CBL*insurance*

CBL Insurance Europe DAC

Solvency and Financial Condition Report

For Financial Year Ending 31st December 2016 (the "reporting period")

Executive Summary

CBL Insurance Europe DAC ("the Company" or "the undertaking", or "CBLIE") is an insurance company domiciled in Ireland, forms part of the CBL Corporation Limited ("CBL Corporation") Group of companies, and is regulated by the Central Bank of Ireland.

The purpose of this report is to satisfy the public disclosure requirements under the European Union (Insurance & Reinsurance) Regulations 2015 including the applicable European Commission Delegated Regulations and European Commission Implementing Regulations.

The primary objective and purpose of the Company is to support the Group's European business lines with an aligned strategy that is focused on profit over revenue growth. The current strategic objectives of the Company can be summarised as follows:

- To achieve long term profitable growth in an understated manner through experience and the alignment of relationships with people and businesses who share a similar culture

- To expand the Company's management team commensurate with the level of activity, business written and anticipation of new business including Brexit opportunities on the horizon

- To continue the focus on stable and profitable specialist products within the 28 states of the European Union plus Norway

- Particular focus in the Group's well established markets of Ireland, France, Italy and Scandinavian countries

- Maintain the positive long term relationships that have been developed with key business producers and partners in these territories

- To create new revenue opportunities and diversify risk with a disciplined approach in underwriting profitability

This report provides the reader with a more in depth look at the Company's business and performance, systems of governance, risk profile and solvency and capital positions.

The Company has performed extremely well over the reporting period with strong GWP growth and a profit after tax of €1,762,236. Payment of dividends during the reporting period has been consistent with the Company's documented dividend policy and additional share capital of €5,000,000 was received to support future growth. The Company has also complied with all aspects of the Solvency II Regulations.

The Company opened local regulated branches in France (Paris) and Italy (Rome) during the reporting period. This adds local regulatory oversight and additional market credibility to the Company in the French and Italian markets.

The Company's business and profitable performance has grown in line with expectation both on current business and organically during the reporting period compared to the previous reporting period. Consequently, the Company's SCR has grown over the reporting period, from EUR 4.1M at the start of the reporting period to EUR 11.2M at the end of the period.

Section A: Business and performance

A.1 Business

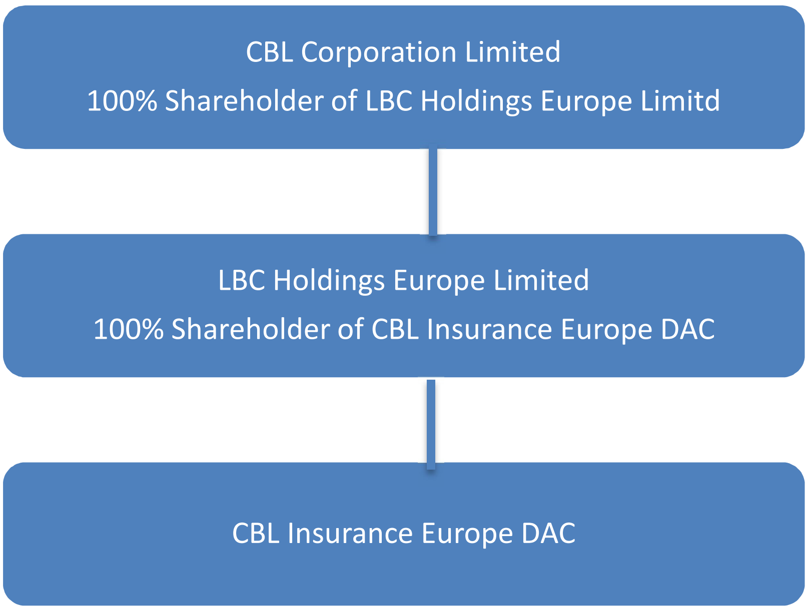
(a) the name and legal form of the undertaking is CBL Insurance Europe Designated Activity Company.

(b) the name and contact details of the supervisory authority responsible for financial supervision of the undertaking is the Insurance Supervision Division of the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland. Telephone: +353 1 224 6000

(c) the name and contact details of the external auditor of the undertaking is Deloitte, Chartered Accountants and Statutory Audit Firm, Deloitte and Touche House, Earlsfort Terrace, Dublin 2, Ireland. Telephone +353 1 417 2200

(d) the undertaking is 100% owned by LBC Holdings Europe Limited, a CBL Corporation group company.

(e) details of the undertaking's position within the legal structure of the CBL Corporation group is summarised as follows:



(f) the Company's material geographical areas during the reporting period where it carries out its business are Ireland, UK, France and Denmark; a summary of all licenced lines of business on a Freedom of Services basis are:

Regulation	Class/Line of Business	Authorised Territory
Solvency I	Class 1: Accident	Ireland & Denmark
Solvency II	Line 2: Income protection Line 3: Workers' compensation	Ireland & Denmark
Solvency I	Class 2: Sickness	27 EU States plus Norway
Solvency II	Line 2: Income protection Line 3: Workers' compensation	27 EU States plus Norway
Solvency I	Class 3: Land Vehicles (other than railway rolling stock)	27 EU States plus Norway
Solvency II	Line 5: Other Motor	27 EU States plus Norway
Solvency I	Class 7: Goods in Transit	27 EU States plus Norway
Solvency II	Line 6: Marine, Aviation & Transport	27 EU States plus Norway
Solvency I	Class 13: Liability	27 EU States plus Norway
Solvency II	Line 8: General Liability	27 EU States plus Norway
Solvency I	Class 8: Fire and Natural Forces	27 EU States plus Norway
Solvency II	Line 7: Fire and Other Damage to Property	27 EU States plus Norway
Solvency I	Class 9: Other Damage to Property	27 EU States plus Norway
Solvency II	Line 7: Fire and Other Damage to Property	27 EU States plus Norway
Solvency I	Class 14: Credit	27 EU States plus Norway
Solvency II	Line 9: Credit and Suretyship	27 EU States plus Norway
Solvency I	Class 15: Suretyship	27 EU States plus Norway

Solvency II	Line 9: Credit and Suretyship	27 EU States plus Norway
Solvency I	Class 16: Miscellaneous Financial Loss	27 EU States plus Norway
Solvency II	Line 12: Miscellaneous Financial Loss	27 EU States plus Norway
Solvency I	Class 17: Legal Expenses	Ireland and France
Solvency II	Line 10: Legal Expenses	Ireland and France

(g) The decision by the UK to exit the European Union prompted the Company to expedite the transition of writing future ongoing business through the long established EU MGA relationships which CBL Insurance Ltd ("CBL Insurance") has developed over the years pursuant to International Service Agreements ("ISA's") issued by an insurer domiciled in a jurisdiction which is affected by the "Brexit" decision (Gibraltar), and reinsured to CBL Insurance, to in the future writing that same business by CBLIE, through new "mirror image" ISA's issued by CBLIE to those same MGA's and reinsured with CBL Insurance, taking into account the risk appetite policies and prudent management of CBLIE.

A.2 Underwriting Performance

The underwriting performance of the Company has been very positive with underwriting profit reported of €3,039,835 over the reporting period, compared to €1,732,911 over the previous reporting period. The performance is summarised as follows:

Line of Business	**2016**	**2015**
Accident & Health	344,276	327,902
Misc Financial Loss	1,254,824	810,748
Property	98,067	18,876
Liability	735,348	446,043
Suretyship	605,249	129,342
Legal expenses	2,071	-
Underwriting income	3,039,835	1,732,911
Operating expenses	(1,038,624)	(607,827)
Investment income	14,370	36,400
Profit before tax	2,015,581	1,161,484

Geographical Area	**2016**	**2015**
Ireland	404,606	113,171
UK	1,761,393	1,248,048
France	310,830	28,290
Denmark	340,304	327,522
Other	222,702	15,880
Underwriting income	3,039,835	1,732,911
Operating expenses	(1,038,624)	(607,827)
Investment income	14,370	36,400
Profit before tax	2,015,581	1,161,484

A.3 Investment Performance

(a) the Company maintains its investments in call accounts with EU regulated credit institutions and an intercompany investment with a group company, CBL Insurance Limited, with a maturity of less than 1 year. The income on these investments over the reporting period was €14,370 compared to €36,400 over the previous reporting period.

The below table summarizes the deposits by counterparty together with interest income as reported in the financial statements.

	Maturity	2016	2015	Variance	Variance %
Cash at Bank					
AIB	N/A	4,436,409	3,349,123	1,087,286	32.5%
Rabo	N/A	5,569,325	5,559,967	9,358	0.2%
HSBC	N/A	6,620,233	1,759,125	4,861,108	276.3%
Intercompany					
CBL Insurance Ltd	31/12/2017	4,000,000	-	4,000,000	-%
Interest Income		14,370	36,400	-22,030	-60.5%

(b) no gains or losses were recognized directly in equity.

(c) the Company had no investments in securitisation, during the reporting period or previous reporting period.

A.4 Performance of other activities

There have been no other significant activities undertaken by the Company other than its insurance activities.

A.5 Any other information

There have been no other material developments regarding the business and performance of the Company during the reporting period.

Section B: System of governance

B.1 General information on the system of governance

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

The Company's Board has ultimate responsibility for the oversight of the business and sets its strategy and risk appetite. The Board also has responsibility for ensuring that an adequate and effective system of internal controls is maintained in the Company. The Company is committed to high standards of Corporate Governance. The Company takes a risk based approach to the system of governance taking into consideration the nature, scale and complexity of its business.

A number of key functions, whilst outsourced, are the responsibility of the Board – refer to further paragraphs within this section for additional information on outsourcing. The Board consists of two very senior individuals within the CBL Corporation Limited Group, two independent directors who have extensive industry experience and an Executive Director with considerable industry experience. The roles and responsibilities for each are laid down in the Board terms of reference. The Board has established a separate Audit Committee and a Risk Committee.

The Board has five directors who meet formally at least four times per calendar year and at least twice in every six month period. There is also additional interaction between members of the Board throughout each financial year. The Board of Directors are as follows:

Peter Harris – Chairman & Non-Executive Director
Brendan Malley – CEO & Executive Director
Carden Mulholland - Non-Executive Director
Paul Donaldson – Independent Non-Executive Director
Kevin O'Brien - Independent Non-Executive Director

A suite of policy documentation and checklists supports the corporate governance regime of the business ensuring robust procedures and a strong internal control environment at all times. Oversight controls around key business processes and outsourced activities are a focus of the work undertaken by the Internal Audit function.

The Board of Directors also completes an annual Board performance questionnaire. The results of the questionnaire are tabled at the next Board meeting for discussion and consideration.

(b) no material changes in the system of governance have taken place over the reporting period;

(c) the Company has established a remuneration policy. The objective of this Policy is to ensure that Company's remuneration practices are transparent, consistent with and promote sound and effective risk management; do not encourage excessive risk taking by ensuring that the payment of variable remuneration is conditional upon certain factors being met; and furthermore by limiting the payment of variable remuneration, this provides consistency with maintaining a sound capital base for the Company.

Other key objectives of this policy are to attract and retain skilled staff to manage the business and to comply with all relevant statutes, rules, regulations and guidance issues by regulators with respect to remuneration policies.

(d) as an insurance entity it is common to have material transactions with its shareholders, or sister companies, in particular when those shareholders or sister companies add additional strength to the Company's financial and operating performance.

The Company has invested €4,000,000 with CBL Insurance Limited as an intercompany transaction. The amount of the transaction at the end of the reporting period was €4,000,000. Interest earned is at a commercial rate of interest on an arm's length basis. CBL Insurance has a higher Financial Strength Rating than the entity the funds were previously invested with. The Company may request repayment of the investment, in whole or in part, on demand without qualification. The investment, all interest accrued thereon and all other outstanding amounts shall become immediately due and payable to the Company if the borrower defaults in its obligations to pay interest or repay the investment, or becomes insolvent or goes into liquidation.

Dividends of €651,182 were declared and paid during the reporting period. In addition, €6,668,820 of reinsurance premium was written to other group companies.

B.2 Fit and proper requirements

(a) the Company has adopted a Fitness and Probity Policy which sets out the due diligence checks that must be performed in accordance with the Central Bank of Ireland's Guidance on Fitness and Probity Standards. The Company recognises the importance and value of the fit and proper requirements and it has a system in place to review the ability, competence, skills and integrity of candidates for a position on the Board or for other Key Functions.

Selection and recruitment process for Key Function Holders (referred to as Pre-Approval Control Functions or PCF's):

- A written job description outlining the duties and responsibilities for the role.
- An assessment of the level of fitness and probity required for the role.
- Advertisement of the position, where applicable.
- Interview process to identify business and industry experience of the candidate and to match suitable candidates to the specific role.
- Capture fitness and probity due diligence referred to below.
- Upon Central Bank of Ireland approval, letter of appointment issued and training provided.

(b) the process for assessing the fitness and the propriety of the persons in PCF positions is summarised as follows:

- Interview and application
- The Company conducts its own fitness and probity due diligence before proposing a person for appointment to a PCF. The due diligence required is referenced within the Central Bank of Ireland's Guidance on Fitness and Probity Standards. The following is captured:

    - Evidence of a relevant professional qualification.
    - Confirmation of continuous professional development.
    - Evidence of professional membership of an organisation (where applicable).
    - Reference checks.
    - Review record of previous experience, including a review of curriculum vitae.
    - Record of experience gained outside the State (where applicable) –consider the extent to which the person can demonstrate competency that relates specifically to the function within the State.
    - Review of list of directorships and concurrent responsibilities.
    - Checks are also undertaken with the Regulator, Companies House and a judgment debt check is performed.
    - Signed Fitness and Probity declarations.
    - Individual Questionnaire

- A PCF holder from the Company will review the Individual Questionnaire, complete a declaration on behalf of the Company and submit the Individual Questionnaire to the Central Bank of Ireland for final assessment.
- As part of the continuing obligations, annual declarations are sought from all PCF's, each PCF file is reviewed and an annual PCF return is submitted to the Central Bank of Ireland via the online reporting system.

B.3 Risk management system

(a) the Company has established a number of risk management policies including: Risk Appetite Statement which includes an escalation procedure, Operational Risk Policy and Capital Risk and Capital Management Policy. The Company defines operational risk as the risk of loss arising from people, processes or systems, or external events. This includes risks such as regulatory risk and such operational risks of fraud risk, IT risk, market risk and reputational risk. It excludes quantifiable risks. Quantifiable risks are set out in the Company's Risk Appetite Statement. The Risk Appetite Statement is subject to a detailed annual review by the Board. The Company aims for zero operational risk loss events, and whilst such risk cannot be eliminated completely, the strategy is to minimise such risk through a robust governance framework, systems and controls, capital management, and appropriate reinsurance.

(b) the risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making processes of the Company via:

- review and ongoing maintenance of risk related policies by the Board
- adherence with and annual review of the Company's Risk Appetite Statement
- adequately resourced critical functions of risk management, compliance and actuarial staffed by experienced professionals
- adequately resourced internal audit function with a regular review cycle
- business continuity planning
- succession plan for key roles
- monthly underwriting and financial reporting

The management and monitoring of risks to the business is an on-going process which is integrated into the overall organisational structure of the Company. The Own Risk and Solvency Assessment process referred to in the following paragraph is a key component in the Company's risk management and decision making processes.

The primary strategic objective and purpose of the Company is to support and take advantage of and build on the long established European based business programs established by the CBL Group and its subsidiaries in the building and construction and contracting sector and other non-standard lines of insurance business. This objective has remained core to the business of the Company and there are no plans to change this business strategy.

B.4 Own risk and solvency assessment ("ORSA")

Summary of ORSA Process

Risk Identification

The first step in the ORSA process was to consider and identify which risks should be assessed. The 2014 and 2015 ORSA Processes were built upon in this regard. In addition, claims were assessed to identify any new or increasing areas of risk. Also, the CBL Group Risk Register was used as a tool for identifying risks to be reviewed and monitored.

Financial Projections

The Profit and Loss Account and Balance Sheet of the Company were projected for each of the next 5 years. The accounts were projected on an IFRS basis and converted to Solvency II balance sheets to calculate the solvency capital requirements.

Using the projected Balance Sheet, the Company's capital requirements were also calculated for each of the next 4 years on a Solvency II basis. The Board was then able to use these projections to see the medium term position of the Company in relation to their capital requirements over the period.

Stress & Scenario Testing

The third step of this ORSA process was for the Board and Management to examine the impact of a range of stresses and scenarios on the Company's solvency position. These included both quantitative and qualitative scenarios, and also a reverse stress test approach to identify how severe a loss would have to be to result in a breach of solvency. The proposed stresses and scenario tests were presented to the Board at the outset of the ORSA Process for consideration; the Board responded with detailed feedback in terms of additional stress and scenario tests and other considerations for the ORSA process.

Qualitative Discussion of Risks

The 2015 ORSA Process involved more qualitative discussion of risks than in 2014, and this is continued in the 2016 ORSA Process. A qualitative consideration of Operational Risk was also added.

Board and Management Discussion and Review

The final step in the ORSA Process was the presentation of the Draft Projections, Stress and Scenario Tests to the Board and Management. Initial results were circulated to the Board in advance of the Board meeting which was dedicated to the ORSA process. The Board discussion in the Board meeting was an integral part of the ORSA Process.

Board Sign-off

Following this final iteration, the final ORSA Report was reviewed and approved by the Board.

Integration into Decision-making process

The results of the ORSA projections were used to inform, inter alia, reinsurance purchasing, limit and retention structure, dividend policy, and investment policy.

Results

The following table summarises the Company's forecast base case SCR / MCR position, using the Standard Formula, over a 4-year projection period:

Period Ended: EUR 000	2017
SCR	17,129
Available Capital SCR	21,336
SCR Coverage Ratio	125%
SCR Margin	4,207
MCR	4,664
Available Capital MCR	21,336
MCR Coverage Ratio	457%
MCR Margin	16,672

Subsequent to the finalization of the ORSA process, and informed by the results of the ORSA Process, the parent – CBL Corporation – has resolved to increase the capital of the Company by EUR 5M. The revised projections based on a EUR 5M capital increase are as follows:

Period Ended: EUR 000	2017
SCR	17,471
Available Capital SCR	26,262
SCR Coverage Ratio	150%
SCR Margin	8,791
MCR	4,682
Available Capital MCR	26,262
MCR Coverage Ratio	561%
MCR Margin	21,580

B.5 Internal control

(a) *Internal Control System*

The principal control framework for the Company is its controls set at Board level. These controls include the Board approved policies, reports, terms of reference, schedule of matters, minutes of board meetings, and appetite for risk recommended by its Risk Committee. The policies describe the Board's approach to key areas of the business. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control system. In practice, other Directors and key role holders also participate in the management of the system. The Company's internal controls are part of its compliance framework. Various measures are incorporated into systems and processes to control day-to-day activities. The Company implements adequate controls to ensure compliance and to highlight any significant breakdown in controls or inadequacy of process.

The Compliance Officer is responsible for ensuring that all Company policies are fit for purpose, and remain so. The relevant area of the business is responsible for ensuring that their procedures are up to date and reflect how the business operates. Amendments are submitted to the Board for approval. There is a compliance monitoring programme in place to review all of its regulatory requirements. This is completed by the Compliance Officer on a regular basis and forms part of the compliance report to the Board.

The Company has established the four key independent control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 - actuarial, internal audit, compliance and risk management. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board in relation to the Company's control framework.

Where any functions or activities are outsourced, the Company expects that any outsourcing entity manages its control framework to the same standards as the Company and to adhere to the Company's policies and procedures and to employ fit and proper people in its controlled functions. The Company has a Service Level Agreement in place with each outsourced entity with Key Performance Indicators set to ensure regular reporting to the Board. Attestations are also received from the Service Provider in respect to the ongoing fitness and probity of its Key Control Functions. Any significant or material event that occurs requires immediate reporting to the Board.

(b) Compliance Function

The Board supports the Compliance Function and shall make available such resource as is necessary. It provides access to all relevant documentation and information from the business for the Compliance Function to fulfil its role.

A Compliance Officer is appointed through a formal outsourcing arrangement with Allied Risk Management Limited who have responsibility for the Compliance Function. The Compliance Officer ensures the Company's continuing compliance in relation to its regulatory and legal obligations. It aims to minimise the risks to the Company of material financial loss or reputational damage arising from the potential failure to comply with legal or regulatory requirements. The Compliance Officer liaises with regulatory bodies and authorities and provides updates on changes in legislation and regulatory requirements.

The Compliance Officer has responsibility for the implementation of the Company's Compliance strategy and effective compliance processes and is responsible for the monitoring, managing and reporting of compliance risks to which the Company is exposed. It ensures that arrangements are sufficiently robust, proportionate, effective and efficient. The Compliance Officer is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficiency through Compliance monitoring.

Compliance auditing occurs to check that the Company are adhering to its obligations. Compliance reports are issued to the Board assessing the effectiveness and adequacy of compliance within the Company. The activities of the Compliance function are subject to periodic review by Internal Audit.

On an ongoing basis, the Compliance Officer strives to ensure that there is an organisational culture in place which promotes a high standard of integrity and regulatory compliance.

B.6 Internal audit function

The Internal Audit Function is governed by the Company's internal audit policy and is an integral part of the Company's internal control framework. It is implemented on an outsourced basis with CBL Insurance Limited's Internal Audit department.

- The function provides independent and objective assurance services through a formal outsourcing arrangement in respect of the Company's processes with due regard to the adequacy of the governance, risk management and internal control framework;
- Audits are conducted with a Board approved Internal Audit Plan;
- The Head of Internal Audit reports to the Board which oversees the risk based Audit Plan and outcomes thereof;

- Internal Audit Reports can highlight any significant control failings or weaknesses identified and the impact they have had, or may have and the actions and timings which management have agreed to take to rectify them;
- Internal Audit prepare an annual report for the Board which provides a chosen assessment of the effectiveness of the Company's systems of risk management and internal controls during the reporting period.

It is the responsibility of the Internal Audit Function to independently, but proportionately, assess the effectiveness of the internal control system, governance and risk management systems and to provide to the Board an evaluation of the adequacy of such systems and controls. The Head of Internal Audit has a duty to highlight any significant control failings or weaknesses identified and the impact they have had, or may have and the actions and timings which management have agreed to take to rectify them.

It is the objective of the Internal Audit Function to provide independent assurance that risk management processes are operating effectively and in accordance with required legislation and regulation. To ensure that effective controls are in place to mitigate risks or reduce those risks to an acceptable level in accordance with the Company's defined risk appetite.

The Internal Audit Function has unrestricted access to senior management and the Board. It is independent from the day-to-day operations of the business which allows it to maintain its independence and objectivity from the activities it reviews. The current structure enables the Head of Internal Audit to provide an independent opinion regarding a system, process or control.

B.7 Actuarial function

The Actuarial Function is outsourced to Allied Risk Management. Allied Risk Management's actuaries attend every board meeting and receive regular updates on claim activity. The Company's Technical Provisions are subject to quarterly review with a report presented annually detailing the Actuarial Function's Best Estimate claims reserves and Solvency II Technical Provisions.

The responsibilities of the Actuarial Function, in line with guidance from the Central Bank of Ireland and the Society of Actuaries, include, but are not limited to implementing/overseeing the following:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;

- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- oversee the calculation of technical provisions in the cases set out in Article 82;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and assessment

B.8 Outsourcing

The Company has an outsourcing policy the purpose of which is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for the Company's critical or important operational functions or activities. This policy has been approved by the Board. The Board ensures that an outsourcing arrangement shall not diminish the Company's ability to fulfil its regulatory obligations.

The Outsourcing Policy sets out the following:

- Definition of outsourcing
- Outsourcing risks
- Risk mitigation
- Board and management responsibility
- Assessment and due diligence on Outsourced Service Provider
- Essential requirements for inclusion in Service Level Agreements
- Management and oversight of Outsourced activities
- Reporting requirements
- Table of Outsourced Service Providers
- Business continuity and contingency planning

The Company only enters into an Outsourcing arrangement where there is a sound commercial basis for doing so and where it can be effectively managed. A full due diligence process is undertaken prior to any final decision being made as to whether to outsource a material business activity. In undertaking this assessment, the Company adhere to the Central Bank of Ireland Notification Process for (Re)Insurance Undertakings when Outsourcing Critical or Important Function or Activities under Solvency II Regulations.

The following is a list of the critical or important functions the Company has Outsourced and the jurisdiction in which the Outsourced Service Providers are located:

Outsourced Activity	Outsourced Provider	Jurisdiction
Actuarial Function	Allied Risk Management Limited	Ireland
Internal Audit Function	CBL Insurance Limited	New Zealand
Compliance Function	Allied Risk Management Limited	Ireland
Risk Management Function	Allied Risk Management Limited	Ireland

B.9 Assessment of the adequacy of the system of governance

Considering the nature, scale and complexity of the risks inherent in the business, the Company is very satisfied with its assessment of the adequacy and appropriateness of its system of governance.

B.10 Any other disclosures

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

Section C: Risk Profile

C.1 Risk Profile

General

CBLIE's business model is to write insurance business through Managing General Agents ("MGA"s). This could potentially lead to a number of risks, including:

- Risk acceptance – MGAs accept poor risks to increase premium income;
- Claim settlement – MGAs settle claims for too much, fight unwinnable claims etc.; lack of alignment of interests on the claim side;
- Claim reserving – MGA notify claim reserves that are inaccurate or otherwise unreliable;
- Data quality risk;
- Fraud risk.

CBLIE manages this risk by rigorous underwriting, setting its own tight underwriting criteria which the MGA has no authority to exceed; due diligence over its MGA partners and their experience and reputation in the industry and class of business, (before and throughout the life of the partnership with the MGA); limiting the authority of the MGA to settle claims; supervision and monitoring of the claims process, reserve adequacy, and recoveries. Regular premium and claims audits of MGAs are conducted to monitor the above risks and the MGA. CBLIE's claims management process monitors claims reserves monthly, and the actuarial function regularly monitors and analyses claims reserves.

The Company uses the Solvency II Standard Formula as its measure of economic capital in the quantitative assessment of risk presented below.

Underwriting risk

The Company writes a well-diversified book of business across business lines and territories. More detail is given below.

The Company is exposed to catastrophe risk on its household book; this is mitigated by excess of loss reinsurance protections. In addition, the Company is exposed to the systemic risk of a major European-wide recession which could potentially impact the Bonding, UK Travel, and other lines of business, but with the risk mitigation processes, expertise and experience contained within the CBL Group over the past 20 plus years has proven to be effective in avoiding and reducing this impact.

The Company manages its underwriting risk through rigorous selection and monitoring of its MGA partners, including regular audits and annual reviews. In addition, it has a comprehensive reinsurance programme in place, including

- The Company has a surplus reinsurance treaty on its Bond insurance to cap its maximum exposure;
- The Company has Excess of Loss reinsurance in place on a significant proportion of its Professional Indemnity insurance;
- The Company also has an umbrella Excess of Loss treaty capping all liability claims at EUR 1.5M;
- The Company has substantial proportional reinsurance on its builders' risk insurance;
- The Company has Catastrophe Excess of Loss reinsurance on its property book.

The Company cedes varying percentages of its programmes to its sister company CBL Insurance to align with its Risk Appetite.

The main driver of CBLIE's SCR is Underwriting Risk – i.e. Premium Risk, Reserve Risk and Catastrophe Risk.

Premium and Reserve Risk

The Premium and Reserve Risk increases as the business grows. The Premium and Reserve Risk charge is approximately 27% of the sum of Claims Reserves plus one year's earned premium.

	Non-Life	NSLT Health
Premium and Reserve SCR	6,435	921

Catastrophe Risk

Catastrophe Risk exposure comes from all lines of business. The Catastrophe Risk capital charge is equal to the net exposure for a variety of prescribed	Standard Formula Scenario	Calculation	Stand-alone Catastrophe Risk Charge (before diversification)

scenarios in the Standard Formula. The Catastrophe Risk charge by line of business as calculated in the Company's 2016 ORSA Process is presented below:Line of Business			
Bonds	Default of Largest Exposure	10% of Net Loss following default of 2 largest Gross exposures	EUR 1.8M
Bonds	Recession Scenario	100% of Net Earned Premium	EUR 2.9M
Personal Accident	Mass Accident	Formula based on benefits	EUR 1M
Personal Accident	Accident Concentration – based on largest concentration of insured lives (500 persons assumed)	Formula based on benefits	EUR 215k
Property	Fire Scenario	Net loss from following total loss	EUR 250k

		of largest Gross exposure in 200M radius	
Property	Windstorm	Net loss from Gross Loss of 0.2% of Total Sum Insured	EUR 500k
Miscellaneous Financial Loss	Catastrophe Gross loss of 40% of Premium	Net loss from Gross Loss of 40% of Premium	EUR 1.7M
Liability	Catastrophe Gross loss of 100% of Premium	Net loss from Gross Loss of 100% of Premium	EUR 4.7M
Total Catastrophe SCR (after diversification)			**EUR 7M**

Non-life Underwriting Risk

	SCR (EUR 000)
Premium and Reserve Risk	6,435
Catastrophe Risk	6,074
Non-life lapse	240
Diversification Credit	(2,855)
Non-life Underwriting Risk SCR	**9,895**

NSLT Health Underwriting Risk

	SCR (EUR 000)
Premium and Reserve Risk	921
Catastrophe Risk	4,443
Non-life lapse	0
Diversification Credit	(607)
Non-life Underwriting Risk SCR	**4,757**

Market risk

CBLIE has a simple investment strategy with assets being held in cash or cash equivalents and short term on-demand investments with adequately rated entities.

The capital charge for the intercompany investment is relatively low due to CBL Insurance's A- financial strength rating. This does however give rise to an additional capital charge of approximately EUR 1M arising from Concentration Risk.

Interest Rate Risk

This is the risk of a negative movement in Net Asset Value due to an increase or decrease in interest rates. Given the current low interest rate environment and relatively short run-off period of the reserves this is relatively low.

Foreign Exchange Risk

This risk is well managed with net exposure to non-Euro assets and liabilities managed by holding appropriate premium balances in original currency for the purpose of paying claims and expense on those currencies, resulting in a robust, low-cost natural hedge. The Standard Formula stand-alone risk charge is equal to 25% of the non-Euro net exposure. Due to practical issues with measuring FX exposure, with balances varying at different times of the year, a prudent view is taken when measuring FX risk; on this basis, the FX Risk charge is estimated to be in the region of EUR 400k.

Spread risk, concentration risk

There is a spread risk charge arising of EUR 112k arising on the intercompany investment. The intercompany investment also gives rise to a concentration risk charge of EUR 815k.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation thus causing the other party to incur a financial loss. As part of the underwriting process the company chooses to cede risk to reinsurers with A - or higher credit ratings or to group companies. Insurance premium receivable is due from unrated entities which is standard for this type of business. The BBB credit rating is for other receivables and is reviewed by the Board. Per the Financial Statements, the Company had the following credit risk exposures at year end 2016:

	Reinsurers assets, insurance and other receivables	Cash
	€	€
Credit risk 2016		
Financial institutions	16,435,351	16,625,967

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings.

	Reinsurers assets, insurance and other receivables	Cash
	€	€
Credit risk – continued		
Credit ratings 2016		
AA	3%	40%
A	65%	33%
BBB	-%	-
BB	-%	27%
Unrated	32%	-
	100%	100%

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to pay a contractual obligation; or a reinsurance liability falling due for payment earlier than expected; or an inability to generate cash inflows as anticipated.

The company has determined that liquidity risk does not represent a significant exposure to its business. This assessment is based on the fact that the company has very little cash commitments with sufficient cash held in readily realisable debt instruments, and a low average claim figure.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	€	€	€	€
Liquidity 2016				
Assets:				
Reinsurers assets	279,931	369,585	133,492	783,008
Insurance and other receivables	9,358,073	-	-	9,358,073
Cash and cash equivalents	16,625,967	-	-	16,625,967
Accrued interest	319	-	-	319
	26,264,290	369,585	133,492	26,767,367
Liabilities:				
Insurance contracts and provisions	1,195,757	1,578,724	570,224	3,344,705
Insurance, other payables and deferred income	4,200,235	-	-	4,200,235
Tax	106,821	-	-	106,821
	5,502,813	1,578,724	570,224	7,651,761
Liquidity gap	20,761,477	(1,209,139)	(436,732)	19,115,606

Operational risk

CBLIE's business model gives the Company additional expertise, experience and local market knowledge over Operational Risk than might otherwise be the case. In addition, as outlined above, rigorous underwriting, due diligence and monitoring of its MGA partners plays an essential part in managing this risk. There is considerable reliance on the systems of the MGAs. A long established programme of premium, claims, and underwriting audits of the MGA's putting on the business has been well established over a long period has been established by CBL Insurance and will continue to be performed during 2017 by the Company which will allow the Company to continue to manage this risk.

The Company outsources certain services to Allied Risk Management, a professional insurance management company with over twenty years' experience in insurance management under a robust set of policies, procedures, and standards. The Company and the CBL Group has a strong corporate risk culture and a full suite of governance policies and processes which further limit operational risk.

The introduction of Solvency II with its governance requirements (including the requirement for Internal Control, Internal Audit, Actuarial and Risk functions) assists in further reducing operational risk. The IPO carried out by the CBL Corporation parent and the dual listing of its shares on the Australian (ASX) and New Zealand (NZX) stock exchanges and continuous disclosure regime of being a public company group also required the Company to be subject to additional due diligence and external audit which gives further comfort regarding the Company's governance and risk management.

The Company recently reviewed and updated its outsourcing agreements to address some operational risks, including cyber-risk and business continuity risk (which although considered low are referenced and addressed in the revised outsourcing agreements).

The aforementioned audit of MGA providers will include an assessment of cyber risk. In addition, Allied Risk Management has recently undertaken a complete review of its cyber risk exposure and has upgraded its systems, its back-up systems and its business continuity plan to manage this risk.

Key person risk is considered in the Group Risk Register – in the Board's assessment CBLIE does not have reliance on any one individual and there is a succession plan in place which identifies short and medium term replacements for all key employees and function holders.

Other material risks

C.2 (a) risk measures

The Company uses the Solvency II Standard Formula as its measure for the quantitative assessment of risk as more detailed in the previous paragraphs. The Company also has an established Risk Appetite Statement to assess risks in the Company and a description of the measures used therein are as follows: there have been no material changes over the reporting period:

Green	Green represents the **Risk Appetite** of the Company, it represents the level of risk the Company is willing and able to accept to satisfy its strategic objectives
Amber	Amber represents **Risk Tolerances** and acceptable variances which will be brought to the attention of Board and will require monitoring
Red	Red represents the **Limit** for each risk, (where possible) it indicates when action needs to be taken to stop or change a situation which is may

	result in an unacceptable level of risk to the Company

C.2 (b) the nature of material risk exposures

The material risks that the Company is exposed to the risk of adverse claims experience across all lines of business. This is addressed under Underwriting Risk above and Technical Provisions below. There have been no material changes over the reporting period.

C.2 (c) investments in accordance with the 'prudent person principle'

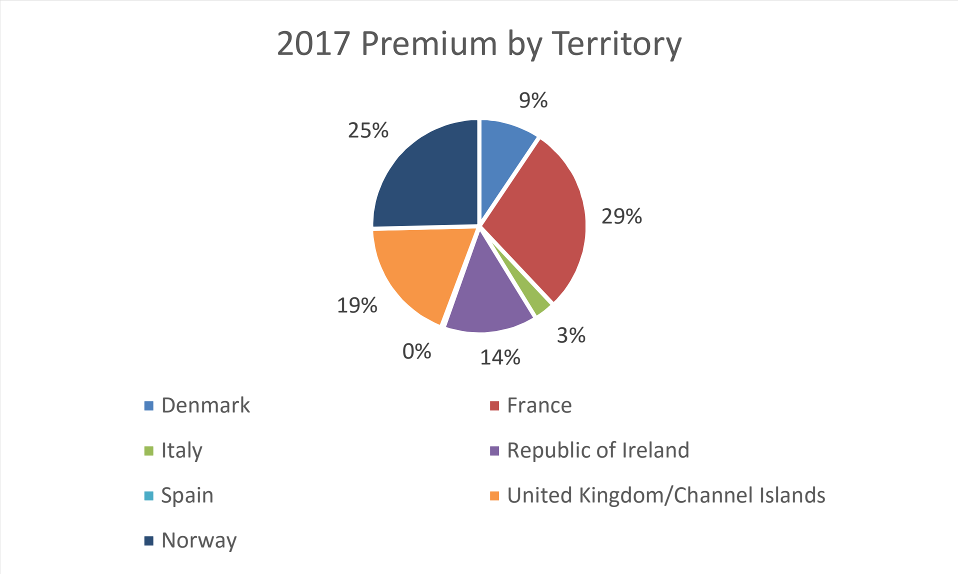
The Company is required to invest all assets and particularly assets used to cover the minimum capital requirement and the solvency capital requirement in accordance with the 'prudent person principle'. The prudent person principle defines that the assets must be invested in a manner acceptable to a 'prudent person' – that is that the decisions are generally accepted as being sound for the average person.

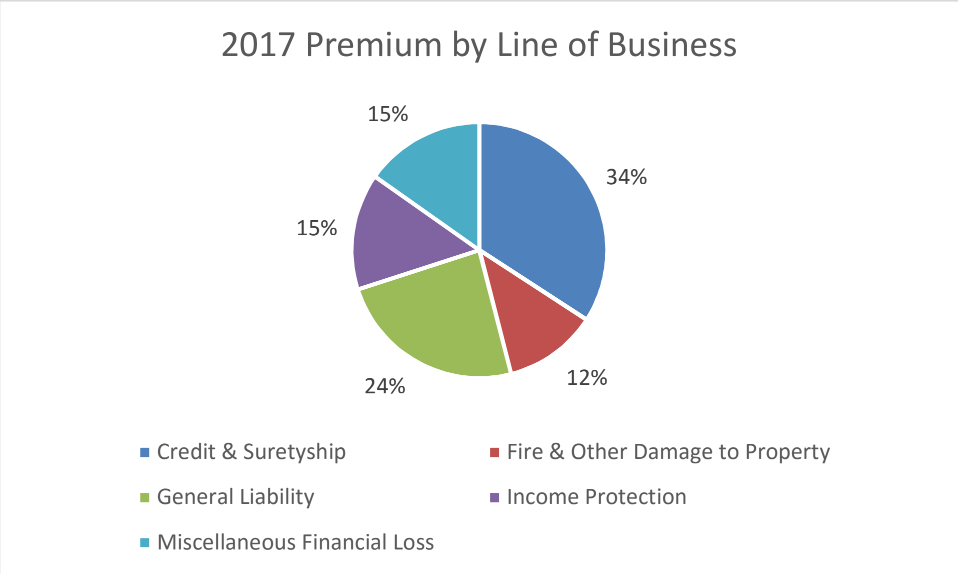
The Company maintains its assets in cash equivalents and short term deposits with EU regulated credit institutions and intercompany investments.

C.3 The nature of material risk concentrations

As noted above, the Company has a well-diversified underwriting portfolio, across both business lines and territories. No single programme represents more than 17% of expected 2017 net premium income and no single country represents more than 30% of 2017 expected net premium income. The largest line of business (Credit and Surety) represents 34% of 2017 expected net premium income.

Accumulations on the proerty exposure and credit and surety exposure a monitored and managed via reinsurance.





The intercompany investment to CBL Insurance represents a concentration risk, although it is considered acceptable due to CBL Insurance's strong credit rating. It is important to note that the same concentration risk existed with the bank where it was previously invested, and the financial strength rating of that bank was below that of CBL Insurance.

C.4 Risk mitigation practices

The Company manages its underwriting risk through a comprehensive reinsurance programme as outlined under "Underwriting Risk" above.

FX risk is managed by holding appropriate balances in original currency. Foreign exchange hedging is therefore done naturally, and not considered necessary to be supplemented by artificial hedging instruments.

Other market risks are not sufficiently material to require sophisticated market risk mitigation techniques.

C.5 Liquidity Risk

The Expected Profit in Future Premiums calculated in accordance with Article 260(2) of the Delegated Acts is EUR 792k.

C.6 Risk sensitivities

In its ORSA Process the Company considered a number of both quantitative and qualitative stress and scenarios, including reverse stress tests. These were as follows:

Qualitative

- Ability to handle a catastrophe event
- The United Kingdom exits the European Union
- Operational Risk Event Arising from Exposure to MGA

The Board and management discuss each of the above scenarios at length and was satisfied that in each case either the risk was low or the Company had appropriate plans in place to deal with the event in question.

Quantitative

The results below are on the basis of the EUR 5M capital increase referred to above.

Reverse Stress Tests

The largest loss the Company can absorb without breaching its Solvency II SCR is in the order of EUR 10M. This figure grows steadily through to the end of the projection period. The largest loss the Company can absorb without breaching its Solvency II MCR is in the order of EUR 16M.

Scenario	Event	DESCRIPTION	Impact
Bank Credit Event	Downgrade	Downgrade of bank counterparty in 2018 to B.	SCR coverage decreases to 142% in 2018.
Large Property Loss	Property Loss of largest exposure	Gross loss of EUR 1.75M in 2017, EUR 1.5M reinsurance recovery less reinstatement costs.	SCR coverage falls to 149% in 2017.
Catastrophe Property Loss	Widespread flooding/windstorm causes catastrophic losses on the household book.	Gross Loss of EUR 1.36M in 2017, EUR 1.1M reinsurance recovery less reinstatement costs.	SCR coverage falls to 149% in 2017.
Large Surety Loss	Large loss of 20% of total value of largest gross bond exposure;	Gross Loss of EUR 3.1M in 2018, EUR 1.7M reinsurance recovery	SCR Coverage decreases to 140% in 2018.
Combined Loss Scenario	Large loss of 20% of total value of largest gross bond exposure; 1M gross Liability loss.	Gross Loss of EUR 4.1M in 2018, EUR 2M reinsurance recovery.	SCR Coverage decreases to 137% in 2018.

C.7 Any other disclosures

There is no other material information regarding the risk profile of the Company during the reporting period.

Section D: Regulatory balance sheet

(a) Assets

CBL Insurance Europe dac Assets (EUR 000's)	Current Accounting Basis	SII Valuation Principles
Goodwill		
Deferred Acquisition Costs	5,159	
Intangible Assets		-
Deferred Tax Assets		-
Pension benefit surplus		-
Property, plant & equipement held for own use	1	1
Investments	-	-
Property (Other than Own Use)		-
Participations and related undertakings		-
Equities (Other than Participations)	-	-
Equities (Other than Participations) - Listed		-
Equities (Other than Participations) - Unlisted		-
Bonds	-	-
Government and Multilateral Banks		-
Corporate		-
Structured Notes		-
Collateralised Securities		-
Collective Investments Undertakings		-
Derivatives		-
Deposits other than cash equivalents		-
Other Investments		-
Mortgages and Loans Made	4,000	4,000
Mortgages & loans to individuals		-
Other Mortgages & loans	4,000	4,000
Loans on Policies		-
Reinsurance recoverables	7,077	-276
Reinsurance share of TP - non-life excluding health	7,077	-277
Reinsurance share of TP - health similar to non-life	1	1
Deposits to cedants		-
Insurance & Intermediaries Receivables (reallocated to Technical provisions in Solvency II)	5,313	-
Reinsurance Receivables		-
Receivables (trade, not insurance)		-
Own Shares		-
Amounts due in respect of own fund items or initial fund called up but not yet paid in		-
Cash & Cash Equivalents	16,670	16,670
Any Other Assets, Not Elsewhere Shown		-
Total assets	**38,221**	**20,395**

(b) There are no material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for its valuation in financial statements.

D.2 Technical provisions

(a)

Line of Business	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Medical Expense	6,189	635	664	**6,159**
Income Protection	823,369	98,281	-	**921,651**
Fire & Other Damage to Property	790,762	86,052	-50,795	**927,608**
General Liability	1,842,712	207,958	640,095	**1,410,575**
Credit & Suretyship	1,227,401	402,279	-724,578	**2,354,258**
Legal Expenses	-276,417	1,784	-210,342	**-64,291**
Miscellaneous Financial Loss	401,910	220,576	68,474	**554,012**
Total	**4,815,927**	**1,017,565**	**-276,481**	**6,109,973**

The Claims Provisions relate mainly to a mature book of PI claims which are close to being run-off and closed, and have low levels of uncertainty attaching. The Premium Provisions are subject to greater uncertainty; the Premium Provisions relate to future exposure periods and so are exposed to loss events, including catastrophe events, and new liability, and bond claims etc. This risk is mitigated by the comprehensive reinsurance programme outlined above.

(b)The approach to the calculation of the Technical Provisions varies by programme. For newer programmes and Credit and Surety business there are no notified claims and so Expected Loss Ratio methods are used.

Line of Business	Method for calculation of Claim Provision	Methods used for calculation of Premium Provision
Medical Expense	Expected Loss Ratio	Expected Loss Ratio
Income Protection	Reported claims plus Frequency x Average Cost per Claim for IBNR	Expected Loss Ratio
Fire & Other Damage to Property	Reported claims plus Frequency x Average Cost per Claim for IBNR	Expected Loss Ratio
General Liability	Claim-by-claim analysis for complex claims Expected Loss Ratio for newer programmes	Expected Loss Ratio

Credit & Suretyship	Expected Loss Ratio	Expected Loss Ratio
Legal Expenses	Expected Loss Ratio	Expected Loss Ratio
Miscellaneous Financial Loss	Expected Loss Ratio	Expected Loss Ratio

(c) There are no differences between the bases, methods and main assumptions used by Company for the valuation of the Claim Provisions for solvency purposes and those used for their valuation in financial statements.

(d) The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC

(e) The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC

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

(g) The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC

(h) (i) Recoveries from reinsurance contracts are as follows:

1. Excess of loss recoveries on PI liability business – these are calculated by application of the reinsurance treaty terms to the outstanding claims; this calculation has been reviewed by the Head of Actuarial Function and subject to external audit;

2. Quota share recoveries on various programmes – this is a straightforward application of the ceded percentage;

3. Reinsurance balances payable and receivable – under Article 28 of the Delegated Acts and in accordance with market practice these are included in Solvency II Technical Provisions (to the extent that receivables are not past due).

In addition, although not a recovery under a reinsurance contract, there will be recovery of the losses incurred under the Dommage Ouvrage (insurance of the works) books of business in France, where once paid, the loss can be recovered for the liability insurer of the liable party responsible for causing the loss;

(h) (ii) There have been no material changes in the relevant assumptions made in the calculation of technical provisions compared to the Day 1 Technical Provisions calculations.

D.3 Other liabilities

CBL Insurance Europe dac Liabilities (EUR 000's)	Current Accounting Basis	SII Valuation Principles	Notes
Other Technical Provisions			
Contingent Liabilities		-	
Provisions Other Than Technical Provisions		-	
Pension Benefit Obligations		-	No deferred tax on Financial Statement balance sheet; the Solvency II value is the Deferred Tax item generated by the change in valuation basis
Deposits from Reinsurers		-	
Deferred Tax Liabilities		121	
Derivatives		-	
Debts owed to credit institutions		-	
Financial liabilities other than debts owed to credit institutions		-	
Insurance & intermediaries payables	2,501	-	Reallocated to Technical Provisions for Solvency II
Reinsurance payables	3,146	-	
Payables (trade, not insurance)		-	
Subordinated liabilities	-	-	
Subordinated liabilities not in BOF		-	
Subordinated liabilities in BOF		-	
Any other liabilities, not elsewhere shown	375	375	
Total liabilities	**6,023**	**496**	

(b) There are no material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for its valuation in financial statements.

D.4 Alternative methods for valuation

Not applicable

D.5 Any other information

There is no other material information regarding valuation for solvency purposes for the Company.

Section E: Capital management

E.1 Own funds

(a) the Company has a documented Capital Management Policy and there is no appetite for losses resulting from a breach of the solvency margin. In addition, the ORSA process is an integral part of the Company's Capital Management process. The outputs of the Actuarial Function Report are also used in the Company's decision making process in respect of capital management.

The Company is a single shareholder entity whose shares are fully paid up. It has no debt financing nor does it have any plans to raise debt or issue new shares in the short or medium term.

The Company's own funds are invested in cash, short term money market deposits or short term investments to its parent group. There is no intention to change this methodology.

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 (or MCR where relevant), currently 125% per the Company's Risk Appetite Statement, as informed by the ORSA;
- Per the most recent ORSA Process no new capital is anticipated to be required in the short or medium term;
- Dividends to be declared in accordance with the Board approved dividend policy, subject to maintaining SCR coverage in accordance with the Risk Appetite Statement
- Own fund items are to be invested in external bank deposits, cash or cash equivalents in accordance with the Board's approved counterparty limits as set out in the Company's Investment Policy.

(b), (c) and (d)

Own Funds Item	Value at 31 December 2016
Tier 1 unrestricted	14,066
Tier 1 restricted	0
Tier 2 basic	0
Tier 2 ancillary	0
Tier 3	0
Tier 3 ancillary	0

CBL Insurance Europe dac Basic Own Fund Items (EUR 000's)	Current Accounting Bases	SII Valuation Principles
Ordinary share capital (net of own shares)	8,769	8,769
Ordinary share capital (gross of own shares)		8,769
Share premium account related to ordinary share capital		-
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings		-
Subordinated mutual member accounts		-
Retained Profit	4,442	
Preference shares		-
Share premium account related to preference shares		-
Reconciliation reserve		5,288
Excess of assets over liabilities		14,066
Own shares (included as assets on the balance sheet)		-
Forseeable dividends and distributions		
Other basic own fund items		8,778
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds		
Subordinated liabilities		-
An amount equal to the value of net deferred tax assets		-
Other items approved by supervisory authority as basic own funds not specified above	9	9
Total Basic own funds	13,220	14,066

(e) The equity as shown in the undertaking's financial statements is EUR 1.018M less than the excess of assets over liabilities as calculated for solvency purposes; this difference is due mainly to (i) the embedded profit in the UPR is available as capital for solvency purposes and(ii) the level of Risk Margin in the technical provisions in the financial statements.

Reconciliation	
Financial Statements Available Capital	**13,220**
- DAC	(5,159)
- tax	*(121)*
- Risk Margin	*(1,018)*
+/- Discounting	*58*
+ Deferred Ceding Commission	*1,716*
+ Profit on UPR	*5,369*
Solvency II Available Capital	**14,066**

E.1 (f) The Company has no own-fund items subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC

E.1 (g) The Company has no items of ancillary own funds.

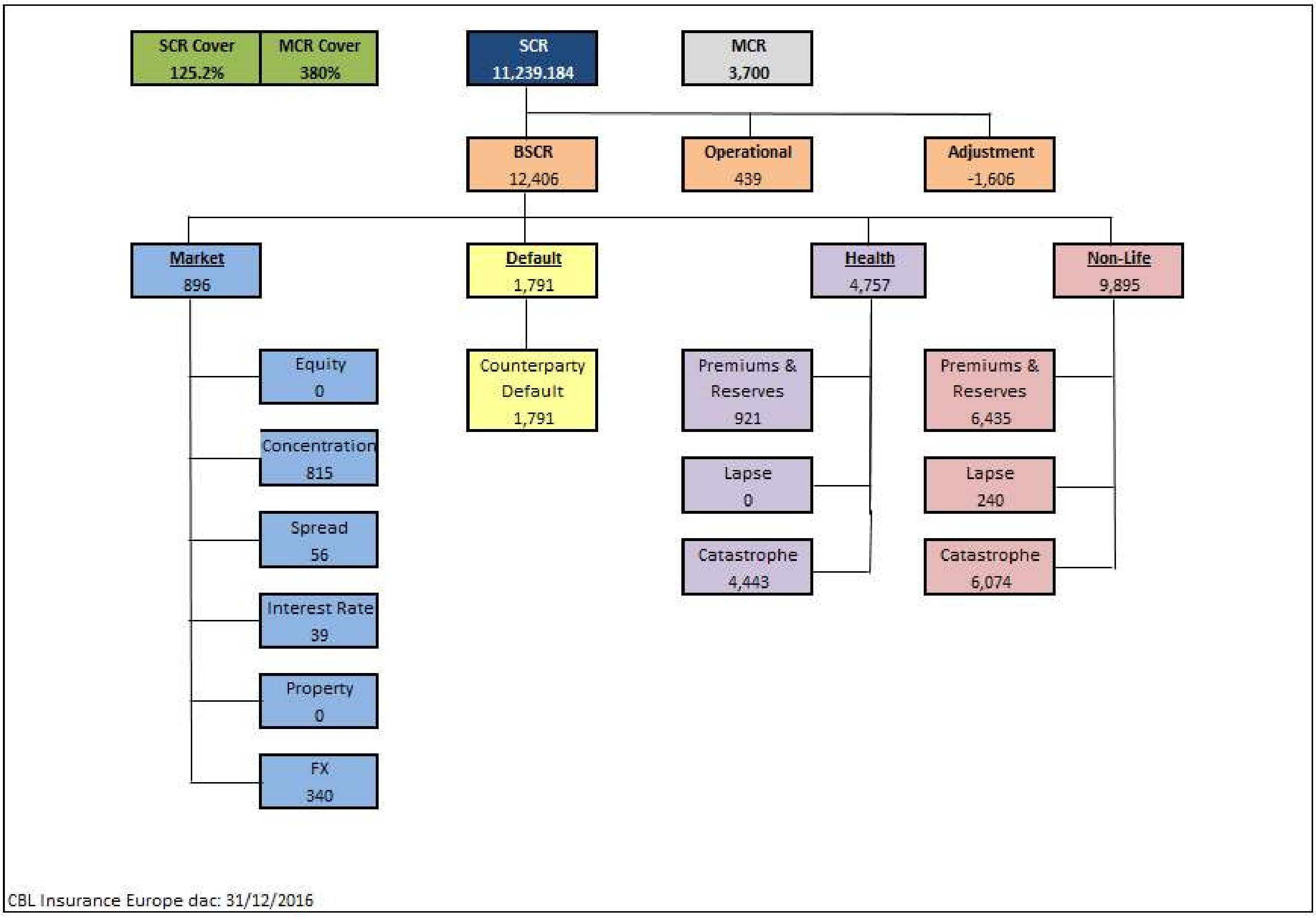
E.1 (h) The Company has no items deducted from own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2 (a) and (b)

(figures in EUR 000)

Solvency	Capital requirement	Eligible capital	Solvency ratio
SCR	11,239	14,066	125.2%
MCR	3,700	14,066	380.2%



(c) The Company does not use simplified calculations for any risk modules or sub-modules of the Standard Formula.

(d) The Company does not use undertaking-specific parameters pursuant to Article 104(7) of Directive 2009/138/EC

(e) The Company is not required to apply any undertaking-specific parameters in accordance with Article 110 of Directive 2009/138/EC and is not subject to any capital add-on.

(f) The MCR as calculated using premium volume is as follows (EUR 000):

Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			α	β	
Medical Expense	6	0	5%	5%	0
Income Protection	823	1,318	13%	9%	220
Workers' Compensation	0	0	11%	8%	-
Motor Vehicle Liability	0	0	9%	9%	-
Other Motor	0	0	8%	8%	-
Marine, Aviation & Transport	0	0	10%	14%	-
Fire & Other Damage to Property	842	2,578	9%	8%	272
General liability insurance	1,203	2,505	10%	13%	452
Credit & Suretyship	1,952	8,239	18%	11%	1,276
Legal Expenses	0	85	11%	7%	6
Assistance	0	0	19%	9%	-
Miscellaneous Financial Loss	333	2,369	19%	12%	351
Total					**2,578**

Since the figure of EUR 2.578M is less than the floor of 25% of the SCR, the floor of 25% of the SCR is applied – i.e. EUR 2.811M. Since this figure is less than the absolute floor of the MCR for non-life insurance undertakings of EUR 3.7M, it is the absolute floor of EUR 3.7M that applies.

The Company's SCR has grown over the reporting period, from EUR 4.1M at the start of the reporting period to EUR 11.2M at the end of the period. This due to organic growth of the Company.

E.3 The Company does not use the duration-based equity risk sub-module as set out in Article 304 of Directive 2009/138/EC in the calculation of the Solvency Capital Requirement

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

An internal model is not used by the Company.

E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

There has been full compliance with Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Any other information

There is no other material information regarding the capital management of the Company.

Ends

Appendix

S.02.01.02

	Solvency II value
Assets	C0010
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	1
Investments (other than assets held for index-linked and unit-linked contracts)	0
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
Equities - listed	0
Equities - unlisted	0
Bonds	0
Government Bonds	0
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	0
Derivatives	0
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	4,000
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	4,000
Reinsurance recoverables from:	-276
Non-life and health similar to non-life	-276
Non-life excluding health	-277
Health similar to non-life	1
Life and health similar to life, excluding health and index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	0
Reinsurance receivables	0
Receivables (trade, not insurance)	0
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	16,670
Any other assets, not elsewhere shown	0
Total assets	20,395

	Solvency II value
Liabilities	C0010
Technical provisions – non-life	5,833
Technical provisions – non-life (excluding health)	4,905
TP calculated as a whole	0
Best Estimate	3,986
Risk margin	919
Technical provisions - health (similar to non-life)	928
TP calculated as a whole	0
Best Estimate	830
Risk margin	99
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – index-linked and unit-linked	0
TP calculated as a whole	0
Best Estimate	0
Risk margin	0
Contingent liabilities	0
Provisions other than technical provisions	0
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	121
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance & intermediaries payables	0
Reinsurance payables	0
Payables (trade, not insurance)	0
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	375
Total liabilities	6,329
Excess of assets over liabilities	14,066

S.05.01.02.01

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
	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	Health	Casualty	Marine, aviation, transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																	
Gross - Direct Business	113	1,318	0	0	0	0	2,734	3,335	11,338	568	0	5,682					25,088
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	113	0	0	0	0	0	156	1,659	4,726	483	0	857	0	0	0	0	7,995
Net	0	1,318	0	0	0	0	2,578	1,675	6,612	85	0	4,825	0	0	0	0	17,093
Premiums earned																	
Gross - Direct Business	116	1,318	0	0	0	0	1,403	889	2,003	18	0	5,043					10,790
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	116	0	0	0	0	0	113	188	767	15	0	877	0	0	0	0	2,076
Net	0	1,318	0	0	0	0	1,290	701	1,236	3	0	4,166	0	0	0	0	8,714
Claims incurred																	
Gross - Direct Business	88	797	0	0	0	0	710	-622	651	-1	0	547					2,170
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	88	0	0	0	0	0	1	16	227	0	0	136	0	0	0	0	467
Net	0	797	0	0	0	0	709	-638	424	-1	0	412	0	0	0	0	1,702
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non- proportional reinsurance accepted													0	0	0	0	0
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	0	245	0	0	0	0	579	452	676	21	0	2,705	0	0	0	0	4,678
Other expenses																	330
Total expenses																	5,008

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	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
		GB	FR	NO	ES	DK	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
Gross - Direct Business	4,515	8,189	4,531	4,449	1,614	1,348	24,645
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	840	2,192	3,528	133	1,291	0	7,984
Net	3,675	5,997	1,003	4,315	323	1,348	16,661
Premiums earned							
Gross - Direct Business	2,190	5,365	938	464	315	1,348	10,620
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	1,318	3,386	6,610	253	2,330	0	13,897
Net	872	1,980	-5,672	211	-2,015	1,348	-3,277
Claims incurred							
Gross - Direct Business	895	-216	312	207	142	797	2,137
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	95	84	175	0	113	0	467
Net	800	-300	137	207	28	797	1,670
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers'share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Expenses incurred	842	1,527	845	829	301	251	4,595
Other expenses							330
Total expenses							4,925

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		0	0	0	0	0	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Premiums earned							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Claims incurred							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Changes in other technical provisions							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Expenses incurred	0	0	0	0	0	0	0
Other expenses							0
Total expenses							0

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	Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
	Medical expense insurance	Income protectioninsurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	6	-104	0	0	0	0	375	771	453	-276	0	249	0	0	0	0	1,474
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	-52	139	-962	-210	0	27	0	0	0	0	-1,058
Net Best Estimate of Premium Provisions	6	-104	0	0	0	0	427	632	1,415	-66	0	223	0	0	0	0	2,532
Claims provisions																	
Gross	1	927	0	0	0	0	416	1,072	774	0	0	152	0	0	0	0	3,342
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1	0	0	0	0	0	1	501	237	0	0	42	0	0	0	0	782
Net Best Estimate of Claims Provisions	0	927	0	0	0	0	415	570	537	0	0	111	0	0	0	0	2,560
Total Best estimate - gross	6	823	0	0	0	0	791	1,843	1,227	-276	0	402	0	0	0	0	4,816
Total Best estimate - net	6	823	0	0	0	0	842	1,203	1,952	-66	0	333	0	0	0	0	5,092
Risk margin	1	98	0	0	0	0	86	208	402	2	0	221	0	0	0	0	1,018
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																	
Technical provisions - total	7	922	0	0	0	0	877	2,051	1,630	-275	0	622	0	0	0	0	5,833
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	1	0	0	0	0	0	-51	640	-725	-210	0	68	0	0	0	0	-276
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	6	922	0	0	0	0	928	1,411	2,354	-64	0	554	0	0	0	0	6,110

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Total Non-Life Business

Accident year / Underwriting year	**Z0010**	Underwriting year [UWY]

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

Development year

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**In Current year**	**Sum of years (cumulative)**
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior												0	0
N-9	0	71	18	90	219	22	46	9	10	18		18	505
N-8	22	18	178	1,194	32	432	86	15	29			29	2,007
N-7	13	47	392	243	2,007	65	16	4				4	2,785
N-6	0	100	21	100	10	11	70					70	312
N-5	0	0	0	0	0	0						0	0
N-4	0	0	0	0	0							0	0
N-3	0	0	0	0								0	0
N-2	6	14	0									0	19
N-1	1,359	305										305	1,664
N	1,176											1,176	1,176
											Total	1,602	8,469

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**Year end (discounted data)**
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior												
N-9										0		0
N-8									0			0
N-7								0				0
N-6							0					0
N-5						0						0
N-4					0							0
N-3				0								0
N-2			0									0
N-1		226										227
N	3,119											3,115
											Total	3,342

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	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of					
Ordinary share capital (gross of own shares)	8,769	8,769		0	
Share premium account related to ordinary share capital	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	5,288	5,288			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	9	9	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	
Total basic own funds after deductions	14,066	14,066	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	14,066	14,066	0	0	0
Total available own funds to meet the MCR	14,066	14,066	0	0	
Total eligible own funds to meet the SCR	14,066	14,066	0	0	0
Total eligible own funds to meet the MCR	14,066	14,066	0	0	
SCR	11,239				
MCR	3,700				
Ratio of Eligible own funds to SCR	1.2515				
Ratio of Eligible own funds to MCR	3.8016				

	C0060
Reconciliation reserve	
Excess of assets over liabilities	14,066
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	8,778
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	5,288
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	0
Expected profits included in future premiums (EPIFP) - Non- life business	0
Total Expected profits included in future premiums (EPIFP)	0

S.25.01.21

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
Market risk	896		
Counterparty default risk	1,791		
Life underwriting risk	0		
Health underwriting risk	4,757		
Non-life underwriting risk	9,895		
Diversification	-4,934		
Intangible asset risk	0		
Basic Solvency Capital Requirement	12,406		

Calculation of Solvency Capital Requirement	C0100
Operational risk	439
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	-1,606
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	11,239
Capital add-on already set	0
Solvency capital requirement	11,239
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirement for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations

	C0010
MCRNL Result	2,577,707

	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 expenses insurance and proportional reinsurance	5,524	0
Income protection insurance and proportional reinsurance	823,369	1,318,106
Fire and other damage to property insurance and proportional reinsurance	841,556	2,578,010
General liability insurance and proportional reinsurance	1,202,617	2,504,636
Credit and suretyship insurance and proportional reinsurance	1,951,979	8,238,742
Legal expenses insurance and proportional reinsurance	0	85,185
Miscellaneous financial loss insurance and proportional reinsurance	333,437	2,368,797

Overall MCR calculation	C0070
Linear MCR	2,577,707
SCR	11,239,184
MCR cap	5,057,633
MCR floor	2,809,796
Combined MCR	2,809,796
Absolute floor of the MCR	3,700,000

	C0070
Minimum Capital Requirement	3,700,000