SOMPO INTERNATIONAL

Endurance Worldwide Insurance Limited

Solvency and Financial Condition Report

For the year ended 31 December 2020

Contents

Summary

Solvency II introduction

The main purpose of Solvency II is to enhance the level of policyholder protection across Europe. The regime also aims to harmonise the regulatory framework and is intended to improve the resilience of the insurance sector to shocks and so reduce the probability of insurers failing. Despite the UK's withdrawal from the EU on 31st December 2020, the UK remains aligned to the Solvency II regime for the time being and continues to adhere to this framework. Solvency II requires firms to identify, quantify and manage their risks on a forward-looking basis, while providing greater transparency to markets and supervisors through the provision of higher quality and more consistent information.

The Solvency and Financial Condition Report ("SFCR") is an element of the improved disclosure and reporting introduced under Solvency II, intended to strengthen market discipline. The purpose of the SFCR is to provide stakeholders with an understanding of the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Basis of preparation

The SFCR has been prepared in compliance with Commission delegated regulation (EU) 2015/35 ("the Delegated Regulation"), being the applicable European Union regulation, currently retained as UK regulation, using the structure set out in annex XX of that document, and in accordance with the Guidelines on reporting and public disclosure (BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority ("EIOPA").

Quantitative information is prepared in US dollars, which is the presentational and functional currency of the Company, and rounded to the nearest $000.

Business and performance

Endurance Worldwide Insurance Limited ("the Company") is a UK authorised insurer and a wholly owned subsidiary of Sompo International Holdings Ltd. ('SIH'), which is based in Bermuda. SIH operates centralised Actuarial, Investment Management, Reinsurance, Financial Accounting and IT functions that provide services for the Company. The ultimate parent entity is Sompo Holdings, Inc. ("Sompo Holdings"), a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange. A Group structure chart is presented in Section A.

The Company has a diversified product offering across multiple lines of business. The most material lines include general liability and fire and other damage to property representing 63.0% of total gross written premium. The Company operates on a global basis; the most material geographical areas using the Solvency II criteria for classification to country include the United Kingdom and United States of America representing 73.1% of total gross written premium.

Amounts in USD'000 unless stated	**31 Dec 2020**	**31 Dec 2019**	**Movement**
Gross written premium	868,925	437,101	431,824
Net Earned Premiums	185,422	100,266	85,156
Underwriting result	32,571	33,787	(1,216)
Underwriting ratio	82.4 %	66.3 %	16.1 %

The Company's success is dependent on the proper selection, pricing and ongoing management of the risks it accepts. In 2020 the Company continued building a specialty insurance business by attracting high quality underwriting talent. The decision was also taken in 2020 to consolidate underwriting under one platform and announced the 'Endurance at Lloyd's' Syndicate closure with effect from 1 January 2021. As a result of this, business volumes have increased significantly during the year as renewals and new business have been more focused to the Company. The Company will continue to consolidate its position and diversify further into new business areas while concentrating its efforts on achieving targeted growth within the insurance portfolio whilst maintaining a relatively stable portfolio of risks from its reinsurance operations.

Gross written premium for the year has exceeded 2019 by 98.8%, increasing to $868.9M in 2020. The majority of growth is in the Fire and Other damage to Property Insurance, General Liability Insurance and Marine, Aviation and Transport Insurance Solvency II lines of business.

Net earned premiums have increased by 85.0% from $100.3M in 2019 to $185.4M in 2020 as the growth in written premiums in prior periods earns through. The Company continues to mitigate insurance risk via reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers.

The Company recorded an overall underwriting profit (being technical result before administrative expenses) of $32.6M, a reduction of $-1.2M from a profit of $33.8M in the prior year. The Company's underwriting ratio (calculated as net claims incurred plus net acquisition costs plus change in net deferred acquisition costs, as a percentage of net earned premium) decreased by 16.1%. The reduction in the underwriting ratio is due to higher current and prior year accident year loss ratios and the Company was also impacted by COVID-19 with net incurred claims of $4.4M.

The global outbreak of COVID-19 in 2020 created unprecedented challenges to individuals, companies and governments across the world. At this time, based upon information currently available to the Company, the current measures and strategies that have been implemented have permitted the Company to carry out its business and perform its obligations to policyholders, counterparties and regulators, and the impacts from COVID-19 have not materially adversely affected its ability to do so.

With effect from 1 January 2019, all of the EEA liabilities and associated assets related to policies that are legally required to transition to a European based operation were transferred to SI Insurance (Europe), SA ("SIIE") in accordance with the terms of an insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 ("the Part VII Transfer") approved by the High Court of Justice of England and Wales on 10 December 2018. This ensures that the Sompo Group can continue to write the EEA-exposed business post-Brexit. In addition, with effect from 1 January 2019, Sompo Japan Nipponkoa Insurance Company of Europe Limited, a related company, transferred all of its risks with no EEA exposure to the Company in accordance with the Part VII Transfer.

Further detail on the performance of the Company, including technical performance by Solvency II line of business and region and the investment performance, is reported in section A.

System of governance

The Board of Directors is the governing body of the Company. The Board is responsible for the strategic oversight of the Company and, inter alia, for the establishment and maintenance of a governance environment. The Board is supported by four oversight committees; the Audit Committee, the Risk & Compliance Committee, the Remuneration Committee and the Nomination Committee.

The following four Key Functions have been identified as those that support the governance of the firm:

- An Actuarial Function, which is responsible, inter alia, for the calculation of technical provisions, the appropriateness of the methods and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- An Internal Audit Function, which is responsible, inter alia, for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.
- A Compliance Function, which is responsible, inter alia, for advising the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.
- A Risk Management Function, which is responsible, inter alia, for the implementation of the Company's system of risk management, as well as designing and developing the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.

No material changes to the system of governance took place over the course of the reporting period. Further detail on the system of governance of the Company, including the risk management system and Own Risk and Solvency Assessment ("ORSA"), is reported in section B.

Risk profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. As determined by the Standard Formula, insurance risk is the most material risk to the Company, with non-life underwriting risk identified as the predominant insurance risk. The comprehensive reinsurance in place both for specific lines of business and across the whole account substantially limit the net loss potential from any single occurrence or aggregation of loss events.

Market risk and counterparty default are other significant risks for the Company, further detail on the current risk profile of the Company and related risk management techniques are reported in section C.

The risk profile and corresponding capital requirement for the Company increased during 2020 as the Company continues to grow. In particular, this growth was accelerated following the decision to consolidate underwriting under one platform, and the closure of the 'Endurance at Lloyd's' Syndicate with effect from 1 January 2021. Further details are reported in section A.2

Valuation for solvency purposes

Solvency II provides an assessment of an insurance company's balance sheet based on the principle of market-consistent valuations. Essentially, this means that the value of assets and liabilities reflect the current value at which they could be traded in financial markets, rather than their UK GAAP accounting value.

Different approaches are required to determine market-consistent values of an insurance company's assets and liabilities. Some investment assets are traded in sufficiently deep and liquid markets that provide readily available prices, which are generally taken to be market values. Assets not actively traded are fair valued using a Solvency II compliant model.

No such market generally exists for insurance liabilities, which are specific to the contract between the firm and the policyholder. Solvency II's interpretation of the market value of insurance liabilities requires insurers to forecast expected future liability cash flows and then discount them using risk-free interest rates of an appropriate maturity, to arrive at a 'best estimate'. A 'risk margin' is added to this best estimate in order to produce a market-consistent value.

The transitional arrangements related to risk-free interest rate-term structure and deductions referred to in Article 308c of Directive 2009/138/EC are not applied in the calculation of technical provisions.

Further detail on Solvency II valuation methods is reported in section D.

Capital management

The Company applies the Standard Formula, a standardised calculation method prescribed in the Delegated Regulation, to calculate its Solvency Capital Requirement ("SCR"), which is a quantity of capital that is intended to provide protection against unexpected losses over the following year up to a 99.5% confidence level. The Standard Formula follows a modular approach where the overall risk which the Company is exposed to is divided into risk modules, and for each module a capital requirement is determined.

The Company has complied continuously with both the Minimum Capital Requirement ("MCR") and SCR throughout the reporting period.

Amounts in USD'000 unless stated	**31 Dec 2020**	**31 Dec 2019**	**Movement**
Eligible own funds to meet SCR	467,848	472,466	(4,618)
Eligible own funds to meet MCR	441,752	458,767	(17,015)
Solvency Capital Requirement	256,719	177,486	79,233
Minimum Capital Requirement	89,382	55,965	33,417
Ratio of own funds to SCR	182.2%	266.2 %	(84)%
Ratio of own funds to MCR	494.2 %	819.7 %	(326.0)%

Eligible own funds have decreased during the period by 1.0% while the SCR has increased by 44.6%. This has resulted in a decrease in the Solvency ratio from 266.2% in 2019 to 182.2% in 2020. The primary driver of the increase in the SCR was the increased business volumes and technical reserves.

Own funds classified by tiers are as follows:

Amounts in USD'000	**31 Dec 2020**	**31 Dec 2019**	**Movement**
Tier 1	441,752	458,767	(17,015)
Tier 2	—	—	—
Tier 3	26,096	13,699	12,397
	467,848	472,466	(4,618)

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of \$346.3M and \$261.9M respectively (2019: \$346.3M and \$261.9M), and a reconciliation reserve deficit of (\$166.5)M (2019: (\$149.5)M). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the Minimum Capital Requirement and all own funds are eligible to cover the Solvency Capital Requirement.

Further detail on capital management is reported in section E.

A. Business and Performance

A.1 Business

A1.1 Name and legal form

The Company is a limited liability company incorporated in England.

The Company is fully owned by its immediate parent company, Endurance Worldwide Holdings Limited ("EWHL") incorporated in London, England. The ultimate parent entity is Sompo Holdings, Inc. ("Sompo Holdings"), a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange.

A1.2 Supervisory authority and group supervisor

The Company is supervised by both the PRA and the Financial Conduct Authority ("FCA"). Their respective contact details are:

Prudential Regulation Authority
20 Moorgate
London EC2R 6DA
United Kingdom
+44 20 3461 7000
PRA.FirmEnquiries@bankofengland.co.uk

Financial Conduct Authority Bank of England
25 The North Colonade, Canary Wharf
London E14 5HS
United Kingdom

SIH's Group supervisor is:

The Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HMJX
Bermuda
+ 441 295 5278
insuranceinfo@bma.bm

Sompo Holdings' group supervisor is:

Japan Financial Services Agency

3-2-1 Kasumigaseki Chiyodaku Tokyo, 100-8967

Japan

+81-(0)3-3506-6000

equestion@fsa.go.jp

A1.3 External auditor

Ernst & Young LLP

25 Churchill Place

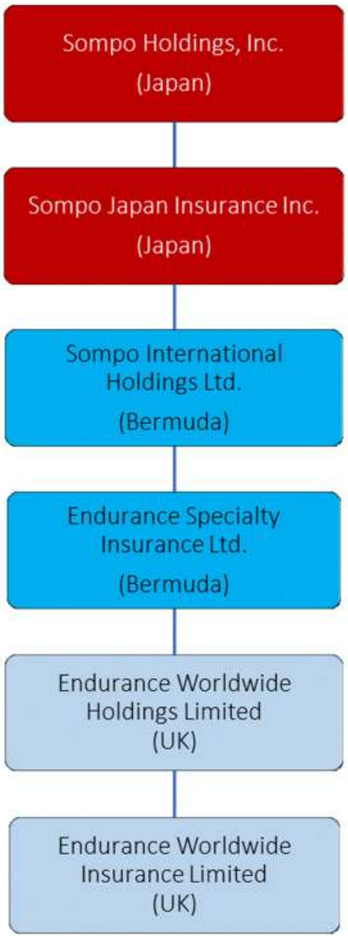
London E14 5EY

United Kingdom

A.1.4 Group structure

Sompo Holdings operates worldwide and is publicly traded on the Tokyo Stock Exchange. The Company is a fully owned member of a sub-group (Sompo International Holdings) which at 31 December 2020 wrote insurance and reinsurance business through its 22 operating subsidiaries domiciled in and across North America, South America, Europe and Asia. Figure A.1.5 below depicts an abridged structure chart for the relevant UK legal entities and their position within the wider Group.

Fig. A.1.5


Sompo Holdings, Inc.
(Japan)
Sompo Japan Insurance Inc.
(Japan)
Sompo International Holdings Ltd.
(Bermuda)
Endurance Specialty Insurance Ltd.
(Bermuda)
Endurance Worldwide Holdings Limited
(UK)
Endurance Worldwide Insurance Limited
(UK)

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A.1.5 Material lines of business and material geographical areas

The Company has a diversified product offering, across multiple lines of business. The following table sets out the gross premiums written by material Solvency II line of business.

Amounts in USD'000	**31 Dec 2020**	**31 Dec 2019**	**Movement**
Fire and other damage to property insurance	340,134	130,992	209,142
General liability insurance	211,258	81,166	130,092
Credit and suretyship insurance	88,696	61,790	26,906
Marine, aviation and transport insurance	120,024	68,433	51,591
Income protection insurance	1,961	57	1,904
Non-proportional casualty reinsurance	83,047	64,538	18,509
Non-proportional marine, aviation, transport reinsurance	8,592	6,666	1,926
Non-proportional property reinsurance	15,213	23,459	(8,246)
	868,925	437,101	431,824

The Company operates on a global basis; the following table sets out the gross premiums written by material geographical area using the Solvency II criteria for classification to country.

Amounts in USD'000	**31 Dec 2020**	**31 Dec 2019**	**Movement**
United Kingdom	384,507	160,401	224,106
United States of America	250,681	134,389	116,292
Brazil	29,863	25,769	4,094
Switzerland	15,488	5,807	9,681
Israel	15,021	2,280	12,741
India	11,767	1,471	10,296
Mexico	11,087	5,769	5,318
Colombia	10,766	1,463	9,303
Chile	9,908	4,144	5,764
Other	129,837	95,608	34,229
	868,925	437,101	431,824

A.1.6 Significant post balance sheet events

The UK Government announced in its Budget on 3 March 2021 that the UK corporation tax rate will be increasing from 19% to 25% from 1 April 2023 onwards. This change has not been reflected in the deferred tax balances at the balance sheet date as it is not substantively enacted. Had it been reflected, it would not have a material impact on the deferred tax balance recognized in the company as at 31 December 2020.

A.2 Underwriting Performance

During 2020, the gross written premium increased by 98.8% from $437.1M in 2019 to $868.9M. The increase in gross written premium is predominately from the Insurance business driven by Syndicate business transitioning to the Company in addition to strong rate and new business across many classes. This is in addition to growth from the Reinsurance business which is conducted mainly through the Zurich branch ("EWIZ") which offers reinsurance contracts to clients in Switzerland and abroad, with a focus on European business and clients within specialty lines. Reinsurance business is also conducted in the London operation with a focus on General Liability.

The majority of growth in gross written premiums on a solvency II line of business from new business in the Fire and Other Damage to Property class (year on year increase of $209.1M), the General Liability class ($130.1M year on year increase) and the Marine, Aviation and Transport class (year on year increase of $51.6M).

Net earned premiums have increased by 85.0%. The Company continues to mitigate insurance risk via reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers. This approach provides additional capacity for growth and thereby allows further diversification of risk, contributes towards the direct expenses associated with growing an insurance franchise, and supports expansion into profitable lines of business.

The Company recorded an overall underwriting profit (being technical result before administrative expenses) of $32.6M, a deterioration of $-1.2M from a profit of $33.8M in the prior year. The Company's underwriting ratio (calculated as net claims incurred plus net acquisition costs plus change in net deferred acquisition costs, as a percentage of net earned premium) increased by 16.1%.

Amounts in USD'000	Direct and proportional				Non-proportional			31 Dec 2020
	Fire and other damage to property	**General liability**	**Marine, aviation and transport**	**Other**	**Casualty**	**Marine, aviation and transport**	**Property**	**Total**
Gross earned premium	238,736	144,222	79,471	68,575	73,104	6,155	14,329	624,592
Reinsurers' share	(166,903)	(100,477)	(62,031)	(56,171)	(36,519)	(5,152)	(11,917)	(439,170)
Net earned premium	71,833	43,745	17,440	12,404	36,585	1,003	2,412	185,422
Gross claims incurred	165,089	115,082	57,541	44,249	58,022	7,789	14,423	462,195
Reinsurers' share	(112,547)	(77,042)	(44,592)	(32,274)	(26,999)	(6,643)	(11,860)	(311,957)
Net claims incurred*	52,542	38,040	12,949	11,975	31,023	1,146	2,563	150,238
Acq. expenses	4,011	(679)	678	(192)	(804)	(122)	(279)	2,613
Admin. expenses	9,534	1,290	3,732	(250)	5,781	171	419	20,677
Technical result	5,746	5,094	81	871	585	(192)	(291)	11,894

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

Amounts in USD'000	Direct and proportional				Non-proportional			31 Dec 2019
	Fire and other damage to property	**General liability**	**Marine, aviation and transport**	**Other**	**Casualty**	**Marine, aviation and transport**	**Property**	**Total**
Gross earned premium	111,095	78,504	60,038	39,764	55,743	7,706	19,775	372,625
Reinsurers' share	(84,274)	(57,664)	(47,177)	(34,021)	(27,681)	(6,065)	(15,477)	(272,359)
Net earned premium	26,821	20,840	12,861	5,743	28,062	1,641	4,298	100,266
Gross claims incurred	49,481	60,141	27,386	10,459	37,209	4,479	8,958	198,113
Reinsurers' share	(34,242)	(39,913)	(25,123)	(9,994)	(16,260)	(2,419)	(6,878)	(134,829)
Net claims incurred*	15,239	20,228	2,263	465	20,949	2,060	2,080	63,284
Acq. expenses	165	134	2,958	(261)	178	13	8	3,195
Admin. expenses	7,223	6,153	1,723	1,413	3,176	505	387	20,580
Technical result	4,194	(5,675)	5,917	4,126	3,759	(937)	1,823	13,207

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

The gross loss ratio has increased by 20.8% to 74.0%. Adverse prior year accident claims development was experienced in 2020. The Company was also impacted by COVID-19 losses in the year and Catastrophe exposure including US Hurricanes and wildfires. This was also the driver of the higher net loss ratio in 2020 at 81.0% compared to 2019 at 63.1%. The gross acquisition ratio at 15.2% is 0.3% higher than prior year driven by multiple lines of business. The net acquisition ratio has decreased marginally from 3.2% in 2019 to 1.4% in 2020.

General and administrative expenses have remained stable increasing by 0.5% year on year predominantly due to higher ceding commissions from higher earnings offsetting a higher share of London staff costs.

Amounts in USD'000	**United Kingdom**	**USA**	**Brazil**	**Switzerland**	**Israel**	**India**	**Other**	**31 Dec 2020 Total**
Gross earned premium	273,582	176,194	27,004	12,156	8,782	3,748	123.126	624,592
Reinsurers' share	(176,283)	(126,865)	(22,596)	(10,014)	(6,665)	(3,513)	(93,234)	(439,170)
Net earned premium	97,299	49,329	4,408	2,142	2,117	235	29,892	185,422
Gross claims incurred	195,105	134,985	17,787	11,174	7,088	3,866	92,190	462,195
Reinsurers' share	(120,895)	(98,050)	(14,849)	(8,898)	(5,134)	(3,300)	(60,831)	(311,957)
Net claims incurred*	74,210	36,935	2,938	2,276	1,954	566	31,359	150,238
Operating expenses	16,699	10,459	862	157	334	(44)	(5,177)	23,290
Technical result	6,390	1,935	608	(291)	(171)	(287)	3,710	11,894

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

Amounts in USD'000	**United Kingdom**	**USA**	**Brazil**	**Belgium**	**Chile**	**France**	**Other**	**31 Dec 2019 Total**
Gross earned premium	146.084	105.664	16.233	15.372	6.031	8.413	74.828	372.625
Reinsurers' share	(97,369)	(76,386)	(11,796)	(11,845)	(4,343)	(6,130)	(64,490)	(272,359)
Net earned premium	48,715	29,278	4,437	3,527	1,688	2,283	10,338	100,266
Gross claims incurred	82,292	46,604	183	3,221	4,613	3,288	57,912	198,113
Reinsurers' share	(48,343)	(39,503)	(410)	(3,227)	(4,108)	(2,698)	(36,540)	(134,829)
Net claims incurred*	33,949	7,101	(227)	(6)	505	590	21,372	63,284
Operating expenses	13,850	11,582	3,699	733	954	635	(7,678)	23,775
Technical result	916	10,595	965	2,800	229	1,058	(3,356)	13,207

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

The largest increase in gross earned premium in 2020 were seen in the United Kingdom, as the Company benefits from the increased Group focus on the London market, and the United States.

A.3 Investment Performance

Net investment income decreased by $10.8M versus the prior year. The decrease is the result of significantly lower reinvestment yields on a slightly larger portfolio. As a result of the Company's functional currency change as at 1 Jan 2019, amortisation was briefly elevated for the fiscal year 2019.

Amounts in USD'000 unless stated	31 Dec 2020	31 Dec 2019	Movement
Interest income – cash and deposits	377	1,274	(897)
Interest income – collateralised securities	7,429	8,811	(1,382)
Interest income – corporate bonds	6,466	6,992	(526)
Interest income – government bonds	4,361	3,571	790
Amortisation	(1,398)	7,269	(8,667)
Investment expenses	(1,321)	(1,233)	(88)
Net investment income	15,914	26,684	(10,770)
Ending portfolio market value	951,140	777,457	173,683
Average book yield	1.76 %	2.74%	-0.98%

Realised and unrealized investment gains and losses on a Solvency II basis, including foreign exchange gains and losses, have increased in the current year as follows:

Amounts in USD'000 unless stated	2020		2019	
	Realised	Unrealised	Realised	Unrealised
Gains/(losses) - cash and deposits	459	—	(90)	—
Gains/(losses) – collateralised securities	(2,562)	4,253	(78)	5,993
Gains/(losses) – corporate bonds	652	10,833	510	7,490
Gains/(losses) – government bonds	578	9,917	(87)	5,148
	(873)	25,003	255	18,631

Throughout 2020, the portfolio produced large unrealised and realised gains as a result of lower interest rates. The aggregate portfolio, comprising of only fixed income investments, returned +5.14% in the year 2020.

There are no investment gains or losses recognised directly in equity.

A.3.1 Investments in securitisation

The Company held $277.2M of securitised assets at 31 December 2020, 29% of the total investment portfolio (2019: $265.2M, 34% of the total investment portfolio).

A.4 Performance of other activities

Due to the weakening of USD in the year (primarily against GBP and EUR), the Company recognised $4M of foreign exchange gains in the year ended 31 December 2020 ($5.2M foreign exchange loss for prior year ended 31 December 2019).

A.4.1 Leasing arrangements

The Company is party to two 10 year operating leases for land and buildings. The first was entered into on 27 January 2015 and the second was entered into on 16 February 2018. The Company has the option to terminate both lease agreements from the break date of 16 February 2023.

These are valued differently under UK GAAP to Solvency II, please refer to Sections D.1 and D.3 for further details.

The Company is not party to any material financial lease arrangements.

A.5 Any other information

There is nothing further to report regarding the business and performance of the Company.

B. System of Governance

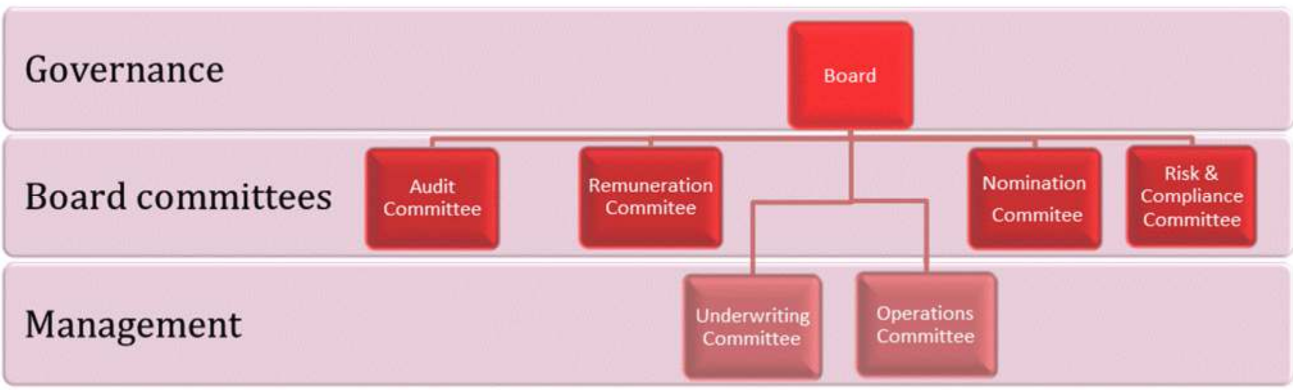
B.1 General information on the system of governance

The Board of Directors, which consists of both executive and non-executive directors, is the Company's governing body and has ultimate responsibility for the sound and prudent management of the Company. The Board is required to perform this role with integrity, due care, and professional skill. In addition to having responsibility for strategic oversight, the Board is responsible, inter alia, for the establishment and maintenance of a governance environment which meets the requirements and obligations of the Company's regulators and the legal framework in which the Company operates.

The Board has documented terms of reference in place, which includes a list of matters reserved to the Board. In addition, the Board is supported by four Board Committees:

- An Audit Committee, which is chaired by and includes non-executive directors and is responsible, inter alia, for oversight and challenge of the financial and internal controls of the Company and the integrity of statutory reporting and financial statements.
- A Risk & Compliance Committee, which is chaired by and includes non-executive directors and is responsible, inter alia, for the oversight of the Company's framework of risk management and compliance with regulatory requirements and expectations.
- The Remuneration Committee is responsible for oversight of the firm's remuneration arrangements including the adherence to regulatory requirements.
- The Nomination Committee is responsible for oversight of the firm's process for succession planning and the appointment of senior staff.

The Company has also established certain management committees, made up of executive management, which provide more granular oversight and review of the business and operations of the Company as shown below.



B.1.1 Key Functions

As required by articles 268 to 272 of the Delegated Regulation, the following four Key Functions and associated reporting lines are incorporated into the Company's organisational structure. These Key Functions are provided with the necessary authority and resources to carry out their role by the Board of the Company and each are operationally independent.

- The Actuarial Function is responsible for the calculation of technical provisions, the appropriateness of the methods and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- The Internal Audit Function is responsible for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.
- The Compliance Function is responsible for advising the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.
- The Risk Management Function is responsible for the implementation of the Company's system of risk management, including the development and maintenance of the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.

Key Function Holders are required to adhere to the Fit and Proper policy, the details of which are described in section B.2.

B.1.2 Remuneration policy

B.1.2.1 Remuneration Policies and Performance-based Criteria

The compensation and performance based criteria currently in place for employees consists of four principal elements of compensation: base salary, annual incentive compensation, long-term incentive compensation, and employee benefits/other compensation.

Base salary is the guaranteed element of the employee’s compensation structure and is paid to employees for ongoing performance throughout the year.

The annual incentive compensation program supports both the SIH Group’s and the Company’s strategy by linking a significant portion of its employees’ total compensation to the achievement of critical business goals on an annual basis. All employees are eligible to earn annual incentive compensation, the annual target for the incentive program being dependent on the employee’s level within the organisation.

The Company's Remuneration Committee along with the SIH Nomination & Compensation Committee (the “Committees”) believe the inclusion of long-term incentive compensation in the SIH compensation structure fosters the appropriate perspective in management, given that the ultimate profitability of the insurance or reinsurance underwritten by SIH may not be fully known for many years. In addition, the Compensation Committee seeks to align the interests of SIH's employees with SIH's shareholders to the greatest extent practicable. Finally, long-term incentive compensation, which potentially is forfeited in the event of the departure of an employee from SIH, has the ability to retain valuable executive talent within the organisation. Each of the Senior Executive Officers, Senior Vice President and Executive Vice President level employees are eligible to earn long-term incentive compensation. The Company's Remuneration Policy also makes provision for variable remuneration payable to senior members of staff to comply with the expectations set down in Article 275 of the Solvency II Directive.

Annual incentive and long term incentive awards are discretionary and are based upon a combination of SIH, Company and employee performance. The incentive pools are set based on achieved SIH and Company performance against agreed objectives at the beginning of the performance year. The individual award is then determined based on individual performance.

Employees are offered a market driven core set of employee benefits in order to provide a reasonable level of financial support in the event of an employees' illness or injury and enhance productivity and job satisfaction through programs that focus on employees' health and well-being. In the Company, employees' basic benefits include private medical, private dental, private GP coverage, disability insurance, critical illness insurance and life insurance. All employees are automatically enrolled in the defined contribution Personal Retirement Savings Scheme.

Non-Executive Directors of the Company's Board of Directors are paid a fixed monthly fee for their services plus agreed expenses.

B.1.2.2 Supplementary Pension and/or Early Retirement Schemes

The Company does not have any supplementary pension programs or early retirement schemes for any of the members of its Board of Directors nor any of the senior executives.

B.1.3 Material transactions during the reporting period with shareholders, persons who exercise a significant influence on the Company and with members of the board

The Company did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

The Company enters into transactions with other Sompo Holdings group entities in the normal course of business. The most material transactions are the reinsurance cessions to the Company's parent companies, Endurance Specialty Insurance Ltd ("ESIL") and Sompo Japan Insurance Inc. ("SJI").

The Company also has a Net Worth Agreement with ESIL which will enable the Company to maintain capital resources in an amount equal to the higher of:

(a) 100% of the Company's Minimum Capital Requirement; or

(b) 150% of the Company's Solvency Capital Requirement.

The Net Worth Agreement also has a liquidity provision should the Company have insufficient funds to make a required payment for any valid claims under the policies issued by the Company and valid claims of financial creditors as they fall due for payment.

B.2 Fit and proper requirements

There is a Fit and Proper policy to which all members of the Board, Key Function Holders, and persons within and working on behalf of the Company who might from time to time be captured by the Fit and Proper requirements set out in the Directive must adhere. Additionally, certain members of staff are required to comply with the Conduct Standards and Conduct Rules set forth by the PRA and FCA respectively. These rules apply to a differing extent according to whether individuals have been identified as being Senior Managers or Certified Persons under the Senior Managers and Certification Regime or if they are deemed to not be performing a purely ancillary role.

The Fit and Proper policy requires that where a person is captured by the Fit and Proper requirements that person must be assessed against the relevant fit and proper criteria applicable to the role including but not limited to honesty, integrity, reputation, competence, capability, and financial soundness.

The Fit and Proper policy requires that an annual assessment of a person's fitness and propriety (where such person is subject to the relevant requirements) should be carried out at the time of first recruitment and on a regular (at least annual) basis thereafter. The policy states, inter alia, that:

- Persons (who are subject to the fit and proper requirements) should be assessed for the ability to carry out their role in compliance with relevant regulatory requirements, principles, and rules;
- Persons should be assessed for their competence, both in terms of management and technical ability;
- Persons should be subject to annual appraisal to ensure that all the key skills relating to the role remain at a suitable level; and
- Persons should be subject to a documented programme of professional development to ensure that they remain technically and professionally competent.

This annual assessment of an individual's fitness and propriety will form part of the ongoing annualised assessment of Senior Managers and Certified Persons that we will be required to undertake as part of the Senior Managers and Certification Regime.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk management strategy

The Company's risk strategy is aligned to the business objectives of the Company. As a specialty (re)insurer operating in the international insurance and reinsurance marketplace it is central to the achievement of the Company's business objectives that it seeks insurance and investment risk through the specialty products that it underwrites, and the investments made with the assets of the business. In undertaking this activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded.

The principles underpinning the Company's risk management strategy include:

- The Company sees risk as more than just a potential for loss, but also as a potential for opportunity;
- The Company only seeks risks that it has the capabilities and expertise to understand and to manage;
- The Company only accepts risks it seeks that provide a level of reward commensurate with the risk assumed;
- The Company uses its people, systems, processes and controls to minimise its exposure to risks that it does not seek and for which it is not rewarded, subject to cost benefit considerations; and
- The Company defines the risk preferences and tolerances within which it will normally operate to achieve its business objectives.

The Company's approach to risk management is based upon the belief that risk management activity should be embedded across the business, leverage a diversity of skills, tools and people whilst being supported by a strong culture of risk awareness and engagement. In particular, the risk management system is designed to support the successful execution of the Company's business strategy by aligning the risk appetite to business objectives and inculcating a risk management culture that influences decisions from board level through to individual employees.

Risk management responsibilities are clearly defined across the company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organization, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team who is responsible for the design and operating effectiveness of the associated control framework in place to manage risk.

- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by the both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the Board approved appetite statements regarding risk preference and tolerance. The risk function may provide support and guidance to the first line with respect to the design of their control framework.

- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk & Compliance Committee which meets quarterly to receive reports and management information from the UK Chief Risk Officer who is responsible for the UK risk function.

B.3.2 Risk management system

The risk management system of the Company encompasses the following key components: risk identification and assessment; interaction with the decision-making process; risk reporting; and the risk governance structure. The risk management system supports the business in monitoring strategy execution and also in informing decisions around the evolution of the strategy over time.

The risk management system operates in the following ways:

a) Identify: The Company has a strong risk culture promoted by business leadership and supported by the remuneration structure. Risk is seen as more than just a potential for loss, but also as a potential for opportunity. A proactive approach to developing and maintaining risk awareness is built into the Company's processes and is an important consideration spanning the management of both the asset and liability sides of the balance sheet.
b) Assess: The Company maintains a collaborative approach to assessing risk and performance, generating insight and preserving consistency by bringing an appropriate mix of disciplines, perspectives and tools together to address the challenges of quantifying risk and of understanding uncertainty. Underpinning this, the Company has established a robust framework for the development of risk intelligence internally, the acceptance of externally developed risk intelligence, and the on-going review and independent validation of utilised intelligence.

c) Respond: The Company has established processes, systems and management information to embed risk and performance analytics in the decision making framework across the business. Systems have been established to synthesize and deliver risk insight to the point of decision making whilst processes are maintained to ensure continued engagement between decision makers and analytics teams.

d) Monitor: The Board approves the policies, appetites and tolerances. A suite of risk management reports is provided to oversight and management committees to assist them in discharging their delegated oversight and decision-making responsibilities. The business implements a control environment which describes how the business should operate to remain within risk appetites and assigns individual accountability for identified risks and key business controls. The business implements a control environment which is designed to operate within defined risk appetites and assigns individual accountability for identified risks and key business controls, documented in the risk register.

The Company's internal audit function considers the risk management framework in the development of its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register.

Training on the risk management framework and specifically risk appetites is provided to the Board, management and all staff regularly.

B.3.3 Risk appetite framework

The Company’s operations are subject to risk appetite statements defining the boundaries within which the Company is expected to operate when pursuing its strategy and that enable management and the Board to focus on meaningful high-level targets at the intersection of strategy, risk and performance.

Risk appetite statements are articulated at three different levels.

- The highest-level statements, “Risk Strategy Statements”, describe the Company's risk preference and overarching risk objective.
- Associated with each of these statements is a series of “Board Level Risk Appetite Statements” which reference specific key risk indicators and for each define risk tolerances within which the risk profile would normally be expected to operate.
- Supplementing both the Risk Strategy Statements and Board Level Risk Appetite Statements are a series of “Management Level Monitoring Statements”. These refer to more detailed specific metrics and associated tolerances/targets that business risk management (1st line) operate the business with reference to. These risk profile characteristics are overseen by the 2nd line, risk management, and deviations from specified tolerances/targets at this operational level are reported to the Board for discussion on an exception basis. Together these provide an objective basis for the ongoing assessment and monitoring of the risk profile that is linked to the objectives of the business. Supplementing both the Tier 1 and 2 risk appetite statements are a series of risk monitoring statements. These refer to specific metrics and associated tolerances/targets that business risk management (1st line) operate the business with reference to. These risk profile characteristics are overseen by the 2nd line, risk management, and deviations from specified tolerances/targets at this operational level are reported to the Board for discussion on an exception basis. The lines of defence are explained further in section B.4.

B.3.4 Risk management responsibilities

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk and Compliance Committee which meets quarterly to receive reports and management information from the Chief Risk Officer who is responsible for the risk function.

The Board of Directors <u>Governing Body</u>

The Board has ultimately responsibility for the Company's risk management and approves this Risk Management Policy, including risk appetite statements and tolerances, at least annually.

Risk and Compliance Committee (R&CC) <u>Oversight Body</u>

The R&CC is responsible for the oversight of management within the Company. The R&CC also supervises the development and implementation of an organisation-wide approach to the identification, assessment, communication, and management of risk in a cost-effective manner.

The R&CC has appointed a Chairman and meetings are attended by representatives from the Company's senior management and the Group Chief Risk Officer.

Audit Committee <u>Oversight Body</u>

The Audit Committee is responsible for, among other things, oversight of reviews conducted by the Internal Audit Function that are designed to provide management and the Audit Committee with assurance regarding the Company's risk management processes and internal control systems.

Management Committees / Body <u>Management Committee / Body</u>

The Underwriting Committee is responsible for, among other things, oversight of the Company's underwriting processes, procedures and controls, approval of any amendments to underwriting policy and guidelines, and monitoring of the Company's risk exposures. The Operations Committee is responsible for, among other things, oversight of the day-to-day operations of the Company (e.g. claims handling, human resources, facilities), including the assessment and monitoring of operational risk. The Operations Committee is also responsible for governance of the Capital Model. The Operations Committee is supported in its oversight role by the Operations Management Group.

B.3.5 Own risk and solvency assessment process

The Company operates under the jurisdiction of the PRA which, under Solvency II Pillar 2, sets out the ORSA. The ORSA requires the firm to assess all of the current and possible future risks it has within its business to determine the level of capital needed to mitigate these risks.

The Company conducts its ORSA each quarter to assist the Board in making strategic decisions. The reports are presented to the Risk & Compliance Committee and the Board of Directors quarterly, and approved for regulatory submission annually.

The ORSA process:

- Involves both a quantitative and qualitative evaluation of the Company's existing, strategic and emerging risks, including stress and scenario testing.
- Provides for the regular determination of the Company's current and future solvency position and the determination of the Own Funds necessary to ensure its capital needs are met at all times.
- Is appropriately evidenced, documented and described in the ORSA reporting that is prepared at least annually and reported to the Board.

The Board has ultimate responsibility for ensuring the ORSA process is executed in accordance with this policy. The risk management function has day-to-day responsibility for conducting the ORSA process and producing ORSA reporting with assistance from the actuarial and other supporting functions.

The ORSA process allows the Board to assess the current and potential future risks facing the Company to better understand the risk profile and to ensure that the Company is operating within its risk profile. The ORSA also informs the Executive Team and the Board on the level of capital resources needed to support the business plan. The information provided within the ORSA guides any risk mitigation actions, reassessment of risk profile and strategy, and decisions with regards to capital management.

The Company has determined that the Solvency II Standard Formula, which encompasses the primary drivers of risk exposure, is appropriate to use to calculate the required solvency capital needs. The Standard Formula employs a mathematical model that provides a risk-based framework to determine appropriate levels of capitalisation.

The Risk Management Function is responsible for conducting the quarterly ORSA process. The key business processes supporting the ORSA include: strategy reviews; business planning; the risk management framework; the stress and scenario testing framework and the technical provisioning process.

B.4 Internal control system

Risk management responsibilities are clearly defined across the Company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organisation, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team and subject to quarterly self-assessment.
- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the Board approved appetite statements regarding risk preference and tolerance. The risk function will intervene directly in modifying and developing the internal control and risk systems utilised in the first line, as such the second line of defence cannot offer truly independent risk assurance to the Board.
- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Risk Management Function operates within the second line of defence and is responsible for the following activities:

a) To preserve financial soundness by
   i. Assessing and monitoring on-going capital and reinsurance adequacy
   ii. Advising the business on key risks and risk management strategies
   iii. Maintaining compliance with prevailing risk management standards / requirements and to support the business in minimising the otherwise avoidable costs of compliance

b) To maintain strategic focus and alignment by
   i. Embedding a clear and specific statement of business strategy and objectives
   ii. Maintaining a proactive and creative approach to understanding and responding to threats and opportunities over the strategic planning time horizon
   iii. Maintaining statements of the business' risk preferences and embedding these across the decision making system

c) To provide performance optimisation insight by
   i. Advising on the allocation of capital resources to maximise risk adjusted return in light of risk appetite preferences

ii. Providing targeted and timely risk analytics to inform specific risk taking or risk mitigation decision making
iii. Monitoring control effectiveness and facilitate optimisation of risk mitigation strategies and processes

The Compliance Function operates within the second line of defence and is responsible for ensuring business activities remain in accordance with prevailing regulatory requirements and minimum standard expectations. The activities of the Compliance Function are divided into the following strands of activity:

- Business advisory: ensuring that the Board, senior management, and staff of the Company are aware of the obligations and requirements imposed on them by the applicable regulatory regimes.
- Compliance monitoring: providing regular and prompt identification and assessment of compliance risk and the day-to-day operation of compliance tools, policies and procedures.
- Regulatory affairs: managing the relationship of the Company with its regulators.
- Complaints handling: administering and operating the complaints handling process for the Company on a day-to-day basis.
- Reporting on all of the above strands of activity to the Company's Board.

The Internal Audit Function acts as the third line of defence and conducts regular reviews of the Company's operations. Part of the scope of each audit is to review the relevant risks associated with the activities under audit, to test the controls as recorded in the risk register and to provide findings to senior management, risk management and the Audit Committee. The feedback may include recommendations for changes to be made to the risk register, controls or processes.

B.5 Internal audit function

The Internal Audit function's purpose is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Company by challenging the effectiveness of the framework of controls which enable risk to be assessed and managed. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control. Internal Audit has a direct reporting line to the Audit Committee as part of their oversight role.

Internal Audit undertakes, objectively and independent from management, three principal activities:

- Assessing and reporting (to the Company and business unit audit and risk committees and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

At least annually, an internal audit plan will be submitted to senior management and the Audit Committee for review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based method including the input of senior management and the Audit Committee. The plan is reviewed and adjusted, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee through periodic activity reports.

A written report will be prepared and issued by the Deputy Chief Audit Executive (CAE) or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit report will include management's response and corrective action to be taken along with a timetable for anticipated completion. Through a standardised process, internal audit will be responsible for monitoring and reporting on the status of open findings to the Audit Committee, verifying that the risks identified have been addressed by management.

The Deputy CAE will periodically report to senior management and the Audit Committee on internal audit's activities, purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, whistleblowing matters, and other matters needed or requested by senior management and the Audit Committee.

B.5.1 Independence

The independence of Internal Audit from day-to-day line management responsibility is fundamental to its ability to deliver an objective coverage of all parts of Sompo International. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditors' judgment. Internal Audit is not responsible for the management of risk or the implementation of an effective control framework. These areas are the responsibility of the Board and management.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest. The Deputy CAE will confirm to the Board, at least annually, the independence of internal audit.

B.6 Actuarial function

The Company provides for an Actuarial Function as specified under Article 48 of the Solvency II Directive.

The roles and responsibilities of various stakeholders in terms of completing, reviewing and validating the tasks of the Actuarial Function are detailed below:

- Responsibility for coordinating the calculation of the technical provisions and all supporting analysis surrounding this process lies with the Actuarial Function Holder.
- The UK Chief Risk Officer has oversight of risk management system, with contributions from the Actuarial Function.
- The Actuarial Function provides its independent opinion on the underwriting policy. The Chief Pricing Actuary is heavily involved in providing the input for review into this process.
- The Actuarial Function provides its independent opinion on the reinsurance policy. The Ceded Reinsurance Officer is heavily involved in providing the input for review into this process.

The Actuarial Function is made up of qualified individuals who have knowledge of actuarial and financial mathematics and who demonstrate their relevant experience with applicable professional and other standards. It operates in conjunction with multiple functions of the organization, in particular Risk Management, Underwriting, Finance, and Claims. The Actuarial Function is provided with the necessary authority to carry out its role by the Board and is operationally independent of the Company's other Key Functions. Additionally, the Actuarial Function has access to the necessary information systems and data sources to enable it to undertake the work required.

B.7 Outsourcing

The Company has established standards, processes, roles and responsibilities for its arrangement of services to be provided by unaffiliated third parties ("outsourcer providers"). Outsourcing arrangements are supported by individual contracts and/or service level agreements ("SLA's"). Before an outsourcing arrangement is entered into, the Company assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Company applies the following due diligence and selection criteria:

- Formal reviews of the proposed outsourcing arrangements by the appropriate internal departments, including Legal;
- Request For Proposal ("RFP") requirements provide that single source procurement may be permitted with the approval of Legal; and
- Reviews by requester and the key management personnel to ensure that no conflicts of interest exist in engaging the outsourcer.

The selection criteria process should be agreed in advance by the requester and other reviewing parties and should consider the following factors, among others:

- demonstrated quality (financial and technical abilities);
- specialised knowledge and resources;
- control framework;
- conflicts of interest;
- value-add services as differentiators;
- long-term viability and pricing;
- availability of an adequate Business Continuity Plan; and
- risks from outsourcing and mitigation.

Outsourcing arrangements that have cleared due diligence and met the appropriate selection criteria are reviewed to determine if an RFP is applicable. Where an RFP process is deemed appropriate, a reasonable number of competitive bids should be obtained to ensure quality services are being received at an appropriate price.

For any proposed outsourcing arrangement not subject to an RFP process, the requester must provide formal justification for single source procurement and obtain approval from Legal.

In all outsourcing situations where outsourcers will access the Company's non-public information and/or systems, outsourcers will be required to sign a non-disclosure agreement.

The Company has defined key management personnel that are authorised to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are recorded in the SIH Group's "Authorised Approvers" policy document and includes the requirements for adequate specifications for the services to be entered into.

A summary of critical functions/activities outsourced, and the jurisdiction in which the service providers are located, is below.

Service	Description	Jurisdiction
Policy administration*	Data Capture & Data Quality Control, for bound Policies. Services also include report generation, audit support, file management and contract certainty checking.	India
Credit control and cash management*	Cash management and chasing, including reconciliation and ongoing reporting of aged debt and unallocated cash.	UK and India
Claims and claims administration*	Claims review and settlement (within authority) or referral, including regular reporting and update, based on lead / follow terms.	UK
Delegated underwriting services	Chasing, upload and storage of all Delegated Underwriting Bordereaux (premiums and claims) and reporting services. Also includes the utilisation of 'BinderCloud' third party software, from the outsourced service provider.	UK and India
Investment management and accounting	Portfolio management in line with Board approved investment strategy, report generation and creation of accounting entries.	USA
Payroll	Payroll processing and payment, report generation and payslip production.	UK and Switzerland
IT helpdesk	Telephone support covering desktop and mobile devices.	USA

**Direct insurance and facultative reinsurance only*

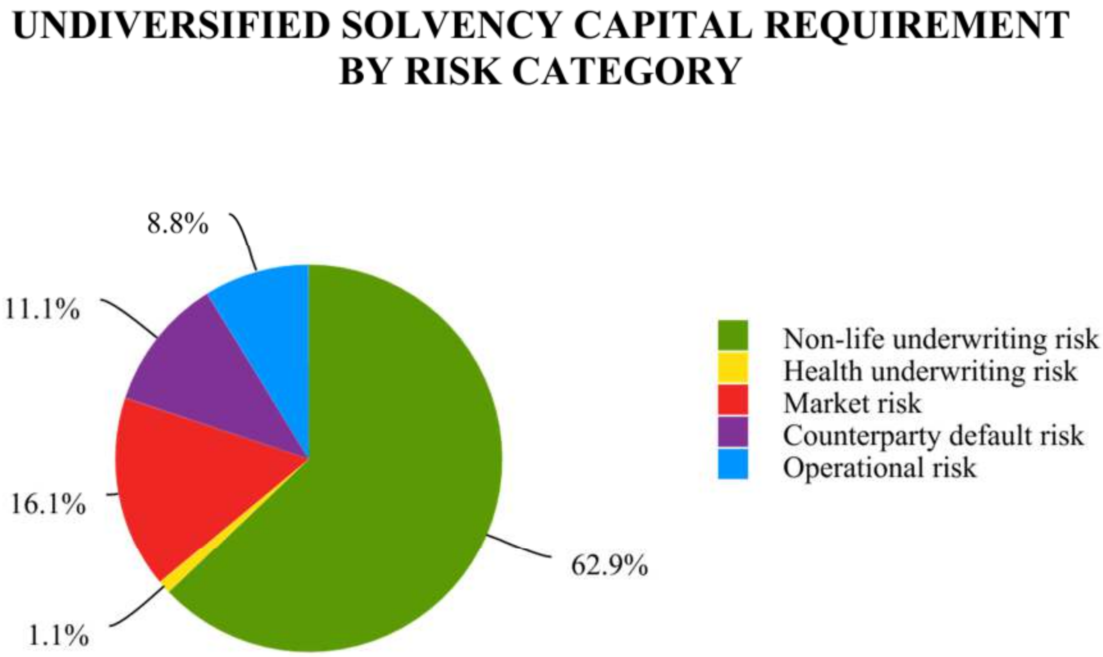
B.8 Any other information / summary

The Company considers that its system of governance is appropriate for the nature, scale and complexity of the risks inherent in its business. All material information regarding the Company's system of Governance has been provided in sub-sections B.1 to B.7 above.

C. Risk Profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. This section summarises the current risk profile of the business, and how the Company manages these risks.

The undiversified risk profile of the Company, as determined by the Standard Formula.



C.1 Underwriting Risk

The Company seeks risk through its (re)insurance underwriting activities to generate financial earnings. The main risks assumed through underwriting activity can be sub-divided into: pricing risk; accumulation risk; and reserve risk.

- Pricing risk is the risk of systematic mispricing of medium and long tailed business which could arise due to changes in the legal or external environment, changes to the supply and demand of capital, and companies' using inadequate information to make decisions. This risk would affect multiple classes across a number of underwriting years.
- Accumulation risk describes the potential for loss associated with any event or cause which has the capacity to result in more than one policy responding. This definition encompasses all classes of business written by the Company in all territories and includes both natural and man-made causes. Specific causes of accumulation risk include for example: earthquakes, hurricanes, acts of terrorism, cyber risk or systemic malpractice in an industry.
- Reserve risk describes the potential that provisions set aside to meet claims payments in respect of events that have occurred turn out to be inadequate. This risk is most pronounced for medium and long tailed business where the typical period between loss occurrence and ultimate claim settlement can be very long, in these cases unanticipated changes in the legal landscape (e.g. tort reform) or external conditions (e.g. inflation) can have a material impact on the adequacy of claims provisions. For short tailed business reserve uncertainty can be significant immediately following a major event, however the typically shorter reporting and settlement periods mean this risk is unlikely to persist and compound over time.

The Company's approach to risk management for each of these is set out below.

C.1.1 Approach to Risk Management

C.1.1.1 Pricing Risk

The Company uses a range of techniques to manage this risk as set out below:

- The Company recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority ("LOA") are the primary tool for promulgating and implementing underwriting risk preferences and limits. As detailed in the underwriting policy, LOAs are issued to individual underwriters with concurrence from the respective CEOs of the Insurance and Reinsurance segments, the segments the Company uses to manage the business. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters' responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter's ability to legally bind contracts on behalf of the Company. LOAs contain effective and expiration dates and are reviewed periodically, at a minimum biannually, on an individual underwriter basis. The underwriting process is supported by pre and post-bind peer reviews, as well as regular independent reviews, the framework and reporting of which is overseen by the Underwriting Committee. The underwriting process is supported by a collegiate pre-bind underwriting peer review process and quarterly independent peer reviews reported to the management Underwriting Committee.

- In addition to technical and analytical practices, underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered.
- The Company has fully integrated its internal actuarial and modelling staff into the underwriting and decision making process. The Company uses in-depth actuarial and risk analyses to evaluate transactions prior to authorisation, assessing and charting pricing changes and rate adequacy. In addition to internal actuaries and risk professionals, external specialists will be used to provide support in developing and utilising robust risk intelligence to inform underwriting decisions.
- The Company has established a framework to enable the business to regularly assess and monitor performance drivers on a portfolio basis. The approach generates insight by integrating the analytics across a number of disciplines (including: pricing, reserving, claims, capital modelling and exposure management) and engaging with underwriting teams quarterly to pro-actively monitor and respond to underwriting performance trends on both an absolute and risk adjusted basis. All large losses are notified to management and include underwriter commentary on the loss and underwriting response, if any.
- The claims team performs regular reviews of emerging claims trends and monitor changes in the legal landscape. The claims team meets with underwriting teams regularly to provide feedback on specific losses and identified trends to inform risk selection and coverage considerations.
- New business proposals, and/or opportunities that have a significant impact on the risk profile are subject to review and approval by the Underwriting Committee, including consideration of the fit of the proposal with business objectives, risk appetite and operational expertise and capabilities. Annually business plans for the Company are reported to the Board for discussion and approval.

- Annually the actuarial function provides an opinion to the Board on the adequacy of pricing levels reflected in the plan with due consideration to changes in the composition of the Company's portfolio, external influences, and the risks of anti-selection across the portfolio.
- Oversight of underwriting risk management is provided by the Board with day-to-day management responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information and discharge its delegated oversight duties.
- Where the Company delegates underwriting authority either partially or fully to a third-party it is exposed to the risk that the related party fails to operate within agreed guidelines or to adequately price and/or reserve for the business. The Underwriting Committee is responsible for oversight of all delegated underwriting arrangements; the Committee is supported by a delegated underwriting group that meets quarterly to oversee delegated underwriting arrangement administration, processing and performance. Independent audits of delegated underwriting partners are performed regularly with findings reported to the Underwriting Committee.

C.1.1.2 Accumulation Risk

The Company uses a range of techniques to manage this risk as set out below:

- Underwriting guidelines are documented for each underwriter across all classes of business including maximum line sizes, accumulation limits for single events and risk preferences. The risk profile of each class is monitored against these guidelines by exposure management analysts and modellers embedded within the underwriting team. Material variations to documented underwriting guidelines are reported to the Underwriting Committee at which time remediation actions will be considered.
- Chief Risk Officer referral guidelines outline criteria for referring underwriting risk decisions to the Group CRO to ensure that risks or transactions potentially outside of the Company's risk appetite are suitably reviewed and approved.
- At least annually the Group will complete a review of its ceded reinsurance strategy, with reference to the objectives of the group business, its risk appetite and prevailing market conditions / trading opportunities. Any changes to the reinsurance strategy are reported to the Underwriting Committee prior to implementation. The Underwriting Committee reviews progress towards implementing the ceded reinsurance plan quarterly.
- Annually the actuarial function provides an opinion to the Board on the adequacy of reinsurance arrangements anticipated in the plan with due consideration of: the consistency with the Company's risk appetite and business plan; the ability to support solvency under stressed scenarios; and the standing and repute of counterparties.
- The Company utilises a variety of proprietary and commercially available tools to quantify and rank the hazard (i.e. exposure and vulnerability to specific loss drivers) accepted by the Company through underwriting

individual contracts of (re)insurance. This information, where available, is used to inform the underwriting risk selection. Proprietary tools include a variety of natural catastrophe, weather, casualty, aviation, credit, economic and other specialty risk models as well as a suite of deterministic scenarios.

- The Company has established a robust system for the identification, quantification, reporting and monitoring of accumulation risk exposures (both natural and man-made) across the business. In particular, the exposure management framework: Identifies, at least annually, all realistic foreseeable accumulation risk sources and performs sufficient work to quantify each with regard to the potential downside exposure they bring to bear on the Company's business; Provides regular, transparent, timely, complete and accurate reporting of the Company’s accumulation risk exposures to stakeholders with operational, management, oversight and governing responsibilities; Assists management to ensure adequate reinsurance and capitalisation with respect to accumulation risk; Assists management and the underwriting function to maintain accumulation risk levels within risk appetite, and identifies opportunities and advises on tactical business decisions.
- The Company maintains an economic capital model and a number of supporting processes, to explicitly quantify the key drivers of risk, their associated financial consequences across the business and their interdependencies for a wide range of scenarios of differing severities. The economic capital model leverages the assessments of accumulation risk provided by the exposure management framework and additionally incorporates a suite of both proprietary and external risk models. The risk drivers modelled in the economic capital model are reviewed at least annually for completeness with reference to: the identified universe of realistic foreseeable accumulation risks; historical events; expert judgements; and, the risk universe identified in the risk register. The economic capital model output is used to assess the appropriateness of the Solvency II Standard Formula regulatory capital requirement.
- The Group has established a framework for the development, acceptance and on-going validation of risk intelligence utilised across the business. Four groups, each with their own leadership, support the Company by providing on-going risk intelligence assurance for: natural catastrophe risks, man-made catastrophe risks, economic risks and operational risks respectively.
- Oversight of underwriting accumulation risk management is provided by the Risk & Compliance Committee with day-to-day management responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information and discharge its delegated oversight duties, including monitoring accumulation risk levels relative to approved risk limits.

The Company uses a range of techniques to manage this risk as set out below:

C.1.1.3 Reserving Risk

The Company uses a range of techniques to manage this risk as set out below:

- The actuarial function shall maintain a best-estimate reserving process that integrates planning, pricing and exposure information to establish a feedback loop between the reserving and underwriting processes. At least annually each class of business (including delegated business) shall be subject to a detailed reserve review where actuarial and statistical techniques are used to derive loss reserve estimates from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors.
- The results of the actuarial reserve reviews shall be discussed quarterly with underwriting leaders for each product line and are monitored against the GAAP booked reserve estimates to ensure that in the aggregate, across all classes, booked reserves are considered adequate, as defined in the approved risk appetite.
- In respect of individual claims and/or events where the potential for reserve development is material, reserve selections will be informed by an update of the loss circumstances provided by the claims team. For large events the initial loss estimates will be determined by the claims team with input from underwriting and exposure management as appropriate.
- Oversight of loss reserves is provided by the Audit Committee, which meets quarterly to receive reserving information and discharge its oversight duties including monitoring reserve adequacy. Annually the actuarial function reports on the adequacy of loss provisions established both on a GAAP and economic basis through the Actuarial Function Holder Report provided to the Board.
- The reserve risk profile is monitored against approved risk appetite statements quarterly by the Risk & Compliance committee.

In addition to the Company's control framework described above, the Company's independent external actuaries annually provide an audit opinion as to whether the booked reserves remain within a reasonable range of best-estimates. External audit opinions are reported to the Audit committee.

C.1.2 Assessment of Risk

As determined by the Standard Formula, underwriting risk comprises 63% (2019: 58%) of the undiversified total SCR. Whilst the primary activity of the Company is to underwrite (re)insurance business, significant levels of outwards reinsurance protection serve to materially limit the contribution of this risk to the overall risk profile of the Company.

C.1.2.1 Material Risk

The Company's exposure to accumulation risk is managed by comprehensive outwards reinsurance protections, including intra-group stop loss reinsurance. Retained underwriting risk primarily reflects exposure to pricing and reserve risk. The lines of business that are most exposed to these risks are reflected in the capital needs of the Company as defined by the Standard Formula. For the Company, these lines of business are:

- General liability insurance and proportional reinsurance;
- Marine, aviation and transport insurance and proportional reinsurance;
- Non-proportional casualty reinsurance; and
- Fire and other damage to property insurance and proportional reinsurance.

C.1.2.2 Concentration Risk

Concentration risk arises out of accumulation of exposures to geo-physical, geo-political, economic, technological, societal and environmental threats. The Company conducts annual risk assessments which review the current strategies for identifying and managing these risks. An objective of the risk assessment process is to highlight any increases in risk exposures as well as any deficiencies in the Company's strategies to address these risks.

C.1.3 Sensitivity of Risk

The Company carries out various sensitivity testing as part of its risk management process, and one such test involves gross and net impact to profit with increases to loss ratios of 10%, with all other assumptions held constant, to test the sensitivity of the loss ratio assumptions to the overall Company strategy.

Amounts in USD'000	**Change in assumption**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit**	**Impact on capital and reserves**	**% of Solvency II surplus**
2020 Loss ratio	+10%	46,220	15,024	(15,024)	(12,169)	(5.83)%
2019 Loss ratio	+10%	19,811	6,328	(6,328)	(6,328)	(2.49)%

When considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), this sensitivity test shows that the Company's capital base can withstand some level of systemic mispricing, but the tests highlight the importance of vigilant oversight of our underwriting controls. Nevertheless, the potential for loss ratio deterioration is limited by the intra-group stop-loss agreement with Endurance Specialty Insurance Limited, an indirect subsidiary of the Company's ultimate parent undertaking.

Reserve risk sensitivity tests have been performed by the Company to assess the profit/loss impact of misestimation of reserve liabilities. These tests assess how the variability in the initial expected loss ratio ("IELR") and the variability in how quickly claims are reported impact the reserve estimation. Each variable was increased and decreased by 10%.

The results of these tests are as follows:

Potential Percentage Change in Total Loss and Loss Expense Provisions			
	Initial Expected Loss Ratio		
2020 Reporting Pattern	**10% Lower**	**Unchanged**	**10% Higher**
10% Faster	(9.2)%	(5.8)%	(2.3)%
Unchanged	(3.8)%	0.0 %	3.8 %
10% Slower	1.1 %	5.1 %	9.1 %
2019 Reporting Pattern	**10% Lower**	**Unchanged**	**10% Higher**
10% Faster	(8.5)%	(5.3)%	(2.2)%
Unchanged	(3.4)%	0.0 %	3.4 %
10% Slower	1.7 %	5.4 %	9.1 %

The results show that in the most severe scenario above (10% higher IELR with 10% slower reporting of losses), the Company expects an 9.1%, or $48.0M, reserve increase. These tests are meant to show the sensitivity of the assumptions in the reserving method and, when considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), the results show that the Company can withstand such fluctuation in the held reserves. However, it does highlight the consistent need to be regimented with regards to reserve control processes.

The results of the sensitivity analysis are broadly similar to those in the 2019 SFCR. The largest difference being that the favorable upside risk (10% lower IELR with 10% faster reporting of losses) at a 9.2% decrease in reserves vs an 8.5% decrease in reserves in the 2019 analysis.

We have also assessed the impact of a change in IELRs on the future claims (and associated expenses) within the premium provisions component of the Solvency II technical provisions. We applied a +/-10% stress to the assumed IELR's, and this resulted in a $14.2M (4.4%) movement in the Solvency II technical Provisions.

C.2 Market Risk

Market risk describes the Company's exposure to external influences on assets resulting in financial losses or gains from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, currency exchange rates and market prices.

C.2.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The Company manages market risk through both a system of limits and a strategy to optimise the interaction of risks and opportunities, both of which are documented in an investment management policy. To ensure diversification of the investment portfolio and avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Company's investment portfolio and monitored on an ongoing basis.
- Investment policies and guidelines, including sector limits, impairment scenario loss tolerances and performance targets are approved by the Company Board with responsibility for oversight delegated to the Audit Committee. The risk profile of the Company's investment portfolio is monitored against approved risk limits and targets quarterly by the Risk & Compliance Committee.
- The Company uses a number of capital-at-risk models, which include scenario-based measures, value-at-risk and credit impairment calculations to evaluate its investment portfolio risk. Portfolio risk is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. The Company continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.
- The Company maintains an asset liability management strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities and the anticipated interest rate environment. Foreign currency risk is managed by seeking to match liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets such as cash and investments that are denominated in such currencies.

C.2.1.1 Prudent Persons Principle

The investment strategy is reviewed by the Board, and implemented by the Investment Function, which hires third-party investment managers to invest the assets under the direction of the 'prudent person principle' aligned Investment Policy, and specific guidelines for each manager. A small percentage of assets are managed internally.

Prior to hiring an investment manager, a rigorous due diligence process is followed to ensure that the manager has the adequate skills, qualifications, experience and resources to carry out the duties that they have been delegated. The investment manager guidelines prescribe the types of securities that the manager may invest in and those that are prohibited. The guidelines also set individual issuer limits based on credit quality, as well as aggregate sector and credit quality limits, ensuring adequate portfolio diversification. The investment manager is given a performance benchmark with appropriate sector exposures and duration to meet the needs of the Company. At the date of this report PIMCO is the investment manager of the Company.

C.2.2 Assessment of Risk

As determined by the Standard Formula, market risk comprises 16% (2019: 19%) of the undiversified total SCR.

C.2.2.1 Material Risk

The Company's market risk charge is consistent with the significant amount of surplus capital it holds. Notwithstanding the high level of investable assets, the Company maintains a defensive investment portfolio and hence investment shock scenarios indicate only moderate impairments to the value of assets.

C.2.2.2 Concentration Risk

The Company is subject to concentration risk in its investments. In order to minimise its exposure to investment concentration risk, the Company has designed its investment portfolio to diversify risks to the extent practical, particularly with regard to interest rate, credit, structure and equity risks. To ensure diversification and to avoid excessive aggregation of risks, the Company has placed limits on asset types, economic sector exposure, industry exposure and individual security exposure which are monitored on an ongoing basis.

The table below shows the exposure of the Company's investment portfolio to asset types and currency.

Amounts in USD’000	GBP	USD	EUR	AUD	2020 Total	GBP	USD	EUR	AUD	2019 Total
Collateralised securities	11,973	259,360	5,870	—	277,203	7,564	250,939	6,682	—	265,185
Government bonds	118,893	242,202	13,826	—	374,921	66,217	143,563	13,547	—	223,327
Corporate bonds	102,391	174,827	16,289	—	293,507	41,621	192,254	12,466	—	246,341
Other investments	—	—	—	—	—	—	—	—	—	—
Collective Investments Undertakings	0	0	—	3,901	3,901	33,135	8	—	7,033	40,176
Investment portfolio cash	632	738	238	—	1,608	609	1,644	175	—	2,428
Total	233,889	677,127	36,223	3,901	951,140	149,146	588,408	32,870	7,033	777,457

C.2.3 Sensitivity of Risk

The majority of the Company's investments comprise cash and fixed income securities. The fair value of the Company's investments is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Company's fixed income securities tends to rise and vice versa.

The table below shows the potential impact on investment portfolio valuation resulting from fluctuations in interest rates, based on the portfolio duration, as follows:

Amounts in USD'000 Change in interest rates (basis points)	**2020** **Impact on valuation**	**% of Solvency II surplus**	**2019** **Impact on valuation**	**% of Solvency II surplus**
+100 bps	(28,419)	(13.4)%	(23,831)	(8.0)%
+50 bps	(13,513)	(6.4)%	(11,481)	(3.8)%
-50 bps	6,543	3.1 %	9,998	3.3 %
-100 bps	8,615	4.1 %	17,943	6.0 %

The Company manages interest rate risk by regularly monitoring the average duration of financial investments.

The Company operates internationally and therefore has exposure to foreign exchange risk. The Company endeavors to mitigate this risk by maintaining a match of assets and liabilities in their respective currencies.

The table below shows the potential impact, by currency, on the income statement and equity resulting from fluctuations in foreign exchange rates:

Amounts in USD'000 Change in USD versus foreign currency **2020**	**GBP**	**EUR**	**AUD**	**JPY**	**Total**
+10%	4,680	2,205	1,683	440	9,008
+5%	2,451	1,155	882	230	4,718
-5%	(2,451)	(1,155)	(882)	(230)	(4,718)
-10%	(4,680)	(2,205)	(1,683)	(440)	(9,008)
2019	**USD**	**EUR**	**AUD**	**JPY**	**Total**
+10%	(6,722)	4,419	(116)	(23)	(2,442)
+5%	(3,521)	2,314	(61)	(12)	(1,280)
-5%	3,521	(2,314)	61	12	1,280
-10%	6,722	(4,419)	116	23	2,442

The Company manages foreign exchange risk by buying or selling currency to rebalance its monetary assets and liabilities following each quarter end.

The Company is exposed to spread risk relating to its fixed income assets. The following table shows the potential impact on the income statement resulting in widening of yield spread.

Amounts in USD'000	**Fixed Income Market Value**	**2020 Loss**	**% of Solvency II surplus**	**Fixed Income Market Value**	**2019 Loss**	**% of Solvency II surplus**
Base	948,118			738,347		
10 bps widening		(2,332)	(1.1)%		(1,994)	(0.7)%
50 bps widening		(11,662)	(5.6)%		(9,968)	(3.3)%

While the Company does not place any limits on spread duration exposure, it does place limits on individual issuers and on industry sectors as a whole in order to manage its spread risk. The investment portfolio is monitored regularly for adherence to these limits.

C.3 Credit Risk

Credit Risk arises from exposure to default by a third party to whom the Company has exposure. Primarily these parties would comprise reinsurers to whom the Company has ceded or retroceded business, parties holding premiums due to the Company and banks providing letters of credit to its benefit.

C.3.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The purchase of ceded reinsurance is coordinated by the Group Ceded Reinsurance Officer who works with the business and various functional areas to determine coverage needs, develop an appropriate reinsurance structure and build the submission to present to market. The Group Ceded Reinsurance Officer ensures that the data contained within the submission is both accurate and that the narrative outlining the business' strategy is relevant. All draft contracts undergo a legal review prior to binding.
- The Company avoids excessive and non-diversified use of reinsurance by doing business only with reinsurers of sufficient credit or financial strength. All reinsurance purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating (minimum A- rating required) and other background criteria. In the event of credit downgrades below the minimum required, approved counterparties may be removed from the panel.
- The Company additionally maintains intra-group quota-share reinsurance agreements with Endurance Specialty Insurance Ltd and Sompo Japan Insurance Inc, which includes quota-share, stop-loss reinsurance and excess of loss reinsurance. The Company regularly monitors the credit risk assumed through these intra-group transactions assessing what impact cessation of this protection would have on the capital and/or liquidity

position of the Company under both normal and stressed conditions. This is reviewed by the Board at least annually.

- Outwards reinsurance and other counterparty risk levels are monitored by the Risk & Compliance Committee quarterly through a series of quantitative and qualitative risk metrics. Material deviations in the risk levels from pre-determined risk tolerances are notified to the Board and remedial action to bring risk levels within appetite are considered.

C.3.2 Assessment of Risk

As determined by the Standard Formula, credit risk comprises 11% (2019: 16%) of the undiversified total SCR.

C.3.2.1 Material Risk

Credit or counterparty risk exposures other than those associated with investments arise from exposure to default by a third party. The Company is subject to credit risk primarily with respect to its reinsurers because the transfer of risk to a reinsurer does not relieve the Company of its liability to its clients. If reinsurers experience financial difficulties, the Company may not be able to recover losses. In addition, reinsurers may be unwilling to pay, even if they are able to do so. The failure of one or more of reinsurers to honour their obligations in a timely fashion would impact cash flow and reduce net income. Depending upon the amount of reinsurance purchased, such a scenario could cause a significant loss to the Company.

C.3.2.2 Concentration Risk

When reinsurance or retrocessional reinsurance is purchased, the Company requires its reinsurers to have strong financial strength ratings. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, may hold collateral in the form of cash, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

The Company identifies and accumulates credit risk exposure by entity and by credit rating to provide assurance that it is not overweight to any particular entity or to credit ratings of A- and below. The following table summarizes the major counterparty exposure, on a UK GAAP basis, by Standard & Poor's or equivalent credit rating:

Amounts in USD'000 **2020**	**AAA**	**AA**	**A**	**BBB and below**	**Other/not rated**	**Total**
RI share of claims outstanding	2,927	465,905	25,769	21,068	20,277	535,946
Cash and cash equivalents	—	—	34,790	—	—	34,790
Other assets	—	—	4,441	—	1,225	5,666
Total	2,927	465,905	65,000	21,068	21,502	576,402

Amounts in USD'000 **2019**	**AAA**	**AA**	**A**	**BBB and below**	**Other/not rated**	**Total**
RI share of claims outstanding	46	280,879	20,395	11,315	32,327	344,962
Cash and cash equivalents	—	—	40,968	—	—	40,968
Other assets	—	—	8,117	—	430	8,547
Total	46	280,879	69,480	11,315	32,757	394,477

The financial assets included in the 'other/not rated' column relate to reinsurers' share of claims outstanding with unrated counterparties which are either not rated or cannot be readily allocated a credit rating.

C.3.3 Sensitivity of Risk

The Company has analysed the impact of potential credit rating transitions and concluded that a downgrade of its largest reinsurer would not have a significant impact on its solvency.

C.4 Liquidity Risk

Liquidity Risk represents the risks where the short-term liability obligations cannot be met by the Company due to the inability to convert assets into cash. Such a scenario can be driven by a lack of buyers in an inefficient market.

C.4.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The Company is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. The Company's policy is to manage its liquidity position, allowing for encumbered assets and restricted fungibility of assets, so that it can reasonably meet a significant individual or market loss event.
- Liquidity analyses are prepared quarterly with a full analysis performed annually to consider the availability and fungibility of Group funds to support legal entity capital needs in the event of a major market or economic shock. Any event which might change the outcome of these analyses (such as a large catastrophic loss or significant asset encumbrance) would cause the analysis to be re-run.

- The Company maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Company's investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash is generally bank deposits and money market funds.
- Contingent liquidity funding is provided by the Net Worth Agreement with ESIL to ensure that the Company has at all times sufficient cash funds or liquid assets to satisfy valid claims under the policies issued by the Company and valid claims of financial creditors as they fall due for payment.

C.4.2 Assessment of Risk

C.4.2.1 Material Risk

The Company's liquidity risk exposure primarily arises during periods of stress such as catastrophe events or major individual losses that require losses to be settled over a relatively short timeframe. This may be due to client needs or driven by insurance regulators in the jurisdiction of the loss event. The Company may also experience delays in the corresponding recovery of loss amounts paid from its reinsurers, potentially adding to the short-term liquidity strain.

C.4.2.2 Expected Profit included in Future Premiums ("EPIFP")

The total EPIFP has increased from $89.7M in 2019 to $112.4M in 2020 due to business growth resulting in an increase in gross earned future premiums within the Solvency II technical provisions between FY 2019 and FY 2020.

C.4.3 Sensitivity of Risk

The Company has a liquidity risk limit framework in place to ensure that there is an appropriate level and composition of liquid funds in place to meet expected future cash outflows under normal conditions.

C.5 Operational Risk

In undertaking its core underwriting and investment activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded, in particular operational risk. Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes Regulatory and Legal Risk. Regulatory Risk includes the risk of non-compliance with prevailing regulatory requirements; Legal Risk includes the risk of non-compliance with corporate, taxation and employee legislation in the UK, the US and other appropriate jurisdictions, as may be the case from time to time.

C.5.1 Approach to Risk Management

If not properly managed, operational risk can cause significant losses for the Company. It is virtually impossible to eliminate these risks entirely; therefore, the Company aims to limit its operational risk losses to an acceptable risk appetite, recognising the trade-off between the benefits and costs of risk mitigation.

The Company uses a range of techniques to manage this risk as set out below:

- The Company generally aims to minimise both the frequency and severity of operational risk losses to the extent practical.
- The Company seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business. Individual accountability for all key business risks and controls is clear and documented in the risk register. The risk function is responsible for facilitation and oversight of the risk and control self-assessment framework, and the resultant impact on the operational risk profile is updated quarterly and reviewed in more detail for key risks and controls at least annually.
- Through the Risk & Control Self-Assessment (RCSA) framework, each risk owner is responsible for assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies exist, assessing the corresponding impacts and level of operational risk / exposure to the company. The RCSAs are conducted at least annually for all areas, and more frequently (bi-annually or quarterly) for those risk areas which have either 1) a high inherent risk rating (and therefore high dependency on controls), 2) a more dynamic and changing operating/control environment or 3) where management has identified material control gaps in previous assessments. RCSA reviews consider any loss incidents, material key risk indicator/ley performance indicator exceptions or other relevant factors in the period. This process is overseen by the Operations Committee, with material exceptions or emerging trends reported to the Risk and Compliance Committee.
- Oversight of compliance with regulatory requirements is provided by the Board with day-to-day management responsibility delegated to the Risk & Compliance Committee. The Risk & Compliance Committee meets at least quarterly to receive management information and discharge its delegated oversight duties. To support the Board in fulfilling its oversight responsibilities the compliance function monitors and reports upon the status of the business in meeting minimum standards expectations and regulatory requirements.
- The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Company's internal controls. The audit function considers the operational risk self-assessment to develop its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by

management and the risk function and, as appropriate, reflected in the risk register. All findings are reported to the Audit Committee.

C.5.2 Assessment of Risk

As determined by the Standard Formula, operational risk comprises 9% (2019: 8%) of the undiversified total SCR.

C.5.2.1 Material Risk

The Company's operational risk exposure arises primarily from activities required to support the continued business growth and product expansion in competitive and strained market conditions and heightened regulatory conditions. There are a significant number of change initiatives underway to transform the Company's operations and deliver improved operating efficiency and effectiveness, positioning the business to sustainably create value even in competitive trading conditions.

C.5.3 Sensitivity of Risk

The Company's operational risk exposure arises primarily from activities required to support the continued business growth and product expansion in competitive market conditions and heightened regulatory conditions. There are a significant number of change initiatives underway to transform the Company's operations and deliver improved operating efficiency and effectiveness, positioning the business to sustainably create value even in competitive trading conditions.

C.6 Other material risks

In addition to the risks identified above, a few key risks are outlined below:

- Strategic Risk: Risk includes the risk of missed business opportunities, non-achievement of corporate or Company strategy and impact on competitive positioning and the value of the Company brand. It includes the risks: of making strategic decisions that do not add value; that environmental conditions prevent the strategy from being executed; that distributed leadership does not execute the strategy effectively or consistently; of a diminution of the reputation of the Company; and of having inadequate crisis response management.
- Emerging Risks: Emerging risk is defined as newly developing or changing risks which are difficult to quantify and which may have a major impact on the organisation. The Company operates a group wide emerging risk identification process which captures and assesses the potential impact and appropriate actions necessary to manage emerging risks.

- Group Risk: Risks to the Company arising specifically from being a part of a wider corporate group, including but not limited to the risk of reputational impairment or of loss of support, both financial and operational, from the group. Group risk is mitigated through the application of strong controls and a consistent risk management framework, including risk limits, across all entities in the group. This helps mitigate any material impairment to the group's financial position, brand and reputation.
- Conduct Risk: Conduct risk is defined as the risk that the Company fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics by the Operations Committee and Risk & Compliance Committee.
- Climate Change: The Company considers climate change to be a material risk for the organisation and has taken a multi-faceted, strategic approach to climate change risk assessment and management, as described below. The following are key elements of climate change risk facing the Company:
    - Physical risk involves the risk that a rise in the frequency and severity of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results, which may make it difficult to provide insurance that meets profitability requirements.
    - Transition risk involves the risk associated with the transition to a decarbonized society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized society could result in structural changes to industries. Such an outcome could lead to changes in investment assets.
    - Liability risk is the risk of casualty insurance claims activity from clients who may have contributed to climate change or failed to ensure that their companies were sufficiently protected from the effects of climate change.
    - Reputational risk is the risk that the Company suffers a financial impact as a result of reputational damage resulting from physical and/or liability risk and the failure to adequately address climate change.

After identifying and assessing the risks inherent in our business relating to climate change, we regard the occurrence of unexpected natural disasters as well as reputational damage as material risks in the environment, social and governance (ESG) area. The existing Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Company, including climate change. As greater understanding of financial risks from climate change develops, the risk management framework continues to evolve to reflect the distinctive elements of this risk to ensure effective management and oversight, including enhancement of scenario testing in this area. In addition, the Sompo Group has been a member of the PSI-TCFD Insurer Pilot Group of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2018.

C.7 Other information

COVID-19

The global outbreak of COVID-19 in 2020 created unprecedented challenges to individuals, companies and governments across the world. The following are key risks facing the Company:

- **Operational Risks:** The Company is actively tracking developments concerning COVID-19, reviewing and analyzing potential material impacts on its operations and implementing mitigation measures and strategies accordingly in response to such new developments and determinations as circumstances warrant. At this time, based upon information currently available to the Company, the current mitigation measures and strategies that have been implemented have permitted the Company to carry out its business and perform its obligations to policyholders, counterparties and regulators, and the impacts from COVID-19 have not materially adversely affected its ability to do so.

  The Company's Business Continuity Plan ("BCP") has operated as planned with many staff working remotely, whilst the Company's IT infrastructure remains activated and continues to respond and function without material adverse impact on the Company's ability to conduct its business. The Company's implementation of its BCP and COVID-19 response plan has not caused a material adverse impact on the organisation's cost structure or ability to carry out its strategic business plan. The Company is well positioned with sufficient resources to provide continuous service to policyholders and maintain critical operations if an employee or group of employees is unavailable or working remotely for extended periods of time.

- **Financial Risks:** The outbreak of COVID-19 and the effects of it continue to evolve and there is therefore still uncertainty surrounding ultimate actual impacts on the Company. The Company's enterprise risk management framework includes periodic formal stress tests of significant risks and the potential financial impacts. At this time, based upon information currently available to the Company and subject to the limitations and qualifications described above, the Company's review and analysis indicates that COVID-19 and the related macroeconomic global impacts are not expected to have a material adverse impact on the Company's ability to carry out its business and perform its obligations to policyholders, counterparties and regulators.

COVID-19 has had an impact on the Company's reserve requirements, premium volumes, underwriting income, net income, capital, liquidity, and could possibly cause payment delays from some of the Company's customers. It is possible that some of the Company's reinsurance counterparties have experienced losses that adversely affect their ability to perform their obligations to the Company, although the Company purchases reinsurance from highly rated and well capitalised or fully collateralised counterparties. In addition, there could be adverse investment losses, although this is expected to be limited due to the Company's investment portfolio being heavily weighted to government issued and investment grade fixed income securities. The expected losses from such potential adverse developments is not expected to have an overall material adverse impact on the solvency or liquidity of the Company, based upon current information.

The current assessment, however, may change as new developments outside the Company's reasonable control occur, including the extent of governmental intervention in providing assistance to businesses and consumers to mitigate the economic impact of COVID-19 and the potential legal interpretation that coverage exists despite expected and widely accepted policy interpretations at the time the policy was issued and became effective that no coverage was purchased.

There is nothing further to report regarding the risk profile of the Company.

D. Valuation for Solvency Purposes

D.1 Assets

D.1.1 Solvency II valuation for each material class of asset

Amounts in USD'000	UK GAAP	Re-classification	Valuation differences	31 Dec 2020 SII basis
Deferred acquisition costs	91,349	—	(91,349)	—
Property, plant and equipment held for own use	4,600	—	16,302	20,902
Investments (other than assets held for index-linked and unit-linked contracts)	944,999	4,533	—	949,532
Reinsurance recoverables	811,254	(252,824)	(158,789)	399,641
Deposits to cedants	21,516	—	—	21,516
Insurance and intermediaries receivables	295,237	(280,120)	—	15,117
Reinsurance receivables	245,203	(130,438)	—	114,765
Receivables (trade, not insurance)	10,269	—	—	10,269
Cash and cash equivalents	36,399	—	—	36,399
Deferred tax assets	1,466	—	24,630	26,096
Any other assets, not elsewhere shown	11,579	(8,973)	—	2,606
	2,473,871	(667,822)	(209,206)	1,596,843

Amounts in USD'000	UK GAAP	Re-classification	Valuation differences	31 Dec 2019 SII basis
Deferred acquisition costs	52,000	—	(52,000)	—
Property, plant and equipment held for own use	5,504	—	18,047	23,551
Investments (other than assets held for index-linked and unit-linked contracts)	771,047	3,982	—	775,029
Reinsurance recoverables	516,273	(131,306)	(102,892)	282,075
Deposits to cedants	16,326	—	—	16,326
Insurance and intermediaries receivables	152,541	(130,777)	—	21,764
Reinsurance receivables	208,037	(85,676)	—	122,361
Receivables (trade, not insurance)	13,673	—	—	13,673
Cash and cash equivalents	43,396	—	—	43,396
Deferred tax assets	357	—	13,342	13,699
Any other assets, not elsewhere shown	15,646	(12,098)	—	3,548
	1,794,800	(355,875)	(123,503)	1,315,422

Property, plant and equipment held for own use

Property, plant and equipment is held at fair value.

The Solvency II value includes property leases that have been capitalized in accordance with IFRS 16. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

Investments (other than assets held for index-linked and unit-linked contracts)

Investments are valued at fair value including accrued interest using the following valuation hierarchy as set out in Article 10 of the Delegated Regulation.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities, per Article 10(2) of the Delegated Regulation.
- Level 2: Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly, per Article 10(3) of the Delegated Regulation.
- Level 3: Unobservable inputs are used to measure fair value by use of valuation techniques, per Article 10(5) of the Delegated Regulation.

At year-end all financial investments ($950M) were priced using Level 2 inputs, i.e. pricing service or index provider. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon.

Deposits to cedants

Deposits with ceding undertakings relate to premiums, profit commissions, claims and/or funds advanced for claims. The receivables are analysed to determine which amount if any are deemed as more than likely to be received in a period greater than one year. Amounts that are deemed as such will be valued on a discounted cash flow basis, where the effect of the discount is material.

Insurance and intermediaries receivables, and reinsurance receivables

Receivables include only items past due and recoveries in respect of paid claims. These are fair valued at an amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC.

Cash and cash equivalents

Cash and cash equivalents are valued at fair value as reported to the Company by the relevant financial institution at the end of the period, per Article 10(2) of the Delegated Regulation.

There are no significant estimates or judgments used in valuing the cash holdings.

Deferred tax assets

To the extent that there is a deferred tax asset, this will be recognised as long as future taxable profits are considered sufficiently probable. This is subject to ongoing review to reflect future profit projections. The deferred tax asset recognized in the current period is not material to the Company's solvency position, all timing differences are expected to reverse within a one-year time horizon based on future forecast profitability.

D.1.2 Differences between Solvency II valuation and local GAAP valuation by material class of asset

The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of unearned premium and deferred costs do not therefore exist and thus both the ceded unearned premium reserve and gross deferred acquisition costs are removed from the balance sheet.

Property, plant and equipment held for own use

The UK GAAP depreciated historic cost value is materially equivalent with the Solvency II carrying value. Management believe that the nature of the property, plant and equipment (being predominantly office equipment and fixtures and fittings) means these assets are unlikely to appreciate in value, but rather deteriorate throughout use.

The Solvency II value includes property leases that have been capitalized in accordance with IFRS 16. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

Investments (other than assets held for index-linked and unit-linked contracts)

The valuation according to Solvency II is based on fair value including accrued interest. For UK GAAP, the Company also values investments at fair value, however the accrued interest ($5M) is reported separately under other assets.

Deposits to cedants

Deposits with ceding undertakings are all due in under one year. There are no differences between the Solvency II valuation and the UK GAAP valuation of deposits to cedants.

Insurance and intermediaries receivables, and reinsurance receivables

Receivables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. For items past due and recoveries in respect of paid claims, the UK GAAP carrying value is equal to the Solvency II carrying value.

Cash and cash equivalents

There are no differences between the Solvency II valuation and the UK GAAP valuation of deposits with cash and cash equivalents.

Deferred tax assets

An additional deferred tax asset of $25M has been recognised on the Solvency II Economic Balance Sheet compared to UK GAAP for the impacts of technical provisions differences. Based on future profitability projections, it is expected that these timing differences will fully reverse in 2020 and the deferred tax asset has therefore been recognised in full.

D.1.3 Changes to the recognition and valuation bases used, or on estimations during the reporting period

There have been no changes to the recognition, valuation or estimation methods used during the period.

D.2 Technical provisions

General insurance business technical provisions for solvency are calculated to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure, with the addition of a risk margin.

General insurance business (non-life) technical provisions are comprised of the following components:

- Discounted best estimate of i) future cash-flows relating to incepted earned business (claims provisions) and ii) future cash flows relating to incepted unearned business and un-incepted business for which the (re)insurer is 'legally obliged' as at the valuation date.
- Discounted best estimate of loss and loss expense cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance. This includes allowance for very low probability extreme events referred to as ENIDs ("Events not in Data") and for all expenses incurred in running-off the existing business (assuming a going-concern), including a share of the relevant overhead expenses.
- Risk margin calculated using a cost of capital approach. This approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current obligations over their lifetime.

D.2.1 Technical provisions analysed by each material line of business

Amounts in USD'000					31 Dec 2020
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	231,522	26,302	257,824	(85,319)	172,505
General liability insurance	339,364	31,289	370,653	(145,115)	225,538
Marine, aviation and transport insurance	64,668	11,141	75,809	(40,509)	35,300
Non-prop. marine, aviation and transport reinsurance	14,473	368	14,841	(8,368)	6,473
Non-proportional casualty reinsurance	189,230	32,492	221,722	(51,665)	170,057
Non-proportional property reinsurance	15,479	2,036	17,515	(13,135)	4,380
Other	47,831	6,187	54,018	(55,530)	(1,512)
	902,567	109,815	1,012,382	(399,641)	612,741

Amounts in USD'000					31 Dec 2019
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	124,155	15,781	139,936	(47,382)	92,554
General liability insurance	192,272	16,115	208,387	(91,020)	117,367
Marine, aviation and transport insurance	40,929	5,975	46,904	(65,855)	(18,951)
Non-prop. marine, aviation and transport reinsurance	17,584	601	18,185	(9,778)	8,407
Non-proportional casualty reinsurance	131,201	31,520	162,721	(24,647)	138,074
Non-proportional property reinsurance	42,127	3,933	46,060	(40,869)	5,191
Other	15,406	2,695	18,101	(2,524)	15,577
	563,674	76,620	640,294	(282,075)	358,219

Description of bases, methods and main assumptions used

Best Estimate Liabilities

The projection of both Solvency II best estimate liabilities and UK GAAP booked reserves utilizes paid and reported loss data, segmented into homogeneous risk groups. The main projection methods used include the loss development, Bornhuetter-Fergusson (which is a Bayesian estimation approach), Benktander (a blend of the loss development and BF methods), and the Initial Expected Loss method. The selected ultimate loss may be based on one particular method, or a weighting between several methods and professional judgment. For recent catastrophe events and some specified large losses, incurred but not reported ("IBNR") will be based upon qualitative information and recommendations from the claims department and the business units.

Where applicable, reinsurance recoveries on the gross IBNR are estimated based on the Company's reinsurance program. The Company's reinsurance recoverables include amounts from both third party and intra-group reinsurance and proportional and non-proportional reinsurance arrangements.

Risk Margin

The risk margin is calculated using a 'cost-of-capital' approach. It is calculated as the present value of the cost of capital rate (currently a prescribed 6%) applied to all future SCRs required to support the transferred liabilities through to run-off, established on a going concern basis. The initial capital requirement with respect to initial balance sheet business (as at the model calibration date) is estimated using the Standard Formula model. This capital requirement is assumed to reduce over time in line with the square-root of the expected run-off of the claims component (including ENIDs) of the Solvency II technical provisions net of reinsurance.

Assumptions and Parameters

The key parameters and assumptions used in estimation of technical provisions are set by Reserving, Capital Modelling, Finance and Financial Planning and Analysis personnel. These key assumptions and parameters include: initial expected loss ratios (IELRs), claims emergence and payment patterns, premium payment and receipt patterns, expenses (unallocated loss adjustment expenses, investment expenses, general & administrative expenses) that would be incurred in running off the existing business, Events Not in Data (ENID) loadings, reinsurance counterparty default, and currency-specific yield curves (used for discounting) prescribed by the PRA. ENID loadings are derived using the Company's Economic Capital Model ("ECM") and are selected based on consideration of truncated reserve risk and underwriting risk distributions. Additionally, contracts due to incept after the Solvency II technical provisions valuation date but bound before the valuation date are classified as legally obliged and included in the Solvency II technical provisions. The legally obliged unincepted premium at 31 December 2020 was derived using historical data and January 2021 plan premium.

D.2.2 Uncertainty associated with the value of technical provisions

While the estimation of the technical provisions reflects all available information and data as at the valuation date, the ultimate settlement value of claims may deviate, in some cases materially, from the estimated amounts.

General uncertainty

Key areas of uncertainty include:

1. *Deviation of ultimate claim settlement cost from expectations*. The actual final cost of settling both claims outstanding as at 31 December 2020 and claims expected to arise from unexpired periods of risk is uncertain. There is a range of possible outcomes, and the eventual outcome will almost certainly differ from any particular

estimate made. Technical provisions can only be estimates of future liabilities, and accordingly are subject to uncertainty.

2. *UK Motor*. The Ogden discount was reduced from 2.5% to -0.75% in February 2017 and then increased to -0.25% in August 2019. In addition to changes in the Ogden discount rate, our UK Motor excess of loss reinsurance book is impacted by other factors including life expectancy for PPO claimants, indexation of PPO payments, PPO propensity, and recent trend of ceding companies booking reserves earlier than historically observed. We will continue to closely monitor our UK Motor book.
3. *Rates, terms and conditions and IELRs*. The sustained period of softening following hardening in recent years of insurance rates, terms, & conditions in recent years adds an additional element of uncertainty when selecting initial and ultimate loss ratios. The significant reliance on IELRs in the estimation of the liabilities for earned exposure in the current year, and unearned and un-incepted exposures included in the technical provisions further increases the uncertainty of these estimates.
4. *New classes of business*. No new classes of business have been added to the underwriting portfolio over the past year. However, the Company has built out its insurance operations over the past five years, so there is a lack of historical experience for the newer classes that adds an additional element of uncertainty to the reserve estimation process. This risk is mitigated by the significant purchases of reinsurance.
5. *COVID-19*. The ultimate impact of COVID-19 is still unknown at this stage. We have allowed for extra load within our IELRs to accommodate this uncertainty.

D.2.3 Differences between Solvency II valuation and local GAAP valuation of Technical Provisions analysed by each material line of business

Amounts in USD'000				31 Dec 2020
Gross	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	371,457	(139,935)	26,302	257,824
General liability insurance	387,952	(48,588)	31,289	370,653
Marine, aviation and transport insurance	154,860	(90,192)	11,141	75,809
Non-prop. marine, aviation and transport reinsurance	10,461	4,012	368	14,841
Non-proportional casualty reinsurance	227,819	(38,589)	32,492	221,722
Non-proportional property reinsurance	23,101	(7,622)	2,036	17,515
Other	140,146	(92,315)	6,187	54,018
	1,315,796	(413,229)	109,815	1,012,382

Amounts in USD'000				31 Dec 2020
Net	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	158,651	(12,448)	26,302	172,505
General liability insurance	171,503	22,747	31,289	225,539
Marine, aviation and transport insurance	56,991	(32,832)	11,141	35,300
Non-prop. marine, aviation and transport reinsurance	3,491	2,614	368	6,473
Non-proportional casualty reinsurance	149,995	(12,430)	32,492	170,057
Non-proportional property reinsurance	5,928	(3,584)	2,036	4,380
Other	42,835	(50,534)	6,187	(1,512)
	589,394	(86,467)	109,815	612,742

Amounts in USD'000				31 Dec 2019
Gross	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	182,331	(58,176)	15,781	139,936
General liability insurance	227,542	(35,270)	16,115	208,387
Marine, aviation and transport insurance	103,243	(62,314)	5,975	46,904
Non-prop. marine, aviation and transport reinsurance	13,200	4,384	601	18,185
Non-proportional casualty reinsurance	157,504	(26,303)	31,520	162,721
Non-proportional property reinsurance	29,816	12,311	3,933	46,060
Other	105,065	(89,659)	2,695	18,101
	818,701	(255,027)	76,620	640,294

Amounts in USD'000				**31 Dec 2019**
Net	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	77,177	(404)	15,781	92,554
General liability insurance	85,781	15,471	16,115	117,367
Marine, aviation and transport insurance	22,857	(47,783)	5,975	(18,951)
Non-prop. marine, aviation and transport reinsurance	5,230	2,576	601	8,407
Non-proportional casualty reinsurance	114,200	(7,646)	31,520	138,074
Non-proportional property reinsurance	9,978	(8,720)	3,933	5,191
Other	37,246	(24,364)	2,695	15,577
	352,469	(70,870)	76,620	358,219

Net Solvency II technical provisions at 31 December 2020 are 104.0% (2019: 102.0%) of net UK GAAP provisions. The differences between GAAP and Solvency II basis technical provisions are discussed further below. The items driving a reduction in the 31 December 2020 technical provisions, from GAAP basis to Solvency II basis, are the profit from Unearned Premium Reserve, profit from unincepted business and discounting benefit, which reduce the GAAP technical provisions by 28.0%, (2.8)% and 1.8%, respectively. This is offset by items driving an increase in the 31 December 2020 technical provisions. These items are expenses, ENIDs and risk margin, which increase the GAAP technical provisions by 11.0%, 1.8% and 18.8%, respectively.

UK GAAP to Solvency II Technical Provisions Differences

The methods and assumptions used in the valuation of technical provisions under Solvency II are broadly consistent with the methods and assumptions used under UK GAAP. The transition from UK GAAP to Solvency II technical provisions consists of the following differences:

- *Removal of margin*. The Solvency II technical provisions are intended to reflect a best estimate and as such any margin of prudence in the UK GAAP technical provisions must be removed. Margin by class of business and accident year is determined by a separate actuarial analysis and deducted from the booked gross and net IBNR.
- *Reinsurance bad debt*. An allowance for counterparty default, as it relates to outwards reinsurance recoveries.
- *Profit from Unearned Premium Reserve (net of DAC)*. The Solvency II balance sheet is based on discounted cash flows to ultimate; the concept of UPR / accrual accounting does not exist. Under Solvency II, the UPR (net of DAC) is eliminated and it's replaced by the expected profit on the unearned premium.
- *Profit from Un-incepted*. This adjustment reflects the expected profit on un-incepted / legally obliged business included in the Solvency II TPs.
- *Incepted future premiums*. Future premiums due to/from incepted business which includes the cost of future reinsurance purchased for in-force gross business.
- *ENID Loadings*. An allowance for low probability extreme events not included under UK GAAP.

- *Additional Expenses*. Future expenses related to the run-off of the technical provisions as of the valuation date. The expenses include ULAE, investment and general & administrative expenses.
- *Discounting*. The Solvency II technical provisions are produced on a discounted cash flow basis. This amount reflects the benefit of discounting the Solvency II technical provisions.
- *Risk Margin*. An allowance for the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

D.2.4 Recoverables from reinsurance contracts and Special Purpose Vehicles (SPVs)

The Company values reinsurance recoverables using standard actuarial methods.

Future premium cash flows for incepted outwards reinsurance policies are taken directly from the GAAP balance sheet. Future premium cash flows for unincepted outwards reinsurance policies are estimated using business planning information.

Future outwards reinsurance claims cash flows in respect of earned inwards policies are estimated as part of the Company's reserving process. The approach used will vary for the type of reinsurance contract (quota share, excess of loss, stop loss) and will include consideration of net:gross ratios and reinsurance loss ratios, as well as more mechanical approaches (e.g. for quota share).

Future outwards reinsurance claims cash flows in respect of unearned and unincepted inwards policies are calculated using recovery rates parameterised from business planning and other sources.

A description of the Company’s intercompany outward reinsurance programs is included in Section B of this report. The Company’s third party reinsurance programs are listed below.

- Whole account quota share for insurance business
- Various other quota share reinsurance contracts covering insurance and reinsurance lines
- Various facultative reinsurance contacts on an individual policy basis
- Various excess of loss reinsurance programs for a number of insurance and reinsurance classes

The company does not have any third party reinsurance protection from SPVs.

D.2.5 Material Changes in Relevant Assumptions Since Prior Reporting Period

During 2019 there was a change to the method for estimating future general and administration expenses and the method for estimating bound but not incepted business in respect of delegated policies. Neither of these changes had a material impact on the valuation of Solvency II technical provisions gross and net. There have been no material changes during 2020.

D.2.6 Confirmations

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC is not used in the calculation of technical provisions.
- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used in the calculation of technical provisions.
- The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not applied in the calculation of technical provisions.
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applied in the calculation of technical provisions.

D.3 Other liabilities

D.3.1 Solvency II valuation for each material class of liabilities

Amounts in USD'000				**31 Dec 2020**
	UK GAAP	**Re-classification**	**Valuation differences**	**SII basis**
Technical provisions	1,407,143	(358,780)	(35,981)	1,012,382
Deposits from reinsurers	—	239	—	239
Insurance and intermediaries payables	185,376	(176,436)	—	8,940
Reinsurance payables	190,002	(132,175)	—	57,827
Payables (trade, not insurance)	29,252	(671)	19,459	48,040
Deferred tax liability	—	—	—	—
Any other liabilities, not elsewhere shown	88,063	—	(86,495)	1,568
	1,899,836	(667,823)	(103,017)	1,128,996

Amounts in USD'000				**31 Dec 2019**
	UK GAAP	**Re-classification**	**Valuation differences**	**SII basis**
Technical provisions	870,701	(201,642)	(28,765)	640,294
Deposits from reinsurers	—	272	—	272
Insurance and intermediaries payables	148,915	(140,359)	—	8,556
Reinsurance payables	170,849	(14,147)	—	156,702
Payables (trade, not insurance)	15,320	1	20,191	35,512
Deferred tax liabilities	—	—	—	—
Any other liabilities, not elsewhere shown	53,248	—	(51,628)	1,620
	1,259,033	(355,875)	(60,202)	842,956

Liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC; no adjustment is made to take account of the own credit standing of the Company. There are no significant estimates or judgments used in valuing other liabilities.

Insurance and intermediaries payables and reinsurance payables

Payables represents amounts past due to (re)insurers and intermediaries under current (re)insurance contracts, and other general payables. The amounts payable include premiums, underwriting expenses, fees, taxes and profit commissions.

Payables (trade, not insurance)

The Solvency II value of payables (trade, not insurance) includes property leases that have been capitalized in accordance with IFRS 16. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown includes accrued operating expenses and accrued interest expenses.

D.3.2 Differences between Solvency II valuation and local GAAP valuation by material class of liabilities other than technical provisions

Insurance and intermediaries payables and reinsurance payables

Payables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. There are no differences between the Solvency II valuation and the UK GAAP valuation of payables.

Payables (trade, not insurance)

The Solvency II value includes property leases that have been capitalized in accordance with IFRS 16. Under UK GAAP these leases are classified as operating leases and are not capitalized on the Balance Sheet.

Any other liabilities, not elsewhere shown

The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of deferred costs do not therefore exist and thus ceded deferred acquisition costs are removed from the balance sheet. There are no differences between the Solvency II valuation and the UK GAAP valuation of accrued expenses.

D.3.3 Changes to the recognition and valuation bases used, or on estimations during the reporting period

There have been no changes to the recognition, valuation or estimation methods used during the period.

D.4 Alternative methods for valuation

There are no alternative methods of valuation used by the Company to value assets or liabilities.

D.5 Any other information

The Company provides letters of credit totaling $70.4M (2019: $51.4M) in favour of certain ceding companies in support of claims reserves in accordance with contractual and statutory obligations, these are covered by a credit facility with Mizuho which is uncollateralised.

The Company is in receipt of a letter of credit in respect of a 100% quota share cover for adverse development with a third party reinsurer effective from 1 July 2011. All amounts receivable from the reinsurer are fully collateralised under the letter of credit.

Except for the letters of credit noted above there is nothing further to report regarding information on the valuation of the Company's assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own funds

Objectives when managing capital are:

- to comply with the capital adequacy requirements of the Solvency II regime as implemented in the UK and meet the expectations of the PRA as to operating levels of own funds.
- to safeguard the Company's ability to continue as a going concern so that it can maintain policyholder protection;
- to identify, quantify, monitor and control the risk profile with respect to the defined risk appetite and target level of capital;
- to obtain and retain the ratings necessary to trade with its preferred policyholder base; and
- to deploy capital on opportunities to underwrite business profitably.

Own funds are monitored quarterly by the Company's Risk & Compliance Committee against the latest capital requirements, as well as modelled over the Company's five year business planning horizon.

E.1.1 Own funds classified by tiers

Amounts in USD'000	31 Dec 2020	31 Dec 2019	Movement
Tier 1	441,752	458,767	(17,015)
Tier 2	—	—	—
Tier 3	26,096	13,699	12,397
	467,848	472,466	(4,618)

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of \$346.3M and \$261.9M respectively (2019: \$346.3M and \$261.9M), and a reconciliation reserve deficit of (\$166.5)M (2019: (\$149.5)M). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the Minimum Capital Requirement and all own funds are eligible to cover the Solvency Capital Requirement.

The Company has no basic own-fund items that are subject to the transitional arrangements referred to in Article 308b(9) and (10) of Directive 2009/138/EC.

E.1.2 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Amounts in USD'000	**31 Dec 2020**	**31 Dec 2019**	**Movement**
Net assets under UK GAAP	574,035	535,767	38,268
Valuation differences on technical provisions under Solvency II	(129,303)	(76,085)	(53,218)
Valuation differences on lease assets	(1,515)	(558)	(957)
Valuation difference on deferred tax asset	24,630	13,342	11,288
Excess of assets over liabilities under Solvency II	**467,848**	**472,466**	**(4,618)**

Valuation differences on technical provisions under Solvency II includes:

- the impact of the revaluation of the UK GAAP premium receivables, UPR, loss and loss expense provisions and related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure; and
- General Business Risk margins: revaluations under the cost of capital approach for the impact of the uncertainty associated with the probability-weighted cash flows or the compensation the Company needs in order to bear the risk of holding additional funds to meet cash flows.

The deferred tax asset valuation difference is due to the tax impact of the above technical provisions differences.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company applies the Standard Formula, without modification for undertaking specific parameters. The Company has used the simplification described in article 111 of the Delegated Regulation in the calculation of the risk mitigating effect for Counterparty default risk as the most pragmatic approach given general data availability.

Amounts in USD’000	31 Dec 2020	31 Dec 2019	Movement
Non-life underwriting risk	192,244	124,686	67,558
Health underwriting risk	3,425	323	3,102
Market risk	49,253	40,759	8,494
Counterparty default risk	33,794	33,701	93
Operational risk	27,061	16,907	10,154
Total diversification benefit	(49,058)	(38,890)	(10,168)
Loss absorbing capacity of deferred taxes	—	—	—
Solvency Capital Requirement	**256,719**	**177,486**	**79,233**
Minimum Capital Requirement	**89,382**	**55,965**	**33,417**

The Minimum Capital Requirement is calculated in accordance with chapter VII of Title I of the Delegated Regulation. The final amount is derived from a formula consisting of:

- a linear calculation that uses the Company’s net written premiums and best estimate technical provisions as data inputs;
- the linear calculation’s relation to the Solvency Capital Requirement; and
- an absolute floor as described in Article 129(1)(d) of Directive 2009/138/EC and in Article 253 of the Delegated Regulation.

For year end 2020 following the calculations specified in the Delegated Regulation, the calculation of the Company’s linear Minimum Capital Requirement is more than 0.25 times the Solvency Capital Requirement but less than cap which is 0.45 times the Solvency Capital requirement and so the Minimum Capital Requirement is equal to the linearly calculated MCR based on net written premiums and best estimate technical provisions.

The Solvency Capital Requirement has prudently not been adjusted for the loss absorbing capacity of deferred taxes due to uncertainty on how any shock loss would impact the current business plan which does not allow us to produce reliable post shock future profit forecasts.

E.2.1 Material change to the SCR and to the MCR over the reporting period, and the reasons for any such change

The decision was taken in 2020 to consolidate Sompo UK underwriting under one platform and Sompo International Holdings announced the closure of 'Endurance at Lloyd's' Syndicate with effect from 1 January 2021. As a result of this, business volumes in EWIL have increased significantly during the year as renewals and new business have moved into the Company. The Solvency Capital Requirement has increased by approximately 44.6% while the Minimum Capital Requirement has seen a similar increase of 59.7% during the reporting period. These increased capital requirements are predominately driven by these increased business volumes and technical reserves.

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

Not applicable.

E.4 Differences between the Standard Formula and any internal model used

Not applicable.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied continuously with both the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

E.6 Any other information

There is nothing further to report regarding information on capital management.

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial year ended 31 December 2020

The Directors are responsible for preparing the Solvency and Financial Condition Report in accordance with applicable law and regulations. The Reporting Part of the PRA Rulebook for Solvency II firms requires the Company to have in place a policy of ensuring the ongoing appropriateness of any information disclosed and to ensure that its SFCR is approved by the directors.

We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that:
    a. throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
    b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

A Golding

Director and Chief Financial Officer

8 April 2021

Report of the independent external auditor to the Directors of Endurance Worldwide Insurance Limited ('the Company') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2020**:**

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2020 ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21 and 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' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01 and S19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Endurance Worldwide Insurance Limited as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'* and 'ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement'*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included**;**

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment;
- We obtained and evaluated the Directors' going concern assessment which covers a period of twelve months from when the statutory financial statements are authorised for issue, including the process followed for the cash forecast for the going concern period, the performance of the company during the Covid-19 pandemic and management's forecast of its financial solvency and liquidity, including stress scenarios. We have tested the Covid-19 losses recorded in incurred claims and considered the eligible assets available to meet the Solvency Capital Requirement as at 31 December 2020, and we have read relevant information provided to the risk committee;
- We evaluated the financial strength of a connected company, Endurance Specialty Insurance Limited, in considering the ability of that connected company to meet its obligations under reinsurance arrangements with Endurance Worldwide Insurance Limited.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the statutory financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting & Restriction on Use
We draw attention to the 'Valuation for Solvency Purposes', '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.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information
The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.
Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report themselves. 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.

Responsibilities of Directors for the Solvency and Financial Condition Report
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.

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report
It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are directly relevant to the Solvency and Financial Condition Report, which we have assessed are the PRA Rules and the Solvency II regulations.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Company's approach to governance, compliance and internal control.
- We assessed the susceptibility of the Company's Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies

that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Audit Engagement Partner has considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements
In accordance with Rule 4.1(3) of the External Audit Part 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 Endurance Worldwide Insurance 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.

DocuSigned by:
Ernst & Young LLP
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Ernst & Young LLP
London
8 April 2021

Notes:

1. The maintenance and integrity of the Endurance Worldwide Insurance Limited web site is the responsibility of the Directors; 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 approved.

Appendix 1 – Quantitative reporting templates

The templates are provided as an appendix to this document. The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

Template code	**Template name**
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Endurance Worldwide Insurance Ltd

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in USD thousands)

General information

Undertaking name	Endurance Worldwide Insurance Ltd
Undertaking identification code	549300R308B2LY4WM705
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	26,096
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	20,902
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	949,532
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	945,631
R0140	*Government Bonds*	374,919
R0150	*Corporate Bonds*	293,509
R0160	*Structured notes*	0
R0170	*Collateralised securities*	277,203
R0180	*Collective Investments Undertakings*	3,901
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	399,640
R0280	*Non-life and health similar to non-life*	399,640
R0290	*Non-life excluding health*	400,099
R0300	*Health similar to non-life*	-458
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	21,516
R0360	Insurance and intermediaries receivables	15,117
R0370	Reinsurance receivables	114,766
R0380	Receivables (trade, not insurance)	10,269
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	36,399
R0420	Any other assets, not elsewhere shown	2,606
R0500	**Total assets**	1,596,843

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,012,382
R0520	*Technical provisions - non-life (excluding health)*	1,012,593
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	903,177
R0550	*Risk margin*	109,416
R0560	*Technical provisions - health (similar to non-life)*	-212
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	-610
R0590	*Risk margin*	398
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	239
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	8,940
R0830	Reinsurance payables	57,827
R0840	Payables (trade, not insurance)	48,040
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,567
R0900	**Total liabilities**	1,128,996
R1000	**Excess of assets over liabilities**	467,848

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

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	1,923		0		68,570	197,883	194,643	24,235								487,255
R0120	Gross - Proportional reinsurance accepted	0	38		0		51,454	142,251	16,615	64,461								274,819
R0130	Gross - Non-proportional reinsurance accepted													0	83,047	8,592	15,213	106,852
R0140	Reinsurers' share	0	1,102		0		74,958	210,180	121,851	73,314				0	40,096	6,642	12,665	540,807
R0200	Net	0	859		0		45,066	129,954	89,407	15,382				0	42,951	1,950	2,548	328,118
	Premiums earned																	
R0210	Gross - Direct Business		1,333		0		33,377	146,081	134,557	23,292								338,639
R0220	Gross - Proportional reinsurance accepted		23		0		46,094	92,655	9,664	43,927								192,364
R0230	Gross - Non-proportional reinsurance accepted													0	73,104	6,155	14,330	93,589
R0240	Reinsurers' share		794		0		62,031	166,903	100,477	55,377				0	36,519	5,152	11,917	439,170
R0300	Net	0	562		0		17,439	71,833	43,745	11,842				0	36,585	1,003	2,414	185,422
	Claims incurred																	
R0310	Gross - Direct Business		551		0		18,036	96,234	105,738	21,785								242,344
R0320	Gross - Proportional reinsurance accepted		4		0		38,805	64,887	6,870	22,073								132,638
R0330	Gross - Non-proportional reinsurance accepted													0	56,964	7,727	13,452	78,143
R0340	Reinsurers' share		311		0		44,592	112,547	77,042	31,963				0	26,999	6,643	11,860	311,957
R0400	Net	0	244		0		12,249	48,574	35,566	11,894				0	29,965	1,084	1,592	141,169
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0	0		0		0	0	0	0				0	0	0	0	0
R0550	**Expenses incurred**	0	362		0		5,233	18,025	3,398	-878				0	6,296	117	1,127	33,681
R1200	**Other expenses**																	
R1300	**Total expenses**																	33,681

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			US	BR	CH	IL	IN	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	305,941	152,888	3,484	0	105	0	462,418
R0120	Gross - Proportional reinsurance accepted	18,833	90,951	23,430	5,644	8,813	8,688	156,361
R0130	Gross - Non-proportional reinsurance accepted	59,731	6,842	2,949	9,844	6,103	3,079	88,548
R0140	Reinsurers' share	208,456	163,398	24,780	12,227	10,339	10,288	429,489
R0200	Net	176,050	87,282	5,083	3,261	4,683	1,479	277,837
	Premiums earned							
R0210	Gross - Direct Business	210,244	103,817	3,958	0	46	-3	318,062
R0220	Gross - Proportional reinsurance accepted	10,878	62,240	20,492	4,697	4,447	1,266	104,020
R0230	Gross - Non-proportional reinsurance accepted	52,460	10,137	2,554	7,458	4,290	2,484	79,384
R0240	Reinsurers' share	176,283	126,865	22,596	10,014	6,665	3,513	345,936
R0300	Net	97,298	49,330	4,408	2,142	2,118	234	155,530
	Claims incurred							
R0310	Gross - Direct Business	153,261	70,102	3,871	0	29	-3	227,261
R0320	Gross - Proportional reinsurance accepted	2,727	48,909	11,457	3,068	3,002	2,073	71,236
R0330	Gross - Non-proportional reinsurance accepted	39,117	15,973	2,459	8,106	4,056	1,797	71,507
R0340	Reinsurers' share	120,895	98,050	14,849	8,898	5,134	3,300	251,127
R0400	Net	74,209	36,935	2,938	2,276	1,953	566	118,877
	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	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	16,699	10,459	862	157	334	-44	28,467
R1200	**Other expenses**							
R1300	**Total expenses**							28,467

S.17.01.02

Non-Life Technical Provisions

		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	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 calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	-760		0		-4,590	19,988	63,250	13,904				0	-1,413	745	-1,455	89,670
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-450		0		197	-4,485	27,906	39,002				0	1,024	1,627	3,113	67,935
R0150	**Net Best Estimate of Premium Provisions**	0	-310		0		-4,787	24,473	35,345	-25,098				0	-2,437	-882	-4,567	21,736
	Claims provisions																	
R0160	Gross	0	149		0		69,257	211,534	276,114	34,538				1	190,643	13,728	16,933	812,897
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-9		0		40,312	89,803	117,209	16,986				0	50,641	6,741	10,022	331,706
R0250	**Net Best Estimate of Claims Provisions**	0	158		0		28,946	121,730	158,905	17,552				1	140,002	6,987	6,911	481,191
R0260	**Total best estimate - gross**	0	-611		0		64,668	231,522	339,365	48,441				1	189,230	14,473	15,479	902,567
R0270	**Total best estimate - net**	0	-152		0		24,159	146,203	194,250	-7,547				1	137,565	6,105	2,344	502,927
R0280	**Risk margin**	0	398		0		11,141	26,302	31,288	5,789				0	32,492	368	2,036	109,814
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	0	-212		0		75,809	257,824	370,653	54,230				1	221,721	14,842	17,515	1,012,382
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	-458		0		40,509	85,319	145,115	55,988				0	51,665	8,368	13,135	399,640
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	246		0		35,300	172,505	225,538	-1,758				1	170,056	6,474	4,380	612,742

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											360	360	360
R0160	2011	2,416	2,584	6,760	416	417	551	1,080	884	224	355		355	15,686
R0170	2012	5,778	4,369	1,734	-158	419	806	4,223	1,584	272			272	19,027
R0180	2013	617	9,821	2,835	3,475	574	25	623	1,353				1,353	19,322
R0190	2014	4,586	26,331	6,423	2,733	1,390	3,099	2,095					2,095	46,657
R0200	2015	11,604	37,141	49,862	20,949	7,948	1,256						1,256	128,761
R0210	2016	29,378	61,168	32,173	17,550	10,216							10,216	150,484
R0220	2017	21,985	69,435	35,776	22,708								22,708	149,904
R0230	2018	9,993	34,309	35,326									35,326	79,628
R0240	2019	8,090	66,045										66,045	74,135
R0250	2020	40,736											40,736	40,736
R0260												Total	180,722	724,700

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											20,921	20,598
R0160	2011	0	0	0	0	0	7,058	8,293	8,062	7,730	6,647		6,351
R0170	2012	0	0	0	0	10,395	11,107	11,736	10,141	8,072			7,713
R0180	2013	0	0	0	13,270	12,069	10,609	16,992	13,868				13,511
R0190	2014	0	0	27,126	25,552	18,222	15,020	12,527					12,310
R0200	2015	0	108,569	53,344	33,929	20,913	24,261						24,272
R0210	2016	143,232	91,867	65,283	41,109	53,166							53,091
R0220	2017	208,700	124,061	86,903	71,657								71,334
R0230	2018	181,185	123,320	97,956									96,428
R0240	2019	188,190	163,848										161,190
R0250	2020	352,642											346,098
R0260												Total	812,897

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	346,320	346,320		0	
R0030	Share premium account related to ordinary share capital	261,920	261,920		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-166,489	-166,489			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	26,096				26,096
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	467,848	441,752	0	0	26,096
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	467,848	441,752	0	0	26,096
R0510	Total available own funds to meet the MCR	441,752	441,752	0	0	
R0540	Total eligible own funds to meet the SCR	467,848	441,752	0	0	26,096
R0550	Total eligible own funds to meet the MCR	441,752	441,752	0	0	
R0580	**SCR**	256,719				
R0600	**MCR**	89,382				
R0620	**Ratio of Eligible own funds to SCR**	182.24%				
R0640	**Ratio of Eligible own funds to MCR**	494.23%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	467,848
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	634,336
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-166,489
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	112,374
R0790	**Total Expected profits included in future premiums (EPIFP)**	112,374

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	49,253		
R0020	Counterparty default risk	33,794		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,425		
R0050	Non-life underwriting risk	192,244		
R0060	Diversification	-49,058		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	229,658		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	27,061
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
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**	256,719
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	256,719
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	89,382

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	428
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	24,159	16,306
R0080	Fire and other damage to property insurance and proportional reinsurance	146,203	84,045
R0090	General liability insurance and proportional reinsurance	194,250	47,277
R0100	Credit and suretyship insurance and proportional reinsurance	0	12,942
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	1	
R0150	Non-proportional casualty reinsurance	137,565	55,894
R0160	Non-proportional marine, aviation and transport reinsurance	6,105	1,320
R0170	Non-proportional property reinsurance	2,344	3,830

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	89,382
R0310	SCR	256,719
R0320	MCR cap	115,524
R0330	MCR floor	64,180
R0340	Combined MCR	89,382
R0350	Absolute floor of the MCR	4,328
R0400	**Minimum Capital Requirement**	89,382