SOMPO INTERNATIONAL

SI Insurance (Europe), SA

Solvency and Financial Condition Report

For the year ended 31 December 2019

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Summary

SI Insurance (Europe), SA (the "Company") is an insurance company that was incorporated under the laws of the Grand Duchy of Luxembourg on 12 January 2018.

Solvency II introduction

As a regulated insurance company, the Company is subject to the Luxembourg and European Union ("EU") prudential regulatory framework, pursuant to EU Directive 2009/138/EC ("Solvency II" or "the Directive"), which came into force on 1 January 2016. The main purpose of Solvency II is to enhance the level of policyholder protection across the EU. Solvency II 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.

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 and is intended to strengthen market discipline.

Basis of preparation

The SFCR has been prepared in compliance with Commission Delegated Regulation (EU) 2015/35 ("the Delegated Regulation"), being the applicable EU 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 Euro, which is the presentational and functional currency of the Company, and rounded to the nearest €000.

Business and performance

On 27 March 2018, the Minister of Finance in Luxembourg, granted the Company an insurance license. The Company has received authorisation from the Commissariat aux Assurances (the “CAA”) to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area (“EEA”) on a Freedom of Establishment basis via via headquarters in Luxembourg and branch offices in Belgium, France, Germany, Italy, Spain and United Kingdom (the “Branches”) and on a Freedom of Services basis in the remaining member states.

With effect from 1 January 2019, all of the EEA liabilities and associated assets from Endurance Worldwide Insurance Limited (“EWIL”) and Sompo Japan Nipponkoa Insurance Company of Europe Limited (“SJNKE”), two related companies, were transferred to the Company in accordance with the terms of an insurance business transfer scheme pursuant to Part VII of the United Kingdom 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. Also with effect from 1 January 2019, SJNKE merged with and into the Company by way of a cross border merger by absorption pursuant to which Endurance Specialty Insurance Ltd. (“ESIL”) increased the share capital of the Company by €1 through the issuance of 1 new share with a nominal value of €1 and total related share premium of €152,579k.

The principal activity of the Company is the transaction of general insurance and reinsurance business. The Company aims to build out its insurance operations in the property, professional lines, marine and energy, aviation and financial & political risks lines of business, with a particular focus on agriculture business. The reinsurance operations will focus on strategic opportunities with certain clients and markets within global specialty lines, including marine and trade credit and surety reinsurance, catastrophe and casualty reinsurance business.

The Company commenced writing business from 1 September 2018 and 2019 was therefore the first full year of its underwriting operations. In addition, following the Part VII Transfer of the EEA liabilities from EWIL and SJNKE there has been a substantial increase in business written in 2019 compared to 2018.

Amounts in €’000 unless stated	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Gross written premium	249,293	7,938	241,355
Technical result	(4,608)	(3,658)	(950)

Gross written premium for the year increased to €249,293k (2018: €7,938k). There was growth across several lines and notably within insurance of property, marine, professional lines, general liability and other specialty lines as the Company established its European operations. The Company recorded a loss on the overall technical result of €4,608k in 2019 (2018: €3,658k loss). 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) was 86% (2018: 37%). Net claims incurred, amounted to €15,576k (2018: €37k) mainly driven by property, general liability and marine, aviation and transport lines of business. Net operating expenses during 2019 of €9,587k (2018: €3,684k) included administrative expenses and acquisition costs net of reinsurance commissions.

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 of the Company (the "Board") 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 three oversight committees; the Audit Committee, the Risk & Compliance Committee and the Remuneration Committee.

The following four Key Functions have been identified as those that amount to effectively running 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 produces reports for 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, 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.

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, market risk is the most material risk to the Company. The market risk charge is driven by currency risk primarily in relation to U.S. Dollar net asset balances held at 31 December 2019.

Further detail on the current risk profile of the Company, and related risk management techniques, is reported in section C.

The Company continues to monitor the impact of COVID-19 which was declared as a global pandemic by the World Health Organisation on 11 March 2020. Data contained within the SFCR and the associated Quantitative Reporting Templates ("QRTs") has been prepared based on information and conditions at 31 December 2019 and have therefore not been adjusted for any impact of COVID-19. The situation remains volatile and uncertain and it is therefore not considered practical to quantify potential impacts at this stage. On 20 March 2020 EIOPA advised that COVID-19 should be treated as a "major development" as referred to in Article 54(1) of the Solvency II Directive, requiring information in relation to the effects of COVID-19 to be published at the same time as the SFCR. Accordingly, further information is contained within Section C.7.

Valuation for solvency purposes

Solvency II introduces a basis of preparation for an insurance company's balance sheet which is 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 Luxembourg 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 the Directive 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 €'000 unless stated	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Eligible own funds to meet SCR	224,952	87,406	137,546
Eligible own funds to meet MCR	220,513	87,406	133,107
Solvency Capital Requirement	115,190	24,165	91,025
Minimum Capital Requirement	28,797	6,041	22,756
Ratio of own funds to SCR	195.3%	361.7%	-166.4%
Ratio of own funds to MCR	765.7%	1,446.9%	-681.1%

Eligible own funds and the SCR have increased during the period by €137,546k and €91,025k respectively, resulting in a decrease in the Solvency ratio from 361.7% in 2018 to 195.3% in 2019. The primary driver of the increase in the eligible own funds was the merger with SJNKE resulting in a share premium increase of €152,579k. SCR increase was mainly driven by the merger with SJNKE, the Part VII Transfer from EWIL and SJNKE, and growth in the Company's book.

Own funds are classified by the following tiers:

Amounts in €'000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Tier 1	220,513	87,406	133,107
Tier 2	—	—	—
Tier 3	4,439	—	4,439
	224,952	**87,406**	**137,546**

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of €30k and €243,734k respectively (2018: €30k and $91,155k), and a reconciliation reserve of (€23,251)k (2018: (€3,780)k). 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 MCR and all own funds are eligible to cover the SCR.

Further detail on capital management is reported in section E.

A. Business and Performance

A.1 Business

A1.1 Name and legal form

SI Insurance (Europe), SA was incorporated on 12 January 2018 as a Société Anonyme under the laws of the Grand Duchy of Luxembourg.

On 27 March 2018, the Minister of Finance in Luxembourg, granted the Company an insurance license. The Company has received authorisation from the Commissariat aux Assurances (the "CAA") to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area ("EEA") on a Freedom of Establishment basis via branch offices in Belgium, France, Germany, Italy, Spain and United Kingdom (the "Branches") and on a Freedom of Services basis in the remaining member states.

The Company is fully owned by its immediate parent company, Sompo International Holdings (Europe) Limited ("SIHEL"), a limited liability company incorporated in England.

With effect from 1 January 2019, all of the EEA liabilities and associated assets from Endurance Worldwide Insurance Limited ("EWIL") and Sompo Japan Nipponkoa Insurance Company of Europe Limited ("SJNKE"), two related companies, were transferred to the Company in accordance with the terms of an insurance business transfer scheme pursuant to Part VII of the United Kingdom 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. Also with effect from 1 January 2019, SJNKE merged with and into the Company by way of a cross border merger by absorption pursuant to which ESIL increased the share capital of the Company by €1 through the issuance of 1 new share with a nominal value of €1 and total related share premium of €152,579k.

The Company's ultimate holding company is Sompo Holdings, Inc., a holding company incorporated and headquartered in Japan.

A1.2 Supervisory authority and group supervisor

Solo supervisor:	The Commissariat aux Assurances
	7, boulevard Joseph II
	L-1840 Luxembourg
	GD of Luxembourg
	(+352) 22 69 11 -1
	caa@caa.lu

Sompo International Holdings Ltd. 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

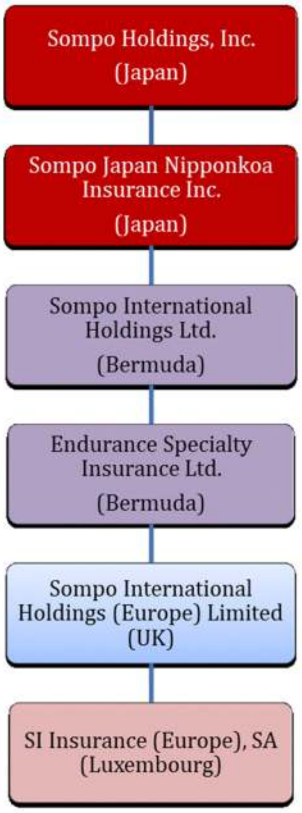
A1.3 External auditor

External auditor:	Ernst & Young LLP
	35E avenue John F. Kennedy
	L-1855 Luxembourg
	GD of Luxembourg

A.1.4 Group structure

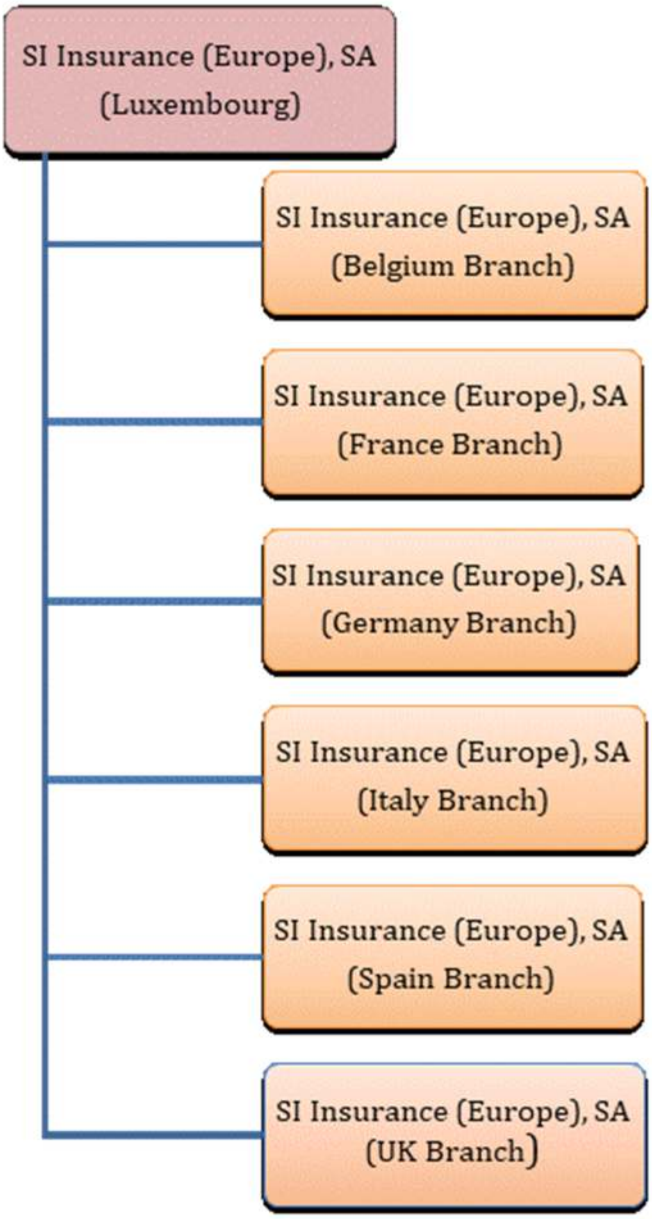
Sompo Holdings operates worldwide and is publicly traded on the Tokyo Stock Exchange. The Company is a fully owned member of a sub-group, Sompo International Holdings Ltd. ("SIH"), which operates internationally, including in the United Kingdom, Bermuda, the United States, Switzerland, Mexico, Brazil Singapore and Turkey. Figure A.1.1a below depicts an abridged structure chart of the Company and its position within the Sompo Holdings, Inc. group ("Sompo Group" or "Group").

Fig. A.1.1a



On 1st April 2020 Sompo Japan Nipponkoa Insurance Inc. changed its name to Sompo Japan Insurance Inc.

Fig A.1.1b shows a structure chart of the Company and its Branches:



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 €'000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
General liability insurance	43,617	3,324	40,293
Fire and other damage to property insurance	114,924	2,347	112,577
Marine, aviation and transport insurance	55,392	2,010	53,382
Income protection insurance	7,957	234	7,723
Credit and suretyship insurance	19,947	—	19,947
Medical expense insurance	6	—	6
Non-proportional reinsurance	7,450	23	7,427
	249,293	7,938	241,355

The Company operates predominantly on an EEA-wide 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 €'000	**2019**	**2018**	**Movement**
Germany	26,813	2,788	24,025
Spain	11,661	700	10,961
United Kingdom	69,555	1,271	68,284
Portugal	1,048	907	141
Italy	66,929	700	66,229
France	44,180	0	44,180
Other	29,107	1,572	27,535
	249,293	7,938	241,355

A.1.6 Significant post balance sheet events

Subsequent to 31 December 2019, there has been a global coronavirus outbreak (COVID-19) that may have a significant impact on the Company. The extent of the impact, which could result in the Company experiencing (re)insurance claims activity and/or investment losses, will depend on future developments. In addition, the Company's operations could be materially and adversely impacted as a result of office closures, quarantine measures, travel restrictions, and/or the disease's impact on the health of the Company's employees. As of the date of issuance, the outbreak is still evolving and thus there is significant uncertainty as to its ultimate impact on the Company.

A.2 Underwriting Performance

The Company commenced writing business from 1 September 2018, and 2019 was therefore the first full calendar year of its underwriting operations. In addition, following the Part VII Transfer of the EEA liabilities from EWIL and SJNKE there has been a substantial increase in business written in 2019 compared to 2018.

The Company aims to continue to build out its insurance operations in the property, agriculture, professional lines, marine and energy, aviation, financial & political risks and other selected specialty lines of business. The reinsurance operations will focus on strategic opportunities with certain clients and markets within global specialty lines, including marine and trade credit and surety reinsurance, catastrophe and casualty reinsurance business.

Gross written premium for the year increased to €249,293k. There is growth across several lines and notably within insurance of property, marine, professional lines, general liability and other specialty lines as the Company established its European operations.

Net earned premiums have increased to €20,555k. The Company continues to mitigate insurance risk via ceded 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, contributes towards the direct expenses associated with growing an insurance franchise, and supports expansion into profitable lines of business whilst retaining a reduced share of start-up underwriting risk.

The Company recorded a loss on the overall technical result of €4,608k in 2019. 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) is 86%. Net claims incurred, amounted to €15,576k mainly driven by property including agriculture, general liability and marine, aviation and transport lines of business. Net operating expenses during 2019 of €9,587k included administrative expenses and acquisition costs net of reinsurance commissions.

Amounts in €’000	Direct and proportional							31 Dec 2019
	General liability	**Fire and other damage to property**	**Marine, aviation and transport**	**Income protection insurance**	**Credit and suretyship insurance**	**Medical expense insurance**	**Non-proportional reinsurance**	**Total**
Gross earned premium	27,608	114,297	48,300	3,999	6,332	5	6,308	206,849
Reinsurers' share	(23,302)	(104,529)	(44,932)	(3,041)	(5,556)	(5)	(4,929)	(186,294)
Net earned premium	4,306	9,768	3,368	958	776	—	1,379	20,555
Gross claims incurred	24,996	123,916	34,249	3,301	3,637	4	2,308	192,411
Reinsurers' share	(22,134)	(115,817)	(32,242)	(2,432)	(2,647)	(4)	(1,559)	(176,835)
Net claims incurred*	2,862	8,099	2,007	869	990	—	749	15,576
Acquisition expenses	602	1,007	303	72	(38)	1	76	2,023
Administrative	1,968	2,560	2,075	218	515	—	228	7,564
Technical result	(1,126)	(1,898)	(1,017)	(201)	(691)	(1)	326	(4,608)

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

Amounts in €’000	Direct and proportional							31 Dec 2018
	General liability	**Fire and other damage to property**	**Marine, aviation and transport**	**Income protection insurance**	**Credit and suretyship insurance**	**Medical expense insurance**	**Non-proportional reinsurance**	**Total**
Gross earned premium	364	371	498	2	—	—	—	1,235
Reinsurers' share	(327)	(366)	(477)	(2)	—	—	—	(1,172)
Net earned premium	37	5	21	—	—	—	—	63
Gross claims incurred	212	204	358	1	—	—	—	775
Reinsurers' share	(193)	(202)	(342)	(1)	—	—	—	(738)
Net claims incurred*	19	2	16	—	—	—	—	37
Acquisition expenses	(2)	(3)	(9)	—	—	—	—	(14)
Administrative	1,089	1,109	1,493	6	—	—	1	3,698
Technical result	(1,069)	(1,103)	(1,479)	(6)	—	—	(1)	(3,658)

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

The gross loss ratio was 93.0% (2018: 62.8%) mainly impacted by the property, general liability, marine, aviation and transport classes.

Amounts in €'000	United Kingdom	Italy	France	Germany	Spain	Other	31 Dec 2019 Total
Gross earned premium	45,852	66,266	34,419	26,511	4,924	28,877	206,849
Reinsurers' share	(41,264)	(59,497)	(32,696)	(24,824)	(2,984)	(25,029)	(186,294)
Net earned premium	4,588	6,769	1,723	1,687	1,940	3,848	20,555
Gross claims incurred	19,075	64,818	53,791	15,819	2,391	36,517	192,411
Reinsurers' share	(17,770)	(58,256)	(53,660)	(15,288)	(2,136)	(29,725)	(176,835)
Net claims incurred*	1,305	6,562	131	531	255	6,792	15,576
Operating expenses	4,120	65	2,094	3,613	882	(1,187)	9,587
Technical result	(837)	142	(502)	(2,457)	803	(1,757)	(4,608)

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

Amounts in €'000	United Kingdom	Italy	France	Germany	Spain	Other	31 Dec 2018 Total
Gross earned premium	232	12	44	610	162	175	1,235
Reinsurers' share	(229)	(11)	(43)	(587)	(129)	(173)	(1,172)
Net earned premium	3	1	1	23	33	2	63
Gross claims incurred	140	7	25	424	81	98	775
Reinsurers' share	(138)	(7)	(24)	(408)	(64)	(97)	(738)
Net claims incurred*	2	0	1	16	17	1	37
Operating expenses	597	329	729	1,310	977	(258)	3,684
Technical result	(596)	(328)	(729)	(1,303)	(961)	259	(3,658)

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

The region contributing the largest level of gross earned premiums was Italy followed by United Kingdom and France.

A.3 Investment Performance

Net investment income increased by €3,316k versus the prior year resulting from a higher average investment portfolio holding following the timing of the capital injections and the merger with SJNKE effective 1 January 2019, plus a higher yield.

Amounts in €'000 unless stated	31 Dec 2019	31 Dec 2018	Movement
Interest income – cash and deposits	43	—	43
Interest income – collateralised securities	1,572	34	1,538
Interest income – corporate bonds	2,015	208	1,807
Interest income – government bonds	1,477	270	1,207
Dividend and Interest Income - collective investments undertakings	34	0	34
Amortisation	(1,248)	(513)	(734)
Investment expenses	(634)	(56)	(578)
Net investment income	3,259	(57)	3,316
Ending portfolio market value	301,346	84	301,262
Ending portfolio market yield	1.22%	(0.03)%	1.25%

Realised and unrealised investment gains and losses on a Solvency II basis, including foreign exchange gains and losses, were as follows:

Amounts in €'000	31 Dec 2019		31 Dec 2018	
	Realised	Unrealised	Realised	Unrealised
Gains/(losses) - cash and deposits	1,319	—	—	—
Gains/(losses) – collateralised securities	205	642	(2)	(72)
Gains/(losses) – corporate bonds	2,429	252	(55)	(310)
Gains/(losses) – government bonds	1,689	523	(90)	(98)
Collective Investments Undertakings	1,503	—	—	—
	7,145	1,417	(147)	(480)

The aggregate portfolio, comprising only fixed income investments, returned 1.52% in the year 2019, which was 0.05% better than the benchmark.

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

A.3.1 Investments in securitisation

The Company held €86,838k of securitised assets as at the 2019 year end (29% of the total investment portfolio). Total return on securitisations for 2019 was 4.15% in Euro.

A.4 Performance of other activities

Following is a summary of unrealised and realised gains and losses of the Company under Luxembourg GAAP:

Amounts in €'000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Unrealised (losses) on investments	(1,134)	(91)	(1,043)
Realised gains/(losses) on investments	4,688	(23)	4,711
Unrealised foreign exchange gains/(losses)	263	(21)	284
Realised foreign exchange gains	6,717	3	6,714

Realised gains on investments and foreign exchange gains in 2019 are a result of portfolio rebalancing following the merger with SJNKE and gains on turnover within the US Dollar investment portfolio.

A.4.1 Leasing arrangements

The Company had future minimum lease payments under non-cancellable operating leases amounting to €1,655k (2018: €130k). For 2019 these have been recorded as a Solvency II valuation adjustment in accordance with IFRS 16, 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 Company adheres to high standards of corporate governance based on a framework and culture designed to ensure the responsible and effective management of the Company, its operations and to protect its customers.

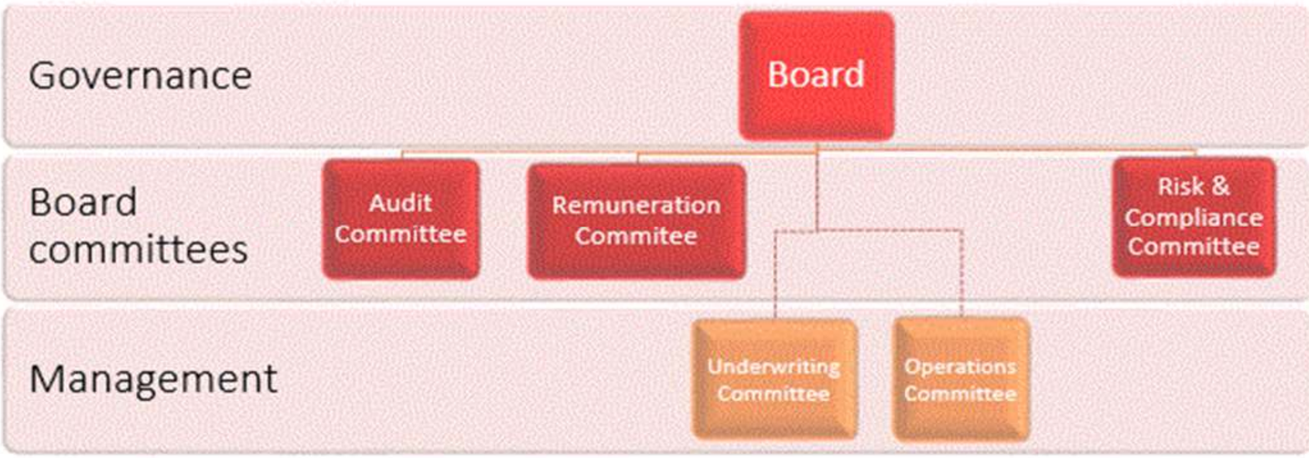
Board of Directors

The Company's Board of Directors (the "Board"), 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 three Board Committees which also have documented Terms of Reference:

- The **Audit Committee** is responsible for oversight and challenge of the financial and internal controls of the Company and the integrity of regulatory reporting and financial statements, among other things. The Audit Committee consists of three members and includes non-executive directors.
- The **Risk and Compliance Committee** is responsible for the oversight of the Company's framework of risk management and compliance with regulatory requirements and expectations, among other things. The Risk and Compliance Committee consists of four members and includes non-executive directors.
- The **Remuneration Committee** is responsible for oversight of the design and operation of the Company's framework for the remuneration. The Remuneration Committee consists of three members and includes non-executive directors.

The Company has also established certain management committees, comprised of executive management, which provide more focused oversight and review of the business and operations of the Company and report to the Board through the CEO 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, among other things. 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 and 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 and Compliance Committee and the Board of the Company on a regular basis.

Further detail is reported 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 programme being dependant 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 the 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 and 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.

The Company provides basic benefits as required by local requirements or as appropriate based on market practice which may include short-term disability, long-term disability, meal vouchers, supplemental medical and/or life insurance benefits.

One Non-Executive Director of the Company's Board of Directors is paid a fixed fee for his 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.

No dividend was paid or declared to date.

B.2 Fit and proper requirements

The Company has a framework and measures in places to ensure that the Company appropriately assesses at recruitment and throughout employment the fitness and propriety of members of the Board, Key Function Holders, and persons within and working on behalf of the Company who might from time to time be subject to the Fit and Proper requirements set out in the Delegated Regulation.

Where a person is subject to 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 Board receives regular training on relevant topics.

The Company requires that an assessment of a person's fitness and propriety (where such person is subject to the relevant requirements) be carried out at the time of recruitment and on a regular basis thereafter. The Company must satisfy itself that persons who are subject to the Fit and Proper requirements are being appropriately assessed:

- Persons 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 and a professional development programme to ensure that all the key skills relating to the role remain at a suitable level;

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

B.3.1 Overview of Risk Management Framework and Strategy

Sompo International has established a Group-Wide Enterprise Risk Management ("ERM") framework which provides a structured and consistent approach to ensuring that risks are appropriately identified, monitored and controlled with clear ownership and appropriate levels of oversight. This framework is implemented in a consistent manner across Sompo International, including the Company.

The mission of ERM is to promptly identify, measure, manage, monitor and report risks that affect the achievement of strategic, operational and financial objectives. The key objectives of the risk management framework are to:

- protect the capital base and earnings by monitoring risks against the Company's stated risk appetite and limits,
- promote a sound risk management culture through disciplined and informed risk taking,
- satisfy legal and regulatory risk obligations, and
- safeguard the Company’s reputation.

B.3.2 Governance framework

At the heart of the risk management framework is a governance process with responsibilities for taking, managing, monitoring and reporting risks. The key elements of the Company's governance framework, as it relates specifically to risk management, are described below.

Board of Directors’ Level

The Risk and Compliance Committee of the Board ("Risk and Compliance Committee") assists the Board of Directors in overseeing the integrity and effectiveness of the ERM framework, and ensuring that risk assumptions and risk mitigation activities are consistent with that framework. The Risk and Compliance Committee reviews, approves and monitors the Company’s risk appetite limits and receives regular reports from the Risk Management function to ensure any significant risk issues are being addressed by management. The Risk and Compliance Committee further reviews, with management and Internal Audit, the Company’s general policies and procedures in order to satisfy itself that effective systems of risk management and controls are established and maintained. Among its other responsibilities, the Risk and Compliance Committee also reviews and approves the annual ORSA report (see below). The Risk and Compliance Committee receives regular reporting from the Chief Risk Officer on the operation of the ERM framework, emerging risks and any other relevant developments.

Executive Management Level

Executive Management are responsible for the implementation of the Company’s enterprise risk management framework and are supported in this role by the Operations Committee and Underwriting Committee. The Chief Executive Officer of the Company is a member of these Committees which facilitates information exchange and helps to ensure that the Company's risk framework is consistent with its business strategy and operational infrastructure.

Risk management organisation

The Risk Management function is a "second line of defense" and responsible for oversight and implementation of the ERM framework as well as providing guidance and support for risk management practices.

The risk governance structure is further complemented by the Legal and Compliance Department which seeks to mitigate legal and regulatory compliance risks with support from other departments. This includes ensuring that significant developments in law and regulations are observed and that impending legislative and regulatory changes and applicable court rulings are appropriately managed.

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 risk management framework considers material risks in the business including investments, underwriting or operations. The Company's risk appetite, as authorised by the Board of Directors, represents the acceptable amount of risk within the constraints imposed by capital resources as well as the expectations of stakeholders as to the type of risk held within the business.

Specific risk limits are defined and translated into a consistent framework across the identified risk categories and are intended to limit the impact of individual risk types or accumulations of risk. Individual limits are established through an iterative process to ensure that the overall framework complies with the Company's requirements on capital adequacy and risk accumulation.

A quarterly risk dashboard is presented to the Risk and Compliance Committee comparing current risk exposures and trends against Board-approved risk limits. Any breaches of risk limits are identified, and remedial actions agreed.

B.3.4 Risk identification, assessment and monitoring

In terms of risk identification, the Company's "Risk Universe" describes the risk landscape to which the Company is exposed. It encompasses strategic risks, assumed risks (i.e. the underwriting and market risks that the Company is paid to assume), financial risks and operational risks inherent in running the business.

Each risk in the risk universe has an individual Risk Owner who is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks and maintaining an associated risk register.

The effectiveness of risk mitigation is monitored and assessed quarterly by each Risk Owner through a Risk & Control Self-Assessment ("RCSA") process facilitated by the Risk Function. As part of the RCSA, each Risk Owner assesses the design and operating effectiveness of their control environment and provide an overall assessment of each risk including any deficiencies and remedial plans in place. Outputs from the RCSA are reported each quarter to the Operations Committee and the Risk and Compliance Committee.

B.3.5 Own risk and solvency assessment process

The Own Risk and Solvency Assessment process ("ORSA") is integral to the Company's risk management framework. It promotes a strong risk management culture by embedding a forward-looking assessment of business viability and the risk profile into the decision-making system. In particular, the ORSA supports the Board in: understanding the Company's risk profile, performance prospects and on-going solvency requirements; with regard to its stated strategy, risk appetite and tolerances; and with regard to potential shocks or risks the business may face over a strategic planning horizon of 5 years.

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 report 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 the Group-Wide ERM 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.

At least annually, the Risk Function shall compile the outputs from the underlying processes within the scope of the ORSA to prepare a formal annual ORSA report to the Board. Additionally, each quarter, the Board will receive various reporting from the Risk Function to enable its ongoing monitoring of the Company's solvency and risk profile. This reporting will include:

- A risk dashboard report of risk exposures relative to the board's risk appetite limits,
- Key findings and outputs from the RCSA process; and
- Any material updates to the SCR projections included in the Annual ORSA report.

Triggers for an out of cycle update of the annual ORSA report include but are not limited to: a material change in the Company's risk profile, a change in control of the Company, changes to business strategy, un-anticipated changes to the external or operating environment or following Board request for reasons at their discretion. In the circumstance where one or more of these changes have occurred and a re-run of the ORSA is deemed appropriate by the risk function this will be recommended to the Board, at such time, a date for the completion of updated reporting and any appropriate communication with external stakeholders will be agreed with the Board.

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, the 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, 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 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. It is the Audit Committee's responsibility to ensure that the Internal Audit function has adequate resources to perform its function.

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 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.

Actuarial Function is responsible for the following:

- coordinating the calculation of the technical provisions and all supporting analysis surrounding this process lies with the Actuarial Function Holder.
- the Chief Risk Officer has oversight of risk management system, with contributions from the Actuarial Function.
- providing an independent opinion on the underwriting policy. The Chief Pricing Actuary is heavily involved in providing the input for review into this process.
- providing an 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 organisation, 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 ("service 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 service provider.

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;
- risks from outsourcing and mitigation; and
- GDPR compliance.

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 prescribed in the SIH Group's "Authorised Approvers" policy document and include the requirements for adequate specifications for the services to be entered into and a general ledger account and activity code where appropriate.

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.	Luxembourg Spain Germany Italy Belgium France
IT helpdesk	Telephone support covering desktop and mobile devices.	USA

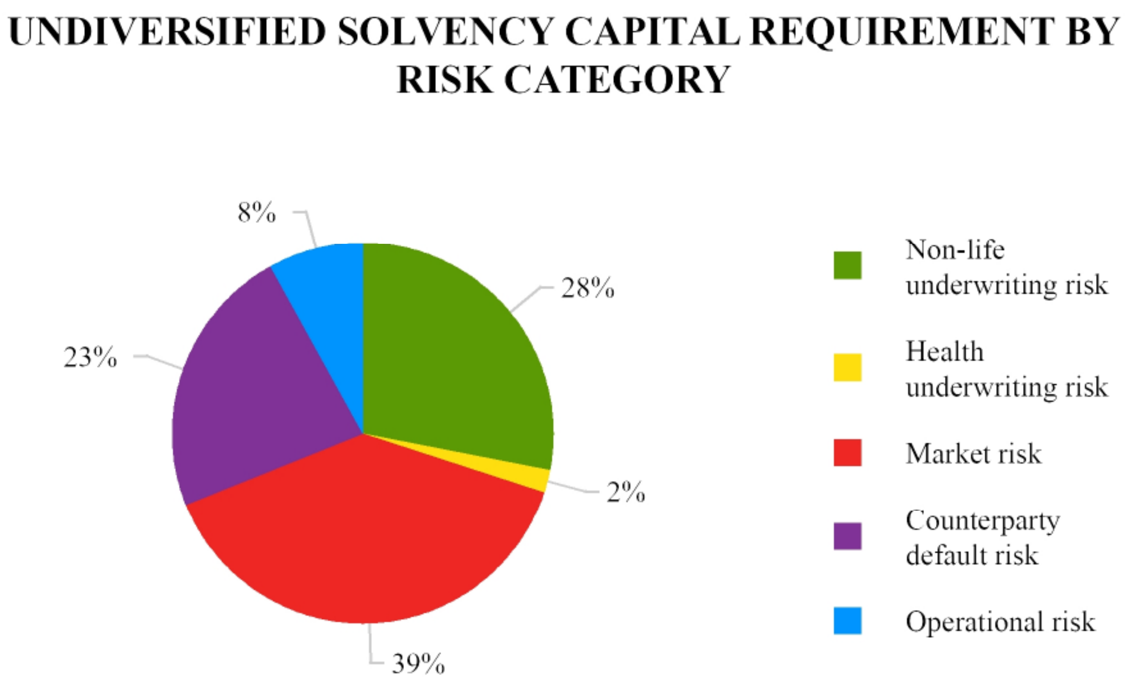
B.8 Any other information / summary

The Company considers that its systems 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 at 31 December 2019, as determined by the Standard Formula, was as follows:



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.

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. 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 by the Underwriting Committee. 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.
- At least annually the SIH 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 exposure 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 SIH 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.

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 provisions 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.
- Independent external actuaries annually prepare a statement of actuarial opinion and provide an audit opinion supporting that 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 28.0% 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.

At 31 December 2019, the Company did not have any material accumulation risks.

C.2 Market Risk

Market risk describes the Company's exposure to external influences on its 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 39% (2018: 20%) of the undiversified total SCR.

C.2.2.1 Material Risk

The market risk charge is driven by currency risk primarily in relation to U.S. Dollar net asset balances held at 31 December 2019.

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.

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

The Company operates predominantly in the EEA and therefore has a limited exposure to foreign exchange risk from its underwriting activities. The Company endeavours to mitigate this risk by maintaining a match of assets and liabilities in their respective currencies. The Company made a strategic decision to hold U.S. Dollar denominated fixed income securities in its investment portfolio which increases its currency risk exposure.

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.

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 Sompo International 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 Sompo International 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 ESIL and SJNKI. 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 23% (2018: 46%) 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 third-party 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 Luxembourg GAAP basis, by Standard & Poor's or equivalent credit rating:

Amounts in €'000 **2019**	**AAA**	**AA**	**A**	**BBB and below**	**Other/not rated**	**Total**
RI share of claims outstanding	987	109,137	53,060	2,493	5,629	171,306
Cash and cash equivalents	—	—	31,326	15,455	1,361	48,141
Receivables (trade, not insurance)	—	—	357	—	65	422
Total	987	109,137	84,742	17,948	7,055	219,869

Amounts in €'000 **2018**	**AAA**	**AA**	**A**	**BBB and below**	**Other/not rated**	**Total**
RI share of claims outstanding	—	23	651	—	—	674
Cash and cash equivalents	—	—	4,562	—	—	4,562
Receivables (trade, not insurance)	—	—	1,447	—	41	1,488
Total	—	23	6,660	—	41	6,724

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 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 time-frame. 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 calculated as at year-end 2019 is €20,760k (2018: €1,206k). The increase in the EPIFP is due to the material growth in the Company's book as well as the methodology change that occurred in 2019.

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 Luxembourg, EEA, United Kingdom, the United States 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 processes and controls throughout its business. Individual accountability for all key business risks and controls is clear and documented in the risk register. A self-assessment of the effectiveness of the control 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 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 8.0% (2018: 0.4%) 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 has analysed its operational risk exposure and considers that any foreseeable operational event would not have a significant impact on its solvency.

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 arise 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 insurance needs and the impairment of stock value and other 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, transition 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

- **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 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 current view of the potential impact of the Company's implementation of its BCP and COVID-19 response plan is that there is no significant information at this time to indicate that such implementation will have 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 substantial uncertainty surrounding its potential and ultimate actual impacts on the Company. The Company's enterprise risk 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 preliminary 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 is expected to have an impact on the Company's reserve requirements, premium volumes, underwriting income, net income, capital, liquidity, and to possibly cause payment delays from some of the Company's customers. It is anticipated that some of the Company's reinsurance counterparties may experience losses that adversely affect their ability to perform their obligations to the Company. The Company generally purchases reinsurance from highly rated and well capitalised or fully collateralised counterparties. Nevertheless, the Company anticipates that there is a potential for some of its reinsurers to experience losses that prevent them from making timely payments to the Company as a result of COVID-19. 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 net impact that produces a 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 legal interpretation of the existence of coverage that was outside expected and widely accepted policy interpretations at the time the policy was issued and became effective.

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 €'000				**31 Dec 2019**
	Luxembourg GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	15,129	—	(15,129)	—
Property, plant and equipment held for own use	176	—	1,579	1,755
Investments (other than assets held for index-linked and unit-linked contracts)	299,001	1,218	—	300,219
Reinsurance recoverables	239,353	(89,745)	(50,093)	99,515
Insurance and intermediaries receivables	71,549	(39,051)	—	32,498
Reinsurance receivables	119,587	—	—	119,587
Receivables (trade, not insurance)	422	—	—	422
Cash and cash equivalents	48,140	—	—	48,140
Deferred tax assets	—	—	4,439	4,439
Any other assets, not elsewhere shown	1,324	(1,218)	—	106
	794,681	(128,796)	(59,204)	606,681

Amounts in €'000				**31 Dec 2018**
	Luxembourg GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	767	—	(767)	—
Property, plant and equipment held for own use	238	—	—	238
Investments (other than assets held for index-linked and unit-linked contracts)	83,630	516	—	84,146
Reinsurance recoverables	6,842	(5,570)	639	1,911
Insurance and intermediaries receivables	6,750	(4,419)	—	2,331
Reinsurance receivables	64	—	—	64
Receivables (trade, not insurance)	1,488	—	—	1,488
Cash and cash equivalents	4,562	—	—	4,562
Deferred tax assets	—	—	—	—
Any other assets, not elsewhere shown	1,860	(515)	—	1,345
	106,201	(9,988)	(128)	96,085

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 Luxembourg 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 (€299,001k) were priced using a 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.

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 the Directive.

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 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 Luxembourg 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 Luxembourg 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 Luxembourg GAAP, the Company also values investments at fair value, however the accrued interest (€1,218k) is reported separately under other assets.

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 Luxembourg 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 Luxembourg GAAP valuation of deposits with cash and cash equivalents.

Deferred tax assets

An additional deferred tax asset of €4,439k has been recognised on the Solvency II Economic Balance Sheet compared to Luxembourg 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

During 2019 the Company has recorded the Solvency II value of leases in accordance with IFRS 16, €1,579k. IFRS 16 was effective from 1st January 2019. In the prior year the Solvency II value has remained the same as under Luxembourg GAAP where these leases are classified as operating leases and not capitalized on the Balance Sheet. This change in treatment affects Property, plant and equipment held for own use not elsewhere shown. Refer to Section D.3.3 for the impact on liabilities.

Except for leases discussed above there have been no other changes to the recognition, valuation or estimation methods used during the year.

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) Solvency II technical provisions are comprised of the following components:

- Discounted best estimate of future premium cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance.
- 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.
- The recognition of both gross and ceded contracts on a 'legal obligation' basis. This means the inclusion of business currently not valued as part of technical provisions e.g. 1 January renewals entered into prior to a 31/12 valuation.
- Typically, the risk margin is 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. As the Company is a relatively new entity and the business

is being established, a benchmark approach has been used from other Sompo International entities that relates risk margin to Solvency II technical provision excluding risk margin.

Best estimate claims reserves

Best estimate claims reserves are calculated by deducting the implicit margin for prudence which is contained within the booked reserves. For this year end, given the immaturity of the book, there is no management margin.

Typically, the main methods used for the projection of both best estimate and booked reserves include paid and reported loss development methods, the paid and reported Bornhuetter-Fergusson methods (which is a Bayesian estimation approach), the Initial Expected Loss method, and judgment. All methods will make use of both paid and incurred data. Other reserving methods may be considered as required. The selected ultimate loss will be based on one particular method or a weighting between several. For this year end, given the immaturity of the book, the incurred Bornhuetter-Fergusson methods has been used.

Where applicable, reinsurance recoveries on the gross incurred but not reported ("IBNR") are estimated based on the Company's ceded reinsurance program. The Company's ceded reinsurance recoverables include amounts from both third party and intra-group reinsurance and proportional and non-proportional reinsurance arrangements.

Going forward, once the Company has been exposed to such claims, catastrophe losses and some specified large losses, IBNR will be based upon qualitative information and recommendations from the claims department and the business units.

There are two main types of parameters used in the reserving process: initial estimated loss ratios ("IELRs") and development patterns – both paid and reported.

- Initial estimates of ultimate losses used in reserving typically come from one, or a combination of, the following: Plan loss ratios, historical experience adjusted for rate change and loss trend, industry and peer company experience and pricing loss ratios.
- Paid and reported loss development factors are typically established based upon either one, or a combination of, the following: Reserve group specific loss development (where historical data volumes allow), development patterns based on business written elsewhere in the Group, account specific information (where a few large contracts comprise a large proportion of the reserve group in question), and industry benchmarks.

Solvency II technical provisions are broken down into the following components:

- Claims provisions (earned) future claims
- Premium provisions (unearned) future claims
- Claims provisions (earned) future premiums
- Premium provisions (unearned) future premiums
- Expenses
- Risk margin

Claims Provision

Under Solvency II, future premium payable and receivable (gross and ceded, third party and intercompany) are considered within the technical provisions as future cash inflows and outflows. Amounts relating to earned and unearned incepted business are separately identified, with the earned future premiums appearing in the claims provision component, and unearned incepted future premiums appearing in the premium provision component (see below). Allowance is also made for expected reinstatement premiums on inwards business and profit commission payable. Overdue premium, however, is not included as part of the future cashflows and instead remains on the balance sheet, outside of the technical provisions.

An adjustment is made to incurred claims (including IBNR) to remove any margin of prudence within the Luxembourg GAAP provisions such that the resulting reserve is a best estimate of future claim payments. For this analysis, because of the immaturity of the book it assumed that there is no management margin.

An allowance is also made for ENIDs. ENIDs are derived using a scenario-based approach from a similar historical entity.

Bad debt on reinsurance recoveries expected is allowed for based on an assumed default and recovery rate. The default rate is applied annually and increases for each payment year; it is therefore higher for longer tail lines.

Premium Provisions

Typically, within this provision, allowance is made for estimated future gross and ceded premium on both unearned incepted business and inwards legally obliged business. For unearned incepted business allowance is also made for expected reinstatement premiums on inwards business and profit commission payable, if applicable. Where ceded reinsurance is already incepted or legally obliged and will cover inwards policies that are not yet existing, the principle of correspondence may not apply and instead the full amount of the premium is considered to be ceded future premium within the technical provisions.

On incepted business, the individual policy level IELRs used are selected with reference to plan and pricing information.

For legally obliged but unincepted business, IELRs and expense ratios by class of business are taken from next year's plan (or historical experience if more appropriate). The business ceded and the recoveries made are based on the application of the actual reinsurance programme.

IELRs are applied to unearned premium (gross and ceded) to determine loss provisions on unearned business, both already incepted and legally obliged. Legally obliged business is established in one of two ways (depending on the policy status): (1) if the policy is a tacit renewal then it is deemed to be legally obliged if it falls within a reasonable period of the valuation date; (2) if the policy is not a tacit renewal actual business renewed/incepted a month after the valuation point is set as legally obliged.

As for claims provisions, an allowance for ENIDs is also included within premium provisions. ENIDs are derived using a scenario-based approach from a similar historical entity.

Bad debt on recoveries is allowed for as described for claim provisions above.

Payment Patterns & Yield Curves

All future claims and premiums cash-flows are assigned to calendar quarter (by applying quarterly payment patterns for claims and actual due date for premiums/commissions) and are discounted, assuming mid period date of loss, using currency specific yield curves provided by EIOPA. Where yield curves for a given currency are not available, Euro's is used; instances where this is the case are deemed to be immaterial.

Claims payment patterns applied to ceded are the same as gross claims payment patterns, although with an element of delay for accounting processes; this is a reasonable assumption given that the majority of ceded (including intercompany) reinsurance is on a quota share basis. The impact of any time lag between settlement and collection which may arise in practice is deemed immaterial, particularly given the current low yield environment. For ceded premium, the assumption is that future premium payable for both third party and intercompany will be paid in line with accounting processes.

Payment patterns are assumed in calculating cash flows relating to future claims (future premium amounts, however, are based on due dates information). The payment patterns are based upon the Company's actuarial studies and vary by reserve group.

Expenses

Account must be taken of all expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses e.g. professional fees. This share should be assessed on the basis that the Company continues writing new business and should include items such as investment manager's costs that would not be part of the technical provisions under the Luxembourg GAAP basis. In particular the following expense allowances are made:

- Unallocated loss adjustment expense ("ULAE") factors are taken from the Luxembourg GAAP Reserve Study and applied in full for claims reserves.
- Investment expenses are calculated by applying a factor based on benchmark data to current loss provisions (this is currently an immaterial amount).
- Planned general expenses relating to unearned existing and legally obliged business are allocated via the unearned and legally obliged premium to class of business/year/currency etc.

Risk margin

A risk margin is needed in order to ensure that the value of the technical provisions is equivalent to the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

Typically, technical provisions are calculated as the sum of an explicit best estimate and an explicit risk margin where the risk margin is 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 obligations over their lifetime. This approach is intended to reflect the costs incurred by a notional reference undertaking in raising capital to accept a transfer of liabilities.

Given the immaturity of the business a simple benchmark approach has been used (taking key information from similar entities a guide).

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

Amounts in €'000					31 Dec 2019
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	99,351	3,353	102,703	(23,274)	79,429
General liability insurance	64,702	3,654	68,357	(32,856)	35,501
Marine, aviation and transport insurance	59,392	1,969	61,362	(28,360)	33,002
Non-proportional reinsurance	6,218	1,103	7,321	(2,583)	4,738
Other	9,529	1,397	10,926	(12,442)	(1,516)
	239,192	11,476	250,669	(99,515)	151,154

Amounts in €'000					31 Dec 2018
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	3,165	6	3,171	(3,084)	87
General liability insurance	(572)	38	(534)	1,163	629
Marine, aviation and transport insurance	1,377	59	1,436	(256)	1,180
Non-proportional reinsurance	(148)	(4)	(152)	89	(63)
Other	7	13	20	177	197
	3,829	112	3,941	(1,911)	2,030

There are no material differences between classes of business in terms of methodology adopted in the valuation of the Solvency II technical provisions. Where class specific assumptions are required, these are determined using the same approach e.g. the payment pattern used to determine expected future cashflows will differ by class, but the method used to derive such patterns (i.e. pattern determined by analysis of historical similar entity data triangles supplemented by use of industry benchmarks) does not.

D.2.2 Uncertainty associated with the value of technical provisions

While the estimation of the technical provisions reflect 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 2019 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. Rates, terms and conditions and IELRs. The softening in 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.

3. The creation of the Company and the allocation of renewals from other Sompo International entities to the Company creates some uncertainty. The ancestry of the policies renewed into the Company might not be applicable directly to future potential experience (for example, the policies might have been substantially re-underwritten in terms of rate strength, coverages and terms and conditions).

4. Reliance on benchmarks. As the Company continues to build out its insurance operations, new classes of business have been added to the Company's portfolio, representing European business transferring from Sompo International's UK company platform. The historical performance of the UK portfolio is used as a benchmark for projecting SIIE's claims development but the differences in the underlying portfolios result in some additional 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 €'000				**31 Dec 2019**
Gross	**Luxembourg GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	101,474	(2,124)	3,353	102,703
General liability insurance	80,922	(16,219)	3,654	68,357
Marine, aviation and transport insurance	60,348	(955)	1,969	61,362
Non-proportional reinsurance	9,958	(3,740)	1,103	7,321
Other	39,724	(30,195)	1,397	10,926
	292,426	(53,233)	11,476	250,669

Amounts in €'000				31 Dec 2018
Gross	**Luxembourg GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	2,007	1,158	6	3,171
General liability insurance	2,875	(3,447)	38	(534)
Marine, aviation and transport insurance	1,550	(173)	59	1,436
Non-proportional reinsurance	20	(168)	(4)	(152)
Other	190	(183)	13	20
	6,642	(2,813)	112	3,941

Net Solvency II technical provisions at 31 December 2019 are 205.3% (2018: 315.7%) of net Luxembourg GAAP provisions. The largest driver of this movement is incepted future premiums (net of acquisition costs), additional expenses and the risk margin required which is partially offset by profit from UPR and un-incepted contracts. The increase in incepted future premiums (net of acquisition costs) is due to the Solvency II technical provisions at 2019 including large outstanding outwards reinsurance premium balances and additional provision for future outwards reinsurance spend.

Amounts in €'000	31 Dec 2019	31 Dec 2018
Net		
Luxembourg GAAP technical provisions (net of DAC)	73,616	641
Removal of margins	790	0
Profit from UPR	(42,071)	(401)
Profit from Un-incepted	(3,866)	(3,297)
Incepted future premium (net of acquisition costs)	85,891	(8,855)
ENID loadings	331	15
Additional expenses	24,715	13,826
Discounting	273	(11)
Risk Margin	11,476	112
Solvency II technical provisions	151,155	2,030

Luxembourg GAAP provisions

Output from a quarterly reserving exercise forms the basis of the booked provisions. Gross reported losses, premiums and acquisition cost data are all policy specific and used as the basis to allocate various other items (including IBNR, ULAE and ceded data) to policy, accident quarter, class of business, currency, Solvency II line of business and region.

Allocation to SII line of business and region

Solvency II technical provision elements are allocated to both Solvency II line of business and geographical region. Exposure region is obtained from the underwriting systems on an individual policy basis.

Solvency II line of business is currently assigned to each individual policy based on class and method of placement.

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 the Company switched to using the Solvency II technical provision model that is used for other entities within the group. This resulted in a change in method for various parts of the Company's technical provisions calculations.

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 €'000				31 Dec 2019
	Luxembourg GAAP	**Re-classification**	**Valuation differences**	**SII basis**
Technical provisions	307,555	(39,008)	(17,878)	250,669
Insurance and intermediaries payables	33,504	—	—	33,504
Reinsurance payables	154,792	(89,787)	—	65,005
Payables (trade, not insurance)	30,407	—	1,656	32,063
Any other liabilities, not elsewhere shown	21,036	—	(20,547)	489
	547,294	(128,795)	(36,769)	381,730

Amounts in €'000				31 Dec 2018
	Luxembourg GAAP	**Re-classification**	**Valuation differences**	**SII basis**
Technical provisions	7,409	(3,579)	111	3,941
Insurance and intermediaries payables	67	(67)	—	—
Reinsurance payables	5,503	(5,503)	—	—
Payables (trade, not insurance)	3,424	—	—	3,424
Any other liabilities, not elsewhere shown	2,153	(840)	—	1,313
	18,556	(9,989)	111	8,678

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 Luxembourg 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 Luxembourg 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 Luxembourg GAAP valuation of accrued expenses.

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

During 2019 the Company has recorded the Solvency II value of leases in accordance with IFRS 16, €1,656k. IFRS 16 was effective from 1st January 2019. In the prior year the Solvency II value has remained the same as under Luxemburg GAAP where these leases are classified as operating leases and not capitalized on the Balance Sheet. This change in treatment affects Payables (trade, not insurance), not elsewhere shown. Refer to Section D.1.3 for the impact on assets.

Except for leases discussed above here have been no other changes to the recognition, valuation or estimation methods used during the year.

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

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 insurance capital requirements required by the regulator, the CAA as well as capital adequacy requirements of the Solvency II regime;
- 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 three year business planning horizon.

E.1.1 Own funds classified by tiers

Amounts in €’000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Tier 1	220,513	87,406	133,107
Tier 2	—	—	—
Tier 3	4,439	—	4,439
	224,952	**87,406**	**137,546**

Tier 1 own funds consist of ordinary share capital and share premium account relating to ordinary share capital of €30k and €243,734k respectively (2018: €30k and €91,155k), and a reconciliation reserve of (€23,251)k (2018 (€3,780)k). The primary driver of the increase in the eligible own funds was the merger with SJNKE resulting in a share premium increase of €152,579k. 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 MCR and all own funds are eligible to cover the SCR.

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 €'000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Net assets under Luxembourg GAAP	247,387	87,645	159,742
Valuation differences on technical provisions under Solvency II	(26,800)	(239)	(26,561)
Valudation differences on lease assets	(74)	—	(74)
Valuation difference on deferred tax asset	4,439	—	4,439
Excess of assets over liabilities under Solvency II	**224,952**	**87,406**	**137,546**

Valuation differences on technical provisions under Solvency II includes:

- the impact of the revaluation of the Luxembourg 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.

The final amounts remain subject to supervisory assessment. The Company has not received any imposed capital add-ons or imposed undertaking specific parameters.

Amounts in €'000	**31 Dec 2019**	**31 Dec 2018**	**Movement**
Non-life underwriting risk	42,783	9,725	33,058
Health underwriting risk	2,501	895	1,606
Market risk	60,135	6,327	53,808
Counterparty default risk	34,465	14,636	19,829
Operational risk	12,447	115	12,332
Total diversification benefit	(37,141)	(7,533)	(29,608)
Loss absorbing capacity of deferred taxes	—	—	—
Solvency Capital Requirement	**115,190**	**24,165**	**91,025**
Minimum Capital Requirement	**28,797**	**6,041**	**22,756**

The MCR 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 SCR; and
- an absolute floor as described in Article 129(1)(d) of the Directive and in Article 253 of the Delegated Regulation.

Following the calculations specified in the Delegated Regulation, the calculation of the Company's linear MCR is less than 0.25 times the SCR and so the MCR is equal to 0.25 times the SCR.

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

The increase in the SCR is mainly due to the merger with SJNKE, the Part VII Transfer from EWIL and SJNKE and growth in the Company's portfolio.

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 MCR and SCR 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 period ended 31 December 2019

We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the CAA 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 CAA 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.

P Rooke

Director

29 May 2020

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

SI Insurance (Europe) S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2019

(Monetary amounts in EUR thousands)

General information

Undertaking name	SI Insurance (Europe) S.A.
Undertaking identification code	549300OOBOGTBRMWN512
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	EUR
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	4,439
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1,755
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	300,219
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	85
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	85
R0130	*Bonds*	300,134
R0140	*Government Bonds*	110,068
R0150	*Corporate Bonds*	103,228
R0160	*Structured notes*	0
R0170	*Collateralised securities*	86,838
R0180	*Collective Investments Undertakings*	0
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:	99,515
R0280	*Non-life and health similar to non-life*	99,515
R0290	*Non-life excluding health*	99,408
R0300	*Health similar to non-life*	107
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	0
R0360	Insurance and intermediaries receivables	32,498
R0370	Reinsurance receivables	119,587
R0380	Receivables (trade, not insurance)	422
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	48,140
R0420	Any other assets, not elsewhere shown	107
R0500	**Total assets**	606,682

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	250,669
R0520	*Technical provisions - non-life (excluding health)*	248,989
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	237,837
R0550	*Risk margin*	11,152
R0560	*Technical provisions - health (similar to non-life)*	1,680
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	1,356
R0590	*Risk margin*	324
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	
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	33,504
R0830	Reinsurance payables	65,005
R0840	Payables (trade, not insurance)	32,063
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	489
R0900	**Total liabilities**	381,730
R1000	**Excess of assets over liabilities**	224,952

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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	7,957				52,726	104,281	42,550	17,614								225,129
R0120	Gross - Proportional reinsurance accepted	6	0				2,666	10,642	1,067	2,333								16,714
R0130	Gross - Non-proportional reinsurance accepted														4,801	294	2,354	7,450
R0140	Reinsurers' share	6	4,448				50,501	105,911	31,225	12,387					3,181	128	2,309	210,097
R0200	Net	1	3,509				4,891	9,012	12,392	7,560					1,620	166	45	39,196
	Premiums earned																	
R0210	Gross - Direct Business	0	3,999				46,101	103,519	26,763	4,886								185,269
R0220	Gross - Proportional reinsurance accepted	5	0				2,199	10,778	845	1,446								15,273
R0230	Gross - Non-proportional reinsurance accepted														3,342	95	2,871	6,308
R0240	Reinsurers' share	5	3,041				44,932	104,529	23,302	5,556					2,435	86	2,409	186,294
R0300	Net	0	958				3,368	9,769	4,306	776					907	9	462	20,555
	Claims incurred																	
R0310	Gross - Direct Business	0	3,233				32,434	117,639	22,854	3,204								179,363
R0320	Gross - Proportional reinsurance accepted	4	0				749	4,445	810	274								6,282
R0330	Gross - Non-proportional reinsurance accepted														709	-24	1,555	2,239
R0340	Reinsurers' share	4	2,432				32,228	115,789	22,025	2,647					385	-46	1,219	176,683
R0400	Net	0	800				955	6,295	1,639	831					324	22	335	11,201
	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
R0440	Reinsurers' share	0	0				0	0	0	0					0	0	0	0
R0500	Net	0	0				0	0	0	0					0	0	0	0
R0550	**Expenses incurred**	1	371				3,578	5,721	3,878	656					136	15	241	14,597
R1200	**Other expenses**																	0
R1300	**Total expenses**																	14,597

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GB	IT	FR	DE	ES	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	2,140	56,334	66,871	43,428	22,547	9,475	200,796
R0120	Gross - Proportional reinsurance accepted	100	8,716	57	210	4,114	1,851	15,049
R0130	Gross - Non-proportional reinsurance accepted	12	4,505	0	542	152	335	5,545
R0140	Reinsurers' share	1,614	52,681	59,564	37,639	24,574	11,015	187,088
R0200	Net	638	16,874	7,364	6,540	2,240	645	34,301
	Premiums earned							
R0210	Gross - Direct Business	1,836	38,603	66,199	33,294	22,568	3,145	165,645
R0220	Gross - Proportional reinsurance accepted	113	4,890	66	583	3,759	1,601	11,013
R0230	Gross - Non-proportional reinsurance accepted	276	2,359	0	542	184	178	3,540
R0240	Reinsurers' share	2,016	41,264	59,498	32,696	24,824	2,984	163,281
R0300	Net	209	4,589	6,768	1,723	1,688	1,941	16,917
	Claims incurred							
R0310	Gross - Direct Business	-3	18,482	64,817	53,640	14,437	798	152,171
R0320	Gross - Proportional reinsurance accepted	-21	242	0	77	1,383	996	2,676
R0330	Gross - Non-proportional reinsurance accepted	-29	352	0	75	0	597	995
R0340	Reinsurers' share	-57	17,770	58,256	53,660	15,288	2,136	147,054
R0400	Net	4	1,305	6,561	132	531	255	8,788
	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**	135	4,120	65	2,094	3,613	882	10,910
R1200	**Other expenses**							
R1300	**Total expenses**							10,910

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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
		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
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	-630				12,341	12,133	3,808	4,796				0	-212	6	258	32,499
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-199				5,953	9,416	-2,379	-6,143					87	-90	147	6,791
R0150	**Net Best Estimate of Premium Provisions**	0	-431				6,388	2,717	6,187	10,939					-299	96	111	25,708
	Claims provisions																	
R0160	Gross	0	1,986				47,052	87,218	60,895	3,377					3,200	241	2,725	206,693
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	306				22,407	13,859	35,235	18,478				0	933	43	1,463	92,723
R0250	**Net Best Estimate of Claims Provisions**	0	1,680				24,645	73,359	25,660	-15,101					2,266	198	1,263	113,970
R0260	**Total best estimate - gross**	0	1,356				59,392	99,351	64,702	8,173				0	2,988	247	2,983	239,192
R0270	**Total best estimate - net**	0	1,249				31,032	76,077	31,847	-4,161				0	1,967	294	1,374	139,678
R0280	**Risk margin**	0	324				1,969	3,353	3,654	1,072				0	347	603	153	11,477
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0				0	0	0	0					0	0	0	0
R0300	Best estimate	0	0				0	0	0	0				0	0	0	0	0
R0310	Risk margin	0	0				0	0	0	0				0	0	0	0	0
R0320	**Technical provisions - total**	0	1,680				61,362	102,704	68,357	9,246				0	3,334	850	3,137	250,669
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	107				28,360	23,274	32,856	12,335				0	1,020	-47	1,609	99,515
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	1,573				33,002	79,429	35,501	-3,089				0	2,314	897	1,527	151,154

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Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior											116	116	116
R0160	2010	0	0	0	0	0	0	0	0	0	3		3	3
R0170	2011	0	0	0	0	0	0	0	0	5			5	5
R0180	2012	0	0	0	0	0	0	0	2,968				2,968	2,968
R0190	2013	0	0	0	0	0	0	-2,437					-2,437	-2,437
R0200	2014	0	0	0	0	0	10,120						10,120	10,120
R0210	2015	0	0	0	0	752							752	752
R0220	2016	0	0	0	3,831								3,831	3,831
R0230	2017	0	0	5,555									5,555	5,555
R0240	2018	67	60,243										60,243	60,310
R0250	2019	77,076											77,076	77,076
R0260												Total	158,232	158,299

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior											676	666
R0160	2010	0	0	0	0	0	0	0	0	0	76		75
R0170	2011	0	0	0	0	0	0	0	0	2,092			2,098
R0180	2012	0	0	0	0	0	0	0	3,904				3,918
R0190	2013	0	0	0	0	0	0	1,058					1,058
R0200	2014	0	0	0	0	0	11,907						11,928
R0210	2015	0	0	0	0	8,843							8,718
R0220	2016	0	0	0	11,704								11,581
R0230	2017	0	0	20,552									20,426
R0240	2018	703	36,164										35,987
R0250	2019	110,437											110,236
R0260												Total	206,693

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	30	30		0	
R0030	Share premium account related to ordinary share capital	243,734	243,734		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	-23,251	-23,251			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	4,439				4,439
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**	224,952	220,513	0	0	4,439
	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	224,952	220,513	0	0	4,439
R0510	Total available own funds to meet the MCR	220,513	220,513	0	0	
R0540	Total eligible own funds to meet the SCR	224,952	220,513	0	0	4,439
R0550	Total eligible own funds to meet the MCR	220,513	220,513	0	0	
R0580	**SCR**	115,190				
R0600	**MCR**	28,797				
R0620	**Ratio of Eligible own funds to SCR**	195.29%				
R0640	**Ratio of Eligible own funds to MCR**	765.74%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	224,952
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	248,203
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-23,251
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	20,760
R0790	**Total Expected profits included in future premiums (EPIFP)**	20,760

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	60,135		
R0020	Counterparty default risk	34,465		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	2,501		
R0050	Non-life underwriting risk	42,783		
R0060	Diversification	-37,141		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	102,743		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	12,447
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	115,190
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	115,190
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	16,643

		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	1
R0030	Income protection insurance and proportional reinsurance	1,249	479
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	31,032	4,713
R0080	Fire and other damage to property insurance and proportional reinsurance	76,077	10,986
R0090	General liability insurance and proportional reinsurance	31,847	3,386
R0100	Credit and suretyship insurance and proportional reinsurance	0	1,280
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	11
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	1,967	198
R0160	Non-proportional marine, aviation and transport reinsurance	294	9
R0170	Non-proportional property reinsurance	1,374	179

	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	16,643
R0310	SCR	115,190
R0320	MCR cap	51,835
R0330	MCR floor	28,797
R0340	Combined MCR	28,797
R0350	Absolute floor of the MCR	2,500
R0400	**Minimum Capital Requirement**	28,797