Accredited Insurance (Europe) Limited

(formerly known as R&Q Insurance (Malta) Limited)

Solvency and Financial Condition Report

Year ended 31 December 2018

Contents

Summary

This Solvency and Financial Condition Report has been prepared for Accredited Insurance (Europe) Limited ("the Company" or "AIEL"), formerly known as R&Q Insurance (Malta) Limited, in order to satisfy the requirements of Article 290 of the Commission Delegated Regulation 2015/35 ("Commission DR"). It refers to the financial year ended on 31 December 2018 ("the reference date"). The Company forms part of the Randall & Quilter Investment Holdings Ltd. Group ("the Group").

During 2018, the Company changed its name to Accredited Insurance (Europe) Limited as part of a group-wide corporate restructuring to create a newly named division, Accredited, which emphasises the fast-growing program management business as a core business of the Group. The Company has traditionally operated in the niche "run-off" or "legacy" business, purchasing or reinsuring portfolios/companies whose business would have been placed in run-off. As at the end of December 2018 the Company managed/reinsured 22 such legacy portfolios. On the program management side, the Company also concluded 7 new agreements with managing cover-holders through which they are writing "program" motor, surety and liability business in the United Kingdom, Republic of Ireland, Italy, Greece and Spain. This brings the total number of active program facilities up to 11 at the end of 2018. A further new program was accepted and went live during the first quarter of 2019 and an existing program underwriting partnership was not renewed. The Company takes a prudent approach and reinsures this book of business extensively through the use of Quota Share, Excess of Loss and Stop Loss reinsurance with reinsurers that do not fall below the A- rating.

The Company maintains a robust system of governance which, in light of the nature, scale and complexity of the Company' activities and its risk profile, is deemed to be adequate in ensuring the sound and prudent management of the Company. The system of governance revolves around the Board and its three Committees – the Audit Committee, the Underwriting and Claims Committee and the Investment Committee, in addition to the key functions, which are outsourced to the Group and external service providers in line with the Company's Outsourcing Policy. One of the mainstays of the system of governance is the risk management system which is designed to ensure that all material risks are identified and that policies and procedures are in place to manage or mitigate these risks, to assess their potential impact and to ensure that they are adequately reported. No significant changes in the system of governance, including the risk management system, occurred during the year under review.

The Board's current appetite is focussed on the underwriting risk and credit risk arising from reinsurance associated with the programs, and given the long term nature of its underlying net technical provision, also on its market risk.

Total premium generated during the year increased from £30.85m during 2017 to £62.34m during 2018. The Company concluded 5 legacy transactions and 1 legacy acquisition (R&Q Eta Company Limited), compared to the 3 portfolios absorbed in 2017, generating premium of £3.87m (2017: £7.78m) with the remaining premium of £58.47m (2017: £23.07m) being generated from the "program" business. In line with the Company's prudent risk strategy on its "program" business, outward reinsurance premium also increased significantly when compared to 2017, resulting in retained premium of £2.68m compared to £8.00m in 2017.

Net claims incurred of £2.35m (2017: £4.60m) represent £1.19m incurred claims on the “program” business, for which reinsurers’ share of claims incurred increased in line with the increase in business written, and £1.16m relating to technical reserves additions or developments on the “legacy” business.

The negative technical result for the year of £1.53m (2017: positive technical result of £2.67m) reflects the significant investment made to build the “program” business and the drive to implement the Company’s growth strategy, resulting in a cost base initially growing at a faster pace than earned over-rider commission, in addition to an adjustment of £0.70m to earn over-rider commission in line with Group policy. There is a continued commitment to invest in the “program” business, and going forward, the Directors expect that the benefits of this growth strategy will be reflected in the coming periods.

The Company generated an investment return for the year of £5.16m (2017: £1.46m). This increase is mainly attributed to increased dividends received during the year, coupled with a positive impact of currency fluctuations on assets, in addition to a fair value gain of £1.92m on the legacy acquisition.

The Company further strengthened its capital base through an increase in share capital of £30.00m on 29 March 2018.

The Company registered a loss before tax of £1.63m (2017: profit before tax of £0.67m) for the year under consideration.

The Company maintains a strong capital position. At the reference date, the Solvency Capital Requirement amounted to £24.48m (2017: £19.29m) and the eligible own funds available to cover this requirement amounted to £51.69m (2017: £30.73m). These own funds consist of £39.45m Tier 1 funds and £12.24m Tier 2 funds. Hence, the ratio of eligible own funds to SCR at the reference date amounted to 211% (2017: 159%). The available own funds to cover the SCR have increased to a healthy 251% (2017: 221%). The Minimum Capital Requirement was £6.12m, all of which is covered by eligible Tier 1 own funds.

On 2 February 2018, the Company received a rating of A- (Excellent) from A.M. Best, which was re-affirmed on 14 February 2019. This will allow the Company to continue with its strategy to be a market leader in the niche “run-off” and “program” markets.

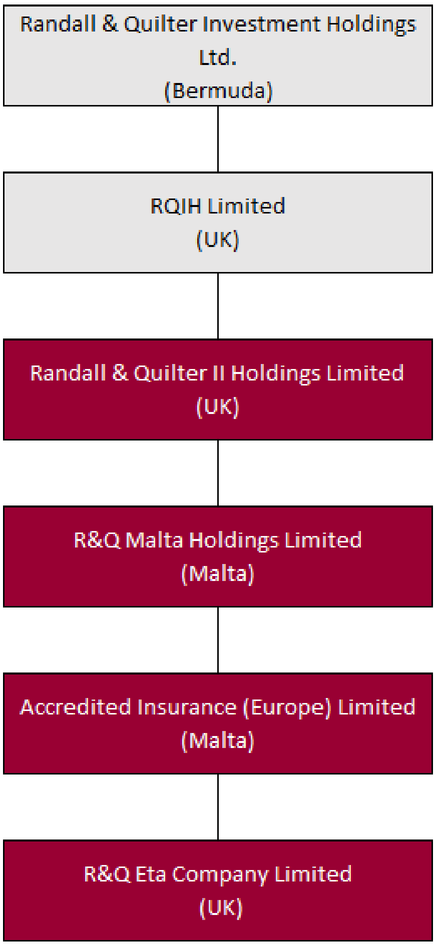
In 2018, the assumptions and methodology underlying the calculation of the eligible own funds and the SCR did not change significantly.

A. Business and Performance

A1. Business

Name and Legal Form	Accredited Insurance (Europe) Limited *(formerly known as R&Q Insurance (Malta) Limited)*
National Supervisory Authority	Malta Financial Services Authority Ray Schembri Director – Insurance and Pensions Unit Notabile Road, BKR3000, Attard, Malta
Group National Supervisory Authority	Bermuda Monetary Authority Trudy Trott BMA House, 43 Victoria Street, Hamilton, Bermuda
External Auditors	PKF Assurance (Malta) Limited Donna Greaves (Director) 35, Mannarino Road, Birkirkara, BKR9080, Malta
Qualifying holdings of the undertaking	99.99% - R&Q Holdings (Malta) Ltd
Ultimate Parent Undertaking	Randall & Quilter Investment Holdings Ltd - Bermuda
Qualifying Shareholders – both based in the United Kingdom	Name / No. of Ordinary Shares / % Kenneth Edward Randall / 14,428,186 / 11.46 Phoenix Asset Management / 24,390,734 / 19.38
Authorised Classes of Business	The Company is licenced to write the following classes of business on a direct and reinsurance basis Class 1 – Accident Class 2 – Sickness Class 3 – Land vehicles Class 4 – Railway rolling stock Class 5 – Aircraft Class 6 – Ships Class 7 – Goods in transit Class 8 – Fire & natural forces Class 9 – other damage to Property Class 10 – Motor vehicle liability Class 11 – Aircraft Liability Class 12 – Liability for ships Class 13 – General Liability Class 14 – Credit Class 15 – Suretyship Class 16 – Miscellaneous financial loss Class 17 – Legal expenses Class 18 - Assistance

The abridged Group structure showing the position of Accredited Insurance (Europe) Limited within the Group is shown in the following table.



Significant events during the year

The Company has operated in line with the Business plan approved during 2017.

During 2018, the Company concluded 7 new agreements with managing cover-holders through which they are writing "program" motor, surety and liability business in the United Kingdom, Republic of Ireland, Italy, Greece and Spain. This brings the total number of active program facilities up to 11 at the end of 2018, with a further program being accepted and going live during the first quarter of 2019 and an existing program underwriting partnership was not renewed. The Company is taking a prudent approach with this new strategy and reinsures this book of business extensively through the use of Quota Share, Excess of Loss and Stop Loss reinsurance with reinsurers that do not fall below the A-rating.

In addition, the Company concluded 5 legacy transactions and 1 legacy acquisition, compared to the 3 portfolios absorbed in 2017, meaning the Company managed/reinsured 22 such legacy portfolios by the end of 2018.

The Company further strengthened its capital base through an increase in share capital of £30.00m on 29 March 2018.

On 2 February 2018, the Company received a rating of A- (Excellent) from A.M. Best, which was re-affirmed on 14 February 2019. This will allow the Company to continue with its strategy to be a market leader in the niche “legacy” and “program” markets.

A2. Underwriting Performance

The following are the highlights for the year:

Legacy Business

A technical loss of £2.41m (before allocation of net investment income) was registered during 2018 on this type of business. Salient points for 2018 are as follows:

- Transfer premium of £1.03m paid to R&Q Gamma following the Part VII transfer of SIMIA and the termination of the reinsurance arrangement.
- Technical expenses of £1.42m including £1.08m of allocated Group charges and £0.45m of Goodwill amortisation.
- The Company’s functional and reporting currency is the Pound Sterling, however given the global nature of the underlying business, particularly the reinsurance business, the Company carries technical reserves in the following major currencies: Euro, US Dollar, Australian Dollar, Canadian Dollar and Norwegian Kroner. In accordance with the accounting policy of the Company, all currency movements on technical provisions are recorded within the underwriting results. The strengthening of the USD against the GBP has had a negative impact on the reserves of the Company, increasing them by £1.05m. On a global basis the Company’s currency exposure was substantially matched (see Note A5 below). A compensating gain on exchange was recorded on the asset side (mainly investments) in the non-technical account.
- The above was partly offset by risk premium / profit on transactions completed in the financial year of £0.84m.
- During 2018, the Company entered into a number of “legacy” agreements thereby increasing reserves by £5.01m on a net basis. This was partially offset by settlements of £1.18m during the year on a net basis.
- Reserves for claims which are IBNR are established based on an actuarial valuation that takes into consideration a number of factors including industry trends, current legal environment and geographical considerations. During 2018, the Part VII transfer of SIMIA to R&Q Gamma noted above resulted in the removal of £4.96m of reserves.

Program Business

A technical loss of £0.86m (before allocation of net investment income) was registered during 2018 on this type of business. Highlights for 2018 are as follows:

- The implementation of the Company growth strategy resulting in operating costs growing at a faster pace than earned over-rider commission, with operational costs from group recharges of £1.27m (2017: £0.10m) compared to earned over-rider commission of £0.65m (2017: £0.46m). The technical loss for the year was also driven by a retrospective adjustment of £(0.23)m on over-rider commission to bring this in line with Group treatment and policy, combined with an underwriting loss on the retained portion of £0.25m mainly driven by the cost of non-proportional reinsurance of £0.49m.
- The Company entered into a further 7 programs which together with the programs entered into in 2016 and 2017, generated gross premium written of £58.47m (2017: £23.07m), of which 79% is written in the United Kingdom, 17% is written in the Republic of Ireland, and the remainder in other EU countries. This business is substantially reinsured with £55.02m (2017: £22.80m) ceded to quota share reinsurers and £1.17m (2017: £0.10m) ceded under the stop loss and excess of loss treaties.

Overall, a technical loss of £1.53m (including allocation of £1.75m in investment income) was reported for the 12 months to 31 December 2018 (2017: technical profit of £2.67m) and is summarised below by material line of business with a comparative analysis for 2017 included.

Year ended 31 December 2018:	**WC**	**GL**	**Motor**	**Other**	**Total**
	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	6,350	(5,943)	1,036	20	1,463
Acquisition costs, net of reinsurance	(232)	(12)	(616)	(12)	(872)
Claims incurred, net of reinsurance	(5,613)	5,196	(1,179)	(751)	(2,347)
Net Underwriting Result	505	(759)	(759)	(743)	(1,756)
Other technical income	0	11	616	25	652
Claims Handling Cost and other technical expenses	(700)	(440)	(744)	(293)	(2,177)
	(195)	(1,188)	(887)	(1,011)	(3,281)
Allocated investment income	758	552	73	364	1,747
Net Technical Result	**563**	**(636)**	**(814)**	**(647)**	**(1,534)**

Year ended 31 December 2017:	**WC**	**GL**	**Motor**	**Other**	**Total**
	£'000s	£'000s	£'000s	£'000s	**£'000s**
Earned premiums, net of reinsurance	0	7,046	55	722	7,823
Acquisition costs, net of reinsurance	(272)	(161)	(79)	(15)	(527)
Claims incurred, net of reinsurance	(309)	(3,643)	(45)	(606)	(4,603)
Net Underwriting Result	(581)	3,242	(69)	101	2,693
Other technical income	-	-	465	-	465
Claims Handling Cost and other technical expenses	(381)	(808)	(52)	77	(1,164)
	(962)	2,434	344	178	1,994
Allocated investment income	266	273	5	130	674
Net Technical Result	**(696)**	**2,707**	**349**	**308**	**2,668**

Further detail is included within form AS.05.01.01 (attached within Appendix 2). Note that the results in the general liability class are impacted by the termination of the reinsurance provided prior to the Part VII transfer of SIMIA to R&Q Gamma.

The material classes of business and geographical segmentation as defined by Gross Claims Reserves held by the Company are included within the below tables. In defining the geographical segmentation, the Company has assessed the geographical location of its Gross Claims Reserves (technical provisions less UPR) as being the most appropriate reflection of the exposure.

Gross Claims Reserves	**2018**	2017
	£'000s	£'000s
Casualty	**4,328**	3,830
General Liability	**19,692**	27,244
Marine, Avation, Transport	**4,533**	4,673
Workers Compensation	**18,028**	15,226
Motor	**17,719**	6,543
Other	**1,371**	1,009
Total	**65,671**	58,525

Geographical Segmentation of Classes of Business

	2018	2017
Australia	**8.60%**	11.32%
Europe	**12.38%**	4.60%
United Kingdom	**47.57%**	48.07%
United States	**27.47%**	34.78%
Other	**3.98%**	1.23%
Total	**100%**	100%

A3. Investment Performance

The Company's Investment Strategy covers the following:

- Invest primarily in marketable, investment grade-rated, short- and intermediate-term securities. Minimal investment will be made in fixed-rate long-term maturities. The Company will also consider loans to and investments in Group undertakings. Each prospective company investment will be considered as part of the overall Group investment strategy subject to appropriate controls, and on its own merits in terms of magnitude, available liquidity, and forecast risk/return.

- Adjust asset allocation mix and fixed-income sector weightings consistent with the outlook for markets, business conditions and corporate profitability.

- Limit over-concentration of assets in individual issuers.

- Exclude investments in, commodities, futures contracts, options or venture capital, except as specifically approved in writing by the Company or in the form of a structured note.

The Company's investment portfolio can be analysed as follows:

	2018	2017
	£000s	£000s
Units in Fixed Income Funds	**47,059**	32,681
Equities	**17,999**	4,807
Debt Securities	**1,477**	1,372
Loans to Group	**35,844**	35,738
Deposits with Banks	**5,177**	3,577
Investment Property	**1,520**	1,550
Cash at Bank	**12,236**	8,595
Total	**121,312**	88,320

The Company generated an investment return of £5.16m for the period under review, representing a significant increase over the previous year. The breakdown is as follows:

	2018	2017
	£000s	£000s
Interest on Group Loans	**1,968**	1,921
Interest on Insurance receivables	**40**	38
Dividend income on equities	**1,135**	344
Net fair value gains/(losses) on equities and bond funds (incl exchange movements)	**1,364**	433
Net exchange differences	**601**	(1,372)
Rental Income	**163**	166
Investment management fees	**(111)**	(74)
Total	**5,160**	1,456

The Company enjoys a steady interest income flow on funds invested within the Group resulting in interest income of £1.97m. In addition, the Company owns a commercial property on which it earns rental income. On 27 March 2019, the Company transferred this property to an entity under common control. The Company also generated £1.14m in dividends on its equity portfolio.

All investment returns are recognised in the profit and loss account. The Company had no investments in any securitisations.

A4. Performance of other activities

Leases (lessor)

The Company entered into a 10 year rental lease on a commercial investment property commencing on the 18 November 2016. Rental income is £163k per annum and will be up for review on the 31 December 2021. The Tenant has the right to terminate the lease after 5 years by giving six month termination notice. On 27 March 2019, the Company transferred its investment property to an entity under common control.

Gain on legacy acquisition

On 31 December 2018, the Company acquired the entire issued share capital of MPS Risk Solutions Limited (''MPSRS''), subsequently renamed to R&Q Eta Company Limited (''Eta''), from its owners The Medical Protection Society Limited (''MPS'') for a cash consideration of £16.08m. MPSRS was formed in January 2004 as a UK authorised insurer subsidiary of MPS. It ceased active underwriting in October 2012 and has been in orderly run-off since. Eta's estimated net asset value at the date of acquisition was £17.99m, which resulted in a fair value gain on acquisition of £1.92m.

A5. Any other information

Currency exposures

As indicated within Section A2, given the global nature of the underlying business, particularly the reinsurance business, the Company carries technical reserves in the following major foreign currencies: Euro, US Dollar, Australian Dollar, Canadian Dollar and Norwegian Kroner. The Company tries as far as possible to match this currency exposure and as at 31 December 2018 was matched as follows:

	Assets in foreign currency		Liabilities in foreign currency		Net Exposure	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Currency of exposure:						
USD	22,272	22,333	(21,704)	(22,296)	568	37
EUR	39,960	29,075	(40,598)	(29,096)	(638)	(21)
AUD	6,580	7,638	(5,677)	(6,753)	903	885
CAD	17	16	(60)	(34)	(43)	(18)
DKK	49	49	(122)	(19)	(73)	30
NOK	124	412	(479)	(936)	(355)	(524)

B. System of Governance

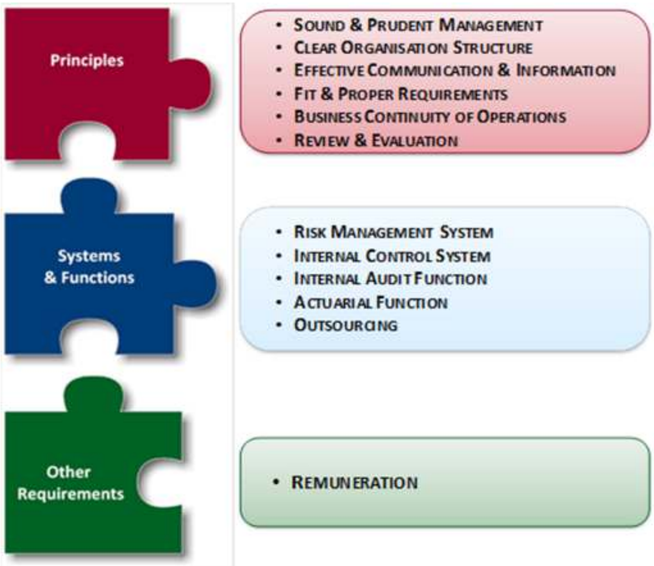
B1. General of Governance information on the System

Structure of Administrative Management

The Board of Directors undertakes all functions that might otherwise be delegated to Committees or apportioned to individuals. This is attributable to the relatively small size and simplicity of the underlying business.

The Company has adopted a number of underlying Principles, put into place Systems and Control Functions, under the auspices of the Group, and taken account of other matters which may be required to be dealt with such as remuneration structures as follows:

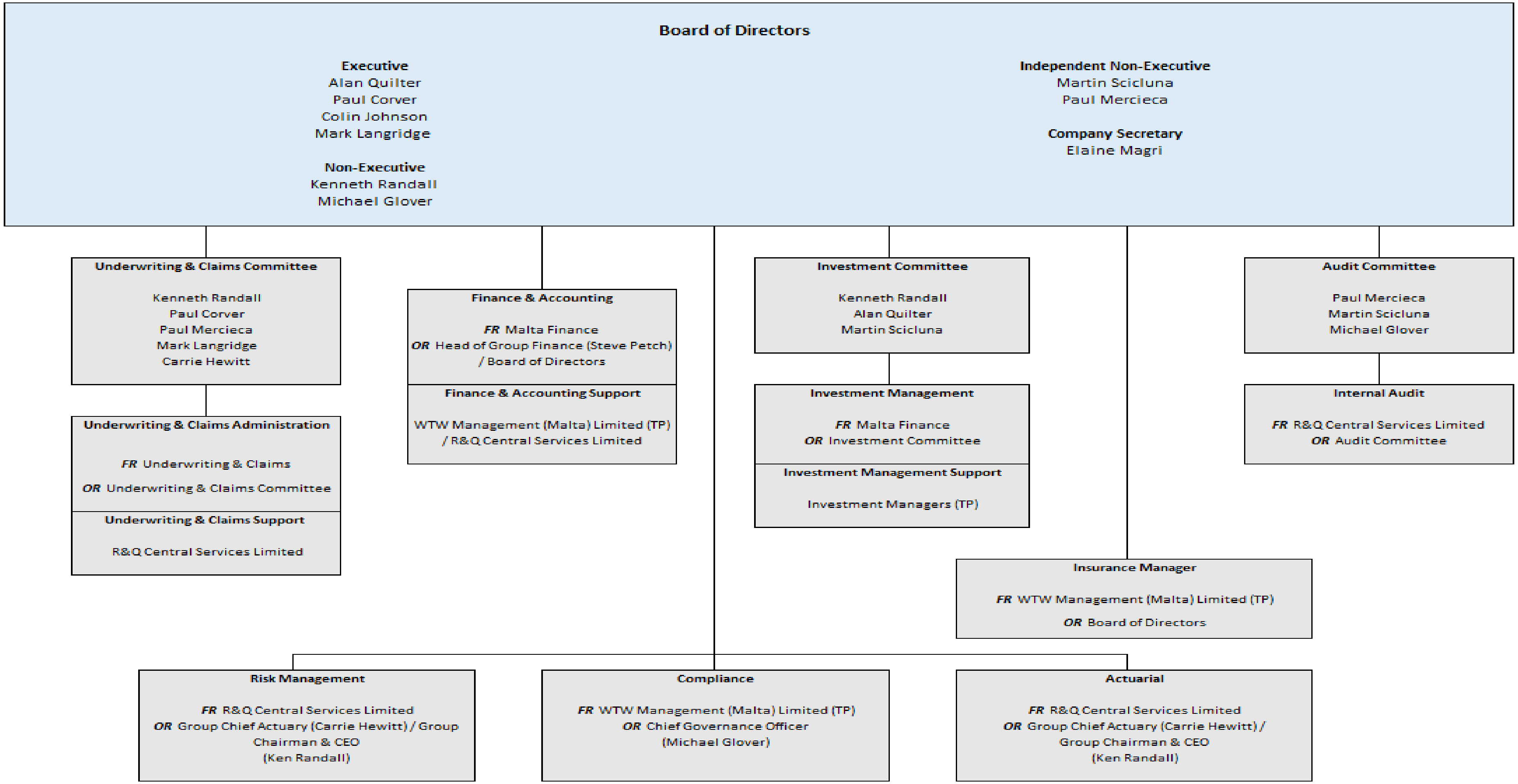
The framework is shown diagrammatically below:



The Board of Directors recognises that it needs to be able to demonstrate to the MFSA that it has a System of Governance meeting regulatory expectations, is proportionate to the nature of the business, complies with existing requirements and is flexible enough to be able to adapt to changes in the regulatory and statutory environment. The system of governance is regularly reviewed and assessed to ensure it is appropriate given the nature, scale and complexity of the risks inherent to the Company. The current and proposed position in relation to each piece of the framework is outlined in the following sections.

The Organisation Structure of the Company is depicted in the following table:

Accredited Insurance (Europe) Limited - Organisational Structure



Key:	
FR	Function Responsible
OR	Oversight Responsible
(TP)	Third Party

Function	Contact Persons
Risk Management	Susan Young
Internal Audit	Ash Malik
Actuarial	Carrie Hewitt
Compliance	Marie Louise Cassar

Tom Booth resigned from the Board of Directors on 5 January 2018. Colin Johnson and Alan Quilter were appointed to the Board on 9 May 2018 and 29 May 2018 respectively.

The Board of Directors shall:

- Provide entrepreneurial leadership of AIEL within a framework of prudent and effective controls which enable risk to be assessed and managed.
- Set AIEL's strategic aims, ensure that the necessary financial resources are in place for the Company to meet its objectives, and review the insurance manager's performance.
- Set AIEL's values and standards and ensure that its obligations to its shareholders and others are understood and met.
- Comply with all statutory and common law duties of a company registered in the European Union.
- Comply with the Memorandum and Articles of Association of the Company.
- Comply with requirements set out in the Maltese Companies Act and Maltese Insurance Business Act (Cap 403) and comply with the General Good Requirements for all classes of business in each country within which AIEL is operating.
- Assume responsibility for the day to day conduct of AIEL's business. Clearly and appropriately apportion significant responsibilities to the Insurance Manager and other third party providers.
- Oversee the establishment and maintenance of robust and clearly documented systems and controls in accordance with applicable regulations.
- Review and approve business submitted by the Underwriting and Claims Committee.
- Oversee the process of outsourcing, and monitor the discharge of the Compliance, Risk Management, Internal Audit and Risk Management functions.

In order to discharge its duties, the Board meets at least quarterly and on an ad-hoc basis as required. Discussions of the quarterly meetings centre around the following:

- Financial results including actuarial matters.
- Compliance and legal matters.
- Risk management.
- Litigation management.
- Reports from the various Committees.
- Outsourcing matters.
- New business and strategic decisions.

The Investment Committee shall:

- Assist the Board of Directors in formulating and keeping under review investment policies of the Company.
- Direct the management of the investments in accordance with investment policies and any specific directives from the Board.
- Monitor investments and their compliance with the investment policies.
- Receive regular reports from officers and investment managers and keep investment performance under review.
- Report regularly to the Board of Directors.

In order to discharge its duties, the Committee meets at least quarterly and on an ad-hoc basis as required. Discussions of the quarterly meetings centre around the investment strategy and results for the quarter.

The Underwriting and Claims Committee shall:

Determine and implement on behalf of the Company suitable premium and contract terms in respect of the proposed Risks underwritten by the Company.

- Review the retained risk, capital adequacy and solvency of the Company.
- Review contract wordings in the case of legacy business.
- Identify and assess potential new underwriting opportunities.
- Determine and Review on an annual basis the Reinsurance Strategy of the Company.
- Review Security Ratings of Reinsurers.
- Review of legacy agreements with Brokers, Reinsurers and other Insurance Advisers.
- Provision of advice to the Board.
- Review the Underwriting results of each portfolio on a quarterly basis.
- Determine and annually review the claims reserving policy of the Company.
- Determine and annually review the Company's claims protocol/commutation strategy.
- Review major claims incurred and appropriateness of reserves held.
- Receiving reports from the Actuaries on the take on of new portfolio transfers and new fronting business.

In order to discharge its duties, the Committee meets at least quarterly and on an ad-hoc basis as required. Discussions of the quarterly meetings centre around the underwriting performance for the period and new business proposals.

The Audit Committee shall:

- Make recommendations to the Board to appoint, dismiss, agree compensation of and oversee the work of the independent auditor in connection with conduct of the audit, issuing an audit report and related work (including liaising between management and the auditor regarding financial reporting).
- Receive, and take any appropriate action in relation to, all reports and other communications which the independent auditor is required to make to the Audit Committee.
- Review and discuss with Management and the Independent Auditor the annual audited financial statements (and where practicable any other material public or regulatory financial statements), including disclosures made in Management's discussion and analysis and the audit representation letters, and recommend to the Board whether the audited financial statements should be approved.
- Discuss with Management and the Independent Auditor significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements.
- Discuss with Management and the Independent Auditor the effect of regulatory and accounting initiatives.
- Meet with Management, the internal accountants / auditors and the Independent Auditor separately quarterly or at such other interval as the Committee deems reasonable.
- Monitor the independence of the Independent Auditor.
- Monitor the integrity of the Company's financial and other internal controls.

- Receive from management reports on the effectiveness of the internal control and risk management systems, and the conclusions of any testing carried out by internal and external auditors.
- Monitor and review the effectiveness of the Internal Audit function, and to approve the appointment or termination of the Internal Auditor.

In order to discharge its duties, the Committee meets at least twice a year and on an ad-hoc basis as required. Discussions of the meetings centre around the reporting from the internal and external auditors.

Compliance Function

The Compliance Function is outsourced to the Insurance Manager as part of the overall Insurance Management Agreement. The Compliance Function reports directly to the Board and is responsible for:

- The approval of the Board for a policy statement on compliance with all applicable regulations, legislation and guidelines.
- Developing an annual compliance plan to undertake a compliance monitoring programme on the key internal controls, as identified by the Board, to ensure that they are operating effectively and to document the tests undertaken and the results obtained. The compliance plan should ensure that all relevant areas of the Company are appropriately covered, taking into account their susceptibility to compliance risk.
- Assisting the Board with ensuring ongoing compliance with legislation and applicable requirements and documenting any breaches identified and how they were addressed.
- Providing, through opinions, supervision and independent controls, reasonable assurance of the effectiveness and consistency of the internal processes used to control the compliance of the Company’s operations and protect its reputation.
- Keeping the Board informed of any amendment to the applicable regulations, legislation and guidelines or the addition of any new requirements.
- Reporting to the Board at each Board meeting outlining the control tests undertaken since the last report and to comment on the Company’s compliance with reinsurance legislation and guidelines.
- Promptly reporting to the Board any major compliance problems identified.

Support is also provided by Group staff employed within the business and/or elsewhere in the Group.

Risk Management Function

The Risk Management Function is outsourced to the Group Risk Management Function and reports directly to the Board. It is responsible for:

- Assisting the Board in setting risk management strategy, in developing a risk management framework of the Company’s risk appetite, limits and tolerances, in establishing internal risk management structures, and in ensuring that the necessary resources are available and dedicated to achieving the risk management objectives.

- Working with the Board and other functions in assessing and defining the risks existing in specific risk areas and from those assessments developing written risk management policies and procedures to manage those risks.
- Assisting the Board in assessing the Company's capacity to absorb risk with due regard to the nature, probability, duration, correlation and potential severity of risks, including looking at risks from different perspectives, such as by territory or by line of business.
- Identifying and assessing emerging risks and advising the Board thereon.
- Working with the Board and other functions to determine acceptable risk limits for each risk type and facilitating control mechanisms to ensure that limits and procedures are adhered to, and that the Company is operating within the risk appetite parameters set by the Board.
- Assisting the Board in implementing the risk strategy agreed upon by ensuring the effective operation of the risk management system, in particular by facilitation of other functions and by performing specialist analysis and quality reviews.
- Maintaining an organisation-wide, aggregated view of the Company's risk profile.
- Preparing reports, either separately or in conjunction with other functions as needed, for formal discussion at Board meetings and for presentation to other stakeholders on the material risks faced by the Company and on the effectiveness of the risk management system.
- Developing documented processes to respond to imminent and post loss risk events, including contingency and business continuity programmes.
- Evaluating on a regular basis the design and operational effectiveness of the risk management system to identify, measure, monitor, manage and report risks the Company is exposed to.
- Advising the Board on the effectiveness of strategies and policies with respect to maintaining, on an on-going basis, amounts, types and distribution of capital adequate to cover the risks of the institution.
- Working with the Board and other functions to develop, when applicable, and to regularly carry out, a suitable Own Risk and Solvency Assessment ("ORSA") process.
- When applicable, maintain the ORSA record and prepare both the ORSA internal & supervisory reports, in conjunction with other functions as appropriate.

Internal Audit Function

The Internal Audit Function is outsourced to the Group Internal Audit Function and it reports directly to the Audit Committee. The primary purpose of Group Internal Audit is to:

- Provide assurance to the Group Audit Committee;
- Provide assurance to local Audit Committees, particularly in the context of any applicable local regulatory requirements; and
- Meet the internal audit standards applicable to Internal Audit generally and specifically local requirements such as Solvency II or equivalent.

The scope of Group Internal Audit work in any year, will be specified in the Internal Audit Plan and agreed by the Audit Committee. It will encompass the examination and evaluation of the organisation's policies, procedures and data to address the above objectives and key activities including the review of:

- Policies and procedures approved by the Board;
- Governance and oversight structures and processes;
- Risk management procedures and reports;
- Financial and operating information;
- Compliance with procedures and relevant regulations ;
- Organizational culture and ethics;
- Business operations and their effectiveness and efficiency in managing risk; and
- Projects and business change initiatives.

Where opportunities for improving management of risks, internal control, governance, profitability, and the organisation’s effectiveness are identified during audits, this information will be communicated to the Audit Committee and to Executive Management.

Group Internal Audit activity shall be conducted at all times in accordance with the mandatory International Standards for the Professional Practice of Internal Auditing adopted by the Institute of Internal Auditors (**“**IIA**”**). All members of the Group Internal Audit team shall meet or exceed the ethical standards of the IIA in its Code of Ethics.

Actuarial Function

The Actuarial Function, which is outsourced to the Actuarial Function of the Group, plays a vital role in the management of some of the Company’s key risk areas such as assessing the adequacy of claim & premium reserves, sufficiency of risk premiums charged to cover claims, determining the Company’s SCR in accordance with the Standard Model methodologies, and providing valuable data for future risk premium determinations. The Actuarial Function reports directly to the Board.

Carrying out its responsibilities involves:

- Having access to all necessary resources and information systems.
- Co-ordinating the calculation of the Technical Provisions (“TPs”), applying appropriate recognised methodologies and procedures to assess their sufficiency.
- Assessing the uncertainty associated with the estimates.
- Judging the quality of underlying data and the specific lines of business and assessing the best methodology to use in the calculation of the TPs, using judgement where necessary to establish assumptions and to safeguard the accuracy of the results.
- Taking into account relevant market information and integrating it into the TP assessment.
- Comparing and justifying any material differences between the estimates for different years.
- Assessing suitability of IT systems to support the data, processes and methodologies needed to in the calculation of TPs.
- Back-testing actual results against estimates to improve quality of current reserves and the methodology used.
- In expressing an opinion on adequacy of TPs to Management, also setting out how it arrived at its opinion and clearly stating and explaining any concerns it may have on the sufficiency of the TPs.

- Expressing an opinion on the overall underwriting policy, taking into consideration the following issues: i) sufficiency of the premiums and risk premiums to cover future losses and the impact of expenses directly associated with future claims and of unallocated loss adjustment expenses; ii) inflation, legal risk, change of mix, anti-selection iii) the adequacy of the significant reinsurance arrangements as well as expected cover under stress scenarios.
- Being sufficiently independent, objective and free from influence of other functions including Management and the Board.
- Reporting at least annually to the Board on the tasks undertaken, any identified shortcomings, and recommendations on how to remedy deficiencies.
- Assisting on acquisition and fronting activity to provide reserving and capital modelling requirements.

Material change in the System of Governance

There has been no material change to the underlying System of Governance.

Remuneration Policy

As at 31 December 2018 the Company employed a total of 6 full time staff and this has since increased to 8 during the first quarter of 2019. The Company continues to outsource certain functions to the Group and to other third party providers, including the Insurance Manager. Further detail of outsourced arrangements are included in Section B7. The non-Independent non-Executive Directors are not remunerated by the Company as their responsibilities are part of their overall employment responsibilities and are governed by their employment contract with the Group.

The Company's remuneration policy, as applicable to the Independent Non-Executive Directors sits under the oversight of the Group Remuneration Committee. The Company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Company, its financial stability and its risk management framework. The Company's Remuneration Policy for the Board is formulated to attract and retain high-calibre Directors and to motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value creation.

Independent Non-Executive Directors are remunerated on a fixed fee basis only, which is based on experience, responsibilities and level of time commitment.

No key management personnel, or key function holders are entitled to share options or to any form of variable remuneration and neither are they eligible to any supplementary pension or early retirement schemes.

Transactions with Shareholders

As disclosed within Section A3 above, the Company had loaned back £35.84m to immediate and ultimate Shareholders. The loans are unsecured and repayable within one year and attract an interest rate of 2.75% over LIBOR.

There are no other material transactions with Shareholders, members of the management body or those exerting a significant influence over the Company.

B2. Fit and proper requirements

The Board of Directors and Officers

The Company ensures that it is directed and managed by a sufficient number of persons who are fit and proper persons to hold their respective positions and that those Directors and Officers are:

- Professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience and training.
- Honest, have integrity and are reputable.

The assessment of the management and technical competence of an individual is based on their previous experience, knowledge and professional standing, which demonstrates due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in. In relation to Director Appointments, the assessment also considers how the proposed appointment would augment the collective fitness and proprietary of the Board as a whole.

The assessment of reputation includes checks as to whether there are any reasons to believe from past conduct that an individual may not discharge their duties in line with applicable rules, regulations and guidelines. Assessment is initially made prior to appointment to their role, but will be reassessed on a regular basis as part of an annual performance review process.

B3. Risk management system including the Own Risk and Solvency Assessment

Purpose

AIEL ’s risk management framework (“RMF”) seeks to support its business strategies; enabling it to select those risks that can enhance value creation, closely manage those risks that are unrewarded; optimise and protect its capital base; support decision making and protect its reputation and brand.

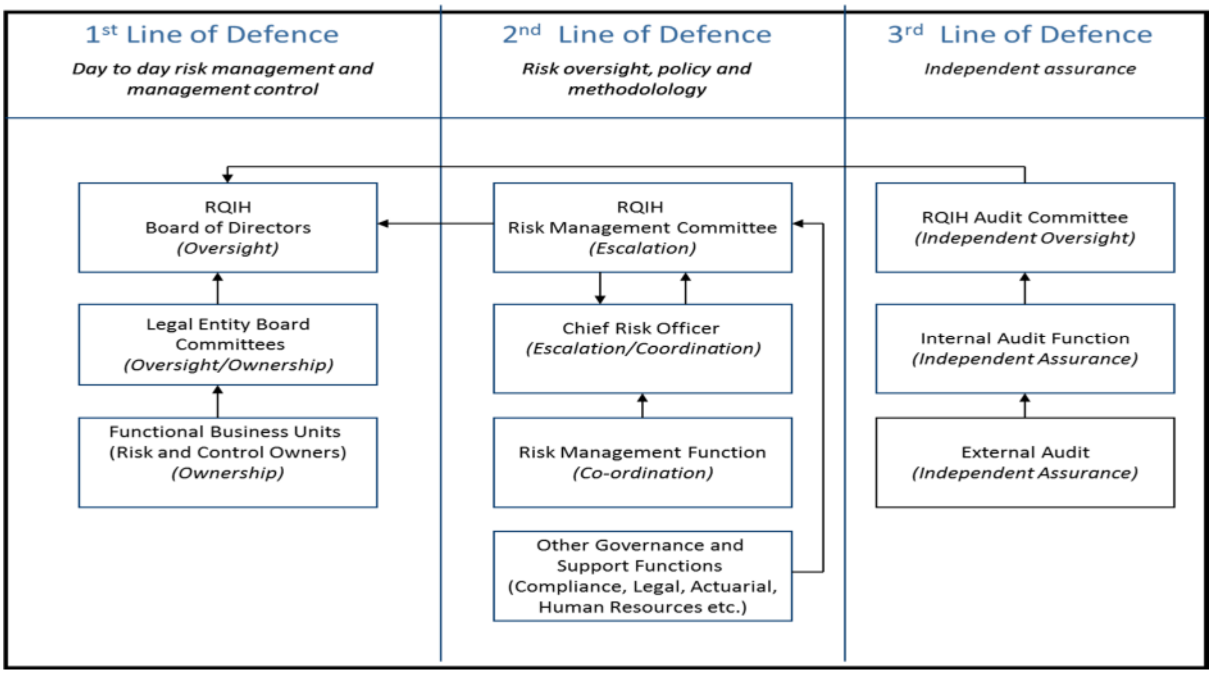
The Board ensures that the business implements risk policies, delivers the business plan within risk appetite and manages the AIEL ’s risk profile. This is achieved through a combination of Quantitative and Qualitative risk management, realised through a well-established risk culture, effective risk governance and risk transparency.

Risk Management strategies and processes

AIEL operates within the Group’s Risk Management Framework (“RMF”) which forms an integral part of the management and Board processes. This framework enables the Board to draw assurance that the risks to which the AIEL may be exposed to, are being appropriately identified and managed within the risk appetite, and that risks that may present significant financial loss or damage to the Company’s reputation are being minimised. This helps to ensure that the achievement of the Company’s performance and objectives is not undermined by unexpected events.

Risk Governance and Culture

To achieve its mission and goals, people at all levels of the organisation are engaged in the management of risk. This is realised through a strong ‘’tone at the top’’ that emphasises the importance of effective risk management, with management accountable for embedding risk in their own areas. The group has adopted the “three lines of defence” governance model**,** of which the risk management function forms part. This is illustrated and explained below:



First Line of Defence

The first line of defence has primary decision making authority at the “coalface”, and accordingly its focus is as follows:

- Operational decision making to execute and implement the group’s strategic objectives;
- Facilitation and oversight of the business plans of the group and its managed entities, including delivery against predetermined goals;
- Day to day management of business activities;
- Management of the risk profile of the business, in line with board and stakeholder expectations.

The first line of defence includes the group and legal entity boards of directors. In this context, the boards have ultimate accountability for risk management, the related control environment and for approving and reviewing any relevant risk policies, including risk appetite frameworks. In practice, responsibility is devolved to the relevant executive/functional committees and/or divisional boards.

Risk owners retain overall responsibility for managing the risks for which they are the designated owner, including those risks where some or all of the controls in place have a separate control owner (i.e. the operation of the control is in the charge of another manager).

Second Line of Defence

The second line of defence provides a key input into tactical and strategic decision making, and its overall focus is on the following:

- Provision of assurance to the boards of directors that the risk profile, as represented in the relevant risk registers or otherwise, and the associated internal control framework is in line with board and stakeholder expectations. Where it is not, appropriate actions with owners and timescales are proposed to bring it back into line with those expectations;
- Escalation of all material risk issues to the group risk committee and board;
- Provision of input, challenge and oversight of first line decision making where appropriate, i.e. the input of risk and capital information to aid effective decisions.

Third Line of Defence

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management system.

The internal audit function is sourced in house within the group and supplemented with third party professional resources as and when appropriate. It is responsible for independently assessing the effectiveness of the risk management processes and practices and for providing timely objective assurance on the control of risk.

Internal audit activity is carried out in accordance with an annual pre agreed audit plan.

Underpinning the three lines of defence is risk transparency within the group. This involves raising awareness and understanding of risk across the group, effective reporting of risk internally and appropriate disclosure risks to all interested stakeholders, internal and external.

Risk Appetite Framework

The Board recognises that a well-defined risk appetite supports the business decision making and planning. The Board reviews and sets the risk appetite at least annually, and when there is a significant change in business strategy.

Risk Policies

AIEL adopts the Group's three tier group risk policy structure, tailoring them in regard to regulatory requirements, the Company's risk profile and the principles of proportionality. The Company's tier three risk policies determine the way in which risks are to be managed and controlled within the Company. The Board of Directors ensures that the policies are reviewed regularly, at least annually, to reflect the changing business and regulatory environment.

The Risk Management Function together with the respective business owners, risk committee and board, considers the applicability and magnitude of the respective risk to AIEL when deciding whether a specific policy is required. This assessment process takes in to account the Company's business profile and the local market and regulatory environment context.

Risk & Control Management Process

A key element of effective risk management is to ensure that the business has a complete understanding of the risks it faces.

The following diagram shows the Risk Management cycle, demonstrating the iterative nature of the Risk Management Process, and is followed by a high level explanation of the key steps and processes involved.

Risk Identification

The process begins with the identification of risks and an analysis of the nature of each risk. Managers within the outsourced providers are involved at this stage of risk management, whether for new or existing risks. The aim is for all involved to be aware of the risks to the business objectives and to be able to highlight any new risks that may be developing over time or changes in existing risk levels such that they are reported and responded to appropriately. Each risk is allocate a risk owner. All identified risks are recorded on the risk register which record the likelihood of occurrence, the expected impact and the controls and mitigations. The risk register is a ''live'' document and is updated each time a risk/mitigant/control is identified or changed.

Risk Assessment and Quantification

Following on is the assessment of the likely frequency and severity of risks, by means of qualitative or quantitative measurement. This stage of the cycle involves the participation of the risk owners.

Risk Control/Mitigation and Reporting

The level of each risk must then be managed or controlled down to a satisfactory level. This stage will not only involve both risk and control owners but also many other Group functions that are involved in undertaking control activities.

Reporting

It is critical that the relevant information for each key risk is seen by the “right people at the right time” across the Group. This information is most likely to be provided by risk and control owners as they are closest to the issues and is reported on a regular, timely and consistent basis. Reporting is consolidated and/or reviewed by the Group’s Risk Management Function and then escalated up to senior management. In addition the Risk Management Functions reports to the AIEL Board at least twice a year.

Review

Once the key business risks have been identified, assessed and are subject to controls throughout various parts of the business, it is important to review that these control/mitigation activities are operating effectively and that the risk and control scoring is valid. Assurance is provided over risks and controls by resources which are independent of line management, e.g. Group’s Risk Management or Internal Audit Functions.

Stress and Scenario Testing

The Group undertakes stress and scenario testing exercise (including reverse stress testing) periodically, having regard to the likely impact on the organisation at varying return periods. The aim is to gain a better understanding of the risks faced by the group its subsidiaries under stressed conditions.

The results from stress and scenario tests provide an important input to the own risk and solvency assessment (“ORSA”) processes and the validation of the regulatory capital for each of the group’s regulated legal entities.

Own Risk and Solvency Assessment

The ORSA process is fundamentally a continuous, embedded, forward-looking process, requiring the assessment of the entity’s needs over a longer time planning horizon than the SCR. The ORSA planning horizon is required to be three to five years. Furthermore, the ORSA is required to look at a range of outcomes in addition to the 1-in-200 return period.

The ORSA process takes place continually as part of the business and capital planning cycle and the process stages are outlined below.

The stages of the ORSA process are outlined below.

- **Identification of ORSA Trigger -** The ORSA will normally be triggered by the annual business planning cycle. However, changes to Strategy or Plan mid-year (requiring reforecasting) and/or changes to the Risk Profile of the Business may also constitute triggers if deemed sufficiently material.

- **Management Approval to Commence the ORSA Process -** Management will approve the commencement of the ORSA process.

- **Identification of Relevant Components –** relevant cross functional involvement and relevant process inputs
- **Assessment of Potential Capital Impacts** - This stage comprises the main part of the ORSA process and involves the assessment of capital needs based on the triggers identified.

  The assessment should explicitly consider the inter-relationship between the following:
  - The proposed business strategy.
  - The Solvency Capital Requirement.
  - The material risks that the business faces over the ORSA planning horizon.
  - The planned and stressed return on capital in relation to the Board's Risk Appetite.
  - The actions that could be taken to address identified risks or breaches of Risk Appetite.

- **Production of the ORSA Report** - The ORSA report is based on a standard pro-forma that follows the annual ORSA process. Where a periodic ORSA report is produced, some of the categories may not be applicable in that particular instance, e.g. if there has been no material impact in that area. If that is the case this is explained.

  The production of the ORSA report is coordinated by the Chief Risk Officer and the Risk Management Function.

  The report provides an assessment and recommendation of capital needs given a range of outcomes over the 3 year planning horizon.

- **Board Review and Approval** - The Board reviews and approves the report and in particular the confirmation statement on the risk profile, assessed capital needs and the adequacy of the processes underpinning this. The Board is also responsible for providing constructive challenge as it deems necessary on both the process and the output from it.
- **ORSA Finalisation** - Once the Board has conducted its review and provided whatever challenge deemed necessary, the report and the process are finalised.
- **Feedback Loop** -Although each ORSA process is separate and distinct, one of the principal outputs from it is a series of actions and decisions. Documented actions, decisions, owners and timescales from the ORSA process forms one of the principal inputs to the subsequent ORSA. In particular, these include decisions relating to strategy, risk and capital and changes thereto.
- **Independent Review** -The ORSA assessment should undergo periodic independent review. The output from independent review is presented to the Board and forms another element of the overall feedback loop to enhance and improve the process. This point is also addressed within the ORSA report.

How the ORSA is reviewed and approved

The Company's ORSA process is owned, steered and challenged by the Board through the review and approval of those individual processes and outputs that underpin it. The primary elements of the Capital & Solvency Assessment are core to the consideration of new portfolio transfers and are required by both the Board and the Regulator prior to approval of same. The process is supported by AIEL's outsourced Actuarial, Risk and Compliance services.

B4. Internal control system

Internal Control systems in place

Internal Control is defined as a process effected by the Company in relation to its organisational structure, work & authority flows, personnel & management information systems that is designed to help the Company meet its specific goals or objectives.

AIEL is committed to operating an effective internal control system with the following objectives:

- Effective and efficient operations in view of its risks & objectives.
- Available & reliable financial and non-financial reporting.
- Compliance with relevant legislation and regulation.

An effective internal control system is fundamental to the successful operation and day-to-day running of the Company's business and particularly as its activities expand.

The Internal Control System at AIEL is built upon five key components as illustrated below;

The Internal Control system is outlined by the Group's Internal Control policy, (forming part of the Group Risk Strategy and Policy document) that is approved by the Group Board. The policy sets out the responsibilities, objectives, processes & reporting procedures to be implemented in order to achieve the objectives stated above together with the specific responsibilities of the Compliance function.

The effectiveness of AIEL's Internal Control system is monitored on a continuous basis, so that any deficiencies of the system can be identified and rectified in a timely manner.

The purpose of an internal control system is have in place a coherent, comprehensive and continuous set of mechanisms which are designed to secure the following:

- Effectiveness and efficiency of the undertaking's operations, leading to improved performance and error reduction.
- Alignment of the Company's activities with its business objectives by ensuring resources are correctly and prudently allocated.
- Safeguarding of the Company's physical and monetary assets against error, fraud, theft and unauthorised use, acquisition or disposal, by quick identification and systemic prevention of, and formal responses to, these activities.
- Availability, reliability and accuracy of financial and non-financial information, ensuring proper financial reporting, by maintaining accurate and complete records required by legislation, regulation, the Board and the Group.
- Provision of timely and accurate management information critical to sound management practices and decision making.
- Compliance with applicable laws, regulations and administrative provisions.
- Reduction of exposure to risks by minimising the chance of unexpected events.

The guiding internal control principles are the following:

- The Board of Directors ultimately retains responsibility and accountability for governance of the Company, even where the Board has delegated some decision making authority to sub-committees, management or other persons.
- The Company views the system of effective internal control as a critical component of managing the Company and a foundation for its safe and sound operation.
- Within the Company, the internal control system is a set of continually operating processes, involving the Board and management and all levels of personnel including all Third Party Service Providers (''TPSPs'') involved in the Company's key functions.
- In designing the internal control system the Company has ensured that its systems, both manual and electronic, are appropriate to its business strategies and data needs and are consistent with the nature, scale and complexity of its activities as an insurer.
- The Company recognises that internal control must be exhaustive and must apply to all types of risk without exception, including risks associated with outsourced functions, that all must be managed to the same standard, albeit recognising that every risk may not need the same level of control. Some risks may need heavier controls or a number or layers of controls, either cumulative or successive, the scale and number of which will be in proportion to the severity of the risk.
- The Company's systems take account of applicable data protection requirements, provide for appropriate security controls and have in place mechanisms to control access to hardware, software systems and data, so as to maintain the integrity of records and information and thereby protect the interests of policyholders.

- The Company is confident that its internal control system comprises robust and efficient control activities at all levels of the Company and that it is appropriately and correctly implemented by management in line with the company's goals, business plans and strategies.
- To ensure their continued effectiveness the control activities are reviewed and documented, in a set of written policies and procedures and appropriate audit trails, on an on-going basis as an integrated part of daily business.
- The Company's internal control system is built around a strong control culture of which a high level of integrity is an essential part.

Each internal control procedure is designed to fulfil at least these eight criteria:

- Completeness – to check that all records and transactions are included in the reports of business.
- Accuracy – to check that the right amounts are recorded in the correct accounts.
- Authorisation – to check that the correct levels of authorisation are in place to cover such things as approval, payments, data entry and computer access.
- Validity – to check that the amount booked is for cover provided, claim paid or services received and that the business has incurred the liability properly.
- Existence – of assets and liabilities. To check that goods or services have actually been received when a purchase is recorded; to check that all assets on the books actually exist; to check that correct documentation exists to support the item.
- Handling errors – to check that errors in the system have been identified and processed.
- Segregation of duties – to check that certain functions are kept separate, for example the person setting up amounts for payment does not also authorise those amounts.
- Presentation and disclosure – to check that there is timely preparation of financial reports in conformity with generally accepted accounting principles.

The on-going monitoring occurs both in the course of normal operations of the Company, and in accordance with the Groups policies and procedures, as well as the review of systems and controls by the Compliance function, on behalf of and via internal and external audits.

Day-to-day responsibility for compliance matters rest with the Group Head of Governance reporting to the Group CEO.

A Compliance Plan, detailing the timetable of compliance activities to be undertaken for the forthcoming year, is prepared and approved by the Board.

B5. Internal audit function

Group Internal Audit ("GIA") provides independent assurance to the Audit Committee and Executive Management that the organisation's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the Group's policies and procedures. In this regard Internal Audit shall liaise with Compliance and Risk Management Functions.

Authority

Group Internal Audit has been established by the Group's Audit Committee pursuant to applicable laws and regulations, customs of corporate governance and best practices. The Internal Audit Charter is approved by the Audit Committee.

The Group Head of Internal Audit is hired, performance evaluated, retained and employment terminated by the Audit Committee.

The Group Head of Internal Audit is delegated with the authority to operate Internal Audit on behalf of the Group's Audit Committee throughout the Group, and covering all of the Group's operations.

AIEL Audit Committees complies with any group-wide Internal Audit requirements. They retain the right to consider and expand the Internal Audit Plan relevant to the company.

The Group Head of Internal Audit is authorized to allocate resources, determine scopes of work, and apply the techniques necessary to accomplish the audit objectives required by the Audit Committee, subject to compliance with annual budget agreed between the Audit Committee and Executive Management. The Group Head of Internal Audit is authorized to hire, retain, train and develop Internal Audit staff to achieve the objectives. Where there is either a shortage of skills or resources, the Group Head of Internal Audit will enter into appropriate arrangements with third parties to provide the necessary skills and experience.

Access

Group Head of Internal Audit has unlimited access to people, records and data. The Group Head of Internal Audit has access to Senior Management of the Group and the Audit Committee and is expected to exercise that privilege appropriately. Specifically, Group Head of Internal Audit is authorised to have unrestricted access to all businesses, records, property and staff in connection with work included in the annual plan or otherwise specifically authorized; where management consider information requested is of a sensitive nature, such work will be subject to prior permission of the Chair of the Audit Committee.

Independence

Group Head of Internal Audit reports directly to the Chairman of the Group Audit Committee with a functional reporting line to the Head of Operations and Group Projects. It is incumbent upon each of these individuals to ensure GIA's independence is not and is not seen to be impaired. The Internal Audit department's remuneration is structured in a way to avoid conflict of interest.

The GIA activities are independent and free from interference, subject to oversight of the Group Audit Committee Chairman, in determining the scope of internal auditing, performing work and communicating results. Therefore, GIA is neither responsible for, nor part of, the Risk Management, Compliance or Finance functions.

Group internal auditors shall be objective in performing their work and shall have an impartial, unbiased attitude and avoid conflicts of interest. In performing its role, GIA places limited reliance on work performed by Compliance, Risk Management and Finance functions and only after a thorough evaluation of the effectiveness of these functions.

The Group Head of Internal Audit will deliver reports to the relevant Audit Committee on a regular basis in line with the agreed Charter.

B6. Actuarial function

The Company's Actuarial Policy establishes and maintains an effective Actuarial Function as appropriate to the nature, scale and complexity of the Company and its risk profile.

The objective of the Actuarial Function is to establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its insurance obligations and exposures and the related capital requirements, in line with applicable laws and recognised industry standards. The Actuarial Function coordinates the assessment and validation of internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements in Company procedures aimed at improving such compliance. Furthermore, the Actuarial Function reviews the integration of any relevant external data within the calculation of technical provisions, as may be appropriate and coordinates the process of validation of such external data, using the same criteria and standards applied to internal data.

The Actuarial Function should at all times be carried out by persons who are fit and proper to carry out the duties outlined below, in an objective manner and free from any undue influences.

The Board has outsourced the Actuarial Function to R&Q Central Services Ltd after having satisfied itself of the service provider's ability and capacity to perform the Actuarial Function satisfactorily.

The role of the Actuarial Function has been described above in Section B1.

During 2018, the Actuarial Function participated in Board and Underwriting and Claims Committee meetings. In addition the Actuarial Function is fully integrated in the due diligence process on the uptake of new business, working alongside the Underwriting Committee. The Actuarial functions reviews and reports upon the quarterly, and annual, actuarial valuations, both in terms of statutory reserves and the reserves based on the Solvency II valuation. In addition it also acts as the liaison between the Board and the external independent actuaries.

The Actuarial Function is also fully integrated into ORSA process working alongside the Risk Management Function. It also confirmed the Company's SCR cover at 31 December 2018.

B7. Outsourcing

Outsourcing Policy

The Company enters into a number of outsourcing arrangements which are central to the operations and management of the Company. The firms as well as the individuals responsible for outsourced functions are listed in the following table:

Outsourced Functions

Entity	Function	Jurisdiction
Willis Towers Watson Management (Malta) Ltd	Insurance Management, Accounting support function, Compliance, Regulatory reporting	Malta
R&Q Central Services Ltd	Underwriting and claims administration, Actuarial, Risk management, Internal audit function	United Kingdom
Eridge Underwriting Agency Limited	Underwriting and claims administration	United Kingdom
Blagrove Underwriting Agency Limited	Underwriting and claims administration	United Kingdom
Footprint Underwriting DAC	Underwriting and claims administration	Republic of Ireland
Futura Insurance Agencia de Suscripcion SL	Underwriting and claims administration	Spain
First Underwriting Limited	Underwriting and claims administration	United Kingdom
Inperio Limited	Underwriting and claims administration	United Kingdom
Inspire Motor Limited	Underwriting and claims administration	United Kingdom
Aegean Insurance SA	Underwriting and claims administration	Greece
All Risk Brokers Srl	Underwriting services	Italy
CPD Underwriting Solutions Limited	Underwriting and claims administration	United Kingdom
Kitsune Associates Limited	Underwriting and claims administration	United Kingdom
Muzinich & Co	Investment management	United Kingdom
Federated Investors	Investment management	United Kingdom
Apollo Management International LLP	Investment management	United Kingdom
Arch Investment Management Ltd	Investment management	United Kingdom

The Company acknowledges that due to its business strategy and the resulting nature, scale and complexity of the Company, carrying out all its business functions in-house would not result in full use of the deployed resources, which is neither efficient nor effective. Nonetheless, the Company acknowledges that outsourcing does not in any way relieve the Company of ultimate responsibility for the outsourced function. Therefore, the Board remains fully responsible for discharging all of its obligations, even in circumstances where a function has been outsourced.

The Company maintains an Outsourcing Policy which outlines the conditions to be met prior to outsourcing as well as the procedures and controls for monitoring the service providers and the adequacy of outsourcing arrangements.

Conditions

In accordance with the Company's Outsourcing Policy, a process, activity or function can only be outsourced if the following conditions are met:

- A detailed outsourcing agreement, containing the items outlined in the Outsourcing Policy, must be put in place in respect of each outsourced service, provided that any outsourcing within the Group can be covered solely by a service level agreement.
- The outsourcing agreement must be clearly explained to the Board and approved by the Board;
- A detailed examination has to be performed to ensure that the potential service provider has the ability, the capacity and any authorisation required by law to deliver the required functions or activities satisfactorily.
- The quality of the Company's system of governance and internal controls must not be materially affected by the existence of the outsourcing agreement. In particular, the ability of the MFSA to monitor the Company's compliance must not be obstructed in any manner.
- The service provider has to adopt all means to ensure that no explicit or potential conflict of interest jeopardizes the fulfilment of the needs of the Company.
- The outsourcing arrangement must not entail the breaching of any law, in particular with regard to rules on data protection.
- MFSA approval must be obtained prior to the appointment of the outsourced provider.

Prior to choosing key service providers, a detailed examination is undertaken of the potential service provider's ability, capacity and authorisation to deliver the required functions or activities satisfactorily. This examination includes an assessment of the technical and financial resources of the potential service provider, the qualifications and experience of its staff, its risk management and internal control system, including the manner in which client information is handled and its contingency plans.

Reviews and Controls

The Executive Directors monitor each outsourced function and would report to the Board if:

- The performance and quality of output of the service provider is not in line with the service level set out in the written agreement.
- The outsourced service provider is not adhering to the terms of the agreement and to the procedures and controls put in place to mitigate the risks associated with the outsourced function as resulting from internal audits.

In addition, an immediate, specific review should be undertaken, involving the Internal Audit Function and/or Risk Management Function, as appropriate, if any of the following occurs:

- The performance of the service provider falls below agreed levels or the poor performance of the service provider causes the Company to sustain losses.
- A dispute with the service provider remains unresolved after the dispute resolution process contemplated by the agreement has been exhausted.
- The service provider has been subject to public censure or criticism by any government or regulatory body.

- The costs of the service provider have increased inappropriately and without a valid reason.
- A material change to the management or ownership structure of the provider.

B8. Any other information

There is nothing to report.

C. Risk Profile

AIEL operates proportionate processes for identifying, assessing, monitoring, managing and reporting risks faced in both the short and medium/long term. In conjunction with the Group, AIEL maintains a Risk Register recording the results of its Risk & Control Self-Assessment process providing for an assessment of risk across the categories defined in the Group Risk Universe.

The Risk Register includes assessments both of those risks considered covered by own funds and those that are not (for example, Liquidity Risk) and details the controls applied to the management of these risks.

Material risks or material changes in the perception of actual or potential future risk arising are reported to the AIEL Board together with recommended actions as appropriate.

Risk Management is a core process within AIEL's Own Risk and Solvency Assessment ("ORSA") policy and is explained in greater detail in Section B3.

AIEL faces risks spanning a range of categories including, but not limited to, those categories of risk that are encompassed by the Standard Formula and for which the holding of capital is considered an appropriate response.

At a high level, AIEL considers risks within the following categories:

- Insurance / Underwriting Risk
- Financial / Market Risk
- Credit Risk
- Liquidity Risk
- Strategic Risk
- Group Risk
- Operational Risk (including Regulatory and Legal risks)

Liquidity Risk and Strategic Risk are not explicitly considered by the Standard Formula SCR, but have been included for completeness.

There have been no material changes in material risks over the reporting period. The Company is not considered to be exposed to material risk concentrations.

Prudent Person Principle

The Company's management function ensures that assets are invested in accordance with the Company's investment guidelines, following external advice from service providers where required. This includes investing assets in accordance with the 'prudent person principle' to limit the Company's exposures to individual and group counterparties.

C1. Underwriting risk

The very nature of insurance business is that insurers are exposed to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main insurance risks which affect the Company are:

- **Pricing Risk** – the risk that the risk premium charged by the Company is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.
- **Claims Risk** – a series of claims in respect of a latent liability that the insurance industry is not currently aware of.
- **Reinsurance Risk** – the risk that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover, especially given the long term nature of these risks.
- **Reserving Risk** – the risk that the provisions established by the Company proves to be inadequate.
- **Program Underwriting Risk –** The risk that there is inappropriate or substandard underwriting activity

The Company mitigates these risks in the following manner:

Pricing Risk

For legacy business, at the underwriting stage a detailed due diligence is performed by experienced in-house or outsourced providers on each portfolio under consideration. The due diligence will include a review of notified claims outstanding, inuring reinsurance treaties in place and recoverability thereof, legal cases against the Company, policy information and asset values (if assets other than cash are to be taken over as part of the portfolio transfer). The Company will also use market information available to it on the classes of business being considered, in addition to any direct experience that the Company might have had on similar exposures.

An actuarial valuation of the business being taken over is performed, or external reports reviewed and evaluated, in order to assess the adequacy of the IBNR and the risk premium to be charged, if any.

For program business, a detailed due diligence is performed by experienced in house due diligence team for each Managing General Agent (“MGA”) / Coverholder under consideration. The due diligence includes an assessment of the Coverholder’s underwriting approach, rating structure and supporting back office systems. The Program Management team includes experienced Underwriters across a range of classes of business who participate within the due diligence ahead of on-boarding a new Coverholder, as well as participating in the auditing and on-going reviews of Live Programs, utilising their expertise in the assessment of product and pricing suitability. An actuarial evaluation is conducted during due diligence, assessing the business plan’s projections and forecasts, which also includes testing the adequacy of projected IBNRs.

Claims Risk

For its legacy business, the Company has outsourced the claims handling to a specialised Group service provider who is contracted to investigate and adjust all claims. Claims are reviewed individually on a regular basis. The Company actively manages and pursues early settlement for claims to reduce its exposure to unpredictable developments.

On the program side, claims are managed by the MGA / Coverholders through a claims handling agreement in most cases. In addition, the Company provides claims oversight through claims audits and regular claims meetings with the MGAs. Large losses and referral trigger points (such as conflict of interest or reputational threats) are referred to the Company for approval; attritional losses and claims payments are monitored through the submitted monthly claims bordereaux. Regular spot checks are also carried out to ascertain accuracy of data and reserve adequacy.

Reinsurance Risk

The Company has inherited reinsurance protection in place for certain portfolios of business. The type of reinsurance cover, and the level of retention, is based on the Company's internal risk management assessment which takes into account the risk being covered and the sums assured. The Board will approve the reinsurance taken over at the time a portfolio of business is written. In addition the Board of the Company could decide to purchase additional reinsurance should it feel it appropriate to do so. The reinsurance arrangements currently in place are a mix of proportional and non-proportional cover over four of its legacy portfolios. The Board could also decide to commute certain treaties should it be considered beneficial to do so.

On the program side, the Company requires at the very least a Quota Share arrangement that complies with the risk appetite of the Company. Additionally, it seeks downgrade termination provisions and protections against MGA errors and omissions. Moreover, on liability exposures offering high limits (e.g. Motor) or risks with high accumulations (e.g. property), excess of loss cover is purchased to protect the Company's retained risk (if any) and the Quota Share reinsurer's portfolio.

Reserving Risk

In addition to the reserving methodology in place on the known claims outstanding, the Company uses the services of internal and external professional actuaries to assist in the determination of the reserves that the Company holds.

Program Underwriting Risk

AIEL's program strategy is to underwrite live business, on a fronting basis, with a selective exposure to AIEL from underwriting risk. This is achieved through the purchase of significant quota share insurance on a back-to-back basis from reinsurers who have at least an A- credit rating. If an insurer does not have this rating level or they are downgraded they will be required to provide AIEL with collateral that is at least equivalent to the projected level of Technical Provisions.

Each portfolio presented to be written through a program arrangement will be required to complete a due diligence questionnaire and provide sufficient data to enable the Company and the supporting reinsurers to understand and analyse what is being proposed. Prior to agreeing to provide a fronting facility, the Company will carry out both an internal actuarial valuation and due diligence of the business and an assessment of the Capital required to underwrite the business over a three-year projected timeframe. The arrangement will only proceed if the Company has sufficient capacity to underwrite the business and the business being underwritten meets strict underwriting guidelines in line with the Company being ultimately on risk.

AIEL's exposure will be further mitigated by the purchase of additional reinsurance including stop loss or Adverse Development Cover ("ADC") Contracts.

C2. Market Risk

The Company is exposed to Market Risk, through its financial assets, financial liabilities and insurance assets and liabilities. The key risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk.

The main market risks which affect the Company are:

- Interest Rate Risk
- Equity Price Risk
- Property Risk
- Spread Risk
- Currency Risk
- Concentration Risk

The Company manages the overall market risk via the diversification into various classes of investments which reduces its exposure to a particular class. The risk management policies employed by the Company to manage the individual risks are discussed below.

Interest Rate Risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets carrying variable rates expose the Company to cash flow interest rate risk. Assets carrying fixed rates expose the Company to fair value interest rate risk. The Company manages this risk through the Investment Committee, and by implementing detailed investment guidelines. Investment performance is regularly monitored against market-based benchmarks.

Equity Price Risk

Where held the Company's financial assets are susceptible to the risk of decreases in value due to changes in the prices of equities.

The risk of price volatility is managed by entering into a diverse range of investments including equities. The Company has an active Investment Committee that has established a set of investment guidelines that are also approved by the Board of Directors. These guidelines provide parameters for investment management, including contracts with external portfolio managers. They include, inter alia, reference to an optimal spread of the investment portfolio, maximum exposures by the Company to any one issuer and its connected parties. These parameters also consider solvency restrictions imposed by the Regulator.

Management structures are in place to monitor all the Company’s overall market positions on a frequent basis. Reports are prepared at portfolio, and asset and liability class level that are circulated to the Company’s relevant key management personnel. These are also reviewed on a quarterly basis by the Investment Committee and the Board.

Property Risk

Property risk is the risk of decreases in value of the Company’s investment in property. The property is a fully-let commercial building and is valued on the basis of the lease agreement in place. On 27 March 2019, the Company transferred its investment property to an entity under common control.

Spread Risk

The spread risk relates to AIEL’s investment in fixed income funds and Group loans and reflects potential volatility in credit spreads over risk free rates. As previously stated management structures are in place to monitor all the Company’s overall market positions on a frequent basis and are reviewed on a quarterly basis by the Investment Committee and the Board. Detailed investment guidelines are in place with investment performance regularly monitored against market-based benchmarks.

Currency Risk

Currency risk arises from changes in the level or volatility of currency exchange rates. The Company has a potential currency risk due to the global nature of the underlying business. The Company carries technical reserves in multiple currencies with the currency exposure substantially matched on an IFRS basis. Under the Solvency II valuation the Company’s currency exposure attracts a level of capital charge that is acceptable to the Board.

Concentration Risk

Concentration risk is the additional risk related to the default of individual counterparties in respect of equities, bond funds and properties. AIEL limits its concentration risk by spreading investments over multiple counterparties.

C3. Credit Risk

Credit Risk is the risk of decreases in value where the Company’s counterparties are not capable of fulfilling their obligations or when a change in their credit status takes place. Key areas where the Company is exposed to credit risk are:

- Investments and cash and cash equivalents
- Counterparty exposures to reinsurers
- Amounts due from intermediaries and other insurers in respect of premium written

The risk management processes in place to mitigate these risks are detailed below:

- The Company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

- The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties. The Company has in place internal control structures to assess and monitor credit exposures and risk thresholds.
- The Company's cash is placed with quality financial institutions, thereby reducing the concentration of counterparty credit risk to an acceptable level.
- Reinsurance/retrocessional transfer is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer/reinsurer. If a reinsurer fails to pay a claim or any reason, the Company remains liable for the payment to the policyholder/reinsured. The creditworthiness of reinsurers is monitored regularly by reviewing credit grades provided by rating agencies and other publicly available financial information, thereby ensuring the continuous monitoring of the financial strength of the reinsurer.
- At the same time as the Board approves a portfolio transfer, it assesses the reinsurers' credit rating (either Standard & Poors or equivalent) of any inuring treaties and ensures that adequate provisions are put in place for those that fall outside ratings acceptable to the Company.
- The exposure to individual counterparties is also managed by other controls, such as the right to offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and on reinsurers' share of technical provisions and subsequent write-offs.
- The Company recognises that the majority of its counterparty exposure is in respect of inherited contracts over which it has no direct control and will assess potential exposures and concentrations as part of due diligence in advance of accepting a new portfolio. In respect of the run-off portfolios, the company continues to monitor known significant concentrations of exposure to individual counterparties and considers the use of commutations (potentially on unfavourable terms) and / or the use of additional Adverse Development Covers to mitigate the potential risk of default.
- In respect of the reinsurers of the live program business, the company monitors the reinsurers' credit ratings and that the level of any collateral remains sufficient to cover the projected size of the reserves and IBNR. All new reinsurers proposed as counterparties on the program business are approved by the AIEL Underwriting and Claims Committee and advised to the Reinsurance Asset Committee.
- AIEL will insofar as possible and practicable support the Group in identifying potential significant concentrations to individual counterparties arising from exposure across multiple Group entities.

C4. Liquidity Risk

The Company is exposed to regular calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages its funds in such a manner as to ensure an adequate portion of available funds to meet such calls.

The Company does not include any expected profit in future premiums.

C5. Operational Risk

The Company is exposed to operational risk through its operational outsourcing relationships, regulatory or legal environments and external events that affect the operation of AIEL's offices.

Regulatory and Legal Risk

The risk that changes in the regulatory or legal environments lead to a change in the portfolio's liability profile and Regulators not having sufficient resource available to review and approve portfolio transfer applications in the timeframe predicted by the business. The Company has regular meetings with its Regulators and closely monitor legal developments in involved jurisdictions and any regulatory pronouncements.

Operational Outsourcing Risk

The risk that the Company is adversely affected because AIEL's outsourced service providers do not meet their service level agreements. The Company outsources functions to the Group and to two other outsource providers that are themselves regulated, thereby ensuring stability and continuity whilst ensuring adequate an adequate skillset. In addition on an ongoing basis, the Company has regular formal performance review meetings with major outsourced service providers and measures against Service Level Agreements both internal and external.

External Risk

The risk that an external event affects the operations of one, or more, of its outsourced providers. The Company has a tested Business Interruption strategy in place.

C6. Other material risks

The Company is exposed to further risks including both reputational and strategic risk.

Reputational Risk

Historically, due to the run-off nature of the portfolios acquired by AIEL, the Company has not been considered to have a material exposure to reputational risks (a risk that is often considered to be non-quantifiable). However, given the strategic move into the fronting of live direct insurance business, the relative importance of reputational risk may increase. These fronting deals will initially be substantially quota share reinsured on a back to-back basis. Generally, the reinsurers will be required to have at least an A- rating or provide sufficient collateral to cover the reserves and IBNR.

However, in some circumstances this requirement may be adjusted to BBB below which it is easier for the reinsurer to accept posting collateral. These will be considered on a case by case basis.

Group Contagion Risk

The risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall Group.

In the Company these risks are not directly referenced in the model and its outputs. Their impacts are assessed and communicated through qualitative assessment / narratives and the use of scenarios rather than attempting to assign simple probabilistic assessments.

Strategic Risk

The material strategic risk relating to the legacy portfolio is that the Company faces an inability to identify and complete suitable run-off books of business in-line with the business plan. This risk is mitigated through use of a dedicated team, the risk is actively reviewed and there is currently a healthy pipeline, combined with intensive and thorough due diligence of potential deals.

The main strategic risk in respect of the program business would be the failure to appropriately implement the operational process and controls within AIEL that relate to the underwriting of live insurance business.

There is also a potential strategic risk to AIELS's current business strategy following the result of the 2016 UK referendum on EU membership. Irrespective of the outcome of Brexit, including the structure of the UK's trading relationship with the Single Market and related pass-porting arrangements, the Company will remain fully licenced to write classes 1 to 18 across all remaining 27 EU member states. In March 2019, following a review process carried out by the MFSA, the Company received approval from the UK Prudential Regulatory Authority ("PRA") for the formation of a Freedom of Establishment branch office in the UK which will enable the continuation of UK-domiciled risks being written directly by AIEL on behalf of UK cover-holders, ensuring the Company has a Brexit solution for all its program partners.

This will complete Stage 1 of the Company's two stage approach to Brexit, with Stage 2 being the transfer of the Freedom of Establishment Branch into a Third Country Branch, which is expected to be completed by the end of 2019.

The Board continues to study its contingency plans to ensure the ongoing operations of the Company.

C7. Any other information

There is no further information to be included.

D. Valuation for Solvency Purposes

D1. Assets

As at 31 December 2018, the Company held the following assets with valuation for solvency purposes as shown:

Class	**Valuation (£000s)**
Property, Plant and Equipment	145
Investments	
Property	1,520
Equities	17,999
Bonds	1,469
Collective investment undertakings	47,059
Deposits other than cash equivalents	3,644
Intra-Group loans	35,844
Reinsurance recoverables	39,423
Insurance receivables	26,100
Deposits to Cedants	194
Resinsurance receivables	2,357
Deferred tax assets	657
Trade receivables	6,569
Cash and cash equivalents	13,778
Total assets	**196,758**

Investments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification is dependent on the purpose for which the investments were acquired.

Investment in commercial property

Commercial property held for long-term rental yields is classified as investment property. Freehold and leasehold properties treated as investment property principally comprise office buildings that are held for long term rental yields.

Investment property is measured at fair value. Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset.

Equities, debt securities and collective investment undertakings

Equities, debt securities and collective investment undertakings are valued at fair value. Financial assets at fair value are part of a group of investments that is managed on a portfolio basis and whose performance is evaluated and reported internally on a fair value basis to the Company's Board and Investment Committee in accordance with a documented investment strategy. Assets that are part of these portfolios are designated upon initial recognition at fair value.

Deposits, intra-group loans, deposits to cedants, reinsurance receivables, insurance and trade receivables, cash and cash equivalents

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company has designated at fair value through profit or loss. They include, inter alia, loans to Group companies, insurance and other receivables, cash and cash equivalents in the statement of financial position as well as other financial investments (comprising deposits with credit institutions).

Loans and receivables are are carried at amortised cost using the effective interest method, less any provision for impairment.

Deferred tax assets

Deferred tax is recognised using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The deferred tax arises out of unutilised tax losses. The deferred taxation has no expiry date and is considered to be substantially non-current in nature.

Compliance with IFRS

With the exception of intangible assets (which are valued at £nil in the Company's assets for solvency purposes) and deferred acquisition costs (which are included in technical provisions under Solvency II), the Company's valuation of assets in its financial statements (prepared under IFRS accounting standards) does not materially differ from the valuation for solvency purposes. In addition, reinsurers' share of technical provisions are included within best estimate liabilities under Solvency II whereas these are presented as assets under IFRS.

D2. Technical provisions

AIEL has gross discounted best estimate Technical Provisions ("TPs") of £74.9m. The equivalent net amount is £35.5m. In addition AIEL holds a risk margin of £6.9m.

Class	Gross Best Estimate £000s	Risk Margin £000s	RI Best Estimate £000s	Net Technical Provision £000s
Marine, Aviation & Transport	4,122	372	(1,047)	3,448
Fire and Property	(495)	(45)	320	(220)
Workers' Compensation	21,421	1,935	(3,018)	20,338
Motor Vehicle Liability	22,410	2,025	(21,683)	2,752
General Liability	16,581	1,498	(7,347)	10,732
Miscellaneous Financial Loss	159	14	(154)	19
Other Motor	7,723	698	(7,538)	882
Credit & Surety	230	21	(59)	192
Non Proportional - Casualty	3,776	341	(271)	3,846
Non Proportional - Property	123	11	-	134
Non Proportional - Marine, Aviation & Transport	785	71	(286)	570
Total Undiscounted	**76,836**	**6,942**	**(41,083)**	**42,695**
SII Expenses	3,285	-	-	3,285
ENIDs	2,933	-	(1,614)	1,319
Bad Debt	0	-	581	581
Discount	(8,146)	-	2,694	(5,452)
Total Discounted	**74,908**	**6,942**	**(39,422)**	**42,428**

Methodology

In setting the gross undiscounted claim element of TPs, the starting point is the IFRS claims reserves determined for reporting in the financial statements. The bases, methods and assumptions for each line of business are detailed below:

- TPs for inclusion within the full year IFRS accounts are estimated by the Group Chief Actuary and the Group Actuarial Function ("AF") and approved by the AIEL Board. The estimates for the purpose of IFRS are permitted to contain a level of prudence to reflect the degree of uncertainty in specific areas of the business written. Following the AF reserving policy, the AF determines best-estimate reserves with no margin for prudence on both a IFRS and Solvency II basis.
- The IFRS reserves are set by homogenous risk groups according to the class of business.

- Claims TPs are projected using ResQ at various points through the year. We select underwriting year loss development factors using historical paid and incurred claims development triangles. Where underwriting years within a class showed significantly different development patterns we selected different loss development factors. Where necessary, we have estimated tail factors by fitting mathematical curves.
- For disease losses, reserves are projected using frequency severity decay models. Where appropriate (e.g. for disputes and large claims) the reserves for specific losses are estimated separately outside the standard models. Approximately 10-15% of the losses are currently reserved to policy limits.
- Net claims reserves have been estimated by using Gross-to-Net ratios to reduce the gross reserves. There are £39.4m of discounted reinsurance claims TPs.
- The bad debt on the projected reinsurance recoveries is estimated using a credit default charge against all reinsurers based on Standard & Poor’s Reinsurer Strength Ratings, where available. Where S&P ratings are unavailable, A.M. Best data is used to complete the listing of reinsurers and ratings.
- The IFRS claims reserves are set on a Best Estimate basis with no margin for prudence. These IFRS reserves are then mapped to Solvency II class.

In determining the TP Claims Provisions, the IFRS reserves are adjusted for:

- Events Not In Data (“ENIDs”).
- Additional expenses and Bad Debt.
- Discounting.

In setting the undiscounted claims TPs for this class, the starting point is the IFRS Unearned Premium Reserves (“UPR”). This is multiplied by the Initial Expected Loss Ratio (“IELR”) to determine the unearned future claims TPs. In determining these provisions, the unearned future claim amounts are adjusted for:

- Legally Obliged business.
- Expenses.
- Discounting.

Comparison to Financial Statements

The table below shows the differences between the TPs held in the financial statements and those calculated for Solvency II:

AIEL Technical Provisions - 31/12/18

		£000s
IFRS	Net Earned Claims Reserves	37,073
	Net Unearned Premium Reserves	1,393
	Net Expense Reserves	-
Total Net IFRS Provisions		**38,466**
SII Adjustments	ENIDs	1,319
	Removal of Profit from unearned business	106
	BBNI Premiums and Future Premium Reserves	(2,290)
	Additional Expenses	3,285
	Discount	(5,400)
	Risk Margin	6,942
Total Adjustments		**3,962**
Total Net SII Provisions		**42,428**

Material differences are highlighted below.

- ENIDs
  To allow for the occurrence of all possible future outcomes under Solvency II, ENIDs have been considered. ENIDs represent low frequency, high cost events which are not represented within historical data, therefore must be estimated explicitly. A simple percentage approach is taken to estimating ENIDs due to the nature of the run-off reserves and the reinsurance mitigation available on the programme business.

- BBNI and Future Premium Reserves
  For Solvency II TPs the Company must calculate the premium and claims cashflows of contracts to which it is legally obliged, whether these contracts have incepted or not (bound but not incepted, "BBNI"). The calculation of these cash-flows generates future premium reserves for both incepted and unincepted contracts.

- Expenses
  AIEL does not hold a provision for ULAE within the IFRS reserves as it is considered that investment income will be more than sufficient to cover these costs. For Solvency II TPs the discounted cashflows associated with the estimated cost of running all claims off to finality is required to be held included in the TPs. A simple percentage approach is taken to estimating SII additional expenses due to the nature of the run-off reserves and the expected short length of run-off of the programme business.

- Discounting

  Solvency II best estimates represent the probability weighted average value of all future cash flows, discounted to allow for the time value of money.

  Discounting has been carried out in accordance with EIOPA guidelines. Yield curves have been provided by EIOPA. Claim payment patterns used for discounting provisions were derived from the gross claim projections. Claims payment pattern are determined for each currency and currency specific discount rates have been used.

  ULAE is discounted assuming the same underlying payment pattern as gross claims to which the expense has been allocated. Reinsurance recoveries are assumed to mirror gross payments.

- Risk Margin

  Currently the risk margin is calculated on a simplified cost of capital approach (method 3 in the UK QIS5 template). The SCR relating to the written and obliged business is run off using best estimate net discounted cash flows adjusted for future premiums, ENIDs and ULAE. The cost of capital of 6% is then applied to the SCR and discounted without liquidity premium to give the risk margin. This approach runs off the SCR in line with the expected run-off of technical provisions. The simplified method has been chosen due to the maturity of the Company and the nature of the exposures.

The SF model risk margin is calculated using the same approach to the simplified method 3.

- Uncertainty

  There is always uncertainty associated with the estimation of TPs. Future development can and does differ from past experience.

  A majority of AIEL's TPs are related to Industrial Disease claims. Uncertainties associated with these loss types increase the inherent uncertainty in the selected best estimate reserves.

  Additional uncertainties for these types of liabilities include:

  - The long tail nature of these liabilities means they are reported and settled over many decades.
  - There is a limited volume of past claims data meaning there is a large degree of subjectivity in the selection of parameters.
  - Court interpretations and legislative changes can have a material impact on reserves.
  - Models are used in the projection of the reserves for Industrial Disease liabilities and there are a number of underlying assumptions. Given that actual claim development does not typically conform to statistical models there is a degree of model uncertainty.
  - These models have been parameterised with reference to past experience. Any extent to which there are inaccuracies or poor quality data will introduce parameter uncertainty. In addition, there is significant expert judgement involved with the selection of the parameters and the models are sensitive to these assumptions.
  - Future development can and does differ from past experience.

Other Information

The data used to determine TPs is complete and accurate and appropriate for purpose as assess in accordance with Article 19 of Directive 2009/138/EC.

In assessing the TPs; there is no matching adjustment (Article 77b of Directive 2009/138/EC), no volatility adjustment (Article 77d of Directive 2009/138/EC), no transitional risk-free interest rate-term structure (Article 308c of Directive 2009/138/EC) and no transitional deduction (Article 308d of Directive 2009/138/EC).

The Company took advantage of simplification on counterparty default risk on pooling arrangements under Article 109 of the Delegated Regulation 2015/35.

D3. Other liabilities

As at 31 December 2018, the Company held the following other liabilities with valuation for solvency purposes as shown:

Class	**Valuation (£000s)**
Subordinated liabilities	21,890
Insurance & intermediaries payable	5,325
Reinsurance payables	19,844
Trade payables	2,144
Provisions other than technical provisions	334
Contingent liabilities	160
Total liabilities	**49,697**

Subordinated liabilities, insurance & intermediaries, reinsurance and trade payables

The Company initially recognises its financial liabilities on the date that they are originated. The Company does not recognise a financial liability when its contractual obligations are discharged or cancelled or expired. Financial liabilities are initially are recognised at cost and subsequently approximate their fair value. The Company's financial liabilities include insurance and other payables.

Provisions other than technical provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Such provisions are recognised at fair value.

Contingent liabilities

The contingent liability relates to the best estimate valuation measured at the future expected outflow of resources given the possible outcomes of such a contingent event occurring.

Compliance with IFRS

The Company's valuation of other liabilities in its financial statements (prepared under IFRS accounting standards), with the exception of contingent liabilities (which are valued at £nil in the Company's financial statements), does not materially differ from the valuation for solvency purposes.

D4. Alternative methods for valuation

No alternative methods for valuation of assets or other liabilities have been used.

D5. Any other information

There is nothing else to report.

E. Capital Management

E1. Own funds

The Company’s objectives when managing capital are to:

- Comply with the insurance capital requirements to hold Eligible Own Funds to cover the Solvency Capital Requirement and Minimum Capital Requirement in terms of the Insurance Business Act, 1998, (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act (‘’Insurance Rules’’) by the Malta Financial Services Authority (‘’MFSA’’).
- Safeguard the Company’s ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.
- Maintain financial strength to support new business growth and to provide for the capital requirements of the Company; and
- Provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company aims to ensure that its ‘’own funds’’ consists of ‘’Tier 1’’, ‘’Tier 2’’ and ‘’Tier 3’’ capital as defined by Solvency II Directive. The Company’s own funds shall take the form of:

- Ordinary Share Capital
- Retained Earnings
- Shareholders’ contribution
- Subordinated Debt

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders, or issue further subordinated debt. During 2018 the following funds were injected:

Ordinary Share Capital	£30,000,000

The Company utilised a 3 year time horizon for business planning purposes and the last complete business plan was for 2018-2020.

Own funds have moved as follows:

	Share Capital Tier 1 £000s	Reconciliation Reserve Tier 1 £000s	Subordinated Debt Tier 2 £000s	Total £000s
Basic own funds at 1 January 2018	**41,553**	**(20,466)**	**21,601**	**42,688**
Issue of share capital	30,000	-	-	30,000
Foreign exchange movements	-	-	289	289
Movement in restricted own funds	-	(14,268)	-	(14,268)
Movement in excess of assets over liabilities	-	2,635	-	2,635
Basic own funds at 31 December 2018	**71,553**	**(32,099)**	**21,890**	**61,344**

As at 31 December 2018, the Company's SCR and MCR coverage was as follows:

	Tier 1 £000s	Tier 2 £000s	Total £000s
Basic own funds	**39,454**	**21,890**	**61,344**
SCR			**24,478**
MCR			6,119
Total available own funds to meet SCR and MCR	**39,454**	**21,890**	**61,344**
SCR Cover			**251%**
MCR Cover			1003%
Total eligible own funds to meet SCR	**39,454**	**12,239**	**51,692**
Total eligible own funds to meet MCR	39,454	1,224	40,678
SCR Cover			**211%**
MCR Cover			665%

The Company does not disclose any additional ratios other than those included in S.23.01.01 or as shown above.

Ordinary Shares

The share capital is made up of Ordinary shares.

Shareholders' Contribution

Contributions made by the Company's Shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the Shareholders and that are not subject to any restrictions or the fulfilment of any conditions or requirements on the part of the Company.

Reconciliation Reserve

The Company's reconciliation reserves is made up of the excess of assets over liabilities less other Tier 1 basic own funds (being share capital and Shareholders' contribution), reduced by any restricted own funds (as futher noted below).

Subordinated Debt

The subordinated debt is denominated in Euro, it attracts a floating rate interest charge and is due for redemption as follows:

€20,000,000 due on 5 October 2025
€5,000,000 due on 5 July 2027

Available own Funds to cover SCR and MCR

In assessing the Solvency cover, the Board considers the available own funds to be a significant driver. The Company is in a position to cover the SCR fully with its Tier 1 capital. On this basis it therefore feels that it is appropriate for the total value of Tier 2 funds to be included, when assessing the Company's strength and as such, the Directors view the Company's available own funds coverage of SCR to be the most appropriate to the Company.

The Company adjusts its basic own funds for certain portfolios which contain restricted own funds. These restrictions are in relation to the availability and transferability of own funds in connection to these portfolios.

The Company does not hold any ancillary own funds.

Reconciliation between Solvency II excess of assets over liabilities and Equity as per IFRS:

	£'000s
Excess of assets over liabilities as per SII	**65,211**
Intangible Asset within IFRS not permitted under Solvency II	3,626
Difference in value of TPs as explained in Section D2	3,962
Pipeline Premium included within TPs	104
Net Deferred Acquisition Costs included in TPs under Solvency II	22
Contingent Liabilities as explained in section D3	160
Equity as per IFRS	**73,085**

E2. Solvency Capital Requirement and Minimum Capital Requirement

AIEL calculates its capital requirement using a Standard Formula (SF) model. As at the year-end 2018, the assessed SCR is £24.48m with a corresponding MCR of £6.12m. The SCR by risk module is shown in the table below:

	AIEL SCR 31/12/2018 £000s
Non-life underwriting risk	6,514
Health underwriting risk	5,020
Market risk	11,858
Counterparty default risk	7,419
Undiversified SCR	30,811
Diversification credit	(8,580)
Operational risk	2,247
SCR	**24,478**
MCR	6,119

The equivalent SCR and MCR at the preceding year end were £19.23m and £5.23m respectively. The increases in both requirements in the current year are as a result of the expansion of the Company's activities in accordance with is business plan.

USP and Simplifications

The main simplifications in the SF model is the use of the simplified approach for Default Risk as defined by the regulation. In addition, we simplify the allocation of TPs to SII class and region and for each class.

AIEL has not made use of any Undertaking Specific Parameters (Article 104 (7) of Directive 2009/138/EC).

The MCR is calculated as: $\max(\min(\max(MCR_{Lin},\ 25\%\ SCR), 45\%\ SCR), €3.7m)$. For AIEL, the resultant amount is the linear MCR ("MCR_{Lin}") calculated in accordance with article 250 of the Commission DR.

There have been no material changes in the methods or assumptions during the period.

E3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

AIEL does not make use of the Duration based equity risk sub-module (Article 304 of Directive 2009/138/EC).

E4. Differences between the standard formula and any internal model used

There are no differences as the standard formula is used.

E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company was compliant at all times during the period and is also projected to be compliant over the business planning horizon.

E6. Any other information

There is nothing else to report.

Appendix 1 – QRT Forms

Accredited Insurance (Europe) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	Accredited Insurance (Europe) Limited
Undertaking identification code	635400CIPL7LGNBQ4U90
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	MT
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	IFRS
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
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	657
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	145
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	71,691
R0080	*Property (other than for own use)*	1,520
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	17,999
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	17,999
R0130	*Bonds*	1,469
R0140	*Government Bonds*	674
R0150	*Corporate Bonds*	795
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	47,059
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	3,644
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	35,844
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	35,844
R0270	Reinsurance recoverables from:	39,423
R0280	*Non-life and health similar to non-life*	39,423
R0290	*Non-life excluding health*	36,577
R0300	*Health similar to non-life*	2,846
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	194
R0360	Insurance and intermediaries receivables	26,100
R0370	Reinsurance receivables	2,358
R0380	Receivables (trade, not insurance)	6,569
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	13,778
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	196,758

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	81,850
R0520	*Technical provisions - non-life (excluding health)*	58,830
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	55,245
R0550	*Risk margin*	3,585
R0560	*Technical provisions - health (similar to non-life)*	23,020
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	19,663
R0590	*Risk margin*	3,357
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	160
R0750	Provisions other than technical provisions	335
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	5,325
R0830	Reinsurance payables	19,844
R0840	Payables (trade, not insurance)	2,143
R0850	Subordinated liabilities	21,890
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	21,890
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	131,547
R1000	**Excess of assets over liabilities**	65,211

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business			4,217	39,954	16,580	-6		1,367	928								63,040
R0120	Gross - Proportional reinsurance accepted			5,141					-5,842									-701
R0130	Gross - Non-proportional reinsurance accepted														0			0
R0140	Reinsurers' share			3,008	38,666	15,859	-1		1,372	755						0		59,659
R0200	Net	0		6,350	1,288	720	-5	0	-5,846	173			0		0	0	0	2,680
	Premiums earned																	
R0210	Gross - Direct Business			4,217	25,225	10,358	-6		338	132								40,264
R0220	Gross - Proportional reinsurance accepted			5,141					-5,842									-701
R0230	Gross - Non-proportional reinsurance accepted														0			0
R0240	Reinsurers' share			3,008	24,601	9,946	-1		439	107						0		38,099
R0300	Net	0		6,350	624	412	-5	0	-5,943	25			0		0	0	0	1,464
	Claims incurred																	
R0310	Gross - Direct Business			4,749	17,529	6,270	867	-5	-3,390	54			-7					26,067
R0320	Gross - Proportional reinsurance accepted			3,641	12	0	399	-60	-6,168	-117								-2,294
R0330	Gross - Non-proportional reinsurance accepted														159	-574	19	-397
R0340	Reinsurers' share			2,777	16,782	5,849	102	0	-4,361	43			8		-198	26		21,030
R0400	Net	0		5,613	758	421	1,163	-66	-5,196	-107			-15		357	-601	19	2,347
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0		0	0	0	0	0	0	0			0		0	0	0	0
R0550	**Expenses incurred**	0		932	621	122	152	5	440	13			4		83	21	3	2,396
R1200	**Other expenses**																	
R1300	**Total expenses**																	2,396

S.05.02.01

Premiums, claims and expenses by country

Non-life

		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
R0010			GB	IE	GR	ES		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		45,493	10,067	973	791		57,325
R0120	Gross - Proportional reinsurance accepted		0	0	0	0		0
R0130	Gross - Non-proportional reinsurance accepted		0	0	0	0		0
R0140	Reinsurers' share		44,540	9,061	924	638		55,164
R0200	Net	0	953	1,007	49	153	0	2,161
	Premiums earned							
R0210	Gross - Direct Business		28,061	7,303	218	128		35,711
R0220	Gross - Proportional reinsurance accepted		0	0	0	0		0
R0230	Gross - Non-proportional reinsurance accepted		0	0	0	0		0
R0240	Reinsurers' share		27,757	6,582	207	103		34,650
R0300	Net	0	305	721	11	25	0	1,061
	Claims incurred							
R0310	Gross - Direct Business		18,214	5,451	134	53		23,852
R0320	Gross - Proportional reinsurance accepted		0	0	0	0		0
R0330	Gross - Non-proportional reinsurance accepted		0	0	0	0		0
R0340	Reinsurers' share		17,605	4,900	127	42		22,674
R0400	Net	0	609	552	7	10	0	1,178
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**		1,748	387	37	30	0	2,203
R1200	**Other expenses**							
R1300	**Total expenses**							2,203

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross			0	8,337	5,858	0	-519	-357	-125			0		0	0	0	13,193
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0			7,611	5,364	0	-291	-234	33								12,483
R0150	**Net Best Estimate of Premium Provisions**	0		0	726	494	0	-229	-123	-158			0		0	0	0	710
	Claims provisions																	
R0160	Gross	0		19,663	15,714	2,615	3,941	206	14,782	392			152		3,436	696	118	61,714
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		2,846	14,281	2,412	890	0	5,878	45			137		209	241	0	26,940
R0250	**Net Best Estimate of Claims Provisions**	0		16,817	1,433	202	3,050	206	8,904	347			15		3,227	454	118	34,775
R0260	**Total best estimate - gross**	0		19,663	24,052	8,473	3,941	-313	14,425	266			152		3,436	696	118	74,908
R0270	**Total best estimate - net**	0		16,817	2,160	696	3,050	-23	8,781	189			15		3,227	454	118	35,485
R0280	**Risk margin**	0		3,357	286	40	609	41	1,777	69			3		644	91	24	6,942
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	0		23,020	24,338	8,513	4,550	-272	16,202	336			155		4,080	786	142	81,850
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0		2,846	21,892	7,777	890	-291	5,644	78			137		209	241	0	39,423
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0		20,174	2,446	737	3,659	19	10,558	258			18		3,871	545	142	42,427

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											1,695	1,695	1,695
R0160	2009	0	0	0	0	0	0	171	263	286	109		109	829
R0170	2010	0	0	0	0	0	-249	174	436	74			74	435
R0180	2011	0	0	0	0	0	17	-3	0				0	14
R0190	2012	0	0	0	0	35	56	8					8	99
R0200	2013	0	0	0	53	-1	1						1	53
R0210	2014	0	0	66	73	94							94	232
R0220	2015	0	220	-1	1,133								1,133	1,352
R0230	2016	239	1,375	695									695	2,309
R0240	2017	2,650	7,426										7,426	10,075
R0250	2018	4,998											4,998	4,998
R0260												Total	16,230	22,092

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											37,795	32,344
R0160	2009	0	0	0	0	0	0	0	5,467	1,305	141		124
R0170	2010	0	0	0	0	0	0	1,463	66	1,272			1,112
R0180	2011	0	0	0	0	0	1,337	246	341				296
R0190	2012	0	0	0	0	3,371	369	289					249
R0200	2013	0	0	0	1,443	96	345						290
R0210	2014	0	0	3,483	632	581							554
R0220	2015	0	1,081	459	3,038								2,655
R0230	2016	14,064	2,710	1,993									1,786
R0240	2017	8,704	7,170										6,843
R0250	2018	16,187											15,462
R0260												Total	61,714

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	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	33,700	33,700		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-32,100	-32,100			
R0140	Subordinated liabilities	21,890		0	21,890	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	37,853	37,853	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	61,344	39,454	0	21,890	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	61,344	39,454	0	21,890	0
R0510	Total available own funds to meet the MCR	61,344	39,454	0	21,890	
R0540	Total eligible own funds to meet the SCR	51,693	39,454	0	12,239	0
R0550	Total eligible own funds to meet the MCR	40,678	39,454	0	1,224	
R0580	**SCR**	24,478				
R0600	**MCR**	6,119				
R0620	**Ratio of Eligible own funds to SCR**	211.18%				
R0640	**Ratio of Eligible own funds to MCR**	664.73%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	65,211
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	71,553
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	25,757
R0760	**Reconciliation reserve**	-32,100
	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)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	11,858		
R0020	Counterparty default risk	7,419		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	5,020		
R0050	Non-life underwriting risk	6,514		
R0060	Diversification	-8,581		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	22,230		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,247
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	24,478
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	24,478
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	4,668

		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	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	16,817	6,350
R0050	Motor vehicle liability insurance and proportional reinsurance	2,160	1,288
R0060	Other motor insurance and proportional reinsurance	696	720
R0070	Marine, aviation and transport insurance and proportional reinsurance	3,050	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	8,781	0
R0100	Credit and suretyship insurance and proportional reinsurance	189	173
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	15	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	3,227	0
R0160	Non-proportional marine, aviation and transport reinsurance	454	0
R0170	Non-proportional property reinsurance	118	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	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	4,668
R0310	SCR	24,478
R0320	MCR cap	11,015
R0330	MCR floor	6,119
R0340	Combined MCR	6,119
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	6,119