CATALINA LONDON
LIMITED

Catalina London Limited

Solvency and Financial Condition Report (SFCR)
31 December 2016

Contents

Executive Summary

Catalina London Limited ("the Company" or "CLL") is an insurance undertaking authorised by the Prudential Regulation Authority (PRA), pursuant to the European Union (Insurance and Reinsurance) regulations 2015, to carry on non-life insurance business in classes 1 to 17 as defined in Solvency II Directive 2009.

The Solvency and Financial Condition Report ("SFCR") has been prepared in order to assist policyholders to understand the capital position of the Company following the implementation of Solvency II, a European directive implemented in the UK.

2016 Solvency and Financial Condition

In 2016 the Company experienced a continued reduction of the remaining liability portfolio. The Company is part of a growing UK legacy business which provides opportunities for increased operational efficiency and the maintenance of high professional standards in all areas of its operations. The service obligations to our policyholders remain a high priority at all times.

The Company's ongoing review of its claims portfolio led to the decision to strengthen reserves on its US liability insurance book which was partly offset by gains made on reinsurance accounts. The Company continued to review and adjust its investment portfolio within a challenging economic environment in order to maximise returns within its risk appetite and investment guidelines.

Capital Management

This SFCR is the first prepared for the Company under the Solvency II regime where the emphasis is one of measuring and monitoring capital and the Company using a risk-based approach. The Company currently uses the Standard formula to calculate its Solvency Capital Requirement. As at 31 December 2016 there was a Solvency II surplus of USD$7.722m and a Solvency II coverage ratio of 164%. Both metrics refer to the excess of the Company's total eligible own funds over the solvency capital requirement.

	Total
	USD'000
Total Own Funds	19,766
Standard Formula Solvency Capital Requirement (SCR)	12,044
Surplus	**7,722**
Ratio of Eligible own funds to SCR	**164%**

Outlook

The Company seeks commutations on its reinsurance book in order to both realise value and to reduce volatility in its claims portfolio. The Company will not enter into commutations where the return is not greater than that available from the investment portfolio unless there is a strategic or commercial reason for doing the commutation. Reinsurance claims are managed internally and a very active involvement is pursued in the day to day adjustment of claims. Regular inspections by CLL will continue throughout 2017 to ensure that the counterparty is adhering to the terms and conditions of the relevant policy. The Company will also actively press for the closure of its remaining insurance claims portfolio (now largely made up of construction defect claims in the United States). The Company now outsources its direct insurance claims handling to a company within the Catalina Group (Catalina US Insurance Services) but maintains very close control over its activities.

In order to deleverage the Company's balance sheet, management will continue to consider commutations of the Company's remaining reinsurance assets with external counterparties. Management will continue to review the Company's capital requirements in line with Solvency II requirements. Management has initiated a Part VII Transfer by which the liabilities of KX Reinsurance Company Limited and OX Reinsurance Company Limited will be transferred into CLL. The Board of Directors of each of the companies reviewed this proposal and concluded that there are benefits to be obtained by carrying out this transfer. These benefits include; increased efficiencies in claims handling, a reduction in reporting, stronger management oversight, a common investment strategy, single risk management approach and capital synergies. It is anticipated that the process will be completed during 2017.

Statement of Directors' Responsibilities

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

We are satisfied that:

a) throughout the financial year ended 31 December 2016, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

By Order of the Board

Phil Hernon
Director
19 May 2017

Report of the external independent auditor to the Directors of Catalina London Limited ("the Company") pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Except as stated below, we have audited the following documents prepared by the Company as at 31st December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31st December 2016, ('the Narrative Disclosures subject to audit'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'Relevant Elements of the Solvency and Financial Condition Report'. We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- information relating to 31 December 2015 voluntarily disclosed by the Company in the 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S19.01.21;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

Respective responsibilities of directors and auditor

As explained more fully in the Responsibility Statement, the Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Relevant Elements of the Solvency and Financial Condition Report

A description of the scope of an audit is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Relevant Elements of the Solvency and Financial Condition Report

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Matters on which we are required to report by exception

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Catalina London Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

KPMG LLP

KPMG LLP
15 Canada Square
London
E14 5GL

19th May 2017

- The maintenance and integrity of Catalina London Limited's website is the responsibility of the directors of Catalina London Limited; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the Catalina London Limited website.

- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A. Business and Performance

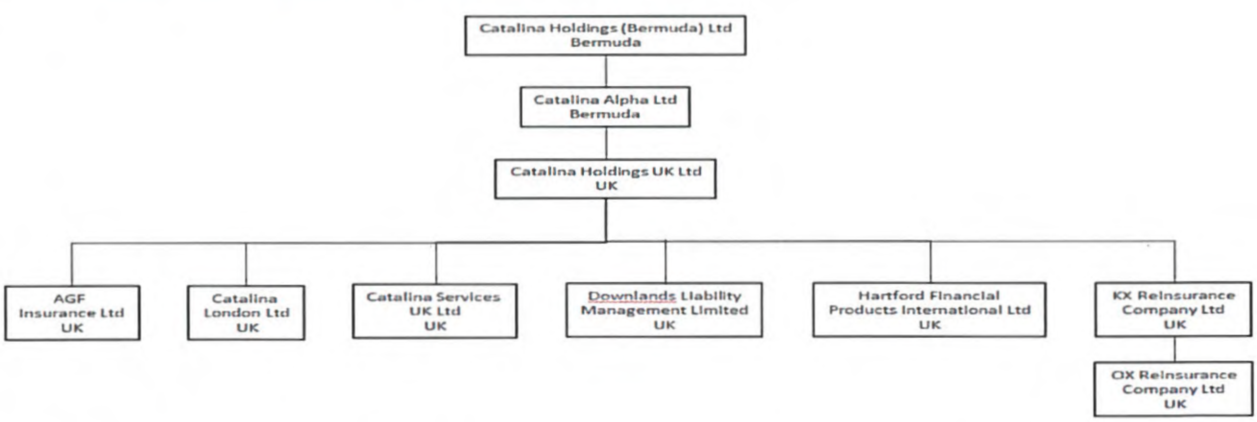
A.1 Business and external environment

A.1.1 Undertaking, financial supervisory authority and external auditor

Name of the undertaking:	Catalina London Limited
Address of its registered office:	5th Floor 18 Mansell Street London E1 8AA
Legal status:	Private Limited Company
Company registration number:	01531718
Legal Entity Identifier (LEI):	5493009IUEXJFUIM2W86
Ultimate parent:	Catalina Holdings (Bermuda) Ltd.
Financial supervisory authority:	Prudential Regulation Authority ("PRA") Bank of England Threadneedle Street London EC2R 8AH
External auditor:	KPMG LLP 15 Canada Square London E14 5GL

A simplified structure chart is laid out below outlining sister companies, vertical structure and ultimate shareholder ownership. No director of the ultimate holding company sits on any of the UK Boards.

Catalina London Limited Simplified Structure Chart



In aggregate, more than 85% of the voting rights of Catalina Holdings (Bermuda) Ltd, the ultimate parent entity, are held across three shareholders being, CDP VSI I Limited Partnership, 1397225 Ontario Limited and Apollo Rose LLP.

A.1.2 Material lines of business and geographical areas where the Company carries out business

CLL, formerly "Alea London Limited" ("ALL"), was purchased by Catalina Holdings (Bermuda) Ltd. ("Catalina") in October 2009. Catalina is a specialist consolidator of non-life general insurance and reinsurance companies and portfolios in run-off. Catalina acquires and manages such portfolios in run-off with the purpose of achieving a competitive return on equity and consistent growth in net tangible assets. The Group is based in Bermuda and currently has other offices in the United Kingdom, the Republic of Ireland, the United States of America and Switzerland.

ALL was created following the acquisition of The Imperial Fire & Marine Re-Insurance Company by the Alea Group in July 2000. The Alea Group parent company Alea Group Holdings Bermuda Ltd ("AGHB") was subsequently listed on the AIM market in London in 2003. ALL wrote general insurance and reinsurance business from 2000 until 5th December 2005 when it announced its intention to place its operations into run-off. In June 2007, the Alea Group was majority acquired by FIN Acquisition Limited, a company formed at the direction of Fortress Investment Group. In May 2009, the Alea Group took the strategic decision to sell ALL and commenced a sales process in order to do so. Catalina emerged as the successful bidder.

Since entering run off, CLL has continued to honour its claims liabilities, reducing its claims provision from USD$907 million at the time of going into run-off to USD$43.0million (USD$41.7m on Solvency II basis) as at 31 December 2016. Shareholder equity stood at USD$23 million at 31 December 16 following capital releases over the period. CLL has also been successful in reducing potential volatility through the commutation of inwards reinsurance contracts and in reducing its dependency on reinsurance recoveries through the commutation of large whole account outwards reinsurances and much of its excess of loss and pro rata reinsurance treaties.

On a Company Statutory Account valuation basis the remaining portfolio of USD$41.7 million of gross claims liabilities (excluding loss adjustment expenses) consist of the following classes of business. These can include each of direct, proportional reinsurance or non-proportional reinsurance liabilities.

Class	Reserves $'000s	US	Europe	Other
Liability	27,497	13,702	13,157	638
Motor	1,188	1,027	159	2
Property	2,251	1,387	274	590
Marine, Aviation and Transport	8,309	6,488	998	823
Workers Compensation	1,934	1,934	0	0
Other	508	508	0	0
Total	**41,687**	**25,046**	**14,588**	**2,053**

The Company's functional and presentational currency is the US Dollar, reflecting the historical distribution of the Company's geographical business mix.

A.2 Performance from underwriting activities

The table below shows the underwriting performance for the year end 31 December 2016, together with comparatives for the previous year. During 2016 the Company realised an underwriting loss of USD4.3 million (2015: profit of USD0.8 million). The current year result reflects reserve deteriorations offset by gains on commutations and dormant claims reviews.

	2016	2015
	USD'000	USD'000
Earned premiums, net of reinsurance	41	(11)
Claims incurred, net of reinsurance	(729)	2,565
Net operating expenses	(3,634)	(1,683)
Balance on the technical account	**(4,322)**	**871**
By class of business:		
Property	53	827
Casualty	(3,044)	(1,197)
Reinsurance	(1,331)	1,241
Balance on the technical account	**(4,322)**	**871**

A.3 Performance from investment activities

The table below shows the investment income performance for the year end 31 December 2016, together with comparatives for the previous year.

	Net investment income	Net investment expense	Net realised gains and losses	Changes in fair value	Net investment result
	2016	2016	2016	2016	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets:					
- measured at FVTPL	524	(90)	2,724	(2,006)	972
- measured at amortised cost	-	-	-	-	0
- measured at cost	-	-	-	-	0
- derivative assets	-	-	-	-	0
	524	(90)	2,724	(2,006)	1,152
	2015	2015	2015	2015	2015
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets:					
- measured at FVTPL	1,390	(226)	3069	(2,748)	1,156
- measured at amortised cost	-	-	-	-	0
- measured at cost	-	-	-	-	0
	1,390	(226)	3,069	(2,748)	1,485

Investment returns produced a gain of USD1.2 million (2015: USD1.5 million). Having weathered a very difficult January and February, the broader market improved throughout the remainder of the year, despite the uncertainty arising out of geopolitical events such as Brexit and the US presidential elections. The portfolio was managed to ensure Solvency II compliance throughout the year, which meant cutting exposure to securitised products. Performance from UK Commercial Real Estate and UK equities allowed the Company to generate significant returns over the year. Performance from fixed income was good, albeit subject to the restrictions of certain assets pledged as collateral. A capital distribution of USD8 million approved by the Prudential Regulation Authority ("PRA"), on the 15th March 2016 and the high level of assets required to collateralise insurance and reinsurance liabilities that remains in CLL, meant cash levels were kept high. The asset base continued to decline during 2016 with the run-off of claim liabilities and payment of the USD8 million dividend. The Company's invested assets at 31 December 2016 were USD33.0 million (2015: USD47.4 million).

A.4 Other operating income and expenses

The table below details any other material operating income and expenses not shown in A2 and A3 above.

	2016	2015
	USD'000	USD'000
Foreign exchange	(617)	(890)

The Company claim liabilities are mainly US Dollar, Sterling and Euro. The company is therefore exposed to currency fluctuations in the US Dollar against the Sterling and Euro. While the company manages these exposures by matching assets and liabilities by currency, asset availability can from time to time result in a net currency exposure.

A.5 Any other disclosures

Not applicable.

B. System of Governance

B.1 General Governance arrangements

The Board has mandated a basis for effective risk management within the Company dictated by a clear system of governance that covers all significant aspects of the business, provides an open forum for challenge, and allocates clear responsibilities for both collective management committees and individuals. In addition, there are clear responsibilities within the Company for four key functions –

- risk management
- actuarial
- compliance and
- internal audit.

Management Team
The Board has delegated the day to day running of the company to the Chief Executive Officer ("CEO") who has been instructed to appoint a Management Team to assist him in these duties. The CEO reports on these activities at each quarterly board meeting and presents a Management Team Board Pack for Board approval.

The following sub-committees have been established:

Board Risk Management Committee
The Board, acting as the Risk Committee, ("BRMC") has the responsibility of analysing and taking ownership of the fundamental risk management principles employed by the Company.

The Board has delegated the responsibility of oversight of the Group's risk management policy at the CLL level to the Group Chief Risk Officer ("CRO"). The CLL Risk Management Policy defines the framework of the systems, controls, processes and procedures in place to identify, assess, mitigate and manage risk at CLL.

The company has determined a number of risk tolerances that are measured on a quarterly basis. CLL management provide data to the CRO whose quarterly report is included in the Board papers and discussed with the CRO at each Board meeting. The CRO implements any remedial measures that the Board determines are appropriate.

Board Audit Committee
A principal objective of the Board Audit Committee is to evaluate and provide assurance that the risk management, control and governance systems of the company are functioning as intended and will enable the company's objectives and goals to be met. This includes the Board discharging its responsibilities for monitoring the integrity of the Company's financial statements and monitoring the effectiveness, performance and objectivity of the internal and external auditors.

The Board has delegated the responsibility of oversight of the Group's internal audit policy at the CLL level to the Group Head of Internal Audit. The CLL Internal Audit Charter defines the framework of the systems, controls, processes and procedures in place to support the Board Audit Committee in its duties at CLL.

Loss Reserving Committee
The Loss Reserving Committee ("LRC") is in place to review and challenge the output from internal actuarial reviews. It is responsible for reviewing the adequacy of, and approving, the reserves of the Company. Matters arising from this Committee are reported by the CEO to the Board.

Large Loss/Claims Committee
The Large Loss Committee is charged with the responsibility of overseeing the company's claims practices, processes and procedures and providing a further level of control and direction for very large losses. Matters arising from this Committee are reported by the CEO to the Board.

Commutations Committee
The Commutations Committee is charged with the responsibility of overseeing the company's commutation policy and approving all significant commutations. Matters arising from this Committee are reported by the CEO to the Board.

Finance Committee
The Finance Committee is charged with the responsibility of overseeing the Company's capital structure, financial condition and requirements for funds. Matters arising from this Committee are reported by the CEO to the Board.

Investments
The Board is responsible for the oversight of the Company's investments and has appointed the Group Chief Investment Officer (CIO) as company CIO to manage its portfolio of investments on its behalf. As part of the group level management of investments the CIO consults with the Group Investment Committee regarding overall investment strategy. The CIO reports to the CEO and provides a report to the Board at each Board meeting.

Remuneration Policy
The Company has applied the principle of proportionality to requirements regarding remuneration. The Company does not have a remuneration committee, but it does have a policy on remuneration.

The objectives of the company's remuneration policy are to ensure that

- policy and practices are aligned with the company's overall strategy, risk management strategy and risk appetite, objectives, values and long-term interests of the company;
- the policy applies to the undertaking as a whole in a proportionate and risk focused way, taking into account the respective roles of the company's employees;
- the policy does not foster practices adverse to policyholders' interests;
- the company can attract and retain highly qualified employees with skills required to effectively manage the company;
- employees are compensated appropriately for the services they provide the company; and
- employees are motivated to perform in the best interests of the company and its stakeholders.

All employees are retained on a fixed basic salary, considered annually and determined in light of market best practice. Discretionary performance related bonuses can be agreed but the target bonus cannot exceed 50% of the individual's basic salary. Recommendations can be submitted for higher performance related bonuses which are to be considered by the Catalina Group Remuneration Committee. Any such award will be subject to deferral over a three year period.

B.2 Fit and proper requirements

Management at Group and entity level must ensure that key roles performed within their operations are identified, and filled by staff who are demonstrably qualified for the role. The business head is responsible for ensuring that activities are undertaken and managed by professionals with the appropriate experience, skill levels, and degrees of specialisation.

While the company is regulated by the PRA, it is also regulated by the FCA for the purposes of carrying out the company's day to day business. Of particular importance is the close association that the FCA makes between business conduct and misconduct, and the culture, tone and oversight set by the Board and senior executive management. The FCA look to firms' governing bodies to set, embed and maintain a firm-wide culture that supports good business conduct and an appropriate degree of protection for our counterparties. That culture needs to take into account factors such as the firm's business plan, risk appetite, remuneration mechanisms and identified internal and external risks.

Solvency II requirements
Solvency II requires that "all persons who effectively run the undertaking or have other key functions are Fit and Proper at all times". 'Fit and proper' persons must have the appropriate professional qualifications, knowledge and experience to enable them to perform their duties and fulfil their obligations, as well as being of good repute and integrity. Key functions are defined as all functions considered important or critical in the system of governance, including at least the Risk Management Function, Compliance Function, Internal Audit Function and Actuarial Functions. The requirement for Fit and Proper extends to the Board, which collectively should contain the qualifications, knowledge and experience to be able to provide for the sound and prudent management of the business.

Regulatory Requirements

Under section 59 of the Financial Services and Markets Act 2000 (FSMA), authorised firms are required to ensure that individuals seeking to perform one or more of the PRA–designated Senior Management Functions seek PRA and FCA approval prior to taking up their position.

The Senior Managers Regime (SMR) and Senior Insurance Managers Regime (SIMR) came into force on 7 March 2016. The regimes replaced the Approved Persons regime.

CLL takes reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its directors and senior managers in such a way that:

- it is clear who has which of those responsibilities; and
- the business affairs of the firm can be adequately monitored and controlled by the directors and relevant senior managers and governing body of the firm.

It also appropriately allocates to one or more individuals the functions of:

- dealing with the apportionment of responsibilities; and
- overseeing the establishment and maintenance of systems and controls.

The function of apportionment of responsibilities is allocated to the Company's CEO. They may carry out this function with the help of other board members and senior management but the function nevertheless is that of the CEO.

In addition CLL maintains a Governance Map to satisfy the requirements regarding apportionment and allocation of significant responsibilities and updates this quarterly or more frequently if there are any changes. All changes to the Governance Map are notified to the PRA.

The following table sets out the Significant Influence Management Functions ("SIMF") for the PRA and Controlled Functions ("CF") for the FCA for dual-regulated firms such as CLL.

Senior Insurance Manager Role	SIMF/CF	Holder
Chairman, Senior INED, Audit Committee Chair	SIMF9, SIMF11 SIMF14	Timothy Cox
CEO, Executive Director	SIMF1, CF1	Philip Hernon
Executive Director, Compliance Officer	CF1, CF10	Ian Grottick*
Non-executive Director	CF2	Peter Johnson
Non-executive Director	CF2	Christopher Fleming
Chief Financial Officer	SIMF2	Jaspal Kainth
Chief Actuary	SIMF20	James Upson
Chief Risk Officer	SIMF4	Tim Walker
Head of Internal Audit	SIMF5	Björn Hartvigsen
Money Laundering Reporting Officer	CF11	Alexander Jenkins

The company, via its Head of Regulatory and Compliance*, keeps the PRA informed of persons filling the designated roles, and reviews that they meet the fitness and probity requirement on an ongoing basis. A person filling a CF must be:

- competent and capable;
- honest, ethical and act with integrity;
- financially sound.

These checks are conducted independently to any checks performed by the PRA under its own fit and proper review. These include a number of checks; criminal record, credit, evidence of professional qualification and ongoing continuing professional development and reference.

The Company maintains an ongoing Board education programme for which the SIMFs also receive the benefit.

The governance structure of CLL has not changed in 2016.

B.3 Risk management system

Catalina's enterprise risk management function is coordinated by the Chief Risk Officer, who works under the authority of the BRMC. In line with the internal risk management policies of the Group, management at the Company, acting as the 'first line of defence' are primarily responsible for the running of the business and the operation of controls within their own areas as well as the management of the business' risk profile, in line with Board expectations. However, acting as part of the 'second line of defence', the Risk Management Function is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework.

The overall risk management strategy is to ensure that a proper balance is struck between:

- The risks that are economically attractive to take. These must be properly modelled, measured and priced.
- The risks that are economically unattractive to take. These should be avoided, identified, managed, mitigated and reduced where it is efficient to do so.

Within the Company's Risk Management framework there are measures in place to ensure:

- Appropriate risk tolerances are in place to govern risk taking activities;
- The Company maintains an appropriate risk culture and risk appetite forms an essential part of its strategic decision making;
- The Company measures and monitors risk appropriately and reports key risk metrics to senior management and the Board;
- Appropriate business planning and capital planning processes are in place to support the Company's risk taking activities.

The risk management framework is intended to reduce, but cannot eliminate, the range of possibilities which might cause detriment to the Company. Similarly, the risk management framework cannot provide protection with certainty against any failure of the Company to meet its business objectives, or guard against material errors, losses, fraud, or breaches of law and regulations. The risk management framework is intended to provide reasonable assurance that the Company will conduct its business in an orderly manner that reasonable foreseeable circumstances will not prevent or limit the Company from achieving its business objectives.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ("ORSA") process documents the output of the Company's Enterprise Risk Management process. The purpose of the ORSA is principally to support the Board of Directors and Company management to actively manage the economic risk and capital requirements and allow a strategic, forward-looking discussion of future risks and capital needs.

The Board and senior management's involvement are integrated in the ORSA and they are engaged to challenge, discuss and debate the process. The ORSA process allows management and the Board to review the risk and capital requirements and take a strategic, forward-looking view of future risks and capital needs. The ORSA process is used to highlight key issues to management, and allows management to confirm that:

a) The current risk profile is understood and appropriate for the nature of a legacy portfolio and within the risk appetite of the firm

b) Capital requirements during the reporting period have continuously been met (or if not corrective action was taken)

c) The Company's current capital and solvency position is appropriate

d) The Standard Formula model has been used appropriately for strategic decisions throughout the period

e) The risks to the enterprise that could likely change the risk profile are understood

f) Plans to cover the solvency position and planned capital distributions over the required period are appropriate.

The ORSA is produced by management in conjunction with the Actuarial and Risk Management function. The ORSA is presented to the Board for challenge, comment and review. The result of the Board's review forms the basis for the future strategy of the business, which forms the basis for the following year's ORSA.

B.4 Internal control system

The Company's internal control system provides assurance that its operations are effectively controlled, it is compliant with applicable laws and regulations and its financial reporting is reliable. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The oversight and management of these systems necessarily involves participation of the Board, the Board Audit Committee, the Board Risk Management Committee, senior management, Finance, Legal, business managers and Internal Audit.

Responsibility for ensuring day-to-day oversight of the internal control system lies with the Company's Controlled Function holders and Key Function holders.

The Company promotes the importance of appropriate internal controls throughout the organisation. All employees are aware of the importance of risk management and are reminded to consider the risks they encounter as they go about their day to day work. Risk awareness is promulgated through the organisation, and both senior management and the risk management function are pro-active at keeping risk awareness to the forefront of daily operations by: i) ensuring that all employees are aware of their role in the internal control system as per the Fit and Proper Policy; ii) ensuring consistent communication & implementation of the internal control systems; iii) establishing monitoring and reporting mechanisms to review and report the decision making processes: and providing appropriate training to all employees.

How the Compliance function is implemented

The UK Head of Compliance and Regulatory ("HCR") is a company officer. All actual or potential breaches of regulation are immediately referred to the HCR.

Line managers have a responsibility to implement all compliance policies locally by containing compliance risk in liaison with the HCR, ensuring adequate compliance resources and training, fostering a compliance culture and optimising relations with regulators. The role of the Compliance function is to provide advice and support to line management in this regard. The HCR has unfettered access to line management and also to the Board of Directors.

The HCR is expected to act on the policies and practices by which the Group expects compliance and reputational risk to be managed and controlled, and covers a number of specific issues such as money laundering, insider dealing, takeovers and mergers, maintaining relations with the regulator and participating on regulatory solvency related projects.

The compliance function is subject to oversight by the CEO. The HCR is also a CLL Director, and the Board are in turn ultimately responsible that the company remains compliant with the requirements of the 'PRA and FCA Handbooks of rules and guidance'.

The role of Compliance is to support Management in its duty to control compliance risk. At the operational level, the HCR will:

- Compile and maintain Compliance Charts and/or Compliance Risk Assessments
- Devise annual Compliance Plans to record risk-based activity for the coming year
- Undertake regular monitoring and ad-hoc reviews as may be necessary to verify that controls remain robust and understanding of / adherence to procedures is maintained.
- Report compliance control failures, or incidents which may indicate a need to review Compliance Risk Assessments or mitigating procedures.

In CLL, the HCR also participates in bi-weekly management meetings.

B.5 Internal audit function

The mission of the Internal Audit function ("IA") is to enhance and protect organisational value by providing risk-based, independent and objective assurance, advice, and insight. IA is an independent assurance function within Catalina's third line of defence, providing the Board, Board Audit Committee and Management with independent and objective assurance and value adding insight on the effectiveness and efficiency of governance, risk management, and internal control processes.

IA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by Catalina's Enterprise Risk Management and other assurance functions. Based on the results of the risk assessment, IA produces an annual Audit Plan for review and approval by the Board Audit Committee. The Audit Plan is updated on a regular basis according to Catalina's evolving risk landscape and needs. IA regularly provides formal updates on its activities to the Board Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of IA and any changes in the tools and methodologies it uses.

The Head of Internal Audit ("HIA") also meets privately with the Board Audit Committee immediately reporting any issue which could have a potentially material impact on the business of Catalina to the Chairperson of the Board Audit Committee. The Head of IA and IA staff are authorised to review all areas of Catalina and to have full, free and unrestricted access to all of its activities, records, property and personnel necessary to complete their work. IA is authorised to allocate resources, determine frequency of reviews, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Group to accomplish the audit objectives.

IA staff self govern by following the Code of Ethics issued by the Institute of Internal Auditors ("IIA"). The operating guidance for the department constitute the IIA's International Standards for the Professional Practice of Internal Auditing as well as the related International Professional Practices Framework.

B.6 Actuarial function

The Actuarial function is made up of an in house actuarial team, based in the UK, with support from other actuaries across the Group, and as appropriate, external firms of consulting actuaries.

Under the leadership of the Company's Head of Actuarial Function, the UK team:

- Co-ordinates the GAAP reserving for the Company
- Adjusts the GAAP reserves to Solvency II Best Estimate of Liabilities (BEL)
- Uses the BEL and audited balance sheet to develop the Standard Formula SCRs and Risk Margin
- Project the capital level and capital requirements of the Company over the planning period for the ORSA
- Opines on levels of reserve adequacy, reinsurance arrangements and underwriting policy
- Assesses the impact of a material change to the Company in terms of its capital position, such as a material change in its reinsurance arrangements
- Evaluates and advises on the impact, on request, for minor changes in (for example) the Company's investments.

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

B.7 Outsourcing

Outsourcing is the delegation of a process, service or activity to a service provider. The Company's core strategy is to utilise and enhance key and distinguishing in-house competences in areas required to manage and extract value from books of business under its control; such competences include claims adjustment, commutation negotiation, reinsurance collections, actuarial evaluation, capital modelling and developing and implementing the most effective and efficient exit strategies, whilst at all times properly meeting the rights and requirements of policyholders, reinsurers, regulators, capital providers and other stakeholders.

When outsourcing the service provider can be both intra-Group or an external company. In considering whether to outsource any process, service or activity, the Company will take account:

- its own resource levels and availability
- its own internal capabilities and cost structures
- the timing and extent of any requirements in comparison with the capabilities
- costings and security of an outsource service provider

The overarching principle will be that whereas processes, services or activities may be delegated to an outsource service provider, ultimate responsibility for those processes, services and activities will remain with the Company. Outsourcing arrangements have been established in locations that are a best fit for the underlying service, namely the United States and United Kingdom.

The Company has an outsourcing policy, the purpose of which is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for its critical or important operational functions or activities. The objective of the outsourcing policy is to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's responsibility for, or influence over key functions of the Company
- Material impairment of the quality of the Company's system of Governance
- Non-adherence to the Company's approved policies and procedures
- Undue increases in operational risk or cost
- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators
- Conflicts of Interest
- Breach of the Company's data protection obligations

The Board is ultimately responsible for the approval and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions of the Company's system of governance and all functions within the Company that are fundamental to carry out its core business. The Board is responsible for reviewing the performance of outsourced service providers against the agreed Service Level Agreements.

B.8 Assessment of Governance

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

C. Risk Profile

C.1 Underwriting (Liability) Risk

C.1.1 Risk exposure

CLL entered into an orderly self-managed run-off in 2005; the last underwriting exposures expired before Catalina acquired the business. Hence, as at 31 December 2016, there were no unexpired Insurance Risk exposures from in-force policies.

Underwriting or insurance risk is concerned with fluctuations in the timing, frequency and severity of insured events, relative to expectations at the time of underwriting. Given the Company's run-off status the principal insurance risk the Company is subject to is reserve risk whereby there is potential for future claims to deteriorate beyond the actuarial best estimates. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims.

Actual underwriting results are monitored against budgeted results on a quarterly basis, although for meaningful variances the underwriting reserves, gross and net, are reviewed actuarially bi-annually and compared to the business plan. Reinsurance recoveries, notified claims and reserves are compared to plan. The policy incorporates identification, measurement and explanation of variances which are reported to senior management. Given the Company's run-off status, management focuses primarily on variances in claims reserves. Therefore, the primary objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

C.1.2 Underwriting (Liability) Risk Exposures, Concentrations, Mitigations and Sensitivities

The insurance book has now been reduced to a portfolio that consists almost entirely of construction defect claims. CLL's major concerns here are the level of loss adjustment expense and the rate of downturn in new claims. The company increased its IBNR provision for this class at year end 2015 and strengthened again in 2016 to reflect the higher than expected loss development on this account. With a greater understanding of the South Carolina book of claims in this part of the portfolio, the company considers that it is now carrying appropriate reserves.

Liability risk exposures are mitigated by diversification across a portfolio of insurance contracts and geographical areas. Furthermore, strict claim review policies are in place to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent review of all claims are the key policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

Reserves are relatively insensitive, due to the events which caused the claim occurring many years ago. Nevertheless, reserve sensitivity is modelled in both the ORSA and in the Solvency II SCR. Risk sensitivity is further reduced by the company having reinsurance. Consideration is given to the potential to purchase further reinsurance, to further reduce risk sensitivity other on an intragroup basis or externally.

On 27 February 2017 the Ministry of Justice announced that the Ogden discount rate would be changed by 3.25% from 2.5% to negative 0.75% with effect from 20 March 2017. Management has reviewed the effect of the Ogden discount rate change on the provision for claims outstanding and concluded that the impact is negligible.

C.2 Market Risk

C.2.1 Risk exposure

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Investment policy governs the Company's exposure to market risks. Exposures are controlled by the setting of investment limits in line with the Company's risk appetite. The Investment policy is approved by the Board and is applied by the Group Investment team, who are responsible for making and implementing investment decisions on behalf of the Company in line with the Investment policy and risk appetite statements approved by the Board.

The Company seeks to maximise investment returns within the Board approved Risk Appetite Statement and requirements of the Prudent Person Principle. The investment management philosophy is implemented through both internal investment management decisions and the assistance of external investment managers to best achieve the objectives of the Investment policy. Investments are held at fair value, with changes in fair value recorded through the profit and loss account because their performance is actively monitored and they are managed on a fair value basis.

The Company's investment policy and related guidelines have been formulated to ensure that they are in accordance with all aspects of the Prudent Person Principle. The investment goals in order of relative importance are:

i. To preserve invested capital,
ii. To maintain the ability to meet liability payoff obligations and operating expenses as they become due,
iii. To always manage the portfolios in conformity to the regulatory framework and agreed investment guidelines,
iv. Simultaneously with the goals set out above, to earn the best possible risk adjusted total return on invested capital.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in long term investments at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate investments.

The sensitivity analyses below have been determined based on the exposure to interest rates for investments held at the balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Pre-tax profit		Shareholders' equity	
	2016	2015	2016	2015
	USD'000	USD'000	USD'000	USD'000
1% increase	72	(29)	72	(29)
1% decrease	(72)	29	(72)	29

Interest rate changes affect the valuations of the assets (in respect of fixed interest bonds, for example, although not for many other asset classes such as cash, equities and property). While for UK GAAP purposes, the value of liabilities is unaffected by interest rate changes, for Solvency II purposes, the technical provisions are also affected, as they are discounted in line with risk free interest rates. An increase in interest rates reduces the value of both interest rate-sensitive assets and the value of Solvency II technical provisions. This provides a natural offsetting effect, as the net impact is reduced compared to the monetary amount of the change for the assets or liabilities alone. An interest rate risk charge is modelled as part of the solvency capital requirement (SCR), to ensure sufficient capital with a probability of 99.5% over a twelve month period.

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The risk of exposing the Company assets or liabilities to exchange rate fluctuations is managed by broadly matching liabilities with assets in the same currencies.

The Company reviews assets and liabilities by currency each quarter to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. From time to time, the Company may utilise foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement. These derivatives are not designated as hedging investments.

The sensitivity analyses below have been determined based on the exposure to currency movements against risk exposures at 31 December 2016. A 10% increase or decrease is used when reporting foreign exchange risk internally to key management personnel and represents management's assessment of the reasonably possible change in currency rates.

Pre-Tax Profit Impact	2016	2015
	USD'000	USD'000
USD / GBP		
10% increase in USD/GBP exchange rate	(359)	(110)
10% decrease in USD/GBP exchange rate	359	110
USD / EUR		
10% increase in USD/EUR exchange rate	(68)	(851)
10% decrease in USD/EUR exchange rate	68	851

Other price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

The Company's sensitivity to a 1% increase and decrease in market prices is as follows:

	2016	2015
	USD'000	USD'000
1% increase		
Movement in fair value of share and other variable securities in unit trusts	117	155
Movement in fair value of debt securities and other fixed income securities	57	37
1% decrease		
Movement in fair value of share and other variable securities in unit trusts	(117)	(155)
Movement in fair value of debt securities and other fixed income securities	(57)	(57)

C.2.2 Market Risk Exposures, Concentrations, Mitigations and Sensitivities

The Company manages investment risk through extensive use of portfolio management analysis software and the appointment of specialist third party asset managers, who have demonstrated an extensive and successful track record of managing assets on behalf of insurance and reinsurance company clients. Mandates assigned to asset managers clearly stipulates the terms on which investments may be made. They follow a mandate which is called the Investment Policy Statement.

Regular oversight of all investment decisions, their compliance with regulations and our own guidelines by the Chief Investment Officer, coupled with regular convening of the Group Investment Committee and clear reporting lines from this committee, ensures that the regulated entities are not exposed to threatening levels of market or credit risk.

The company carries out quarterly scenario testing based on various past market distress events to understand the implication of changes in asset mix, duration and currency. Asset Liability Management is carried out by currency. For the management of interest rate risk this takes the form of matching asset cashflow duration with maturities of liabilities in order to maintain adequate positive net cash flow and ascertain any duration imbalance.

Where appropriate and cost efficient, hedging strategies may be pursued to protect the strength and ensure the stability of the company's asset base.

C.3 Credit Risk

C.3.1 Risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from intermediaries. The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Company on a regular basis. The following table shows aggregated credit risk exposure for assets with external credit ratings. The table also shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining whether the value of an asset is impaired are: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

	2016	2015
	USD'000	USD'000
By class of asset:		
Financial investments	11,702	15,497
Debt securities and other fixed income securities	5,699	3,667
Assets arising from reinsurance contracts held	34,348	46,462
Cash and cash equivalents	16,651	31,033
Other assets	1,750	2,661
Total assets bearing credit risk	**70,150**	**99,320**
By credit rating:		
AAA	2,801	28,383
AA	16,326	15,574
A	19,469	6,907
BBB	3,536	4,415
Below BBB or not rated	28,018	44,041
Total assets bearing credit risk	**70,150**	**99,320**
Financial assets past due or impaired		
Past due less than 30 days	-	4,721
Past due more than 180 days	13,500	13,500
Past due and impaired	1,806	4,096
Total financial assets past due or impaired	**15,306**	**22,317**

C.3.2 Credit Risk Exposures, Concentrations, Mitigations and Sensitivities

Credit risk relates to the possibility that the Company becomes exposed to losses occurring as a result of third parties and counterparties failing to fulfil their obligations. Credit risk on receivables is minimised by pursuing early commutation where possible.

The Company is also exposed to credit risk via their investment portfolio. Our Investment Guidelines stipulate a specific level that credit quality may not fall below a weighted average of A- across the portfolio. Regular oversight of all investment decisions by the Chief Investment Officer, coupled with regular convening of the advisory Investment Committee will ensure that stated standards are adhered to. For example, there are specific concentration limits with regard to both sector level investment and individual obligors. The Chief Investment Officer is responsible for credit risk compliance reporting to the Board and the BRMC documentation independently exhibits this.

Credit risk is measured in several ways. Catalina assesses credit ratings, issuers and domicile concentrations. We also carefully track our spread duration based on security level modelling. A third way we measure credit risk is by performing historic stress tests for key events, like Lehman default, and by doing a VaR like analysis of worst month performance over the last year.

Selected credit risk metrics including any non-compliance with the Investment Guidelines are reported at the BRMC while keeping abreast of developments within the capital markets, should ensure that CLL is not exposed to threatening levels of counterparty or investment credit risk.

The stress testing and sensitivity results above cover both market and credit risks.

C.4 Liquidity Risk

C.4.1 Risk exposure

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring forecast and actual cash flows. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims. Most of the Company's assets are marketable securities which could be converted into cash when required.

C.4.2 Liquidity Risk Exposures, Concentrations, Mitigations and Sensitivities

The Company manages liquidity risk through regular forecasting of expected cash flows. Less regular, but considerations for liquidity management include analysis of asset and liability mean terms and durations as well as the negotiation and implementation, where applicable, of revolving credit facilities.

Regular oversight of the Company's relative liquidity will be conducted by the Chief Financial Officer, Group Treasurer and/or Chief Investment Officer in conjunction with other individuals within the company who are informed with respect to the key drivers of the company's cash flows. Regular reporting of the company's assets encumbered by Letter of Credit or Trusts is supplied to the Board. In addition, a quarterly analysis of estimated time to liquidate assets is presented during the BRMC to establish our exposure to illiquid positions.

The company holds significant amounts of liquid investments and cash. Liquidity stress testing and sensitivity analysis is not undertaken here given the considerable cash and cash equivalents held compared against the duration of liabilities.

C.5 Operational Risk

C.5.1 Risk exposure

Operational risk relates to the possibility that the company becomes exposed to losses occurring as a result of failures within the company's internal systems and processes.

Management adopt an approach to operational risk in proportion to the size of the company and its operations. As the Group acquires more businesses, there is more scope to deal with 'key staff' operational risks associated with individuals and offices, as there is increased scope to use other Group staff and/or offices which will help to mitigate those risks. Management believes strongly in setting performance precedents for their staff, and ensuring as far as practicable the maintenance of our business systems.

Close collaboration with HR and IT will allow the CRO and the local executive team at identify any vulnerabilities before they are able to adversely affect business process or maintenance of accounts. Processes and procedures are regularly enhanced.

C.6 Other Material Risks

There are no other material risks.

D. Valuation for Solvency Purposes

D.1 Assets

The value of each material class of Solvency II assets is provided in the table below followed by commentary on the determination of the Solvency II valuation basis. It further compares this value against the equivalent valuation basis as per the Company Statutory Accounts at 31 December 2016.

Solvency II Classification	Solvency II Value	Reclassification and Valuation Differences	Statutory Accounts Value	Note
	USD '000	USD '000	USD '000	
Equities Listed	4,383	821	5,204	1
Equities Unlisted	6,142	0	6,142	2
Government Bonds	4,235	(31)	4,204	3
Corporate Bonds	1,733	(834)	899	4
Collateralised Securities	596	0	596	5
Deposits Other than Cash Equivalents	0	15,630	15,630	6
Reinsurance Recoverables from Non Life	18,625	417	19,042	7
Deposits to Cedants	536	0	536	8
Reinsurance Receivables	14,897	1,315	16,212	9
Cash and Cash Equivalents	16,650	(15,629)	1,021	10
Recievables (trade, not insurance)	43	265	308	11
Total Assets	**67,840**	**1,954**	**69,794**	

Notes to Asset Valuation Basis

1. Equities Listed
   All listed equities are based on quoted prices in active markets that are readily and regularly available. The fair value of these instruments does not entail a significant degree of judgement. The valuation basis for Solvency II is consistent with the Company Statutory Account basis. For Company Statutory Account purposes there is USD$0.82m disclosed as "Shares and Other Variable Yield Securities and Holdings in Collective Investment Schemes" for the purpose of Solvency II valuation is classified as Corporate Bonds.

2. Equities Unlisted
   This represents a holding in a non-listed legal entity that invests in commercial real estate. As this entity is not listed on a recognised exchange, fair value has been determined by reference to the net asset value of the entity itself. The net asset value is largely determined by commercial real estate valuations performed by Chartered Surveyors (members of the Royal Institution of Chartered Surveyors). The valuations are prepared by considering the aggregate for the net annual rents receivable and where relevant, associated costs. The valuation basis for Solvency II is consistent with the Company Statutory Accounts basis. For Statutory Account purposes this is disclosed as "Shares and Other Variable Yield Securities and Holdings in Collective Investment Schemes".

3. Government Bonds
   Government Bond valuations are based on quoted prices in active markets that are readily and regularly available. The valuation basis for Solvency II is consistent with the Company Statutory Account basis. The Solvency II valuation includes Accrued Interest of USD$0.03m. For Company Statutory Account purposes Accrued Interest forms part of Prepayments and Accrued Income.

4. Corporate Bonds
   Corporate bond valuations are based on either quoted prices in active markets that are readily and regularly available or quoted prices in active markets for similar assets or liabilities adjusted to take into account asset specific factors that are observable. The valuation basis for Solvency II is consistent with the Company Statutory Account basis. Corporate bonds include USD$0.82m held as part of the USD$5.9m trust fund held for the benefit of

North American policyholders. The fair value here is determined on a basis consistent with directly held Corporate Bonds. For Company Statutory Account purposes the USD$0.82m is disclosed as "Shares and Other Variable Yield Securities and Holdings in Collective Investment Schemes". The Solvency II valuation includes Accrued interest of USD$0.01m. For Company Statutory Account purposes, Accrued Interest forms part of Prepayments and Accrued Income.

5. Collateralised Securities
   Representing residential backed mortgages, the fair value is determined based on either quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The valuation basis for Solvency II is consistent with the Company Statutory Account basis. Accrued interest is not material.

6. Deposits Other than Cash Equivalents
   Deposits Other than Cash Equivalents are deposits with credit institutions with maturities in excess of three months from acquisition date and or for which there are restrictions on accessing the deposits. There are no such investment held at 31 December 2016. For Statutory Account purposes there are USD$15.630m of deposits with maturities less than three months which are unrestricted which are reported as Cash and Cash Equivalents for Solvency II but reported as Deposits with Credit Institutions reported within Investments for Company Statutory Account purposes.

7. Reinsurance Recoverables from Non-Life
   The fair value of reinsurers' share of technical provisions is determined after applying discounting whereas for statutory account purposes the gross technical provisions and related reinsurers' share of technical provisions are undiscounted. Discounting for fair value purposes uses the relevant risk free yield curves for each currency. For fuller explanation on the impact of the USD$0.417m refer Section D.2 Technical Provisions.

8. Deposits to Cedants
   Deposits to cedants are a requirement of certain reinsurance contracts. These amounts are provided as cash and considered to represent fair value. Determination of fair value for deposits with cedants for Solvency II and Statutory Accounts is after consideration of impairment of any amounts receivable. The valuation basis for Solvency II is consistent with the Company Statutory Account basis.

9. Reinsurance Receivables
   Within reinsurance receivables is a receivable due beyond twelve months where fair value is determined after applying a discounting rate that reflects the relevant risk free yield curve. The total impact of discounting is to reduce the value of Reinsurance Receivables by USD$1.272m respectively. The valuation basis for this receivable within the Company Statutory Accounts is undiscounted. Determination of fair value for Reinsurance Receivables for Solvency II and Statutory Accounts is after consideration of impairment of any amounts receivable.

10. Cash and Cash Equivalents
    Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date. There are no restrictions on accessing cash or cash equivalents, hence fair value under Solvency II is the value of the cash holding. The valuation basis for Solvency II is consistent with the Company Statutory Account basis. Cash and Cash equivalents include USD$15.630m which for Company Statutory Account purposes are treated as Deposits with Credit Institutions and reported within Investments.

11. Receivables (trade, not insurance)
    Prepayments of USD$0.308m are deemed to have a fair value of nil for Solvency II purposes.

D.2 Technical provisions

The technical provisions comprise the BEL and risk margin according to Articles 75 to 86 of the Solvency II regulations. The best estimate technical provision is the sum of the claims provision and the premium provision.

The claims provision is the discounted best estimate of all future cashflows relating to claim events prior to the valuation date, including claims which have not yet been notified to the (re)insurer. Hence the claims provision is calculated as the expected present value of claims incurred, including incurred but not reported claims (IBNR), plus future expenses incurred to settle these claims, less future premium receivable in relation to the past exposure.

The premium provision is the discounted best estimate of all future cashflows relating to future exposure arising from policies that the (re)insurer is obligated to at the valuation date. Hence the premium provision is calculated as the expected present value of future claims from future exposure, plus future expenses incurred to settle these claims, less future premium receivable in relation to future exposure. The run off nature of CLL means that there are no future exposures post 31 December 2016 and hence therefore no premium provision.

The risk margin represents the amount that another (re)insurer taking on the liabilities would require over and above the best estimate technical provisions. This is calculated using a cost-of-capital approach. The risk margin calculation is dependent on the Solvency Capital Requirement which itself is dependent on the best estimate technical provisions.

At 31 December 2016 the total technical provisions on a Solvency II basis are as follows. These can represent direct, proportional reinsurance or non-proportional reinsurance liabilities (Fuller information is contained in Appendix 1 to the SFCR)

	Gross Best Estimate	Risk Margin	Total Solvency II Provisions	Total Statutory Account Value
	USD'000	USD'000	USD'000	USD'000
By material line of business:				
Liability	28,031	1,756	29,787	28,338
Motor	1,175	74	1,249	1,224
Property	2,139	134	2,273	2,320
Marine, Aviation and Transport	7,887	494	8,381	8,564
Workers Compensation	1,821	114	1,935	1,994
Other	479	29	508	524
	41,532	**2,601**	**44,133**	**42,964**

The Company has adopted a deterministic approach to estimating the BEL by making the following adjustments to the GAAP reserves in the Company's statutory accounts:

Solvency II Liability Adjustments	**2016**
Increase /(decrease)	**USD'000**
Event Not In Data (ENID) included in Solvency II Balance Sheet	1,000
Expense Provision increase included in Solvency II Balance Sheet	1,248
Discounting at the Risk Free Rate	(3,680)
Risk Margin	2,601
Total Solvency II Liability Adjustments	**1,169**

The total of all technical provision adjustments above and separate risk margin result in the gross best estimate technical provisions on the Solvency II balance sheet being USD$1.169m higher than the gross technical provisions of USD$42.964m in the Company Statutory Accounts.

The main risks and uncertainties associated with the technical provisions relate to the following:

- Event Not In Data ('ENID') and Expense provisions: these are subjective (especially ENIDs) and so there are uncertainties associated with these being too high or too low. The ENID adjustment is designed to capture those potential future claims that do not exist in the historical data used for GAAP reserves calculation. These claims are typically low frequency and high severity impact. Historical events which are contained within the Company's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied. The active management of claims could result in actual expenses being higher than those assumed in the technical provisions. One cause of this is the staff costs of the relevant staff who do the active claims management.
- Risk free rates: whilst those used as at a given date are prescribed and provided by EIOPA, they are volatile over time.
- Unavoidable risk associated with the technical provisions: claims provisions are best estimates of future costs, both in terms of the amounts of future cashflows, but outcomes will inevitably differ from any prior estimate.

- The Company's business model is to manage claims actively. The technical provisions assume the runoff of claims over time as they are estimated to become due. This difference results in actual technical provision tending to reduce over time more quickly than the estimates used in the BEL.

D.3 Other liabilities

Other liabilities representing Creditors are not subject to reclassification or valuation adjustment between Statutory Accounts or Solvency II. For Company Statutory Accounts these liabilities are measured as amortised cost. With these liabilities expected to be settled during 2017, in a time of relative benign interest rate volatility, the fair value adjustment is not material.

D.4 Alternative methods for valuation

No other alternative methods for valuation are used.

D.5 Any other information

Not applicable.

E. Capital Management

Capital management refers to implementing measures to maintain sufficient capital and assessing the internal capital adequacy of the Company. The Company manages capital to ensure a prudent cushion of Own Funds to protect the Company's economic viability, finance new growth opportunities and meet regulatory requirements. The Company has a business plan which feeds into the ORSA and which demonstrates capital adequacy is expected throughout the three year planning horizon. The Company targets a capital level of 115% - 125% of SCR.

The Company was in compliance with solvency capital requirements imposed by the Prudential Regulatory Authority throughout the financial year.

E.1 Own funds

Own funds represent Ordinary Share Capital, Share Premium Reserve and Reconciliation Reserve. With respect to the Ordinary Shares there is a single class of share which is unrestricted i.e. dividends can be cancelled after they have been declared and also there are no restriction on the repayment of capital, other than being subject to ongoing regulatory approval. For this reason Own Funds are Tier 1.

	Tier 1	Tier 2	Tier 3	Total
	USD'000	USD'000	USD'000	USD'000
Basic own funds				
Ordinary Share Capital	1,000	-	-	1,000
Reconciliation Reserve	18,766			18,766
Total basic own funds	**19,766**	**-**	**-**	**19,766**
Available and eligible own funds				
Total available own funds to meet the SCR	19,766	-	-	19,766
Total available own funds to meet the MCR	19,766	-	-	19,766
Total eligible own funds to meet the SCR	19,766	-	-	19,766
Total eligible own funds to meet the MCR	19,766	-	-	19,766
SCR				**12,044**
MCR				**4,050**
Ratio of Eligible own funds to SCR				**164%**
Ratio of Eligible own funds to MCR				**488%**

Within Own Funds, the Reconciliation Reserve represents the retained operating deficit/surplus as reported for Company Statutory Account purposes less differences in valuations between Solvency II and Company Statutory Account valuations for assets and liabilities. The components of the Reconciliation Reserve at 31 December are;

Reconciliation Reserve Components	2016
	USD'000
Statutory Account Capital Reserve	26,253
Statutory Account Retained Deficit	(4,364)
Solvency II Asset Valuation differences – refer Section D.1 Assets	(1,954)
Solvency II Liability Valuation differences – refer Section D.2 Liabilities	(1,169)
Total Reconciliation Reserve	**18,766**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

	2016	Unaudited 2015
	USD'000	USD'000
By risk module		
Market risk	5,966	7,368
Default risk	2,249	2,445
Non-life risk	6,570	8,783
Basic SCR before diversification	**14,785**	**18,596**
Diversification Benefits	(3,986)	(4,996)
Basic SCR	**10,799**	**13,600**
Operational risk	1,246	1,550
SCR	**12,044**	**15,150**
MCR	**4,050**	**4,028**

Market risk, counterparty default risk, non-life premium and reserve risk and operational risk all contribute to the SCR, although the main drivers of the SCR are the market risk and non-life premium and reserve risk. These modules are discussed in more detail in Section C.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The Company has not used the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Internal model

The Company calculates the SCR using the standard formula. No internal or partial internal model is used in the calculation of the SCR.

E.5 Non-compliance with the MCR and significant non-compliance with the SCR

There has not been any non-compliance with the SCR or the MCR over the financial year nor is there expected to be any non-compliance with the SCR and MCR in the business planning period.

E.6 Any other information

Not applicable.

Appendix A: Reporting templates

The quantitative reporting templates which form part of the Annual Regulatory Templates listed below are be published as an Appendix to the SFCR.

S.02.01.02	Balance Sheet Information
S.05.01.02	Information on Premiums, Claims and Expenses, applying the valuation and recognition principles used in the company's financial statements.
S.05.02.01	Information on Premiums, Claims and Expenses - by Country, applying the valuation and recognition principles used in the company's financial statements.
S.17.01.02	Information on non-life technical provisions by LOB
S.19.01.21	Information on non-life insurance claims by LOB in the format of development triangles.
S.23.01.01	Information on Own funds
S.25.01.21	Information on the SCR using the Standard Formula
S.28.01.01	Minimum Capital Requirement for the Entity

S.02.01.02
- Balance sheet

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	17,089
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	10,525
R0110	Equities - listed	4,383
R0120	Equities - unlisted	6,142
R0130	Bonds	6,564
R0140	Government Bonds	4,235
R0150	Corporate Bonds	1,733
R0160	Structured notes	0
R0170	Collateralised securities	596
R0180	Collective Investments Undertakings	0
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	18,625
R0280	Non-life and health similar to non-life	18,625
R0290	Non-life excluding health	18,625
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	0
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	536
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	14,897
R0380	Receivables (trade, not insurance)	43
R0390	Own shares (held directly)	0
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	16,650
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	67,841

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	44,133
R0520	Technical provisions – non-life (excluding health)	41,689
R0530	TP calculated as a whole	0
R0540	Best Estimate	39,232
R0550	Risk margin	2,457
R0560	Technical provisions - health (similar to non-life)	2,444
R0570	TP calculated as a whole	0
R0580	Best Estimate	2,300
R0590	Risk margin	144
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	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0
R0660	TP calculated as a whole	0
R0670	Best Estimate	0
R0680	Risk margin	0
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
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	2,951
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	991
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	48,075
R1000	**Excess of assets over liabilities**	19,766

S.05.01.02
- Premiums, claims and expenses by line of business - Table 1

Contents

Tabular
Microsoft Excel -based
Solvency II reporting solution

		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
		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	Health	Casualty	Marine, aviation, transport	Property	
		C0030	C0040	C0050	C0060	C0070	C0080	C0130	C0140	C0150	C0160	C0200
	Premiums written											
R0110	Gross - Direct Business	0	0	0	0	1	7					8
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	-178					-178
R0130	Gross - Non-proportional reinsurance accepted							0	106	10	92	207
R0140	Reinsurers' share	0	0	0	-1	0	-2	0	0	0	-1	-4
R0200	Net	0	0	0	0	1	-169	0	106	10	93	41
	Premiums earned											
R0210	Gross - Direct Business	0	0	0	0	1	7					8
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	-178					-178
R0230	Gross - Non-proportional reinsurance accepted							0	106	10	92	207
R0240	Reinsurers' share	0	0	0	-1	0	-2	0	0	0	-1	-4
R0300	Net	0	0	0	0	1	-169	0	106	10	93	41
	Claims incurred											
R0310	Gross - Direct Business	0	978	-1	0	-6	584					1.556
R0320	Gross - Proportional reinsurance accepted	388	-10	0	96	-36	5.976					6.413
R0330	Gross - Non-proportional reinsurance accepted							520	-4,473	-3,065	-91	-7,110
R0340	Reinsurers' share	0	0	0	209	30	6,004	0	-3,280	-2,523	-308	131
R0400	Net	388	968	-1	-113	-72	556	520	-1.194	-542	217	728
	Changes in other technical provisions											
R0410	Gross - Direct Business	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted							0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	318	195	0	-5	153	1,781	84	810	218	171	3,725
R1200	**Other expenses**											0
R1300	**Total expenses**											3,725

S.17.01.02
- Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance				
		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	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0040	C0050	C0060	C0070	C0080	C0090	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM											
	Best estimate											
	Premium provisions											
R0060	Gross	0	0	0	0	0	0	0	0	0	0	0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	0	0	0	0	0	0	0
R0150	Net Best Estimate of Premium Provisions	0	0	0	0	0	0	0	0	0	0	0
	Claims provisions											
R0160	Gross	1,821	1,173	2	4,508	1,122	11,788	479	16,243	3,379	1,017	41,532
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	4,283	237	1,049	0	11,052	1,987	17	18,625
R0250	Net Best Estimate of Claims Provisions	1,821	1,173	2	225	886	10,739	479	5,191	1,392	1,000	22,906
R0260	**Total Best estimate - gross**	1,821	1,173	2	4,508	1,122	11,788	479	16,243	3,379	1,017	41,532
R0270	**Total Best estimate - net**	1,821	1,173	2	225	886	10,739	479	5,191	1,392	1,000	22,906
R0280	**Risk margin**	114	73	0	282	70	738	30	1,017	212	64	2,601
	Amount of the transitional on Technical Provisions											
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total											
R0320	Technical provisions - total	1,935	1,246	2	4,791	1,192	12,526	509	17,261	3,590	1,081	44,133
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	4,283	237	1,049	0	11,052	1,987	17	18,625
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	1,935	1,246	2	507	956	11,477	509	6,208	1,603	1,063	25,507

S.19.01.21
- Non-life Insurance Claims Information (simplified template for the public disclosure)

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

Total Non-Life Business

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

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

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
R0100	**Prior**											10,355,203		10,355,203	10,355,203
R0160	**N-9**													0	0
R0170	**N-8**													0	0
R0180	**N-7**													0	0
R0190	**N-6**													0	0
R0200	**N-5**													0	0
R0210	**N-4**													0	0
R0220	**N-3**													0	0
R0230	**N-2**													0	0
R0240	**N-1**													0	0
R0250	**N**													0	0
R0260													**Total**	10,355,203	10,355,203

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
R0100	**Prior**											45,211,352		45,211,352
R0160	**N-9**													
R0170	**N-8**													
R0180	**N-7**													
R0190	**N-6**													
R0200	**N-5**													
R0210	**N-4**													
R0220	**N-3**													
R0230	**N-2**													
R0240	**N-1**													
R0250	**N**													
R0260													**Total**	45,211,352

S.23.01.01
- Own funds

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	1,000	1,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Iinitial 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	18,766	18,766			
R0140	Subordinated liabilities	0		0	0	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	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
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				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	19,766	19,766	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			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			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	19,766	19,766	0	0	0
R0510	Total available own funds to meet the MCR	19,766	19,766	0	0	
R0540	Total eligible own funds to meet the SCR	19,766	19,766	0	0	0
R0550	Total eligible own funds to meet the MCR	19,766	19,766	0	0	
R0580	**SCR**	12,044				
R0600	**MCR**	4,050				
R0620	**Ratio of Eligible own funds to SCR**	1.6412				
R0640	**Ratio of Eligible own funds to MCR**	4.8805				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	19,766
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	1,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	18,766
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21
- Solvency Capital Requirement - for undertakings on Standard Formula

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
R0010	Market risk	5,966		
R0020	Counterparty default risk	2,248		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	638		
R0050	Non-life underwriting risk	5,932		
R0060	Diversification	-3,986		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	10,798		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,246
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**	12,044
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	12,044
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Contents

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	3,007

		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 expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	1,821	0
R0050	Motor vehicle liability insurance and proportional reinsurance	1,173	0
R0060	Other motor insurance and proportional reinsurance	2	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	225	0
R0080	Fire and other damage to property insurance and proportional reinsurance	886	0
R0090	General liability insurance and proportional reinsurance	10,739	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	479	0
R0150	Non-proportional casualty reinsurance	5,191	0
R0160	Non-proportional marine, aviation and transport reinsurance	1,392	0
R0170	Non-proportional property reinsurance	1,000	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL 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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	3,007
R0310	SCR	12,044
R0320	MCR cap	5,420
R0330	MCR floor	3,011
R0340	Combined MCR	3,011
R0350	Absolute floor of the MCR	4,050

		C0070
R0400	**Minimum Capital Requirement**	4,050