



Reliance National Insurance Company (Europe) Limited

Solvency and Financial Condition Report 2019





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Summary

This report forms part of the annual submission to the Prudential Regulatory Authority under the annual submission requirements of Solvency II. This report outlines the financial condition of Reliance National Insurance Company (Europe) Ltd (“RNICE” or the “Company”). All figures are as at 31 December 2019, unless otherwise stated.

Business and Performance

The Company plans to continue with the orderly run-off of the remaining book of business, settling claims as they become due. The board anticipates that in time, and by the effective and efficient management of the Company, a surplus can be achieved thereby providing a return on the capital employed.

Where capital is in excess of the amount required by the Company’s Risk Appetite, it will be distributed as dividends subject to prior “non-objection” by the regulator, and Board approval. The success of the strategy depends on settling the remaining claims in a timely and cost-effective manner, and therefore reducing inherent uncertainty in these claims.

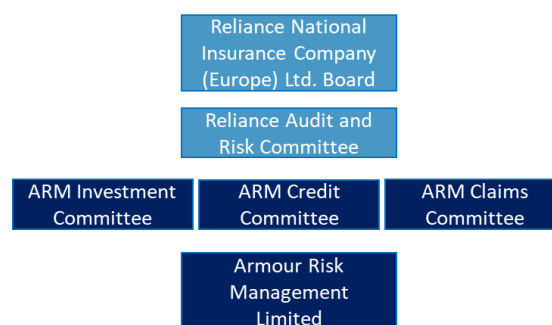
The Company’s liabilities consist of the following:

- An Italian and Spanish Medical Liability portfolio that was originally underwritten by QBE Insurance Europe Limited (“QIEL”) between 2002 and 2013 when a decision was taken to cease writing new policies.
- Latent claims on UK Employers’ Liability policies underwritten between 1992 and 2001.

System of governance

The majority of administrative functions are undertaken by an outsource provider, with the selected partner being Armour Risk Management Limited (“ARM”).

Whilst the Board retains ultimate ownership, it has delegated oversight responsibilities for risk management, capital modelling, financial reporting and expense management to the Board’s Audit and Risk Committee (“ARC”).



The role of the ARC is to constructively and independently challenge the activities of the service providers. Three ARM committees monitor performance and provide focused challenge on the Company’s investments, credit control, and claims management. The actions of these committees are overseen by the ARC and summarised to the Board.

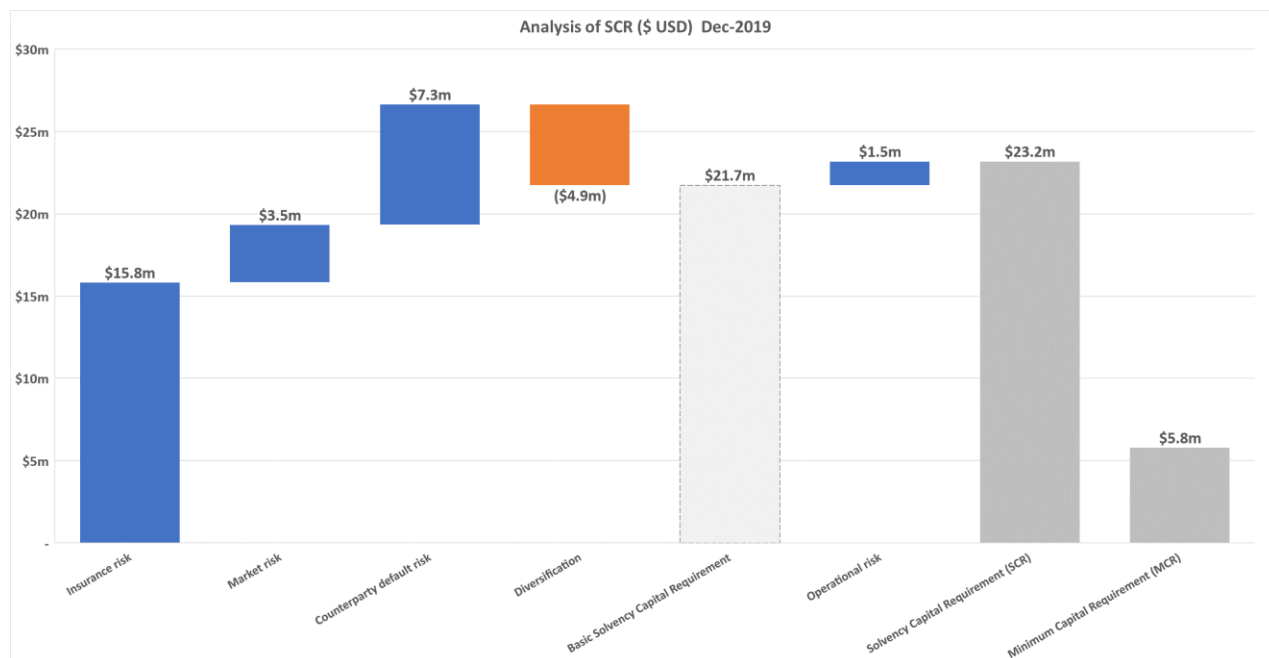
This approach provides independent assurance to the Board about the capability of the business to achieve its objectives and management’s ability to manage the business to achieve the overall business objectives. To assist it in its duties, an Internal Audit function has been formed and is being utilised. The Head of Internal Audit has unfettered access to the RNICE Board members.

Risk Profile

The Company’s key risk is that claims and expenses are higher than the amounts assumed in the calculation of Technical Provisions (see Insurance Risk).



The Company also has a significant exposure to counterparty default risk, primarily from deductibles recoverable from policyholders and funds held by ARM (see Counterparty Default Risk), and accepts some spread risk in order to increase expected investment returns. Currency Risk exposure arises from net exposures to assets and liabilities denominated in Euros and in Pounds Sterling (see Market Risk).



Valuation for Solvency Purposes

Net Solvency II Technical Provisions were \$50.8m (2018: \$71.6m). They are valued using standard actuarial techniques based on historic claims.

Other assets and liabilities amounted to \$127.3m (2018: \$145.4m) and primarily consisted of holdings of investment grade government and corporate bonds. Assets required to match liabilities were held in Euros, while surplus assets were held in U.S. Dollars.

The Company has not taken advantage of any transitional provisions or used a volatility or matching adjustment.

Capital Management

The Solvency position is summarised as follows:

| USD (\$) | Dec-2019 | Dec-2018 |
|--------------------|----------|----------|
| SCR | 23.2m | 26.8m |
| MCR | 5.8m | 6.9m |
| Own Funds | 64.0m | 73.8m |
| SCR coverage ratio | 276% | 276% |
| MCR coverage ratio | 1,103% | 1,070% |

All Own Funds are eligible Tier 1 and consist of paid in share capital, capital contributions and retained earnings. A forecast dividend of \$12.5m has been deducted from Own Funds as at 31/12/2019, being requested and approved at the start of April 2020.



The Company has met the MCR and SCR capital requirements throughout the period.

The effects of Covid-19 on the Company

The performance of RNICE has not been affected by the COVID-19 outbreak, and it shall continue to operate as a going concern. The Company does not expect to be materially impacted due to any ongoing effects and is currently forecasting no change to financial performance. As at the 31st December 2019 RNICE had ample surplus assets to meet liabilities in all reasonably foreseeable circumstances.

Whilst recognising that the situation is extremely fluid and the full extent of the impact of the coronavirus pandemic is unclear, the Board considers that the risk framework that is in place will enable any financial impact to the Company to be limited in nature. That view is based on the following key drivers:

- The low risk investment policy adopted by the Board limits the impact of asset impairment due to market volatility and potential counterparty failure.
- The most significant debtor balance for the firm is in respect of claim deductibles recoverable from Italian hospitals. The crisis has significantly affected these hospitals, so there may be delays in recovering these. The majority of these hospitals are state owned, so it is questionable whether they can become insolvent. The privately-owned hospital debtor balance is not material;
- The potential for further claims deterioration as a direct result of the pandemic is not considered to be a significant risk given the mature nature of the portfolio. Italian Medical Malpractice policies are written on a claims made basis with policies expired by 31 December 2014, therefore no new claims are expected within this portfolio. Third-party providers in Italy continue to work remotely with limited impact to services. Italian courts have only recently reopened after an extended closure, therefore any cases due to be heard in court have been postponed. As a result, we anticipate a slowdown in closure rates and payments throughout Q2 2020 although no material impact is currently expected to the ultimate liability;
- There has been some recent volatility in the currency markets owing to the Covid-19 outbreak. The exposure to losses arising from currency exchange fluctuations is mitigated through asset/liability matching, with surplus capital being held in the reporting currency.
- The Company does not have any staff and outsources the day to day management of operations to a service company, Armour Risk Management Limited ("ARM"). ARM has continued to meet the SLAs as set out within the outsourcing contract and has provided assurances that all staff are fully technology enabled to continue service delivery whilst working from home. The RNICE corporate governance structure remains fully operational, and meetings continue as planned, though hosted virtually.



A. Business and Performance

A1. Business

Reliance National Insurance Company (Europe) Limited is an insurance company limited by shares incorporated in the UK.

The address of its registered office is:

20 Old Broad Street,
London,
EC2N 1DP

The financial and conduct supervisors of the Company are:

Prudential Regulation Authority,
20 Moorgate,
London,
EC2R 6DA

Financial Conduct Authority,

12 Endeavour Square,
London,
E20 1JN

The approved auditors of the Company are:

PricewaterhouseCoopers LLP,
Chartered Accountants,
7 More London Riverside,
London,
SE1 2RT

Below shows company ownership as at 31 December 2019:

| Name | % overall holding |
|--|-------------------|
| ILS Property & Casualty Re Limited (Owner) | 100% |
| | |

Between 2002 and 2009 the Italian and Spanish Medical Liability business was underwritten on a claims-made basis by QBE from the UK, while between 2009 and 2013 it was underwritten by QBE's Italian and Spanish branches.

The UK Employers Liability insurance was underwritten in the UK between 1992 and 2001.

| Net Best Estimate Technical Provisions (\$ USD) | Dec-2019 | Dec-2018 |
|---|--------------|--------------|
| Italian Medical Liability | 47.9m | 66.9m |
| UK Employers Liability | 0.1m | 0.1m |
| Total Net Solvency II Technical Provisions | 47.9m | 67.0m |

There were no significant events during the reporting period.

Objectives and strategies



The Company plans to continue with the orderly run-off of the remaining book of business, settling claims as they become due. The board anticipates that in time, and by the effective and efficient management of the Company, a surplus can be achieved thereby providing a return on the capital employed.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company does not have any related undertakings or permanent employees.

A2. Underwriting Performance

The UK GAAP Technical Account results for 2019 and 2018 were as follows:

| Technical Account (\$m) | Dec-2019 | Dec-2018 |
|--|---------------|-------------|
| Claims paid | (15.6m) | (3.7m) |
| Change in the provision for claims | 17.7m | 0.0m |
| Net operating expenses | (2.8m) | (0.5m) |
| Balance on technical account for general business | (0.7m) | 1.2m |

The difference between *Claims paid* and the *Change in the provision for claims* is due to Italian Medical Liability claims being settled for less than the carried reserves.

There was a recorded loss of \$0.7m (2018: surplus of \$1.2m) primarily driven by a change in the basis of how the Unallocated Loss Adjustment Expense (ULAE) is calculated, and an increase in operating expenses.

A3. Investment Performance

As part of running off its general insurance and reinsurance business, historically the Company operated a cautious investment strategy and all funds were previously held as bank deposits. Given the increase in investable assets following the business transfer, an updated investment strategy was approved by the Board to maximise investment return while remaining within the risk appetite of the Company. All funds are held as investment grade bonds and bank deposits.

The Company holds surplus assets in US dollars in order to reduce currency risk for its stakeholders.

All investment gains and expenses are recognised through the Profit and Loss Account.

| Investment gains (\$m) | Dec-2019 | Dec-2018 |
|--------------------------------|-------------|-------------|
| Government bonds | 0.9m | 1.1m |
| Corporate bonds | 1.0m | (1.1m) |
| Bank interest | 0.1m | 0.2m |
| Total investment income | 2.0m | 0.2m |

Investments increased substantially during the year due to improved performance of the corporate bond investments.



A4. Performance of other activities

| Other items (\$) | Dec-2019 | Dec-2018 |
|-------------------------------------|---------------|-------------|
| Foreign exchange on monetary assets | (0.0m) | 0.0m |
| Other income | 0.0m | - |
| Currency translation differences | (0.0m) | 0.0m |
| Total other items | (0.0m) | 0.0m |

A5. Any other information

There is no other material information to report.

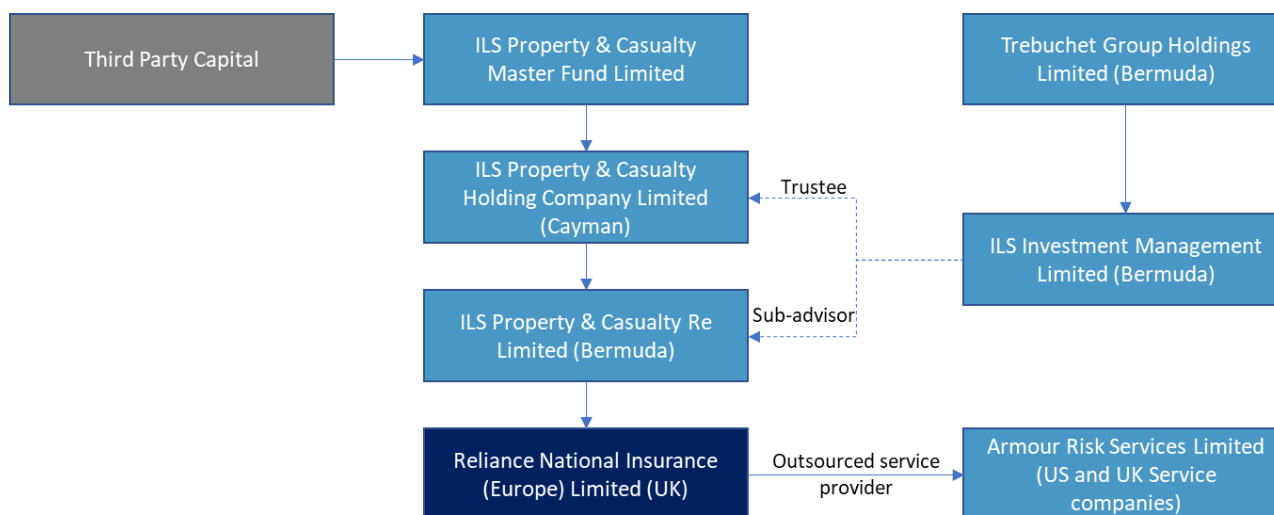


B. System of governance

B1. General information on the system of governance

Reliance has established a sound and effective corporate governance framework that is appropriate to the size, nature, complexity and risk profile of the Company. The Company does not have any employees and outsources the majority of administrative functions to ARML.

The governance structure presented below reflects the position as at 31 December 2019:



The Board is responsible for ensuring that proper systems and risk management oversight continue to be in place for the Company and that regulatory standards for compliance and governance are adhered to. The Board of Directors includes one independent Non-Executive Director (iNED), as at 31 December 2019, two Non-Executive Directors (NEDs), an Acting Executive Chairman and two Directors. Collectively, the RNICE Board delivers an appropriate balance of knowledge, experience, skills and independent challenge.

The Board receives quarterly updates from an Investment Committee, Credit Committee, Claims Committee and Audit and Risk Committee in order to assist it in the effective discharge of its duties, although it continues to retain ultimate responsibility.

The Board's oversight responsibilities include:

- Developing high-level strategy and objectives;
- Reviewing and approving business plans and budgets;
- Confirming that corporate governance policies and practices are developed and applied in a sound and prudent manner;
- Ensuring that the Company is effectively directed and managed;
- Ensuring that its activities are conducted with due care, skill and integrity;
- Ensuring sufficient capital is held to maintain the Company's ongoing solvency;
- Providing oversight of the risk management framework, including setting the Company's risk appetite and tolerance statements;
- Appointing senior executives;
- Approving the financial statements;
- Setting and overseeing the effectiveness of the Company's governance structure and internal control system;
- Reviewing and approving significant policies and procedures; and



- Reviewing and approving of arrangements with its principal outsourcer, ARM and ensuring it adheres to the above Risk Management Framework.

The Board meets at least quarterly, or as is needed, and carries out its duties within established terms of reference. It is provided with accurate, appropriate and timely information that enables it to monitor and review key areas, including Company performance and key risks to which it is exposed. The Company is structured to operate in alignment with a Three Lines of Defence model, ensuring appropriate segregation of roles and responsibilities across the Company. This segregation applies across all business functions meaning multiple layers of review take place within each business function, and between committees and the Board.

The key functions of the Committees of the Board are summarised as follows:

- **Audit and Risk Committee** – provides oversight of the Company's risk management, capital management and audit activities. Key responsibilities include: oversight of current and future risk exposures, including the determination and monitoring of actual exposures against risk appetite and tolerance; providing guidance on the implementation of the risk management framework; ensuring the maintenance of sufficient economic and regulatory capital and allocation of capital; promoting a risk aware culture; oversight of the effectiveness of internal controls and the performance of the outsourced internal and external audit functions
- **Investment Committee** – provides oversight of the performance and management of the Company's investment portfolio. Key responsibilities include development and maintenance of an appropriate investment strategy; monitoring of the investment strategy, asset allocation and value of invested assets; and monitoring the performance of the investment manager.
- **Credit Committee** – provides oversight of the counterparty credit exposures of the Company's liability portfolios. Key responsibilities include oversight of current debt exposures for claims (i.e. in relation to retentions) and reinsurance claims.
- **Claims Committee** – provides oversight of the claims handling process and development trends, including movements in reportable claim values and handling of large claims.

B2. Fit and Proper requirements

The Company does not employ any staff, with its principal functions being outsourced. Therefore, personnel arrangements are managed on its behalf by the Human Resources function of ARML, which, in consultation with the Company sets the minimum standards for the appointment and promotion of individuals. The Company ensures that Board members and senior executives are fit and proper to discharge their responsibilities in accordance with the following definitions:

- **Fit** – their professional qualifications, knowledge and experience are adequate to enable sound and prudent management of the Company's activities. An assessment of whether an individual is 'fit' involves an evaluation of their professional qualifications, knowledge and experience to ensure they are appropriate for the role. It also demonstrates whether the person has exercised due skill, care, diligence, integrity and compliance with relevant standards applicable to the area or sector in which the individual has worked.
- **Proper** – whether a person is of good repute and integrity. An assessment of whether a person is 'proper' includes an evaluation of their honesty, reputation and financial soundness. This includes, if relevant, criminal convictions or disciplinary offences.



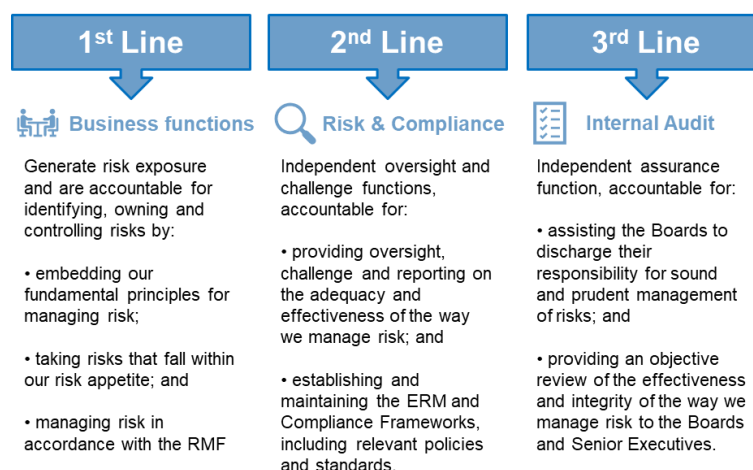
The Company's Fit and Proper Policy covers the initial and ongoing procedures to be applied in order to confirm that the relevant individuals meet the specified Fit and Proper requirements, together with relevant regulatory notification and reporting responsibilities. The following table provides details on which individuals are covered by this Fit and Proper policy and the assessment requirements that relate to them.

| Individual's status | Description | Assessment Process |
|---|--|---|
| Senior Manager Function | PRA and FCA SMFs | SMFs subject to PRA and FCA approval Firm to assess ongoing fitness and propriety. |
| Key Function Holder not performing a PRA or FCA SMF | Individuals responsible for a key function | Firm to assess initial fitness and propriety and make a notification to the regulators. PRA supervise assessments on an ex-post basis. Firm to assess ongoing fitness and propriety. |
| Persons "performing a key function" | Individuals employed in a key function but not the key function holder. | Firm to assess initial fitness and propriety and on an ongoing basis. |
| Certified Persons | Those classified as holding a certification role and therefore being subject to the Certification Regime requirements. | Firm is responsible for identifying those persons who hold a certification role and for completing an annual certification for each of them. Firm to notify the Regulators of all Certified Persons. |
| All other staff | n/a | Internal HR processes to ensure performance |

B3. Risk Management System

RNICE has established, and maintains, a strong and effective Enterprise Risk Management Framework ("ERMF" or "the Risk Framework"). The Risk Framework supports the execution of the Company's strategic objectives and business plan, allowing an appropriate understanding of the nature and significance of the enterprise-wide risks to which the Company is exposed. This includes assessing the sensitivity to those risks and the ability to identify, assess, control and mitigate these.

Risk governance is a key component of the Company's overall Risk Framework, providing for clear roles and responsibilities in the oversight and management of risk. Moreover, it provides structure to the reporting and escalation of risk and control issues across the Company. RNICE adopts a Three Lines of Defence approach to managing and mitigating risk events:





The Risk Framework is built on three core pillars:

- Strategic planning;
- Risk appetite; and
- Capital management.

Strategic planning

Strategic planning is key to the development and achievement of the Company's objectives. It considers factors such as prospective opportunities, market conditions, the profitable development of reserves, the objectives of the Company, financial targets, and risk appetites.

Risk appetite

The Company's Risk Appetite Statements (RASs or "the statements") set out the nature and level of risk it is willing to take in pursuit of organisational objectives. The RASs are used to support risk-based decision making by clearly defining appetite i.e. the maximum level of risk we wish to take, and our risk tolerances.

The statements are formally reviewed annually to ensure they reflect any changes to strategic objectives, and to the internal and external environment. The Board remain responsible for the review, challenge, and adoption of the risk appetite framework.

The core objective of RNICE is to pay liabilities as they become due while meeting regulatory requirements. It does this by maintaining a capital level that is well in excess of assessed liabilities in order to absorb reasonably foreseeable fluctuations in the amounts required.

The Company needs to hold capital in line with the Solvency Capital Requirement (SCR) according to Solvency II requirements. The cautious approach followed ensures the Company is capable of meeting liabilities as they fall due whilst offering a prudent level of policyholder protection.

Capital management

The objective of capital management is to ensure the Company manages and maintains adequate levels of capital to achieve a balance between elements of strategic planning and risk appetite. As the portfolios of insurance business run-off, the liabilities and risk margin of the Company should reduce over time, meaning Own Funds should increase above the target SCR risk appetite threshold.

When this happens, the Board can choose to apply to the Prudential Regulatory Authority ("PRA") for non-objection to a dividend remittance. Any dividend paid will reduce own funds to a point not below the agreed SCR thresholds as set out in the Risk Appetite Framework.

The Solvency II Standard Formula is used to determine the SCR of the Company. Notwithstanding the recognised shortcomings of the Standard Formula, it is believed this approach provides a reasonable and objective approach to measuring and ranking material risks.

Risk register

The risk register summarises the overall risk profile of the Company and is broader in application than the capital-based risk profile produced by the Solvency II Standard Formula. RNICE monitors risk against the following risk categories:

- Strategic risk
- Insurance risk
- Market risk
- Credit risk
- Liquidity risk



- Operational risk
- Group risk

Risk owners are required to assess the inherent and residual risk position using standardised assessment ratings. Each Risk Owner has the responsibility to identify and assess design and performance of key controls that are in place to mitigate the impact and probability of each risk event occurring. Ineffective controls are identified for improvement, and the Board receive regular reports on the completion of control improvement activities.

The assessment is subject to a regular review, with independent oversight provided by the Enterprise Risk Management Function. Output from the assessment and key changes to the risk profile are reported to and reviewed by the Audit and Risk Committee with escalation to the Board as appropriate.

Own risk and solvency assessment (ORSA)

The Own Risk and Solvency Assessment ("ORSA") provides a process for the assessment of all the risks inherent to the Company's business to determine its corresponding capital needs. An ORSA is a company's own assessment of the risks faced, the operation of the RMF, its capital requirements and how these are met.

RNICE adopts the definition of the ORSA to be the entirety of the processes and procedures employed to identify, assess, control, manage, and report the short and long term risks we face or may face and to determine the assets necessary to ensure that the undertaking's overall capital needs (solvency and economic) are met at all times.

Each ORSA:

- Considers all aspects of a company and as a result of this, all material risks with additional scrutiny in place for key risks to the business identified by the Board;
- Focusses on the Company's overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and business strategy;
- Assesses on a continuous basis the compliance with the SCR, MCR, and the requirements regarding Technical Provisions;
- Assesses the significance with which the risk profile of the Company deviates from the assumptions underlying the SCR calculated with the standard formula;
- Is aligned with each Company's strategic direction, receiving regular input from the Board regarding progress against strategic initiatives;
- Is forward-looking, considering the business performance and projections;
- Will evolve in line with movements in both the strategy and risk profile of the Company;
- Is an output of a series of activities making up the RMF; and
- Production is supported by a consistent approach to capturing data on a timely and accurate basis.

Each ORSA is created and collated by the Risk Management Function in accordance with the RMF and reported to and challenged by the ARC and the Boards.

The ORSA process ensures that the Boards will be provided with the relevant risk and capital information they require and at an appropriate frequency, to enable them to act in the best interest of their stakeholders.

Stress and scenario testing is used to provide insights into the strength of the balance sheet and assess future potential solvency positions. The CRO maintains operational responsibility for reviewing the ORSA process and delivering ORSA reports to the Board.



The ultimate responsibility for the ORSA rests with the Board, who review and approve the results of the ORSA process at least annually and is used as an input by the Board in making strategic decisions such as setting the Company's capital management policy and deciding on risk mitigation actions to be undertaken.

Based on the risk profile, the standard formula is used to determine capital requirements necessary to cover a 1-in-200 year loss over a one-year basis. The Company does not have a regular income stream the way a standard general insurer would and so also sets its own forward-looking view of capital needs, the Economic Capital Requirement (ECR), to reflect the likely capital needed for the complete run-off of liabilities to the last claims payment.

The Company sets aside capital to cover its quantifiable risks in accordance with its capitalisation policy (which could involve a buffer to allow for risks not allowed for within standard formula). The risk-based capitalisation position of the Company is monitored on a frequent basis by the Company CRO and CFO against target capital with a number of options if risk and capital develop out of pre-defined control ranges. The plan is stressed by scenarios within the ORSA process and mitigations considered to ensure that the calculated target capital still holds under those scenarios.

B4. Internal Control

The Company Internal Control Framework seeks to mitigate risks, protect policyholders and limit the likelihood of losses or other adverse outcomes, as well as providing a framework for the overall management and oversight of the business.

Controls take different forms, including but not limited to:

- Policies and procedures
- Approvals and authorisations
- Authority limits
- Management reporting
- Reconciliations and verifications
- Peer reviews

Key controls are captured within the risk register and assessed as part of the risk and control assessment process. Internal and external auditors play a key role in the oversight and assessment of the overall control environment. Findings from audits are shared with and discussed at the Audit and Risk Committee (as set out below), and contribute to risk assessment and solvency self-assessment processes.

The RNICE internal control system is a critical component of the safe and sound operation of the Company, and comprises a coherent, comprehensive and continuous set of mechanisms designed to ensure:

- The Company operates effectively and efficiently, and within agreed risk tolerances, as it pursues its strategic objectives;
- Availability and reliability, and security, of financial and non-financial data; and
- Compliance with applicable laws, regulations and administrative processes.

The Board remain responsible and assumed ownership of the internal controls system. They set the "tone at the top" for integrity and ethics, promoting a positive control environment.



B5. Internal Audit Function

The Internal Audit function is in place to provide risk-based, independent and objective assurance, advice, and insight to the RNICE Board. It is an independent assurance function within the third line of defence, providing the Board and Audit and Risk Committee with independent and objective assurance, and value adding insight on the effectiveness and efficiency of governance, risk management, and internal control processes.

It has unfettered access to all areas of the Company, including the Board, so as to effectively carry out its duties. Internal Audit is overseen by the Audit and Risk Committee which approves an annual internal audit plan. Findings and action points arising from each review are discussed with the relevant business areas and reported to the Audit and Risk Committee.

B6. Actuarial Function

The Actuarial function is outsourced to Armour Risk Management and subsequently carried out by a Fellow of the Institute and Faculty of Actuaries (FIA). The work is supervised, and peer reviewed by the Chief Risk Officer, also an FIA.

The work carried out includes:

- Quarterly and annual Solvency calculations
- Annual Reserve review
- Quarterly reserve monitoring process
- Production of the Actuarial Function Report

The Chief Actuarial Officer provides oversight of all actuarial activity, ensuring that relevant standards are met, while also supporting strategic projects and providing guidance to the Board. The Chief Actuary is regularly in attendance at Board and ARC meetings.

Each of these activities is undertaken at least annually, but also on an “as and when required” basis to support the business and its decision-making processes.

B7. Outsourcing

Oversight of the Company’s key service provider (ARM) is managed in accordance with the Company’s Third-Party Service Agreement which is subject to review and approval by the Company’s Board and contains detailed requirements regarding:

- Relationship management
- Due diligence and third-party selection
- Contract negotiation
- Ongoing monitoring
- Termination
- Oversight and accountability
- Documentation and reporting
- Independent review requirements

ARM delivers a quarterly report providing the following:

- Statutory management accounts, prepared in accordance with Solvency II regulation;
- A written management report, benchmarked against the strategy and service agreement as determined and agreed by the Board of Directors of the Company and the Service Provider;
- Any movement in assets or liabilities that negatively affects the statutory capital of the Company by more than 5% is to be reported to the Board of Directors of the Company immediately;
- The Service Provider will be available to attend the quarterly Board meetings to provide a verbal report and answer any question the Board of Directors may have;



- At all times the Service Provider will co-operate with the internal audit team and implement all reasonable requests immediately.

In addition, responsibility for specific Outsourced functions has been delegated to Executive Directors, see B1. above. The outsourced functions are subject to both internal and external audit scrutiny. The auditors' findings are reported directly to the Audit and Risk Committee.

The key functions outsourced to ARM are:

- Actuarial & Claims
- Finance
- Risk
- Compliance
- Internal Audit
- Operations

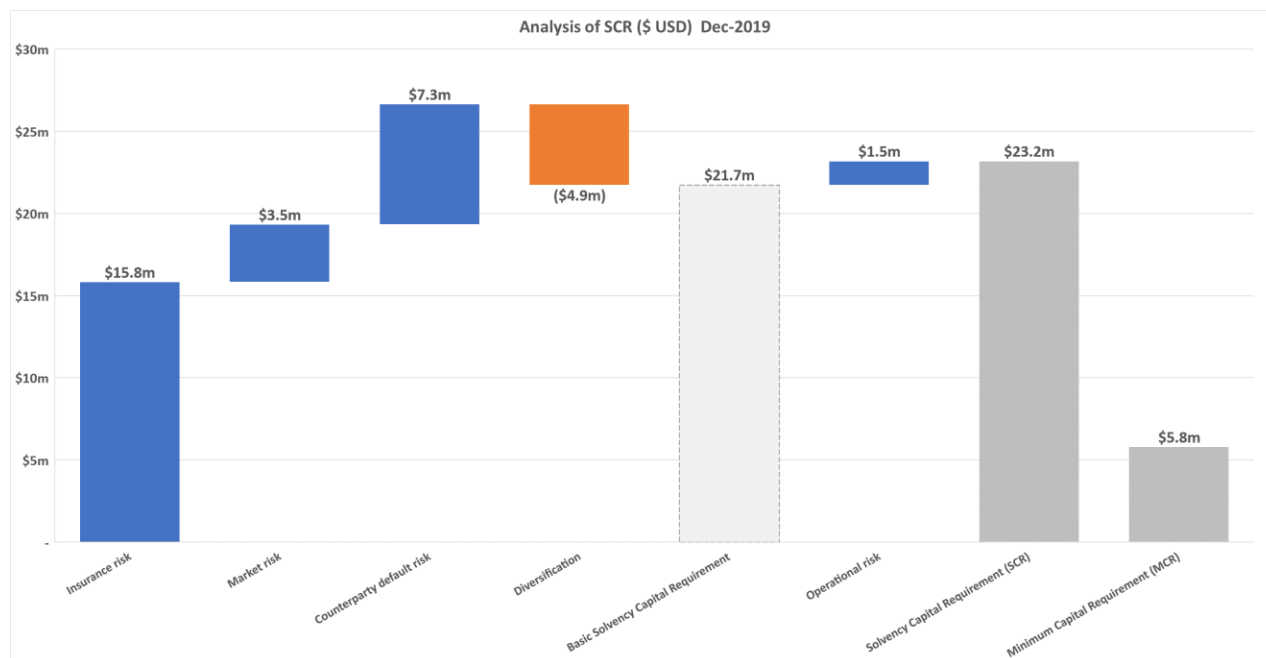
B8. Any other information

None at this time.



C.Risk Profile

This section describes the key risks that the Company is exposed to. The Standard Formula is used to aid the quantification and ranking risks, in addition to calculating the SCR. The following table shows the contribution each risk type is making to the overall SCR:



C1. Insurance Risk

Insurance Risk under Solvency II is derived through a combination of risk associated with the earned and unearned business. However, Insurance Risk within RNICE is simply Reserving Risk, as the last policies were underwritten in 2013.

Reserve risk arises from the inherent uncertainty surrounding the on-going adequacy of the reserves or technical provisions that have been set aside to cover insurance liabilities. The key risk is that current reserves (including incurred but not reported (IBNR) reserves) are not sufficient to cover the run-off of the claims that have already occurred. The main contributor to reserve risk in RNICE is the Italian Medical Malpractice portfolio.

During the year, claims development has followed expectations. As the Medical Liability Insurance was written on a claims made basis, with underwriting having ceased in 2013, meaning the portfolio is mature so no new valid claims are expected. On occasion, a new valid claim may be notified for example where a policyholder has been managing the claim internally but determines that there is a risk an existing claim could exceed their Self-Insured Retention. However, experience to date means that the cost of these claims is expected to be low.

Reserve risk exposure is managed by the Actuarial Function and through defined reserving practices. A number of controls are in place to ensure that reserving processes continue to be effective and that essential reserving data is complete and appropriate.

The Company's approach to reserving is described in its Reserving Review report, which is updated annually. In addition, Actual versus Expected Analyses ("AvE") are performed on a quarterly basis. The Actuarial Function meets with Claims Managers on a regular basis in order to understand claims developments and



their causes. The Audit and Risk Committee, and Board receive regular updates on material movements and development trends.

The portfolio benefits from a combination of deductibles (both each and every loss and aggregate) and reinsurance:

- Deductibles account for c.40% of from the ground up (“FGU”) claims.
- Reinsurance consists of excess of loss policies, placed by certain hospitals, most commonly with limit €4m excess €1m, which offers good protection for relevant claims. The reinsurance is specific to certain hospitals and years of account. The Company has small a current Best Estimate value Current reinsurance has a current Best Estimate value of \$0.4m (2018: \$1.3m) recoverable reserves are low, €0.2m, so net reserves take very little credit for this reinsurance. In the event of a significant increase in gross claims, reinsurance could absorb some of the additional losses, though this is thought very unlikely.

C2. Market Risk

Currency Risk

Currency Risk arises where there is a mismatch between assets and liabilities by currency. The Company’s liabilities are primarily denominated in EUR. Hence, the Company is holding EUR cash balances and bonds with a similar value. The value of liabilities is subject to change, so asset liability matching is actively monitored through the RNICE Investment Committee.

The Company’s liabilities are primarily denominated in Euros and are matched with Euro assets. Meanwhile surplus assets are held in U.S. Dollars. This means that a decrease in the value of the U.S. Dollar will reduce the surplus assets relative to the liabilities. Hence the SCR coverage ratio will fall. Conversely, any increase in the value of the U.S. Dollar will increase assets relative to the liabilities and improve the SCR coverage ratio.

Exchange rates are difficult to predict in the longer term, although it is worth noting that the current economic weakness in the Eurozone mitigates the risk of a strong appreciation of the Euro in the short to medium term.

Interest Rate Risk

Interest Rate Risk arises from a mismatch between assets and liabilities by duration or currency. Under Solvency II, Technical Provisions are discounted using EIOPA yield curves. Hence a change in the yield curve will lead to a change in the value of these provisions, which could lead to a loss or gain for the Company. At present this risk is relatively low due to the short to medium term duration of the Company’s liabilities and the low level of interest rates. The Investment Committee aims to purchase assets with similar durations to liabilities in order to mitigate this risk.

Prudent Person Principle

The Solvency II regulations require insurers to invest their assets in accordance with the Prudent Person Principle. The Company’s attitude to investment risk is described in its Risk Appetite Statement, which also sets out the associated Risk Tolerances. The Risk Tolerances, in turn, inform the Investment Guidelines. Together these specify the allowable types of investment activity and the limits on specific investments and classes of investment. The Investment Committee monitors ongoing compliance with these tolerances and is made aware of any technical or actual breaches.

C3. Counterparty default risk

Counterparty Default Risk encompasses deductibles due from our insureds, cash at bank, reinsurers, trade debtors, and funds held by outsourced service providers. The two largest components of this risk are:

- amounts due from ARM, the outsourced service provider; and
- deductibles paid in full, then recovered from Italian hospitals



The exposure to ARM is the principal source of risk, which primarily relates to an operating account used to deal with RNICE transactions. It was noted that two float bank accounts, used exclusively for RNICE business, were actually in the name of Armour Risk Management Limited. Consequently, the balance on these accounts was reclassified from Cash to Debtors in the Company's Annual Financial Statements. This change had a substantial impact on the Counterparty Default Risk calculated under the Standard Formula as this was previously treated as exposure to an 'AA' rated bank as opposed to an unrated counterparty. New trust accounts will be opened in the name of RNICE such that the charge will revert to its previous level. This will be completed by Q2 2020, at which point it is expected that the SCR coverage will increase to 380%.

Counterparty default risk on the existing net outstanding deductible asset is calculated under the Standard Formula. The hospitals have been treated as Type 2 as the exposure is diversified between hospitals where credit ratings are not readily available. However, the large majority of hospitals are state backed, so credit worthiness is deemed acceptable.

In addition to the outstanding deductibles for claims that have already been paid, there are also deductible reserves on claims that have yet to be paid. Hence there is also potential credit risk on these balances. Credit risk exposures, and risk tolerances, are monitored and managed by the Credit Control Committee.

Excess of loss insurance on the Medical Liability portfolio is placed with 'AA' rated reinsurers and considered very secure.

C4. Liquidity Risk

Liquidity Risk is the risk that cash is not available to settle liabilities as they fall due. In addition to reputational damage it may lead to additional costs such borrowing costs or distressed asset sales.

At present all assets are held in investment grade bonds and cash. Over \$97m (2018: \$75m) is held in cash and bonds with a duration of less than 1 year, so Liquidity Risk is not considered material.

C5. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This risk is mitigated by the robust governance model the Company has in place, and contractual agreements with outsources service providers. The Company's capital requirements also include an allowance for Operational Risk.

C6. Other material risks

Regulatory and legal risk

Regulatory and legal risk is the risk arising from not complying with regulatory and legal requirements. The operations of the group are subject to legal and regulatory requirements within the jurisdictions in which it operates, and the Compliance function is responsible for ensuring that these requirements are adhered to.

Group risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of a group, as well as the risks arising from these activities. RNICE operations are outsourced to ARML, both of which have the same ultimate controller. Risks affecting ARM could have a knock-on effect on the Company.

C7. Any other information

Assessments of future risk are subject to material uncertainty due to the inherent unpredictability of future events and the difficulty of choosing and parameterising a suitable risk model. Hence it is helpful to understand the impact of stressing key assumptions. The only risk that could plausibly threaten the viability of the Company's business model is Insurance risk. The following table shows the impact of stressing the Net Best Estimate Technical Provisions.



% increase in Net Technical Provisions

| Scenario Testing | Challenge SCR | Challenge MCR | Threaten Solvency | 1 in 200 Movement |
|------------------|---------------|---------------|-------------------|-------------------|
| 2019 | +65% | +116% | +193% | +33% |
| 2018 | +54% | +99% | +120% | +33% |



D. Valuation for Solvency Purposes

Comparisons of the UK GAAP and Solvency II balance sheets is summarised in the following table:

| Balance Sheet Comparison | 2019 | | | 2018 | | |
|--|-----------------------|------------------------------|----------------|-------------------|--------------------------|----------------|
| | Solvency II value \$m | Statutory accounts value \$m | Difference \$m | Solvency II value | Statutory accounts value | Difference |
| Assets | | | | | | |
| Investments | 120.4m | 120.1m | 0.3m | 125.9m | 125.3m | 0.6m |
| Reinsurance recoverables from: | 0.4m | 0.4m | 0.0m | 1.3m | 1.3m | 0.0m |
| Debtor balances | 9.6m | 9.6m | - | - | 0.6m | (0.6m) |
| Cash and cash equivalents | 0.6m | 0.6m | - | 6.8m | 6.8m | - |
| Accrued income | - | 0.3m | (0.3m) | 13.7m | 13.7m | 0.0m |
| Total assets | 131.0m | 131.0m | 0.0m | 147.7m | 147.7m | 0.0m |
| Liabilities | | | | | | |
| Technical provisions | 51.3m | 46.8m | 4.4m | 72.9m | 66.7m | 6.2m |
| - Best Estimate | 48.4m | n/a | n/a | 68.2m | n/a | n/a |
| - Risk margin | 2.9m | n/a | n/a | 4.7m | n/a | n/a |
| Insurance & intermediaries payables | 2.5m | 2.5m | - | 0.4m | 0.4m | - |
| Any other liabilities, not elsewhere shown | 0.8m | 0.8m | - | 0.7m | 0.7m | 0.0m |
| Total liabilities | 54.6m | 50.2m | 4.4m | 74.0m | 67.7m | 6.2m |
| Excess of assets over liabilities | £76.5m | £80.9m | (£4.4m) | £73.8m | £80.0m | (£6.2m) |

*The Company has elected to use method 2 for the calculation of the Risk Margin

Own Funds are equal to excess of assets over liabilities on a Solvency II basis and consist of Tier 1 paid share capital and the reconciliation reserve.

A qualitative description of the reasons for differences between UK GAAP and Solvency II is set out at section D.1 (assets), D.2 (technical provisions) and D.3 (liabilities other than technical provisions).

D1. Assets

The assets in the Company are either cash or receivables and therefore valuation of these amounts under Solvency II has been taken to be the values under the local reporting requirements.

Cash and cash equivalents balances are valued at their nominal value.

Other assets are generally held at their nominal value and recognised when they fall due. However, they also include deductibles due from policyholders. For these, a bad debt provision has been netted off against their nominal value.

There has been no change to the valuation and recognition basis during the year.

D2. Technical Provisions

The Company has determined the technical provisions as per the EIOPA guidance as the discounted best estimate of reserves plus the risk margin.



Solvency II technical provisions by material line of business

The technical provisions are primarily for direct Italian Medical Malpractice Liability policies, which are classified as General Liability under Solvency II. Other lines of business are immaterial by comparison:

| Net Best Estimate Technical Provisions (\$ USD) | Dec-2019 | Dec-2018 |
|---|--------------|--------------|
| Italian Medical Liability | 47.9m | 66.9m |
| UK Employers Liability | 0.1m | 0.1m |
| Total Net Solvency II Technical Provisions | 47.9m | 67.0m |

Calculation of technical provisions

The technical provisions are calculated in line with the prescribed Solvency II requirements as per Articles 76 to 86 of Directive 2009/138/EC. In particular, the value of technical provisions corresponds to the current amount an insurance or reinsurance undertaking would have to pay if they were to transfer their insurance or reinsurance obligations immediately to another insurance or reinsurance undertaking. A full independent review of Solvency II technical provisions was carried out by KPMG, as at 30th September 2019.

Provisions for Reported But Not Settled ("RBNS") claims are the most material element of the technical provisions.

The Best Estimate has been calculated using the following methods:

- Reserves for existing losses are set on an individual basis using judgement and the latest available information.
- A gross reserve for future deterioration in existing losses has been calculated using Development Factor Models based on both Incurred and Paid Claims.
- Due to the low frequency of new valid claims and the Claims Made basis of the policies, a judgemental reserve is being held for future claims.
- Deductibles would be applied to any future claim deterioration. Existing claims reserves have been stressed in order to estimate a marginal deductible proportion which has been applied to the gross reserve for future deterioration.
- The reserves for deductibles have been impaired to allow for potential bad debts. The allowance is based on historic data.

Level of uncertainty associated with the value of technical provisions

Provisions for RBNS claims are the most material and uncertain element of the technical provisions, as mentioned above. While reserves have been set on a case by case basis, the eventual cost of each claim ultimately remains uncertain. In many cases the value of claims will depend on decisions made by a court, and these are inherently uncertain, but the awards follow a set of government prescribed tariffs

Future new claims are not expected to be significant, as the Italian Medical Liability business was written on a Claims Made basis and the last policies were underwritten in 2013. On occasion, new valid claims may be notified where a policyholder determines that there is a risk that an existing claim could exceed their Self-Insured Retention ("SIR"). However, experience to date means that the cost of these claims is expected to continue be low. Nevertheless, a single large claim could still incur a material cost. The continued reduction in the aggregate value of outstanding SIRs is monitored by the ARM Credit Committee. Where a court decision is made in favour of RNICE there is no downside for the policy holder in lodging a formal appeal. Appeal Judges can rule against the Company, meaning the outcome remains uncertain until a final court ruling is delivered. This means the length of time it can take to recover SIRs can be extended.

Other uncertain factors that could affect the value of claims include claims inflation and lower than expected deductibles recovered due to the failure of a non state-backed counterparty/counterparties. Private clinics are a relatively small proportion of the remaining portfolio and the policy wording states that the Insurer has



the right to make payments net of deductibles following any bankruptcy declarations. Claims uncertainty is considered as part of periodic reserving reviews.

Valuation differences of technical provisions by material line of business between Solvency II and UK GAAP

The following table shows the differences between UK GAAP and Solvency II Technical Provisions:

| Technical Provisions Reconciliation (\$m) | Dec-2019 | Dec -2018 |
|---|--------------|--------------|
| GAAP Net Technical Provisions | 46.4m | 65.4m |
| Remove margin for prudence | - | - |
| ENID | 0.4m | 0.6m |
| Expense Provisions | 0.8m | 1.3m |
| Discounting | 0.3m | (0.3m) |
| Risk Margin | 2.9m | 4.7m |
| Solvency II Net Technical Provisions | 50.8m | 71.6m |

The Company has not taken advantage of any of the transitional provisions under Solvency II or for a matching or volatility adjustment in the calculations. Furthermore, no simplifications have been used except in the calculation of the risk margin, which has been calculated using Method 2. No material issues have been identified with the data used in the calculation of technical provisions.

D3. Other liabilities

Solvency II requires that all assets and liabilities should be measured at fair value. However, book value as per UK GAAP is used as a proxy for the fair value for Solvency II balance sheet purposes where the impact of discounting is not material because the balances are due within one year or amounts due in more than one year are not material.

D4. Alternative methods for valuation

Unless otherwise explained in Sections D1-D3, no other alternative methods for valuation are used.

D5. Any other information

There is no further material information to disclose.



E. Capital Management

This section describes the solvency requirements of the Company and the level of Own Funds in relation to the solvency capital requirements.

E.1 Own funds

Under the Solvency II guidance, the eligible Tier 1 Own Funds of the Company are \$63,951,555 (2018: \$73,764,515).

There are no ineligible Own Funds or that are included in Tiers 2 and 3. The Own Funds consist of paid-in share capital and a reconciliation reserve. There are no significant restrictions or constraints on the Own Funds.

| Own Funds (\$m) 2019 | Dec-2019 | | | | Dec-2018 | | | |
|------------------------|--------------|----------|----------|--------------|--------------|----------|----------|--------------|
| | Tier 1 | Tier 2 | Tier 3 | Total | Tier 1 | Tier 2 | Tier 3 | Total |
| Share Capital | 0.0m | - | - | 0.0m | 0.0m | - | - | 0.0m |
| Reconciliation Reserve | 64.0m | - | - | 64.0m | 73.8m | - | - | 73.8m |
| Own Funds | 64.0m | - | - | 64.0m | 73.8m | - | - | 73.8m |

Own Funds consist of the UK GAAP Shareholders' Funds on a GAAP basis adjusted for the Solvency II restatements, which are shown in the table below:

| Own Funds Reconciliation (\$m) | Dec-2019 | Dec-2018 |
|------------------------------------|--------------|--------------|
| UK GAAP Shareholders' Funds | 80.9m | 80.0m |
| Remove margin for prudence | - | - |
| ENID | (0.4m) | (0.6m) |
| Expense Provisions | (0.8m) | (1.3m) |
| Discounting | (0.3m) | 0.3m |
| Risk Margin | (2.9m) | (4.7m) |
| Forecast dividend | (12.5m) | - |
| Other | (0.0)- | (0.0m) |
| Solvency II Own Funds | 64.0m | 73.8m |

The Reconciliation Reserve consists of the following items:

| Reconciliation Reserve (\$m) | Dec-2019 | Dec-2018 |
|---|--------------|--------------|
| Capital contribution reserve | 74.0m | 74.0m |
| Profit and loss account | 6.9m | 6.0m |
| Difference in the valuation of Technical Provisions | (4.4m) | (6.2m) |
| Forecast dividend | (12.5m) | - |
| Solvency II Reconciliation Reserve | 64.0m | 73.8m |

No distributions were made to shareholders during the year.

Objectives, policies and processes for managing own funds

The Company is a run-off operation, so capital requirements are expected to reduce steadily as claims are settled. The reducing capital requirements will allow excess Own Funds to be distributed as dividends, following review of post dividend position against the Company Risk Appetite, prior non-objection by the PRA and Board approval. As well as running-off the existing liabilities in an orderly manner, the Company's



strategy is to seek further opportunities for inwards transfers of run-off portfolios. The level of available Own Funds would need to be reassessed before executing a further transfer.

Capital requirements and Own Funds are assessed on a quarterly basis, and the Company has provided a Scheme of Operations to the regulator, a run-off specific regulatory report, which projects planned dividend payments.

Ensuring minimum Tier 1 levels to cover the SCR

Under Solvency II, the SCR must be covered by at least 50% Tier 1 capital. The Company's regulatory capital requirements were \$19.2m (2018: \$26.8). Hence, the Tier 1 Own Funds were 276% of the required capital (2018: 276%).

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the components of the SCR:

| Analysis of SCR (\$m) | Dec-2019 | Dec-2018 |
|---|--------------|--------------|
| Insurance risk | 15.8m | 22.1m |
| Market risk | 3.5m | 2.3m |
| Counterparty default risk | 7.3m | 3.5m |
| Diversification | (4.9m) | (3.1m) |
| Basic Solvency Capital Requirement | 21.7m | 24.7m |
| Operational risk | 1.5m | 2.0m |
| Solvency Capital Requirement | 23.2m | 26.8m |
| Minimum Capital Requirement | 5.8m | 6.9m |

No simplifications or Undertaking Specific Parameters ("USPs") have been used in the calculation of the SCR.

The following table shows the derivation of the MCR:

| Overall MCR calculation (\$m) | Dec-2019 | Dec-2018 |
|------------------------------------|-------------|-------------|
| Linear MCR | 4.9m | 6.9m |
| SCR | 23.2m | 26.8m |
| MCR cap | 10.5m | 12.0m |
| MCR floor | 5.8m | 6.7m |
| Combined MCR | 5.8m | 6.9m |
| Absolute floor of the MCR | 4.2m | 4.2m |
| Minimum Capital Requirement | 5.8m | 6.9m |

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

Not applicable.

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

Not applicable.

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

Not applicable.

E.6 Any other information

Not applicable.



F. Director's statement

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

A handwritten signature in dark ink, appearing to read 'J. H. Lenn', is written over a horizontal line.

Director



Annex 1 – Quantitative reporting templates

The following templates are provided below:

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Unless otherwise stated, figures are shown in thousands of US dollars, rounded to the nearest thousand.

Reliance National Insurance Company (Europe) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2019

(Monetary amounts in USD thousands)

General information

| | |
|---|---|
| Undertaking name | Reliance National Insurance Company (Europe) Limited |
| Undertaking identification code | 213800BCL2UORBMGHV90 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | GB |
| Language of reporting | en |
| Reporting reference date | 31 December 2019 |
| Currency used for reporting | USD |
| Accounting standards | Local GAAP |
| Method of Calculation of the SCR | Standard formula |
| Matching adjustment | No use of matching adjustment |
| Volatility adjustment | No use of volatility adjustment |
| Transitional measure on the risk-free interest rate | No use of transitional measure on the risk-free interest rate |
| Transitional measure on technical provisions | No use of transitional measure on technical provisions |

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

| Solvency II value | |
|-------------------|---------|
| C0010 | |
| | |
| | |
| | |
| | 0 |
| | 120,445 |
| | 0 |
| | 0 |
| | 0 |
| | |
| | |
| | 120,445 |
| | 57,555 |
| | 62,890 |
| | 0 |
| | 0 |
| | 0 |
| | |
| | 0 |
| | 0 |
| | |
| | 0 |
| | |
| | 0 |
| | 0 |
| | |
| | 422 |
| | 422 |
| | 422 |
| | 0 |
| | 0 |
| | |
| | |
| | |
| | 0 |
| | 3,086 |
| | 0 |
| | 6,478 |
| | |
| | 0 |
| | 608 |
| | |
| | 131,039 |

Assets

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

S.02.01.02

Balance sheet

| | | Solvency II value |
|--------------------|--|----------------------|
| | | C0010 |
| Liabilities | | |
| R0510 | Technical provisions - non-life | 51,253 |
| R0520 | <i>Technical provisions - non-life (excluding health)</i> | 51,253 |
| R0530 | <i>TP calculated as a whole</i> | 0 |
| R0540 | <i>Best Estimate</i> | 48,363 |
| R0550 | <i>Risk margin</i> | 2,890 |
| R0560 | <i>Technical provisions - health (similar to non-life)</i> | 0 |
| R0570 | <i>TP calculated as a whole</i> | 0 |
| R0580 | <i>Best Estimate</i> | 0 |
| R0590 | <i>Risk margin</i> | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | <i>Technical provisions - health (similar to life)</i> | 0 |
| R0620 | <i>TP calculated as a whole</i> | |
| R0630 | <i>Best Estimate</i> | |
| R0640 | <i>Risk margin</i> | |
| R0650 | <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i> | 0 |
| R0660 | <i>TP calculated as a whole</i> | |
| R0670 | <i>Best Estimate</i> | |
| R0680 | <i>Risk margin</i> | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | <i>TP calculated as a whole</i> | |
| R0710 | <i>Best Estimate</i> | |
| R0720 | <i>Risk margin</i> | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | 0 |
| R0810 | Financial liabilities other than debts owed to credit institutions | 0 |
| R0820 | Insurance & intermediaries payables | 2,485 |
| R0830 | Reinsurance payables | 0 |
| R0840 | Payables (trade, not insurance) | 530 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | <i>Subordinated liabilities not in BOF</i> | |
| R0870 | <i>Subordinated liabilities in BOF</i> | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 319 |
| R0900 | Total liabilities | 54,588 |
| R1000 | Excess of assets over liabilities | 76,452 |

Premiums, claims and expenses by line of business

[illegible]

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010

| C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|--------------|--|-------|-------|--|-------|------------------------------|
| Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | Top 5 countries (by amount of gross premiums written) - non-life obligations | | Total Top 5 and home country |
| | IT | | | | | |
| C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |

Premiums written

| | | | | | | | |
|-------|---|---|---|---|---|---|---|
| R0110 | Gross - Direct Business | 0 | 0 | 0 | 0 | 0 | 0 |
| R0120 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0140 | Reinsurers' share | 0 | 0 | 0 | 0 | 0 | 0 |
| R0200 | Net | 0 | 0 | | | | 0 |

Premiums earned

| | | | | | | | |
|-------|---|---|---|---|---|---|---|
| R0210 | Gross - Direct Business | 0 | 0 | 0 | 0 | 0 | 0 |
| R0220 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0240 | Reinsurers' share | 0 | 0 | 0 | 0 | 0 | 0 |
| R0300 | Net | 0 | 0 | | | | 0 |

Claims incurred

| | | | | | | | |
|-------|---|----|--------|--|--|--|--------|
| R0310 | Gross - Direct Business | -7 | -1,509 | | | | -1,515 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | 0 |
| R0340 | Reinsurers' share | | 944 | | | | 944 |
| R0400 | Net | -7 | -2,453 | | | | -2,459 |

Changes in other technical provisions

| | | | | | | | |
|-------|---|---|---|---|---|---|---|
| R0410 | Gross - Direct Business | 0 | 0 | 0 | 0 | 0 | 0 |
| R0420 | Gross - Proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | 0 | 0 | 0 | 0 | 0 | 0 |
| R0440 | Reinsurers' share | 0 | 0 | 0 | 0 | 0 | 0 |
| R0500 | Net | 0 | 0 | | | | 0 |

| | | | | | | | |
|-------|-------------------|-------|----|--|--|--|-------|
| R0550 | Expenses incurred | 2,761 | -1 | | | | 2,760 |
| R1200 | Other expenses | | | | | | 448 |
| R1300 | Total expenses | | | | | | 3,208 |

S.17.01.02 Non-Life Technical Provisions

R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Non-Life insurance claims

20020

| | |
|-----------------------------------|-------------------|
| Accident year / underwriting year | Underwriting Year |
|-----------------------------------|-------------------|

R0100
R0160
R0170
R0180
R0190
R0200
R0210
R0220
R0230
R0240
R0250
R0260

R0100
R0160
R0170
R0180
R0190
R0200
R0210
R0220
R0230
R0240
R0250
R0260

S.23.01.01

Own Funds

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

| | |
|-------|---|
| R0010 | Ordinary share capital (gross of own shares) |
| R0030 | Share premium account related to ordinary share capital |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings |
| R0050 | Subordinated mutual member accounts |
| R0070 | Surplus funds |
| R0090 | Preference shares |
| R0110 | Share premium account related to preference shares |
| R0130 | Reconciliation reserve |
| R0140 | Subordinated liabilities |
| R0160 | An amount equal to the value of net deferred tax assets |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above |
| R0220 | 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 |
| R0230 | Deductions for participations in financial and credit institutions |
| R0290 | Total basic own funds after deductions |

Ancillary own funds

| | |
|-------|---|
| R0300 | Unpaid and uncalled ordinary share capital callable on demand |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand |
| R0320 | Unpaid and uncalled preference shares callable on demand |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC |
| R0390 | Other ancillary own funds |
| R0400 | Total ancillary own funds |

Available and eligible own funds

| | |
|-------|---|
| R0500 | Total available own funds to meet the SCR |
| R0510 | Total available own funds to meet the MCR |
| R0540 | Total eligible own funds to meet the SCR |
| R0550 | Total eligible own funds to meet the MCR |

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconcilliation reserve

| | |
|-------|---|
| R0700 | Excess of assets over liabilities |
| R0710 | Own shares (held directly and indirectly) |
| R0720 | Foreseeable dividends, distributions and charges |
| R0730 | Other basic own fund items |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds |
| R0760 | Reconciliation reserve |

Expected profits

| | |
|-------|---|
| R0770 | Expected profits included in future premiums (EPIFP) - Life business |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business |
| R0790 | Total Expected profits included in future premiums (EPIFP) |

| Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|--------|------------------------|----------------------|--------|--------|
| C0010 | C0020 | C0030 | C0040 | C0050 |
| 0 | 0 | | 0 | |
| 0 | 0 | | 0 | |
| 0 | 0 | | 0 | |
| 0 | | 0 | 0 | 0 |
| 0 | 0 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | 0 | 0 | 0 |
| 63,951 | 63,951 | | | |
| 0 | | 0 | 0 | 0 |
| 0 | | | | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | | | | |
| 0 | | | | |

| | | | |
|---|--|---|---|
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | | |
| 0 | | 0 | 0 |

| | | | | |
|--------|--------|---|---|---|
| 63,952 | 63,952 | 0 | 0 | 0 |
| 63,952 | 63,952 | 0 | 0 | |
| 63,952 | 63,952 | 0 | 0 | 0 |
| 63,952 | 63,952 | 0 | 0 | |

| |
|----------|
| 23,194 |
| 5,799 |
| 275.72% |
| 1102.88% |

| |
|--------|
| C0060 |
| 76,452 |
| 0 |
| 12,500 |
| 0 |
| 0 |
| 63,951 |

| |
|---|
| |
| |
| 0 |

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk
 R0020 Counterparty default risk
 R0030 Life underwriting risk
 R0040 Health underwriting risk
 R0050 Non-life underwriting risk
 R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

R0130 Operational risk
 R0140 Loss-absorbing capacity of technical provisions
 R0150 Loss-absorbing capacity of deferred taxes
 R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
 R0200 Solvency Capital Requirement excluding capital add-on
 R0210 Capital add-ons already set
 R0220 Solvency capital requirement

Other information on SCR

R0400 Capital requirement for duration-based equity risk sub-module
 R0410 Total amount of Notional Solvency Capital Requirements for remaining part
 R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
 R0440 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

R0640 LAC DT
 R0650 LAC DT justified by reversion of deferred tax liabilities
 R0660 LAC DT justified by reference to probable future taxable economic profit
 R0670 LAC DT justified by carry back, current year
 R0680 LAC DT justified by carry back, future years
 R0690 Maximum LAC DT

| Gross solvency capital requirement | USP | Simplifications |
|------------------------------------|-------|-----------------|
| C0110 | C0090 | C0120 |
| 3,506 | | |
| 7,328 | | |
| 0 | | |
| 0 | | |
| 15,821 | | |
| -4,910 | | |

USP Key

For life underwriting risk:

1 - Increase in the amount of annuity benefits
 9 - None

For health underwriting risk:

1 - Increase in the amount of annuity benefits
 2 - Standard deviation for NSLT health premium risk
 3 - Standard deviation for NSLT health gross premium risk
 4 - Adjustment factor for non-proportional reinsurance
 5 - Standard deviation for NSLT health reserve risk
 9 - None

For non-life underwriting risk:

4 - Adjustment factor for non-proportional reinsurance
 6 - Standard deviation for non-life premium risk
 7 - Standard deviation for non-life gross premium risk
 8 - Standard deviation for non-life reserve risk
 9 - None

| |
|--------|
| 0 |
| 21,744 |

| |
|--------|
| C0100 |
| 1,451 |
| 0 |
| 0 |
| 0 |
| 23,194 |
| 0 |
| 23,194 |

| |
|---|
| 0 |
| 0 |
| 0 |
| 0 |
| 0 |

| |
|-------|
| C0109 |
| 0 |

| |
|--------|
| LAC DT |
|--------|

| |
|-------|
| C0130 |
| 0 |
| 0 |
| 0 |
| 0 |
| 0 |
| 0 |

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

4,938

| 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 | Medical expense insurance and proportional reinsurance |
| R0030 | Income protection insurance and proportional reinsurance |
| R0040 | Workers' compensation insurance and proportional reinsurance |
| R0050 | Motor vehicle liability insurance and proportional reinsurance |
| R0060 | Other motor insurance and proportional reinsurance |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance |
| R0080 | Fire and other damage to property insurance and proportional reinsurance |
| R0090 | General liability insurance and proportional reinsurance |
| R0100 | Credit and suretyship insurance and proportional reinsurance |
| R0110 | Legal expenses insurance and proportional reinsurance |
| R0120 | Assistance and proportional reinsurance |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance |
| R0140 | Non-proportional health reinsurance |
| R0150 | Non-proportional casualty reinsurance |
| R0160 | Non-proportional marine, aviation and transport reinsurance |
| R0170 | Non-proportional property reinsurance |

| | | |
|--|--------|--|
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 47,941 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |
| | 0 | |

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

| Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|--|
|---|--|

C0050

C0060

| | |
|-------|---|
| R0210 | Obligations with profit participation - guaranteed benefits |
| R0220 | Obligations with profit participation - future discretionary benefits |
| R0230 | Index-linked and unit-linked insurance obligations |
| R0240 | Other life (re)insurance and health (re)insurance obligations |
| R0250 | Total capital at risk for all life (re)insurance obligations |

| | |
|--|--|
| | |
| | |
| | |
| | |
| | |

Overall MCR calculation

C0070

| | |
|-------|-----------------------------|
| R0300 | Linear MCR |
| R0310 | SCR |
| R0320 | MCR cap |
| R0330 | MCR floor |
| R0340 | Combined MCR |
| R0350 | Absolute floor of the MCR |
| R0400 | Minimum Capital Requirement |

| | |
|--|--------|
| | 4,938 |
| | 23,194 |
| | 10,437 |
| | 5,799 |
| | 5,799 |
| | 4,127 |
| | 5,799 |