution and reinsurance counterparties;
2. 200% increase in loss ratios across all projection years;
3. Reverse Stress Test – Large property claim with a failure of reinsurers to respond

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

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

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

C.9 Any Other Information

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

D VALUATION for SOLVENCY PURPOSES

D.1 Assets

D.1.1-2 Local GAAP and Solvency II Valuations

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

	31/12/2020		31/12/2019	
	Assets per Irish GAAP Financial Statements	Assets per Solvency II	Assets per Irish GAAP Financial Statements	Assets per Solvency II
	Total USD'000	Total USD'000	Total USD'000	Total USD'000
Cash and cash equivalents	29,409	29,409	28,172	28,172
Deposits Other than Cash Equivalents	-	-	-	-
Loan to Group Undertaking	41,261	-	40,766	-
Other Mortgages and Loans	-	41,261	-	40,766
Reinsurer's share of technical provisions	2,141	3,738	1,536	877
Insurance and Intermediaries Receivables	836	836	639	639
Deferred Acquisition Costs	103	-	321	-
Other assets	85	85	21	21
Total assets	73,835	75,329	71,455	70,475

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

Cash and cash equivalents

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

Adjustment for solvency purposes relates to the re-class of call deposit balances from Deposits Other than Cash Equivalents.

Loan to Group Undertaking

Initially measured at transaction price and subsequently measured at amortised cost.

Adjustment for solvency purposes relates to the re-class to "Other Mortgages and Loans".

Deposits other than Cash Equivalents

Deposits with financial institutions and are stated at cost less impairment. Adjustment for solvency purposes relates to the reclass of call deposit balances from deposits.

Reinsurance recoverables

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

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

Deferred acquisition costs

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

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

D.2 Technical Provisions

D.2.1 Irish GAAP and Solvency II Valuations

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

Insurance Class	31/12/2020		31/12/2019	
	TPs per Irish GAAP Financial Statements	TPs per Solvency II	TPs per Irish GAAP Financial Statements	TPs per Solvency II
	USD'000	USD'000	USD'000	USD'000
Property Damage/Business Interruption				
Best estimate of liabilities (BEL)	4,420	5,211	3,547	1,874
Risk margin	-	1,918	-	1,495
General/Products Liability				
Best estimate of liabilities (BEL)	3,747	3,802	5,246	5,129
Risk margin	-	254	-	440
Auto Liability				
Best estimate of liabilities (BEL)	359	399	250	274
Risk margin	-	29	-	20
Marine Cargo				
Best estimate of liabilities (BEL)	2,793	3,329	2,069	2,390
Risk margin	-	247	-	428
Total technical provisions	11,319	15,189	11,112	12,050

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

Class of Business as per Local GAAP	Solvency II Class of Business
Property Damage/Business Interruption	Fire and Other Damage to Property
General/Products Liability	General Liability
Marine Cargo	Marine, Aviation & Transport
Motor Vehicle Liability	Motor Vehicle Liability

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

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

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

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

Risk Margin

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

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

D.2.2 Uncertainty associated with the value of Technical Provisions

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

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

See analysis in Section D2.1.

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

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

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

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

D.2.8 Recoverables from reinsurance and special purpose vehicles

Total reinsurance recoverables at 31 December 2020 were nil on an Irish GAAP basis. An analysis of the components of same together with an overview of the Solvency II valuation bases has been provided in Section D1.1.

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

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

D.3 Other liabilities

Other liabilities at 31 December 2020 were USD806k and are composed of losses payable, accrued expenses and premium due from insurance intermediaries.

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

D.4 Alternative Methods for Valuation for other liabilities

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

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

D.6 Going Concern

The Directors have performed a going concern assessment of the Company. As part of this assessment, the following points were considered:

- the projected solvency position of the company under a number of stress scenarios as set out in the company's Own Risk & Solvency Assessment;
- the Company's liquidity position and maturity profile to assess liquidity through the going concern assessment period; and
- assessment of the likely impact which COVID-19 may have on capital and liquidity positions through the going concern assessment period.

Following this review, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the financial statements have been prepared on a going concern basis.

E CAPITAL MANAGEMENT

E.1 Own funds

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

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

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

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

- Own funds to be maintained at an agreed level in excess of the SCR, target solvency margin cover is currently set at 120% of the SCR;
- Dividends will not be paid or will be deferred if doing so would cause the Company to breach its legal and regulatory requirements or fall below the abovementioned target SCR cover;
- The Company's own funds are primarily invested in cash or cash equivalents, fixed deposits and an intercompany loan in line with the Board approved Investment and Asset Liability Policy.

E.1.2 Own funds analysed by tiers

An analysis of own funds as at 31 December 2020 is shown below:

Date	Description	Tier 1 USD'000	Total USD'000
1 January 2020	Opening balance comprising: Ordinary share capital Reconciliation Reserve	16,250 41,635	16,250 41,635
	Movement in the Reconciliation reserve for the year ended 31 December 2020	1,449	1,449
31 December 2020	Closing balance	59,334	59,334
	Represented by:		
	Ordinary share capital	16,250	16,250
	Capital contribution	36,250	36,250
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	6,834	6,834
	Total Basic own funds after deductions	59,334	59,334

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

The Company has no tier 1 restricted own funds and no tier 2 or tier 3 own funds.

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

The eligible amount of own funds to cover the Solvency Capital Requirement is USD59.3m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD59.3m.

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

The eligible amount of own funds to cover the Minimum Capital Requirement is USD59.3m. This is comprised of Tier 1 unrestricted Basic Own Funds of USD59.3m.

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

Reconciliation of Basic Own Funds to Equity as per financial statements as at 31 December 2020	
	USD'000
Solvency II - Basic Own Funds	59,334
Total Equity as per financial statements	61,710
Difference:	(2,376)
<u>Represented by:</u>	
Difference between Net Technical Provisions and BEL	176
Risk Margin – Non Life	(2,449)
Deferred Acquisition Costs	(103)
Difference:	(2,376)

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

E.1.7 There are no ancillary own funds items.

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

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

	USD'000 2020	USD'000 2019
SCR	39,716	37,608
MCR	9,929	9,402

The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

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

SCR Overview	USD'000 2020	USD'000 2019
Market risk	8,428	8,326
Counterparty default risk	9,810	6,290
Non-life underwriting risk	30,240	30,619
Diversification	(9,144)	(7,917)
Basic Solvency Capital Requirement	39,334	37,318
Operational risk	382	290
Solvency Capital Requirement	39,716	37,608

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

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

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

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

MCR Overview	USD'000 2020	USD'000 2019
Linear MCR	1,212	1,417
SCR	39,716	37,608
MCR cap	17,872	16,924
MCR floor	9,929	9,402
Combined MCR	9,929	9,402
Absolute floor of the MCR	3,061	2,809
Minimum Capital Requirement	9,929	9,402

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

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

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

E.4 Internal model information.

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

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

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

E.6 Any other information.

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

TEMPLATES

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

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

S.02.01.02**Balance sheet****Assets**

Goodwill

Deferred acquisition costs

Intangible assets

Deferred tax assets

Pension benefit surplus

Property, plant & equipment held for own use

Investments (other than assets held for index-linked and unit-linked contracts)

Property (other than for own use)

Holdings in related undertakings, including participations

Equities

Equities - listed

Equities - unlisted

Bonds

Government Bonds

Corporate Bonds

Structured notes

Collateralised securities

Collective Investments Undertakings

Derivatives

Deposits other than cash equivalents

Other investments

Assets held for index-linked and unit-linked contracts

Loans and mortgages

Loans on policies

Loans and mortgages to individuals

Other loans and mortgages

Reinsurance recoverables from:

Non-life and health similar to non-life

Non-life excluding health

Health similar to non-life

Life and health similar to life, excluding health and index-linked and unit-linked

Health similar to life

Life excluding health and index-linked and unit-linked

Life index-linked and unit-linked

Deposits to cedants

Insurance and intermediaries receivables

Reinsurance receivables

Receivables (trade, not insurance)

Own shares (held directly)

Amounts due in respect of own fund items or initial fund called up but not yet paid in

Cash and cash equivalents

Any other assets, not elsewhere shown

Total assets

	Solvency II value
	C0010
R0010	
R0020	
R0030	
R0040	
R0050	
R0060	
R0070	
R0080	
R0090	
R0100	
R0110	
R0120	
R0130	
R0140	
R0150	
R0160	
R0170	
R0180	
R0190	
R0200	
R0210	
R0220	
R0230	41,261
R0240	
R0250	
R0260	41,261
R0270	3,738
R0280	3,738
R0290	3,738
R0300	
R0310	
R0320	
R0330	
R0340	
R0350	
R0360	836
R0370	
R0380	
R0390	
R0400	
R0410	29,409
R0420	85
R0500	75,329

S.02.01.02**Balance sheet****Liabilities**

Technical provisions – non-life

Technical provisions – non-life (excluding health)

Technical provisions calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

Technical provisions calculated as a whole

Best Estimate

Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

Technical provisions - health (similar to life)

Technical provisions calculated as a whole

Best Estimate

Risk margin

Technical provisions – life (excluding health and index-linked and unit-linked)

Technical provisions calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

Technical provisions calculated as a whole

Best Estimate

Risk margin

Other technical provisions

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in Basic Own Funds

Subordinated liabilities in Basic Own Funds

Any other liabilities, not elsewhere shown

Total liabilities

Excess of assets over liabilities

	Solvency II value
	C0010
R0510	15,188
R0520	15,188
R0530	
R0540	12,740
R0550	2,448
R0560	
R0570	
R0580	
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0730	
R0740	
R0750	
R0760	
R0770	
R0780	
R0790	
R0800	
R0810	
R0820	446
R0830	
R0840	361
R0850	
R0860	
R0870	
R0880	
R0900	15,995
R1000	59,334

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

Z Axis:

			Line of Business for: non-life insurance and reinsurance obligations (direct business)				Total C0200	
			Motor vehicle liability insurance C0040	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080		
Premiums written	Gross - Direct Business		R0110		423	5,769		6,192
	Gross - Proportional reinsurance accepted		R0120	289	227	1,298	(10)	1,804
	Gross - Non-proportional reinsurance accepted		R0130					0
	Reinsurers' share		R0140		196	4,188		4,384
	Net		R0200	289	454	2,879	(10)	3,612
Premiums earned	Gross - Direct Business		R0210		420	5,165	109	5,694
	Gross - Proportional reinsurance accepted		R0220	300	205	1,201	857	2,563
	Gross - Non-proportional reinsurance accepted		R0230					0
	Reinsurers' share		R0240		196	3,583		3,779
	Net		R0300	300	429	2,783	966	4,478
Claims incurred	Gross - Direct Business		R0310		1,129	140	17	1,286
	Gross - Proportional reinsurance accepted		R0320	247	550	33	139	969
	Gross - Non-proportional reinsurance accepted		R0330					0
	Reinsurers' share		R0340					0
	Net		R0400	247	1,679	173	156	2,255
Changes in other technical provisions	Gross - Direct Business		R0410					0
	Gross - Proportional reinsurance accepted		R0420					0
	Gross - Non- proportional reinsurance accepted		R0430					0
	Reinsurers' share		R0440					0
	Net		R0500	0	0	0	0	0
Expenses incurred	Administrative expenses	Gross - Direct Business	R0550	16	34	225	263	538
		Gross - Proportional reinsurance accepted	R0610		22	276	7	305
		Gross - Non-proportional reinsurance accepted	R0620	16	11	64	45	136
		Reinsurers' share	R0630					0
		Net	R0640					0
	Investment management expenses	Gross - Direct Business	R0700	16	33	340	52	441
		Gross - Proportional reinsurance accepted	R0710					0
		Gross - Non-proportional reinsurance accepted	R0720					0
		Reinsurers' share	R0730					0
		Net	R0740					0
	Claims management expenses	Gross - Direct Business	R0800	0	0	0	0	0
		Gross - Proportional reinsurance accepted	R0810					0
		Gross - Non-proportional reinsurance accepted	R0820					0
		Reinsurers' share	R0830					0
		Net	R0840					0
	Acquisition expenses	Gross - Direct Business	R0900	0	0	0	0	0
		Gross - Proportional reinsurance accepted	R0910					0
		Gross - Non-proportional reinsurance accepted	R0920		1	(115)	211	97
		Reinsurers' share	R0930					0
		Net	R0940					0
	Overhead expenses	Gross - Direct Business	R1000	0	1	(115)	211	97
		Gross - Proportional reinsurance accepted	R1010					0
		Gross - Non-proportional reinsurance accepted	R1020					0
		Reinsurers' share	R1030					0
		Net	R1040					0
	Other expenses		R1100	0	0	0	0	0
	Total expenses		R1200					0
		R1300					538	

S.05.02.01.01 Home Country - non-life obligations

Z Axis:

Home country
Home country
C0080

Premiums written	Gross - Direct Business	R0110	232
	Gross - Proportional reinsurance accepted	R0120	4
	Gross - Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	
	Net	R0200	236
Premiums earned	Gross - Direct Business	R0210	215
	Gross - Proportional reinsurance accepted	R0220	4
	Gross - Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	
	Net	R0300	219
Claims incurred	Gross - Direct Business	R0310	25
	Gross - Proportional reinsurance accepted	R0320	
	Gross - Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	
	Net	R0400	25
Changes in other technical provisions	Gross - Direct Business	R0410	
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	441
Other expenses		R1200	
Total expenses		R1300	

Z Axis:

[illegible]

S.05.02.01.03 Total Top 5 and home country - non-life obligations

Z Axis:

Non-life and Health non-SLT
Total Top 5 and home country
C0140

Premiums written	Gross - Direct Business	R0110	5,904
	Gross - Proportional reinsurance accepted	R0120	659
	Gross - Non-proportional reinsurance accepted	R0130	0
	Reinsurers' share	R0140	4,384
	Net	R0200	2,179
Premiums earned	Gross - Direct Business	R0210	5,366
	Gross - Proportional reinsurance accepted	R0220	1,065
	Gross - Non-proportional reinsurance accepted	R0230	0
	Reinsurers' share	R0240	3,779
	Net	R0300	2,652
Claims incurred	Gross - Direct Business	R0310	78
	Gross - Proportional reinsurance accepted	R0320	0
	Gross - Non-proportional reinsurance accepted	R0330	0
	Reinsurers' share	R0340	0
	Net	R0400	78
Changes in other technical provisions	Gross - Direct Business	R0410	
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	441
Other expenses		R1200	
Total expenses		R1300	441

Non-life Technical Provisions

[illegible]

S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year /
Underwriting year

Z0010	
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Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year											In Current		Sum of years
Year		0	1	2	3	4	5	6	7	8	9	10 & +	year		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
Prior	R0100											293	R0100	293	1,489
N-9	R0160	0	0	0	0	0	0	0	0	0	0		R0160	0	0
N-8	R0170	0	0	0	0	0	0	0	0	0			R0170	0	0
N-7	R0180	0	0	0	32	249	0	0	0				R0180	0	281
N-6	R0190	0	0	0	0	0	0	0					R0190	0	0
N-5	R0200	24	81	101	655	52	246						R0200	246	1,159
N-4	R0210	0	155	-8	64	17							R0210	17	228
N-3	R0220	663	4168	11,286	127								R0220	127	16,244
N-2	R0230	0	192	351									R0230	351	543
N-1	R0240	15	791										R0240	791	806
N	R0250	0											R0250	0	0
Total													R0260	1,825	20,750

Non-life Insurance Claims Information

(absolute amount)

[illegible]

S.23.01.01**Own funds****Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

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

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions**Ancillary own funds**

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

 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Other ancillary own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	16,250	16,250			
R0030					
R0040	36,250	36,250			
R0050					
R0070					
R0090					
R0110					
R0130	6,834	6,834			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	59,334	59,334			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					

S.23.01.01**Own funds****Total ancillary own funds****Available and eligible own funds**

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR**MCR****Ratio of Eligible own funds to SCR****Ratio of Eligible own funds to MCR****Reconciliation reserve**

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve**Expected profits**

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

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

Total Expected profits included in future premiums (EPIFP)

R0400					
R0500	59,334	59,334			
R0510	59,334	59,334			
R0540	59,334	59,334			
R0550	59,334	59,334			
R0580	39,716				
R0600	9,929				
R0620	149%				
R0640	598%				

C0060

R0700	59,334	
R0710		
R0720		
R0730	52,500	
R0740		
R0760	6,834	
R0770		
R0780		
R0790		

S.25.01.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplification
		C0110	C0090	C0090
Market risk	R0010	8,428	8,428	8,428
Counterparty default risk	R0020	9,810	9,810	9,810
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	30,240	30,240	30,240
Diversification	R0060	-9,144	-9,144	-9,144
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	39,334	39,334	39,334
		C0110		
Operational risk	R0130	382		
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	39,716		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	39,716		
Other information on SCR		39,716		
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
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCR _{NL} Result	R0010 1,212

	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 399	289
Other motor insurance and proportional reinsurance	R0060	
Marine, aviation and transport insurance and proportional reinsurance	R0070 3,170	454
Fire and other damage to property insurance and proportional reinsurance	R0080 1,631	2,879
General liability insurance and proportional reinsurance	R0090 3,802	-10
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
MCR _L Result	R0200

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

Overall MCR calculation

	C0070
Linear MCR	R0300 1,212
SCR	R0310 39,716
MCR cap	R0320 17,872
MCR floor	R0330 9,929
Combined MCR	R0340 9,929
Absolute floor of the MCR	R0350 3,061
	C0070
Minimum Capital Requirement	R0400 9,929