

Woodlands International Insurance Company dac

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

Contents

EXECUTIVE SUMMARY	4
A BUSINESS AND PERFORMANCE	7
A.1 BUSINESS	7
A.2 UNDERWRITING PERFORMANCE.....	8
A.3 INVESTMENT PERFORMANCE.....	9
A.4 PERFORMANCE OF OTHER ACTIVITIES.....	10
A.5 ANY OTHER INFORMATION.....	10
B SYSTEM OF GOVERNANCE	11
B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE.....	11
B.2 FIT AND PROPER REQUIREMENTS.....	12
B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY	13
ASSESSMENT	13
B.4 INTERNAL CONTROL SYSTEM	18
B.5 INTERNAL AUDIT FUNCTION	19
B.6 ACTUARIAL FUNCTION	19
B.7 OUTSOURCING	19
B.8 ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE OF THE INSURANCE	20
OR REINSURANCE UNDERTAKING TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS	20
B.9 ANY OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE OF	20
THE COMPANY	20
C.1 UNDERWRITING RISK	21
C.2 MARKET RISK	22
C.3 CREDIT RISK	23
C.4 LIQUIDITY RISK.....	24
C.5 OPERATIONAL RISK	24
C.6 OTHER MATERIAL RISKS	25
C.7 AMOUNT OF EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS AS CALCULATED IN	26
ACCORDANCE WITH ARTICLE 260(2).....	26
C.8 STRESS AND SENSITIVITY TESTS	26
C.9 ANY OTHER INFORMATION.....	26
D VALUATION FOR SOLVENCY PURPOSES	27
D.1 ASSETS.....	27
D.2 TECHNICAL PROVISIONS.....	28
D.3 OTHER LIABILITIES	30
D.4 ALTERNATIVE METHODS FOR VALUATION FOR OTHER LIABILITIES	30
D.5 ANY OTHER INFORMATION	30
E CAPITAL MANAGEMENT	31
E.1 OWN FUNDS	31
E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT	33
E.3 ANY USE OF THE EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY.....	35
CAPITAL REQUIREMENT.	35
E.4 INTERNAL MODEL INFORMATION.	35

E.5 NON COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SIGNIFICANT 35

NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT. 35

E.6 ANY OTHER INFORMATION 35

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 document is the current version of the Solvency and Financial Condition Report (“SFCR”) that is required to be prepared by Woodlands International Insurance Company dac (“the Company”).

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

Company Background

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

- Motor Vehicle Liability;
- Workers’ Compensation (including Employers’ Liability) and General Liability.

The Company is a non-life reinsurance captive whose principal activity is the undertaking of reinsurance business in respect of workers compensation (including employers’ liability), general liability and automobile liability risks of its parent company and its subsidiaries.

In May 2018 the ultimate parent company of Woodlands International Insurance Company dac, Chicago Bridge & Iron Company N.V. merged with McDermott International, Inc. Following this merger McDermott International, Inc then became the ultimate parent company of Woodlands International Insurance Company dac.

Parent Company

On the 21st January 2020 the ultimate parent company of Woodlands International Insurance Company dac, McDermott International, Inc. and certain of its subsidiaries (the “Debtors”) filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas (the “Court”) to pursue a Joint Prepackaged Chapter 11 Plan of Reorganization of the Debtors.

On the 30th June 2020 McDermott International, Inc. announced that the Company has successfully completed its restructuring process. The comprehensive balance sheet restructuring equitizes nearly all of McDermott’s \$4.6 billion of funded debt.

Business and Performance

The Company’s financial year end is 31st December each year. The Company booked a pre-tax profit of USD3.2m for the year ended 31 December 2020 (2019: Pre tax loss USD7.4m). There was no dividend paid during the year (2019: Nil).

Following a strategic decision within the Group the Company intends to liquidate the company sometime in 2021 and, as such, have prepared the financial statements on a break-up basis.

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

At the time of signing the financial statements, the impact of COVID-19 is uncertain due to ever changing circumstances, but the Company will continue to monitor developments and respond as appropriate. The Directors have also reviewed the potential impact of COVID-19 on the Company’s underwriting performance and at the date of approval of the financial statements, given the nature of the Company’s business, the Directors do not believe that COVID-19 will have a material

negative impact on claims provisions or payments. In addition, at the date of approval of the financial statements, the Directors are satisfied that Company's estimated solvency ratio under Solvency II remains within the Company's risk appetite range.

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	EU	Chairman (PCF-3)
	Compliance Function			
McDermott International Inc	Internal Audit Function	Internal	US	
	Risk Management Function			
Willis Towers Watson Limited	Head of Actuarial Function	External	EU	

Risk Profile

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

Risk	Capital Charge USD '000
Market Risk	14,189
Counterparty Default Risk	550
Health Risk	11,307
Non-Life Underwriting Risk	3,489

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

Valuation for Solvency Purposes

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

Capital Management

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a one 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 two year time horizon used for business planning.

The Company has also received USD 2.14 million in capital contributions since its inception. These contributions are irrevocable, non-refundable and will not result in a grant by the Company of any rights or the assumption by the Company and obligations to the parent or any third party. These capital contributions have been approved by the CBI as Tier 1 Own Funds as per the Solvency II Directive.

As at 31 December 2020, the Company had eligible own funds to cover the SCR of USD 34.1m (2019: USD 32.8m) on a Solvency II valuation basis. This compares to an SCR of USD 22.5m (2019: USD 25.7m) and indicates an SCR cover ratio of 151% (2019: 128%). The MCR cover ratio is 606% (2019: 511%).

A BUSINESS and PERFORMANCE

A.1 Business

A.1.1 Name and legal form of the undertaking

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

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

The Company is regulated by the Central Bank of Ireland (CBI). The CBI can be contacted at:

Central Bank of Ireland, PO BOX 559, New Wapping Street, North Wall Quay, Dublin 1, Ireland.

A.1.3 External auditor of the undertaking

The independent auditors of the Company are:

BDO, Statutory Audit Firm, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland.

A.1.4 Holders of Qualifying Holdings in the Undertaking

The Company is wholly owned by Chicago Bridge & Iron Company B.V., a company incorporated in the Netherlands.

A.1.5 Legal Structure of the Group

The Company is a wholly owned subsidiary of Chicago Bridge & Iron Company B.V., a company incorporated in The Netherlands. The ultimate parent company is McDermott International, Inc, a US based holding company which is traded on the New York stock exchange.

A.1.6 Material lines of business and geographical areas

The Company is a non-life reinsurance captive whose principal activity is the undertaking of reinsurance business in respect of workers compensation (including employers' liability), general liability and automobile liability risks of McDermott International Inc. and its subsidiaries.

The material geographical area in which the Company operates is the United States.

A.1.7 Significant Business events during the reporting period

Following a strategic decision within the Group the Company intends to liquidate the company sometime in 2021.

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

At the time of signing the financial statements, the impact of COVID-19 is uncertain due to ever changing circumstances, but the Company will continue to monitor developments and respond as appropriate. The Directors have also reviewed the potential impact of COVID-19 on the Company's underwriting performance and at the date of approval of the financial statements, given the nature of the Company's business, the Directors do not believe that COVID-19 will have a material negative impact on claims provisions or payments. In addition, at the date of

approval of the financial statements, the Directors are satisfied that Company's estimated solvency ratio under Solvency II remains within the Company's risk appetite range.

A.2 Underwriting Performance

The premium income written by the Company was derived from the coverage of the non-life reinsurance risks of McDermott International, Inc. and its subsidiaries.

The Company writes the following lines of business: Workers' Compensation (including Employers' Liability) and General Liability and Motor Vehicle Liability. For the purposes of capital reporting these are categorised as:

Class of Business as per license	Solvency II Class of Business
Workers' Compensation (including Employers' Liability)	Workers' Compensation
General Liability	General Liability
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):

Financial year ended 31 December 2020				
United States	Workers' Compensation	General Liability	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000
Written Premiums	-	-	-	-
Earned Premiums	936	64	8	1,008
Claims Incurred	(1,137)	1,562	(23)	402
Underwriting Expenses	(302)	(20)	(3)	(325)
Allocated Investment Return	1,944	132	18	2,094
Net Technical Result	1,441	1,738	-	3,179

Financial Year ended 31 December 2019				
United States	Workers' Compensation	General Liability	Motor Vehicle Liability	Total
	USD'000	USD'000	USD'000	USD'000
Written Premiums	3,714	253	34	4,001
Earned Premiums	10,426	829	53	11,308
Claims Incurred	(18,744)	(1,732)	(75)	(20,551)
Underwriting Expenses	(390)	(21)	(3)	(414)
Allocated Investment Return	2,098	143	19	2,260
Net Technical Result	(6,610)	(781)	(6)	(7,397)

A.3 Investment Performance

A.3.1 Income and expenses arising by asset class

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

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

Asset Class	31/12/2020		31/12/2019	
	Amount USD'000	% of portfolio	Amount USD'000	% of portfolio
Cash at bank and in hand	3,528	5%	4,590	6%
Fixed Deposits	37,448	52%	41,096	54%
Intercompany deposit	31,000	43%	31,000	40%
Total	71,976	100%	76,686	100%

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

Asset Class	31/12/2020	31/12/2019
	Total USD'000	Total USD'000
Cash and fixed deposits	307	946
Intercompany deposit	1,787	1,314
Total	2,094	2,260

Investment income of USD307k (2019: USD946k) has been earned from third party bank deposits and USD1,787k (2019: USD1,314k) from an intercompany deposit given to Lealand Finance Company B.V..

A comparison between 2020 and 2019 shows that the decrease in interest earned in 2020 is due to an overall decrease in USD interest rates.

A.3.2 Gains and losses recognised directly in equity

No gains and losses have been recognised directly in equity.

A.3.3 Investments in securitisation

There are no investments in securitisation.

A.4 Performance of Other Activities

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

A.5 Any Other Information

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

B SYSTEM of GOVERNANCE

B.1 General information on the system of governance

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

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

Kimberly Wolford

Christopher Ryan

Brian 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. The Board of Directors has appointed the Chicago Bridge & Iron Company Group Risk Manager, who is also a member of the Board of Directors, to undertake this role. The roles and responsibilities of the risk management function are set out within the risk management policy.

Compliance Function

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

Actuarial Function

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

Internal Audit Function

The internal audit function is outsourced to McDermott International Inc. The Head of Internal Audit is Michael Todd Freeman. 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 McDermott International Inc. group companies.

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

The Company is a non-life reinsurance captive whose principal activity is the undertaking of reinsurance business in respect of workers compensation (including employers' liability), general liability and automobile liability risks of McDermott International Inc. and its subsidiaries.

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

There is a credit agreement in place with Lealand Finance Company B.V. and the loan balance to the Company as at 31 December 2020 was USD31m (2019: USD31m).

Mr. B. McDonagh, a director of the Company, is also a director of Marsh Management Services (Dublin) Limited, a critical outsourced provider of the Company.

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 McDermott International Inc. 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 one 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 1 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 until it proceeds with the voluntary liquidation.

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 McDermott International Inc. The internal audit function possesses a remit to examine and evaluate the functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance.

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

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

B.5.2 Independence of the internal audit function

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

B.6 Actuarial function

The role of the Actuarial Function is outsourced to third party provider, Willis Towers Watson Limited, 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

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 Serviices (Dublin) Limited	Captive Manager	External	EU	Chairman (PCF-3)
	Compliance Function			
McDermott International Inc	Internal Audit Function	Internal	US	
	Risk Management Function			
Willis Towers Watson Limited	Head of Actuarial Function	External	EU	

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

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

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

No material changes took place over the reporting period.

C RISK PROFILE

C.1 Underwriting risk

C.1.1 Key underwriting risks

Health (similar to Non-life) underwriting risk at 31 December comprises 48% of the basic SCR.

Non-Life (excluding Health) underwriting risk at 31 December comprises 12% of the 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 reinsurer, underwriting risk is the risk arising from non-life reinsurance obligations in relation to the perils covered and the processes used in the conduct of business.

There are a number of material risks that are considered as a result of the Company's reinsurance underwriting. For premium risk, the Company has considered the risk of under-pricing of premiums resulting in higher loss ratios than expected.

For reserve risk, the Company has considered the risk of over- and under-reserving of actual and expected claims.

Non-life catastrophe risk

The risk of a major natural or man-made event occurring is covered under the Catastrophe risk module. The Company has allocated a catastrophe risk charge of \$1.6m for Workers Compensation (based on two events) and \$2.3m for Liability and Auto.

C.1.2 Material Risk Concentrations

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

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

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

- Having in place clear underwriting and reserving philosophies and procedures and controls in relation to pricing and reserving;
- Assessing reinsurance risks with quality underwriting and claims expertise and information;
- Retaining risk within an approved risk appetite and solvency requirements;
- Transferring risk if required, through reinsurance/retrocession with high credit quality entities;
- Monitoring changing environment and market conditions that effect 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 Policy.

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

Concentration risk of US\$14.1m is the most significant market risk charge and arises from the fixed deposit of US\$37m held with BNP (A rating) and the intercompany balance with Lealand Finance Company B.V. of US\$31m (no rating).

For the purpose of calculating the concentration risk, the US\$31m has been split based on that portion of the loan amount which is covered by way of an LOC (US\$16.1m with HSBC which has an A rating) and the balancing amount held with Lealand Finance Company B.V. of US\$14.9m (no rating).

As at 31 December 2020 the Letter of Credit to the value of US\$16.1m was issued by HSBC. (Issuer), who has a rating and is without any close links to the Company. This letter of credit has been used to support technical provisions due to various to third party insurance companies (the Beneficiaries) under a reinsurance contract issued by the Company. The Company is the applicant for the letter of credit.

In the event of a drawdown of the letter of credit by the beneficiary the corresponding technical provision liability of the Company is extinguished by the amount of the draw-down

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

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

Interest and spread risk are not considered largely material given the nature and structure of the Company's investments. The Company has allocated an interest rate charge of US\$173k and a spread risk charge of US\$1.3m.

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

The Company has a small exposure to currency risk on any amounts held in the Euro BNP bank account and the corporation tax receivable amount. The Company has allocated an FX risk charge of US\$123k.

C.2.2 Material Risk Concentrations

Market concentration risk arises in respect of the inter-company loan (No rating) and one fixed deposit (A rating).

C.2.3 Prudent person principle applied to market risks

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

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

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

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

C.3 Credit risk

C.3.1 Material market risks

Credit risk at 31 December comprises 2% of the undiversified basic SCR.

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

The counterparty default risk module in the Standard Formula is driven by cash at bank.

C.3.2 Material Risk Concentrations

There are no material credit 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 Group Investment Policy.
- Monitoring the credit ratings of counterparties;

- Reporting of cash, investment and liquidity positions takes place monthly as part of the Company's management accounts reporting process;
- Retaining risk within an approved risk appetite and solvency requirements;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.

C.4 Liquidity risk

C.4.1 Material liquidity risks

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

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

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

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

C.4.2 Prudent person principle applied to liquidity risks

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

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

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

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

C.5 Operational risk

C.5.1 Material operational risks

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

The Company has considered a number of operational risks arising out of its activities in its risk register. For example, the Company has considered the risk of fraud arising from the misappropriation of Company funds, the risk of being overly reliant on key personnel and the risk that there is an inadequate business plan in place.

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 USD1.2m.

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;
- 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 was 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.

It was further considered whether ORSA should seek to model a failure of an outsourced provider. While 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)

Future profits are allowed for in accordance with Article 260(2) on the 3 Classes of Business assumed by the Company.

C.8 Stress and sensitivity tests

The Company's ORSA contains one scenario. Stress testing is based on the largest risks per the Company's risk register. The scenarios chosen were as follows:

Scenario 1 – 3rd party banking institutions downgraded by one credit step in 2020

Scenario 2 – Default of intercompany loan in 2020 not including portion covered by LOC's

Scenario 3 – Adverse US\$2.4m GL claim in 2020 (Highest policy limit for policy period 2018/19)

As a part of 2020 ORSA the Company considered a reverse stress test. The Company modelled how much of additional claims would need to be incurred in 2020 so that the SCR would fall to or below 100%. This scenario was tested and it was found that an increase of claims of \$13m would cause the SCR level to fall to 99%.

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

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

C.9 Any Other Information

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

D VALUATION for SOLVENCY PURPOSES

D.1 Assets

D.1.1-2 Local GAAP and Solvency II Valuations

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

	31/12/2020		31/12/2019	
	Assets per GAAP	Assets per Solvency II	Assets per GAAP	Assets per Solvency II
	Total USD'000	Total USD'000	Total USD'000	Total USD'000
Cash at bank and in hand	3,528	3,528	4,590	4,590
Fixed Deposits	37,450	37,450	41,096	41,096
Intercompany deposit	31,000	31,000	31,000	31,000
Total assets	71,978	71,978	76,686	76,686

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

Cash at bank and in hand

Cash and cash equivalents are carried at cost.

Fixed Deposits

Short term deposits held with credit institutions with an original maturity date no later than 3 months
These investments are recorded at fair value.

Intercompany deposit

Valued at the amount held at year end.

D.2 Technical Provisions

D.2.1 Local GAAP and Solvency II Valuations

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

Insurance Class	31/12/2020		31/12/2019	
	TPs per GAAP	TPs per Solvency II	TPs per GAAP	TPs per Solvency II
	USD'000	USD'000	USD'000	USD'000
Workers' Compensation				
Best estimate of liabilities (BEL)	32,077	32,311	38,543	36,810
Risk margin	-	2,744	-	3,153
General Liability				
Best estimate of liabilities (BEL)	6,410	6,423	8,421	7,963
Risk margin	-	542	-	664
Motor Vehicle Liability				
Best estimate of liabilities (BEL)	112	116	106	107
Risk margin	-	9	-	9
Total technical provisions	38,599	42,145	47,070	48,706

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

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. A risk margin is then added.

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

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

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 license	Solvency II Class of Business
Workers' Compensation (including Employers' Liability)	Workers' Compensation
General Liability	General Liability
Motor Vehicle Liability	Motor Vehicle Liability

Inclusion of unearned business: The expected claims on unearned business have been calculated using an expected loss ratio applied to the unearned premium reserve.

Expenses: An allowance has been made for claims handling expenses.

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, discounted to the valuation date using the same risk free yield curve as that used to determine the best estimate technical provisions.

D.2.2 Uncertainty associated with the value of Technical Provisions

All estimates of unpaid loss reserves are inherently uncertain. The key areas of uncertainty of the Claims Provision are driven by the uncertainty of the underlying booked reserves and the appropriateness of historic data, and in particular incurred claims, to project claims to ultimate. Uncertainty is also inherent in the Premium Provision and in the judgement applied when selecting loss ratio assumptions which are based on historic data.

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

See analysis in Section D2.1.

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

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

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

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

D.2.8 Recoverables from reinsurance and special purpose vehicles

There were no recoverables or special purpose vehicles as at 31 December 2020 (2019: USD Nil).

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 USD0.5m (2019: USD5.3m) and are composed of losses payable and accrued expenses.

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

D.4 Alternative Methods for Valuation for other liabilities

The Company does not use any alternative methods for valuation.

D.5 Any Other Information

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

E CAPITAL MANAGEMENT

E.1 Own funds

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

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

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

The Company has also received USD2.14 million in capital contributions since its inception. These contributions are irrevocable, non-refundable and will not result in a grant by the Company of any rights or the assumption by the Company and obligations to the parent or any third party. These capital contributions have been approved by the CBI as Tier 1 Own Funds as per the Solvency II Directive.

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

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

E.1.2 Own funds analysed by tiers

An analysis of own funds is shown below:

Date	Description	Tier 1 USD'000	Total USD'000
1 January 2020	Opening balance comprising: Ordinary share capital Capital Contribution Reconciliation reserve	860 2,140 29,828	860 2,140 29,828
	Movement in the Reconciliation reserve for the year ended 31 December 2020	1,269	1,269
31 December 2020	Closing balance	34,097	34,097
	Represented by:		
	Ordinary share capital	860	860
	Capital Contribution	2,140	2,140
	Reconciliation reserve (comprising retained earnings and Solvency II adjustments)	31,097	31,097
	Total Basic own funds after deductions	34,097	34,097

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

The Company has no tier 1 restricted own funds and no tier 2 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 USD. This is comprised of Tier 1 unrestricted Basic Own Funds of USD

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

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

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

Reconciliation of Basic Own Funds to Equity as per financial statements as at 31 December 2020	
	USD'000
Solvency II - Basic Own Funds	34,097
Total Equity as per financial statements	37,642
Difference:	3,545
<u>Represented by:</u>	
Difference between Net Technical Provisions and BEL	250
Risk Margin – Non Life (Excluding Health)	551
Risk Margin – Health (Similar to Non-Life Health)	2,744
Difference:	3,545

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 Tier 3 funds are made up of an amount equal to the value of net deferred tax assets.

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

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

	USD'000
SCR	22,509
MCR	5,627

E.2.2 Solvency Capital Requirement split by risk modules

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

SCR Overview		USD'000
Market risk		14,189
Counterparty default risk		550
Health underwriting risk		11,307
Non-life underwriting risk		3,489
Diversification		(8,191)
Basic Solvency Capital Requirement		21,344
Operational risk		1,165
Solvency Capital Requirement		22,509

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

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

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

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

Minimum Capital Requirement (MCR)					
MCR		5,627,245			
Total MCR NL		4,128,633			
Cap		10,129,041			
Floor		5,627,245			
		Parameters			
		Cap		45%	
		Floor		25%	
		AMCR		1,472,520	
Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			α	β	
Medical Expense	0	0	5%	5%	0
Income Protection	0	0	13%	9%	0
Workers' Compensation	32,310,735	0	11%	8%	3457248.62
Motor Vehicle Liability	116,177	0	9%	9%	9,875
Other Motor	0	0	8%	8%	0
Marine, Aviation & Transport	0	0	10%	14%	0
Fire & Other Damage to Property	0	0	9%	8%	0
General liability insurance	6,422,426	0	10%	13%	661,510
Credit & Suretyship	0	0	18%	11%	0
Legal Expenses	0	0	11%	7%	0
Assistance	0	0	19%	9%	0
Miscellaneous Financial Loss	0	0	19%	12%	0
NPR - Health	0	0	19%	16%	0
NRP - Property	0	0	19%	16%	0
NPR - Casualty	0	0	19%	16%	0
NPR - Marine, Aviation & Transport	0	0	19%	16%	0

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.

Annex I
S.02.01.02
(all amounts in USD 000's)

Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	R0280
Non-life excluding health	R0290
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
Own shares (held directly)	R0390
	R0400
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410
Cash and cash equivalents	R0420
Any other assets, not elsewhere shown	R0500
Total assets	
	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510
Technical provisions – non-life (excluding health)	R0520
Technical provisions calculated as a whole	R0530
Best Estimate	R0540
Risk margin	R0550
Technical provisions - health (similar to non-life)	R0560
Technical provisions calculated as a whole	R0570
Best Estimate	R0580
Risk margin	R0590
Technical provisions - life (excluding index-linked and unit-linked)	R0600
Technical provisions - health (similar to life)	R0610
Technical provisions calculated as a whole	R0620
Best Estimate	R0630
Risk margin	R0640
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650
Technical provisions calculated as a whole	R0660
Best Estimate	R0670
Risk margin	R0680
Technical provisions – index-linked and unit-linked	R0690
Technical provisions calculated as a whole	R0700
Best Estimate	R0710
Risk margin	R0720
Contingent liabilities	R0740
Provisions other than technical provisions	R0750
Pension benefit obligations	R0760
Deposits from reinsurers	R0770
Deferred tax liabilities	R0780
Derivatives	R0790
Debts owed to credit institutions	R0800
Financial liabilities other than debts owed to credit institutions	R0810
Insurance & intermediaries payables	R0820
Reinsurance payables	R0830
Payables (trade, not insurance)	R0840
Subordinated liabilities	R0850
Subordinated liabilities not in Basic Own Funds	R0860
Subordinated liabilities in Basic Own Funds	R0870
Any other liabilities, not elsewhere shown	R0880
Total liabilities	R0900
Excess of assets over liabilities	R1000

Premiums, claims and expenses by line of business
Non-Life & Accepted non-proportional reinsurance
(all amounts in USD 000's)

Other expenses	
Total expenses	

Annex I

S.05.01.02

Non-life premiums, claims and expenses by country (Top 5 and home country)

(Reported in USD 000's)

			Home country	Top 5 countries (by amount of gross premium written) - non-life obligations	Total Top 5 and home country
			Ireland	United States of America	
Premiums written	Gross - Direct Business	R0110			0
	Gross - Proportional reinsurance accepted	R0120			0
	Gross - Non-proportional reinsurance accepted	R0130			
	Reinsurers' share	R0140			0
	Net	R0200			0
Premiums earned	Gross - Direct Business	R0210			0
	Gross - Proportional reinsurance accepted	R0220		1,008	1,008
	Gross - Non-proportional reinsurance accepted	R0230			
	Reinsurers' share	R0240			0
	Net	R0300		1,008	1,008
Claims incurred	Gross - Direct Business	R0310			0
	Gross - Proportional reinsurance accepted	R0320		(402)	(402)
	Gross - Non-proportional reinsurance accepted	R0330			
	Reinsurers' share	R0340			0
	Net	R0400		(402)	(402)
Changes in other technical provisions	Gross - Direct Business	R0410			0
	Gross - Proportional reinsurance accepted	R0420			0
	Gross - Non-proportional reinsurance accepted	R0430			
	Reinsurers' share	R0440			0
	Net	R0500			0
Expenses incurred				38	38
Other expenses					320
Total expenses					358

Non-life Technical Provisions

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole
Technical provisions calculated as a sum of BE and RM
Best estimate
Premium provisions
Gross
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Net Best Estimate of Premium Provisions
Claims provisions
Gross
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Net Best Estimate of Claims Provisions
Total Best estimate - gross
Total Best estimate - net
Risk margin
Amount of the transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin
Technical provisions - total
Technical provisions - total
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

	Direct business and accepted proportional reinsurance												Total Non-Life obligation
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0180
R0010													
R0050													
R0060													0
R0140													
R0150													0
R0160			32,311	116				6,423					38,850
R0240													
R0250			32,311	116				6,423					38,850
R0260			32,311	116				6,423					38,850
R0270			32,311	116				6,423					38,850
R0280			2,744	9				542					3,295
R0290													
R0300													
R0310													
R0320			35,055	125				6,965					42,145
R0330													
R0340			35,055	125				6,965					42,145

Non-life Insurance Claims Information (all amounts in USD 000's)

Accident year / Underwriting year	Z0010	UWY
--------------------------------------	-------	-----

Year		Development year										In Current year		Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9	10 & +		C0170	C0180
Prior	R0100											183	R0100	183	183
N-9	R0160	135	982	778	424	170	78	142	330	33			R0160	3	3,075
N-8	R0170	318	1,074	472	588	354	30	24	40	40	3		R0170	40	2,940
N-7	R0180	2,417	4,119	3,829	5,177	4,497	696	1,258	139				R0180	139	22,132
N-6	R0190	52	2,337	2,183	1,354	1,064	37	0					R0190	0	7,027
N-5	R0200	239	4,135	3,275	1,965	2,100	596						R0200	596	12,310
N-4	R0210	206	5,254	5,402	3,349	1,691							R0210	1,691	15,902
N-3	R0220	324	3,939	7,313	1,444								R0220	1,444	13,020
N-2	R0230	4	1,355	715									R0230	715	2,074
N-1	R0240	0	2,250										R0240	2,250	2,250
N	R0250	0											R0250	0	0
	Total												R0260	7,061	80,913

[illegible]

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

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 ancillary own funds

Available and eligible own funds

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

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Reconciliation reserve

Expected profits

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

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	860	860			
R0030					
R0040	2,140	2,140			
R0050					
R0070					
R0090					
R0110					
R0130	31,097	31,097			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	34,097	34,097			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	34,097	34,097			
R0510	34,097	34,097			
R0540	34,097	34,097			
R0550	34,097	34,097			
R0580	22,509				
R0600	5,627				
R0620	151%				
R0640	606%				

	C0060
R0700	34,097
R0710	
R0720	
R0730	3,000
R0740	
R0760	31,097
R0770	
R0780	
R0790	

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk
Counterparty default risk
Life underwriting risk
Health underwriting risk
Non-life underwriting risk
Diversification
Intangible asset risk
Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
Loss-absorbing capacity of technical provisions
Loss-absorbing capacity of deferred taxes
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part
Total amount of Notional Solvency Capital Requirements for ring fenced funds
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0010	C0090	C0100
R0010	14,189		
R0020	550		
R0030			
R0040	11,307		
R0050	3,489		
R0060	-8,191		
R0070			
R0100	21,344		

	C0100
R0130	1,165
R0140	
R0150	
R0160	
R0200	22,509
R0210	
R0220	22,509
R0400	
R0410	
R0420	
R0430	
R0440	

Annex I
S.28.01.01
(all amounts in USD 000's)

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCR _{NL} Result	R0010 4,129

Medical expense insurance and proportional reinsurance
Income protection insurance and proportional reinsurance
Workers' compensation insurance and proportional reinsurance
Motor vehicle liability insurance and proportional reinsurance
Other motor insurance and proportional reinsurance
Marine, aviation and transport insurance and proportional reinsurance
Fire and other damage to property insurance and proportional reinsurance
General liability insurance and proportional reinsurance
Credit and suretyship insurance and proportional reinsurance
Legal expenses insurance and proportional reinsurance
Assistance and proportional reinsurance
Miscellaneous financial loss insurance and proportional reinsurance
Non-proportional health reinsurance
Non-proportional casualty reinsurance
Non-proportional marine, aviation and transport reinsurance
Non-proportional property reinsurance

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020		
R0030		
R0040	32,311	
R0050	116	
R0060		
R0070		
R0080		
R0090	6,422	
R0100		
R0110		
R0120		
R0130		
R0140		
R0150		
R0160		
R0170		

Linear formula component for life insurance and reinsurance obligations

	C0040
MCR _L Result	R0200

Obligations with profit participation - guaranteed benefits
Obligations with profit participation - future discretionary benefits
Index-linked and unit-linked insurance obligations
Other life (re)insurance and health (re)insurance obligations
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
R0210		
R0220		
R0230		
R0240		
R0250		

Overall MCR calculation

	C0070
Linear MCR	R0300 4,129
SCR	R0310 22,509
MCR cap	R0320 10,129
MCR floor	R0330 5,627
Combined MCR	R0340 5,627
Absolute floor of the MCR	R0350 1,473
	C0070
Minimum Capital Requirement	R0400 5,627