Evolution Insurance Company Limited

Solvency & Financial Condition Report

For year ending 30th June 2017

Contents

Executive Summary

The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act ("the Solvency II Act in Gibraltar") including the Delegated Regulations of the European Parliament in respect of Evolution Insurance Company Limited ('EICL' or 'the Company'), a general insurer licenced in Gibraltar. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

The Company has performed well during the year ended 30 June 2017 and has recorded profits for the year per the management accounts of £3,381k[1] (2016: £5,322k). Profits were derived primarily from strong underwriting performance. In 2016, profits also included various property revaluations.

In our previous report, we disclosed that the Company had taken advantage of the transitional provision available under Schedule 5 (paragraph 2(14)) of the Solvency II Act in Gibraltar. However, in Q1 2017, the directors were delighted to report a solvency surplus to the Gibraltar Financial Services Commission. This was in spite of the change in the personal injury discount rate or 'Ogden' rate and the challenges created from the Brexit decision. While there has been some strengthening in technical provisions in the quarter ended 30 June 2017 in line with the view of the Company's external reserving actuary, the solvency surplus has been maintained since the Company exited transitional provisions.

As at 30 June 2017, the Company has own funds of £19,420k (2016: £18,600k) compared to a solvency capital requirement of £19,209k (2016: £20,551k). The final amount of the solvency capital requirement remains subject to supervisory assessment. The directors expect the surplus to continue to increase significantly from retained forecasted profits and further reduction in the solvency capital requirement as the Company's UK motor book continues to wind down.

The Company intends to achieve a target buffer over the solvency capital requirement over the coming 12 months to 30 June 2018 via retained profits, with strong focus on underwriting discipline and expense control. As such, the Company continues to seek opportunities which offer a good return on solvency capital.

The governance and risk frameworks of the Company are detailed further in this report. There have been no significant changes in the reporting period.

William Bidwell
Chief Executive Officer

[1] Audited financial accounts for the year ended 30 June 2017 are expected to be finalised by 31 December 2017. Comparative profit refers to audited financial statements as at 30 June 2016.

A. Business & Performance

1. Business

1.1. This report relates to Evolution Insurance Company Limited ('EICL' or 'the Company'), an insurance company licenced in Gibraltar and limited by shares.

1.2. EICL is 100% owned by Evolution Holdings (Guernsey) Limited ('EHGL' or 'the Group'), a non-regulated holding company domiciled in Guernsey; since Guernsey is not in the European Economic Area, nor is a Solvency II equivalent jurisdiction, Group supervision is carried out at the level of the insurance company.

1.3. EICL is regulated by:

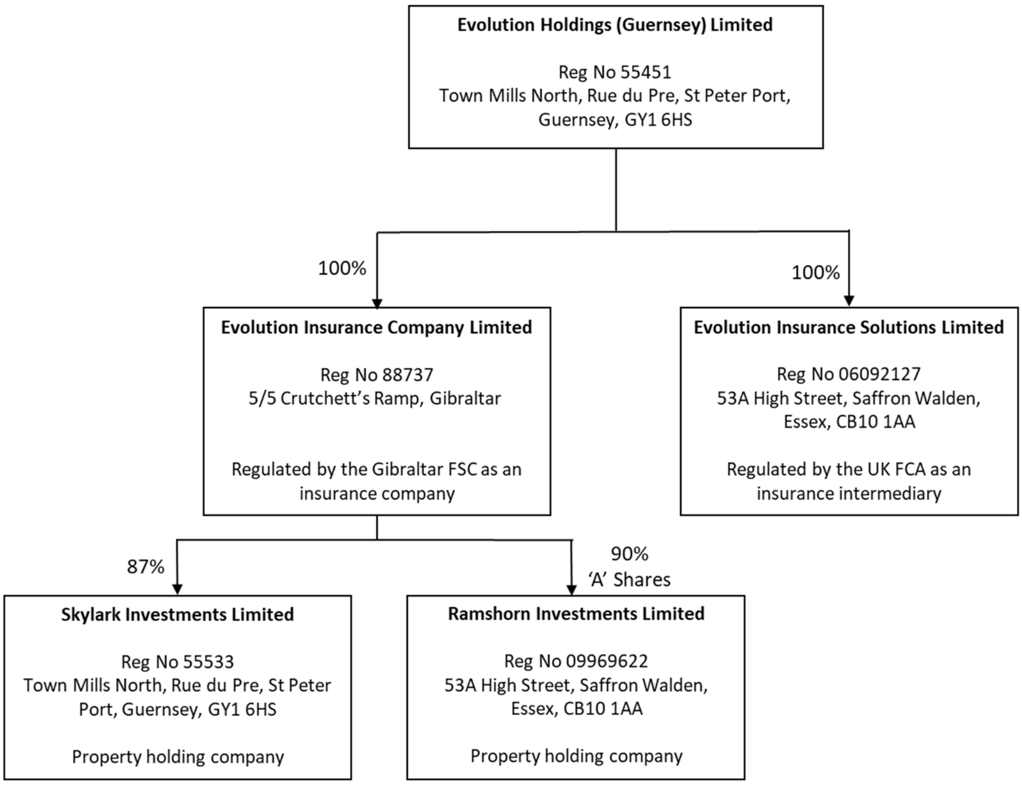
Gibraltar Financial Services Commission
PO Box 940
Suite 3, Atlantic Suites
Gibraltar
Tel: +350 200 40283
www.fsc.gi

1.4. EICLs external auditor is:
RSM Gibraltar (formerly Benady Cohen & Co Limited)
21 Engineer Lane
Gibraltar
Tel: +350 200 74854
www.rsm.global/gibraltar

1.5. EHGL shareholders with qualifying holdings:

Kenneth Acott
Patrick Tilley
William Bidwell

1.6. EHGL Group of companies:



1.7. The Group consists of the following companies:

Evolution Holdings (Guernsey) Limited ('EHGL')

Guernsey
A holding company which is parent to the other Group companies.

Evolution Insurance Company Limited ('EICL')

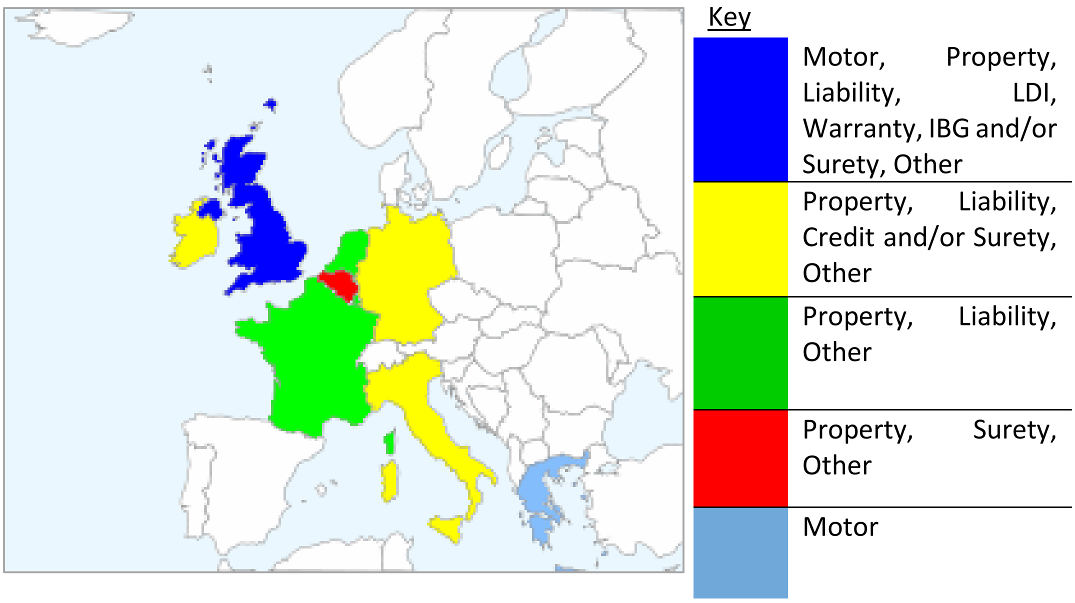
Gibraltar
A regulated insurance company which underwrites surety bonds, latent defects insurance ('LDI'), insurance backed guarantees ('IBG'), warranty, title insurance, motor insurance and motor insurance ancillary products in the UK and EEA jurisdictions (see below).

Evolution Insurance Solutions Limited ('EISL')

UK
A regulated insurance intermediary, EISL's main business is to sell surety bonds, LDI and warranty products, primarily on behalf of EICL. It is also responsible for policy administration and claims handling (within authority limits) on these lines, and acts as EICL's agent for Insurance Premium Tax ('IPT').

Ramshorn Investments Limited ('RIL')	UK RIL is a property holding company for one specific property investment in the UK.
Skylark Investments Limited ('SIL')	Guernsey SIL is a subsidiary of EICL and holds some of EICL's property investments.

EICL is authorised to carry out business in the territories highlighted on the map below:



1.8. On the 20th March 2017 a decrease to the Ogden discount rate from 2.5% to minus 0.75% was implemented. The rate is used in court cases in the UK to calculate settlements in personal injury and fatal accident claims, and therefore a decrease in the discount rate results in likely settlements increasing, and the need to also increase gross claims reserves. However, the Ministry of Justice immediately opened a consultation on how the rate should be set in future and issued a consultation response in September 2017, indicating that the rate, if it were set today, may be in the region of 0%-1%. The Company has therefore assumed a rate of 0.2% in setting reserves as at 30 June 2017. This reduction in rate from 2.5% to 0.2% during the financial year has therefore negatively affected the Company's financial results at 30th June 2017.

There have been no other significant events that have occurred in the reporting period that have had a material impact on the Company.

2. Underwriting Performance

2.1. The premium written by class and by territory for the year ended 30 June 2017, compared to that written in year ended 30 June 2016, is as follows:

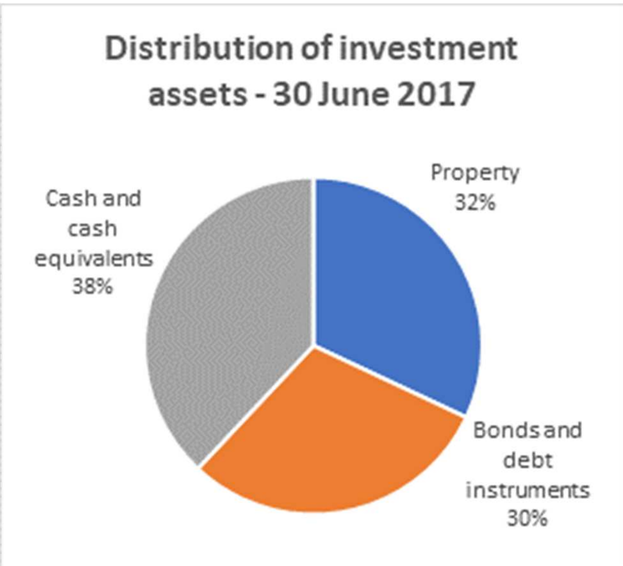
		2017	2016	Difference	
Class	**Jurisdiction**	**£'000**	**£'000**	**£'000**	**£'000**
Motor	UK	(22)	63,183	(63,205)	N/A
Motor	Greece	23,763	23,827	(64)	(0%)
Property	France	4,606	3,629	977	27%
Property	Netherlands	1,525	1,791	(266)	(15%)
Property	Germany	951	354	597	169%
Property	Ireland	713	3,148	(2,435)	(77%)
Property	Belgium	116	0	116	N/A
Surety	UK	3,005	1,982	1,023	52%
Legal	UK	165	134	31	23%
Assistance	UK	4,123	0	4,123	N/A
Miscellaneous	UK	6,080	5,820	260	4%
TOTAL	**ALL**	**45,025**	**103,868**	**(58,843)**	**(57%)**

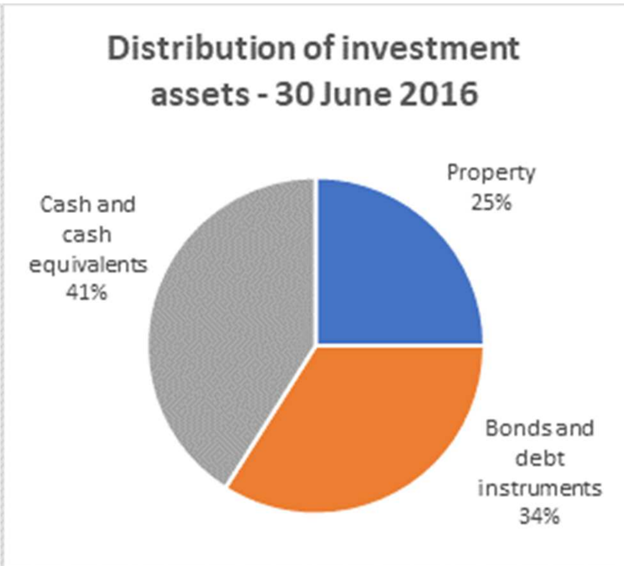
2.2. All premiums written are single premium policies (i.e. one single premium to cover the life of the policy).

2.3. Underwriting performance has been positive; the technical profit reported for the year ended 30 June 2017 in the management accounts was £2,543k (2016 audited accounts: £1,663k). Retained profits for the year were £3,381k (2016 audited accounts: £5,322k).

3. Investment Performance

3.1. The Investment assets held by the Company are shown below:





	2017		2016	
	Income	Expenses	Income	Expenses
Class	£'000	£'000	£'000	£'000
Cash	-	4	9	4
Bond	668	139	245	60
Property	1,184	198	353	12

4. Performance of Other Activities

4.1. There have been no other significant activities undertaken by the Company other than its insurance and related activities.

5. Any Other Information

5.1. There are no other material matters to report in respect of the business or performance of the Company.

B. System of Governance

1. General Information on System of Governance

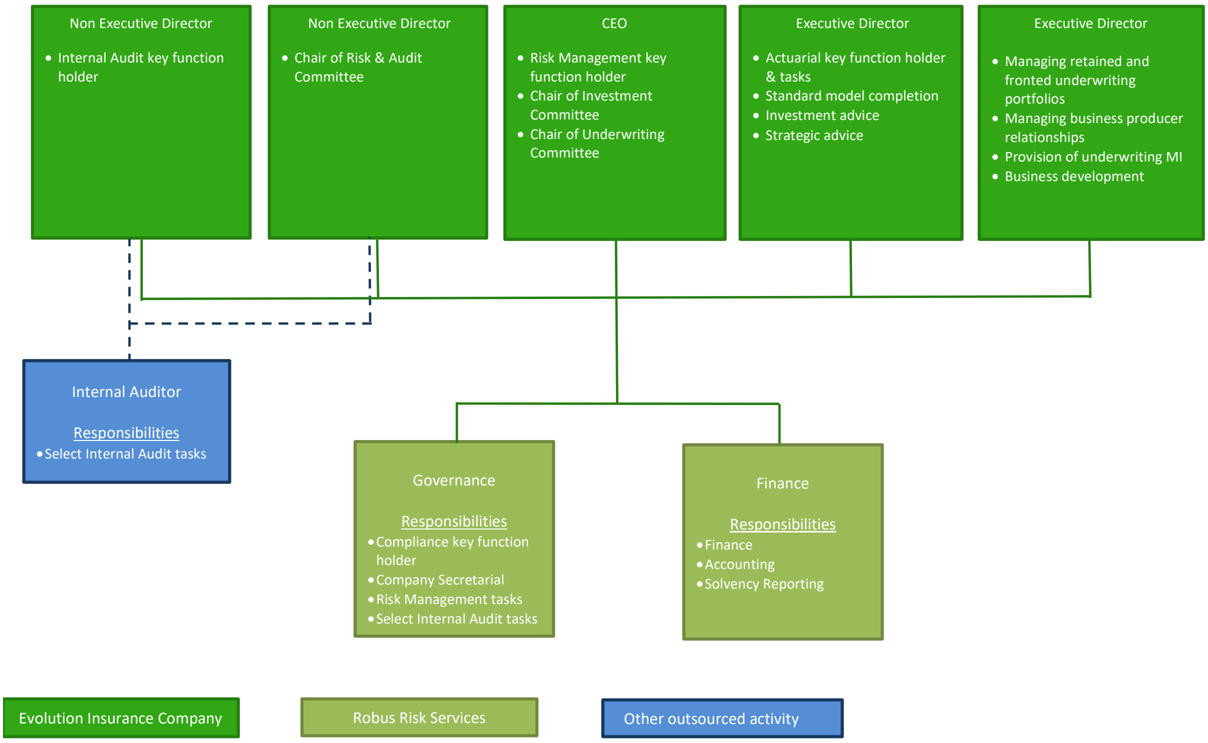
EICL System of Governance

The EICL Board has responsibility for the governance of the Company. The governance structure is outlined below.

Board and Committee Structure

Terms of Reference describe the purpose, responsibilities, membership and authority delegated from the Board for each Committee. Relevant attendees are invited to Committees as determined by the Committee, for example the Company's investment consultant, P-Solve Meridian, attends each Investment Committee meeting.

Roles and Responsibilities



The above diagram represents the structure for the majority of the reporting period; the only change was that the Company's Compliance Officer was appointed Compliance key function holder on the 23rd June 2017. There have been no other changes to the system of governance over the reporting period.

EICL has no employees. Directors' remuneration is approved by the Board, or if it is inappropriate to discuss at board level, it will be discussed with and approved by shareholders. Directors abstain from discussion and decisions regarding his/her own remuneration to avoid conflicts of interest.

Directors fees were paid to the NEDs and CEO totalling £100k (2016: £48k) during the reporting period. The remaining Director is remunerated through the insurance management contract that the Company has with Robus Risk Services (Gibraltar) Limited ('RRS').

There have been no dividends paid to the parent company during the reporting period.

2. Fit and Proper Requirements

The Company recognises the value of the fit and proper requirements in that a company run in a fit and proper manner, by fit and proper directors and other individuals holding key functions or roles, will benefit from the knowledge and experience brought to the company and is more likely to be successful. In addition, the risks associated with a badly run business (largely regulatory, financial or reputational risks) will be diminished.

There is no definition of 'fit and proper', however the term includes amongst other considerations the concepts of honesty, solvency and competence.

The basic elements of the fit and proper assessment are:

- honesty, integrity and reputation (e.g. treating customer fairly, proper respect of legal, regulatory and professional obligations, prudent approach to business);
- competence, ability to conduct business and organisation (e.g. adherence to 'four-eyes' principle, having a robust corporate governance structure, declaration of conflicts of interest, Directors having appropriate skills, knowledge and experience);
- financial position (e.g. ensuring the Company has sufficient financial resources to meet commitments on a continuous basis, and is robust enough to withstand business risks)

The Board ensures that any candidate for a position on the Board, or for other key functions or roles, is assessed to ensure that they fulfil fit and proper requirements. This includes reviewing the CV of the candidate, an in-depth interview, obtaining references (both personal and professional), and carrying out due diligence checks. Due diligence checks include verification of identification and address, and searches on due diligence databases. The candidate is also asked to declare any interests so the Board can review whether they conflict with the Company's interests. All conflicts of Interest identified are recorded on a Log and reviewed at each board meeting.

3. Risk Management System including ORSA

Risk Management Roles and Responsibilities

The Risk Management Key Function Holder is responsible for the function and effectiveness of the Risk Framework, supported by the Risk and Audit Committee ('RAC') on behalf of the Board. Should any risk management tasks be outsourced, the function holder is also responsible for the outsourced relationship, including monitoring the scope of work, service levels and for challenging the results.

The key function holder and RAC reviews, monitors and updates as required, all the components of the Framework, engaging other members of the Board, key function or key role holders, as necessary, and oversees the ORSA process. However, the Board collectively are responsible for the implementation of the Frameworks components.

The Risk Register is a central log of all risks identified in the business. It is owned by and is the responsibility of the RAC and risk management key function holder to maintain and review the document.

EICL completes the Group solvency calculation and monitors Group solvency on behalf of EHGL and will liaise with the Group Board as necessary to ensure that the Group SCR is met and that risks to Group solvency are monitored and managed.

EICL is responsible for completing an Own Risk Solvency Assessment ('ORSA') for the Group, incorporating EHGL and a solo ORSA on EICL. One supervisory report on both ORSAs is collated.

The Risk Management Process

The process of risk management is a continuous and systematic one, comprising 5 elements:

a) **Identification**. All directors of EICL ensure that risks are identified relating to their respective areas of responsibility, and in addition collectively identify risks to the overall business. This includes risks outside the control of the company.
b) **Assessment**. Only risks material to the business are included in the Risk Register. Risks are assessed according to a matrix to evaluate their impact on the business if they materialised, and the probability of the risk materialising. The assessment is carried out

on the risk with no mitigating controls in place (‘gross’ scores), and with mitigating controls in place (‘net’ scores).

c) **Response**. All risks will be dealt with as and when they arise, by the responsible director, the RAC, the function holder, or the Board as appropriate. Decisions will be recorded on the Risk Register, and detailed in the minutes of the relevant meeting.
d) **Monitoring**. A register of all identified risks is maintained by the RAC, the ‘Risk Register’. The RAC will review all items contained therein at least quarterly. Risk controls on the risk register are incorporated into the Company’s Compliance Monitoring Programme. Risks pertaining to a particular area of the business are included in any internal audit. The RAC also monitors the Company’s adherence to stated risk appetites and tolerances.
e) **Reporting**. All directors will report risk events as and when they occur, and ensure they are considered at the appropriate meeting. They will ensure the Risk Register is updated with regard to states and degree of risk.

Risk Appetite and Tolerances

Risk appetite is the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives; those risks that it wants to actively engage with.

Risk appetites are proposed by the RAC and approved by the Board for each risk on the Risk Register. The RAC monitors the Company’s risk against its risk appetite and takes any action deemed necessary should a risk fall outside its stated appetite.

Risk tolerances are the boundaries of risk taking outside of which the Company is not prepared to venture in pursuit of its business objectives; the amount of risk the Board will allow the Company to deal with.

Risk tolerances are proposed by the RAC, approved by the Board, and monitored by the business. The Board takes any action deemed necessary should a risk fall outside of its stated tolerance level.

Own Risk Solvency Assessment (‘ORSA’ or ‘the Assessment’)

EICL is responsible for completing an Own Risk Solvency Assessment (‘ORSA’) for the Group, incorporating EHGL. The Group ORSA includes a solo ORSA on EICL, as the only insurance entity in the Group.

The ORSAs main purpose is to ensure that the Group and the Company assess all the risks inherent to their businesses and determines the corresponding capital needs, or identifies other means needed to mitigate these risks.

It particularly considers situations in which the Group or Company face adverse conditions (‘stressed scenarios’), and the capital needs and mitigation measures necessary in these scenarios, to ensure that the business is prepared for, and robust enough to weather, adverse conditions without detriment to stakeholders.

While the Risk Register focuses on risks from a bottom-up viewpoint, the ORSA takes a top-down approach, linking business objectives, business risks, business planning and capital planning. The results of the ORSA also feed back into the risk management process, ensuring that all risks identified are incorporated into the assessment, management, monitoring and reporting cycle.

The EICL Board carries out the ORSAs at least annually on the basis that solvency needs and capital position are not volatile, and the business’ risk profile is stable. However, it will also carry out additional ORSAs in any of the following instances:

- a 50% deviation from business plan with respect to technical profit across retained books;

- a 25% increase in gross written premium on retained lines against the business plan;
- new lines or classes of business to consider; and
- notification from the Investment Committee of a breach in investment risk tolerances.

The ORSA is embedded into the business and capital planning processes; the proposed business plan is used to calculate the regulatory capital requirement (from the SCR calculation) and the economic capital requirement (from the ORSA), both of which are considered by the Board alongside the business plan. The business plan is then either approved, or amended and capital requirements recalculated.

4. Internal Control System

The Company's internal controls are part of its compliance framework, being the first line of defence in the 'three lines of defence' model the Company has implemented.

The Company has implemented policies which describe the Boards approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfils its policies. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control system, however day-to-day oversight is provided by the compliance key function holder/Compliance Officer. In practice, the RAC, other Directors and key role holders also necessarily participate in the management of the system.

The Compliance Function is responsible for ensuring that all company policies are reviewed at least annually to make certain that they are still fit for purpose, in liaison with the Directors as appropriate. The relevant area of the business is responsible for ensuring that their procedure(s) are up to date and reflect how the business operates. All reviews are recorded and versions controlled. All amendments are submitted to the Board or relevant Committee for approval.

There is a risk based compliance monitoring programme in place to provide assurance that EICL fulfils all its legislative and regulatory requirements, and adheres to its policies and procedures. This is completed by the Compliance Function on a quarterly basis and forms part of the compliance report to the Board.

Compliance Function

The Compliance key function holder is responsible for the completion of compliance tasks and has direct access to both the Board and the RAC.

The function is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficacy through the Compliance Monitoring Programme. Compliance reports are made to the Board at each meeting and advice provided to the business when requested. If any conflict of interest should arise, the function holder follows the Company's Conflicts of Interest Policy.

The Board supports the compliance function and shall make available such resource as is necessary, and provide access to all relevant documentation and information from the business, for the Compliance Function to fulfil its aims.

5. Internal Audit Function

EICL Internal Audit Function

EICL supports Internal Audit as an independent and objective assurance and consulting activity designed to add value and improve the Company's operations. It assists EICL in accomplishing its objectives by bringing an independent, systemic and disciplined approach to the process of evaluating and improving the effectiveness of the Company's risk management, control and governance processes.

The RAC's responsibilities are set by the Board through its terms of reference. In turn, the RAC defines the responsibilities of, and oversees, the Internal Audit function, which is headed by the Internal Audit key function holder. Some internal audit tasks are carried out by the Company's insurance manager, under the supervision of the function holder.

Internal audit exists to provide the Company with independent assessments of the quality of internal controls and administrative processes, and provide recommendations and suggestions for continuous improvement. It provides advisory services to management, will conduct investigations on an ad hoc basis as requested by management, and has responsibility for assisting in the development and operation of the risk management framework. It will also audit providers of material services to ensure that the agreements governing these relationships are being adhered to, including intragroup relationships.

Internal audits are conducted by resource appointed by the RAC which is appropriately skilled, experienced and independent to carry out the audit to the RAC's standards.

To carry out its work effectively and to retain integrity of the function, Internal Audit acts independently of line management. The RAC and the key function holder are responsible for the planning, management and performance of Internal Audit and have a direct reporting line to the Board to raise any issues identified. The majority of RAC members and the key function holder are non-executive directors and therefore independent of the day-to-day running of the business.

Audit Plan

The RAC prepares a risk based three year internal audit plan every year, reviewing and revising the three year plan in accordance with business priorities and risk areas, and with input from key stakeholders.

The plan is presented to the Board for approval. Should the plan significantly change for any reason during the year, it will be resubmitted to the Board for authorisation.

Throughout the year, performance against the annual plan is monitored by the RAC and any significant deviations reported to the Board as required.

Audit Reporting

An audit report is prepared and issued by the Internal Auditor following the conclusion of each audit, including any management responses, for review by the RAC.

A log of all internal audit recommendations raised during individual audits are collated and the status of action points are monitored to completion by the RAC.

An annual review of internal audit activity is reported to the Board. This includes a review of performance against the annual audit plan and review of the Audit Recommendations Log.

6. Actuarial Function

EICL's actuarial function is the responsibility of the key function holder, who reports directly to the Board.

The actuarial function is responsible for:

a) Coordination of the calculation of technical provisions;
b) Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c) Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
d) Comparing best estimates against experience;
e) Informing the Board of the reliability and adequacy of the calculation of technical provisions;
f) Expressing an opinion on the overall underwriting policy;
g) Expressing an opinion on the adequacy of reinsurance arrangements; and
h) Contributing to the effective implementation of the risk-management system.

Each of these activities is undertaken on an at least annual basis and the outcome reported to the Board in an internal actuarial report.

7. Outsourcing

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the company. The third party to whom an activity is outsourced is a 'service provider'.

EICL ensures that an outsourcing arrangement does not diminish the Company's ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator.

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of the Company's processes, and the final responsibility for customers, are not outsourced.

Outsourcing is considered where the Board believes that there is an advantage to the Company and customer by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits.

EICL is reliant on a number of material service providers; due to the risk this presents, EICL has an outsourcing policy which describes how it takes the decision to outsource, how a service provider is selected, and how the relationship is defined, managed and monitored. The Board also considers contingencies if the provider were to fail. The Company takes a risk based approach to all of these activities.

Material Service Providers in the Reporting Period:

Service Provider	Service Provided	Jurisdiction Located
Evolution Insurance Solutions Limited	Claims handling, policy fulfilment & IPT compliance Surety bonds, LDI, IBG & warranty	UK Ireland Italy
Federation of Master Builders	Claims handling Building warranty (in run-off)	UK Ireland
First Central Insurance Management Limited	Claims handling & policy fulfilment UK motor ancillaries Claims handling UK motor business (in run-off)	UK
Fiscal Reps	IPT compliance	Belgium
Guaranteed Conveyancing Solutions Limited	Claims handling & policy fulfilment Legal indemnity	UK
MyCom	Claims handling Gadget insurance (in run-off)	Belgium
Nequs Insurance & Reinsurance Brokers SA	Claims handling, policy fulfilment & IPT compliance Motor and personal accident	Greece
Phoenix Financial Consultants Limited	Claims handling UK motor ancillaries (in run-off)	UK
Premier Insurance Consultants Limited	Claims handling & policy fulfilment UK motor ancillaries	UK
Robus Risk Services (Gibraltar) Limited	Insurance Management (compliance, risk management tasks, company secretarial, accounting, banking & investments, regulatory reporting, actuarial tasks, some internal audit tasks)	Gibraltar
Sennocke International	Claims handling Building warranty (in run-off)	UK Ireland

8. Adequacy of the System of Governance

The Company aims to continuously improve its compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from compliance monitoring programmes, root cause analysis from complaints, breaches and risk events, and incremental development as the systems mature. It also considers relevant industry advice and guidelines, for example the UK Financial Reporting Council's Corporate Governance Code, implementing these as appropriate for the size and complexity of the Company.

Internal and external audits provide independent evaluation of the Company's system of governance. Recommendations from these audits are considered by the Board and implemented proportionate to the business' risks.

Risk Profile

1. Underwriting Risk

EICL takes a conservative approach to underwriting risk, prioritising the financial security of the Company, adherence to regulatory requirements, and protection of its policy holders, however it is open to investigating and developing innovative insurance products within these bounds.

Underwriting risk is identified and assessed using management information provided by the intermediaries, including GWP, claims reserves, loss ratio, large loss claims details and complaints data. Intermediary reviews are also carried out according to a risk based schedule, to review adherence to contractual requirements including delegated underwriting authority parameters; the outcome of these reviews is also part of EICLs assessment of underwriting risk. There has been no change to this methodology over the reporting period.

This information is reviewed by the Underwriting Committee and used in decision making to manage and mitigate underwriting risk, ensuring it is consistent with EICL's risk appetite. The Underwriting Committee reports to the Board on a quarterly basis and will also escalate decisions to the Board if these lie outside of the Committee's Terms of Reference.

EICL underwrites a mix of business that can broadly be split into two – 'retained' lines and 'fronted' lines.

Retained lines are distributed through intermediaries, the majority of which have underwriting authority delegated to them by EICL to allow them to bind business on behalf of the Company. This presents a risk in that the intermediary could bind the business on underwriting risks outside of EICL's risk appetite which is mitigated by:

- Delegated authority limits are specified in the contracts with the intermediary;
- Intermediaries are provided with rates and underwriting guidelines which are regularly reviewed by the Underwriting Committee to ensure they are fit for purpose;
- The performance of intermediaries, including adherence to delegated authority limits, is closely monitored by the Underwriting Committee, which also conducts intermediary reviews according to the risk presented by the intermediary.

Fronted lines are those where 100% of the underwriting risk is mitigated by the use of reinsurance, and therefore EICL retains no underwriting risk on these lines. There are other types of risk associated with these lines, and these are discussed below.

The Company is exposed to catastrophic risks in relation to its retained lines, particularly the surety line of business, since there are no non-proportional reinsurance treaties in place on this line of business (see Section D [2.8]). This risk is mitigated via the use of corporate counter indemnities and Directors' guarantees as security coupled with close oversight and monitoring of the intermediary and checking adherence to the delegated authority, including limiting the exposure to any one surety bond to a maximum of £1,000,000.

The Company is not generally exposed to lapse risk on its lines of business, although lapse risk has been considered in respect of premiums receivable from arrangements as at 30 June 2017 whereby the company may legally cease cover retrospectively in the event of non-receipt of premium.

Reinsurance is used to mitigate the underwriting risk on retained lines, according to the Company's underwriting risk appetite and within its capacity as determined by its regulatory capital requirements.

The Company is also exposed to reserving risk (the risk that claims reserves are not sufficient to meet insurance liabilities) which is linked to underwriting risk. This is mitigated by:

- the Underwriting Committee regularly reviews claims reserves, particularly large loss claims, to ensure they are appropriate;
- the Company has a prudent reserving philosophy;
- delegated authority holders are monitored to ensure they are adhering to the reserving philosophy and guidelines;
- internally assessing the data quality and methodology used to calculate the reserves;
- engaging external actuaries to independently review claims reserves at least annually.

The efficacy of risk mitigation techniques used is regularly evaluated by the Underwriting Committee as part of their assessment of Underwriting Risk; mitigating measures are adjusted in accordance with the findings.

Underwriting concentration risk is limited due to the spread of classes, jurisdictions and distribution channels. Where there is a significant concentration, this is mitigated via reinsurance arrangements.

There has been no material change to the risks that the Company is exposed to in the reporting period.

2. Market Risk

EHGL has no exposure to market risks as it holds funds in cash or cash equivalents only.

EICL

Currency

The Company is materially exposed to two currencies, the Euro (“EUR”) and British Sterling (“GBP”). All investments are held in GBP and therefore present no currency risk to the Company. The Company holds a Euro cash account for Euro premium funds and claims payments, to minimise the number of currency exchanges necessary, however it is exposed to currency risk as its accounting currency is GBP and the exchange rate will affect the value of transactions and balances. EICL receives a small number of premiums in United States Dollars (“USD”) although the timing and quantum of these receipts is known in advance and so measures are taken to ensure that there is no overnight exposure to USD.

The Investment Committee will consider currency exposure on a quarterly basis and make recommendations to the Board. Further, RRS, the Company’s insurance manager, monitors the EUR/GBP exchange rate on a monthly basis or more regularly where there are significant movements in the currency pair, assesses the currency risk on behalf of EICL, and will make recommendations via consultation with representatives of the Board regarding when to make foreign exchange transactions to mitigate the risk.

Losses or gains due to foreign exchange transactions are reported to the Board through the monthly management accounts. The Board reviews the efficacy of the mitigating measures and will consider whether they could be improved.

The currency risk has fluctuated considerably over the reporting period due to the economic conditions in the EU and the UK.

Property
EICL has a property investment portfolio, the majority of which consists of commercial properties which are then leased to provide a return on capital. Given the tenant covenants in place, these commercial properties are not subject to the same market fluctuations as residential properties, and therefore are considered to be lower risk. The properties, while all based in the UK, are still geographically spread to mitigate catastrophe risk, and all have insurance to cover damage and loss of rental income.

The property portfolio presents a liquidity risk in that it may take time to sell and realise cash.

The material risks presented by the property portfolio have not significantly changed over the reporting period.

The Investment Committee assesses and monitors the risks presented by the property portfolio, ensuring that they lay within the Company's investment risk appetite and that investments are made in accordance with the Investment Policy. This encompasses thorough due diligence prior to any property purchase to evaluate the purchase risk, including the sale price vs market price, location, marketability, quality of tenant covenant etc. The Investment Committee considers the make-up of the entire investment portfolio, including the diversification benefit and concentration risk presented by the property portfolio, and determines limits for each type of asset.

The Investment Policy is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

Interest rate
Interest rate risk arises as a result of the impact of interest yield curves on future payments to be made in respect of claims and receipts from the Company's investments. The interest yield curves in the UK and Europe have started to move away from their flat structure and demonstrated more steep movements, which may indicate some expectations of economic expansion and confidence, which is mirrored by interest rate expectations.

The Company's exposure to interest rates arises primarily from the Company's bond portfolio (as bond values are susceptible to changes in interest rates), and the settlement of future claims (as the discount rates applied to claims settlement projections are impacted by interest yield curves). While commercial property values are also impacted by underlying interest rates, since changes in interest rates can affect access to finance and tenant covenants, the impact is less certain and therefore property prices have not been stressed based on changes in interest rates.

Interest rate risk is assessed and monitored by the Investment Committee, supported by RRS. The Company considers the prudent person principle (see [4]) in considering the investment assets and how they match to the expected payment profile of the Company's technical liabilities. Maximum duration limits (seven years) are also imposed on conventional fixed income assets in order to ensure that interest rate exposure on the bond portfolio is appropriate, while the property portfolio assists in hedging against longer term changes in the interest rate yield curve. The Investment Committee reviews the effectiveness of the mitigating measures, considers how they could be improved, and makes recommendations to the Board.

Concentration
The Investment Committee reviews the investment portfolio and assesses the concentration risk that the Company is exposed to, to ensure that it is within EICL's risk appetite and is in accordance with the Investment Policy. The concentration exposure arises in respect of positions taken in the Company's bond portfolio, secured loans, property exposure and counterparties in respect of its cash holdings and reinsurance recoveries. Concentration exposure is assessed in respect to exposure to any single name. In respect to properties, concentration exposure is considered where the individual properties are part of the same building. Concentration exposure is calculated based on the proportion of the single name exposure (or grouped property exposure) relative to the investment assets as a whole.

Concentration risk has remained relatively consistent over the reporting period.

Concentration risk in the bond portfolio is mitigated by limiting exposure to any one single name to 3% of the portfolio. Concentration risk on property acquisitions is easier to control since the concentration exposure is considered as part of the due diligence on acquisition. Ongoing monitoring of the concentration risk is undertaken by the Investment Committee which monitors investment holdings against the Investment Policy, which is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

Concentration of counterparties in respect of cash and reinsurance exposures is considered with credit risk in section 3.

Spread
Spread risk is the sensitivity of the values of investments, primarily bonds and secured loans in respect of the Company, to changes in the level or in the volatility of credit spreads. As credit spreads will typically be narrower for well rated securities than for poorly rated securities (and for short duration rather than long duration securities), the Company specifies credit quality limits to the conventional fixed income assets in its Investment Policy.

The Investment Policy is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

The Investment Committee reviews the investment portfolio and assesses a value-at-risk ("VaR") given the duration and rating of the underlying assets, based on the expected loss with a 99.5% level of confidence. This is therefore considered the likely loss in the portfolio in a 1-in-200 year event. This assessment is undertaken in conjunction with the Company's investment advisors.

Investment market risk is also identified, assessed and monitored through the Risk Register on which key market risks are recorded. See Risk Management Framework above for further detail.

3. Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;

- Amounts due from insurance intermediaries; and
- Amounts held with banks and other financial institutions

The Underwriting Committee assesses the counterparty credit risk by reviewing the reinsurers share of insurance liabilities, and amounts overdue from the other counterparties listed above (including how long overdue they are) at each Committee meeting. It monitors these amounts and whether they are in line with EICL's risk appetite, implementing additional risk mitigation measures or escalating to the Board if the risk appetite is exceeded.

Credit risk presented by reinsurers is mitigated by:

- using 'A' rated reinsurers or better wherever possible;
- monitoring the credit rating of current and historic rated reinsurers;
- implementing alternative mitigation measures such as 'pay as paid' clauses in the contract or collaterised arrangements via 'funds withheld' accounts, for non-rated reinsurers;
- using a select number of reinsurers (reducing contagion risk).

As at 30 June 2017, the largest risk exposure (net of collateral) in respect of the panel of reinsurers amounted to 35.0% (2016: 36.6%) of the net exposures. This exposure is with an A rated counterparty.

Credit risk presented by insurance contract holders and insurance intermediaries is mitigated by:

- carrying out due diligence on the financial stability of counterparties prior to entering into business relationships, and ongoing monitoring of same;
- some insurance intermediaries are connected parties;
- ensuring payment terms are included in business contracts.

Credit risk is also identified, assessed and monitored through the Risk Register on which key market risks are recorded. See Risk Management Framework above for further detail.

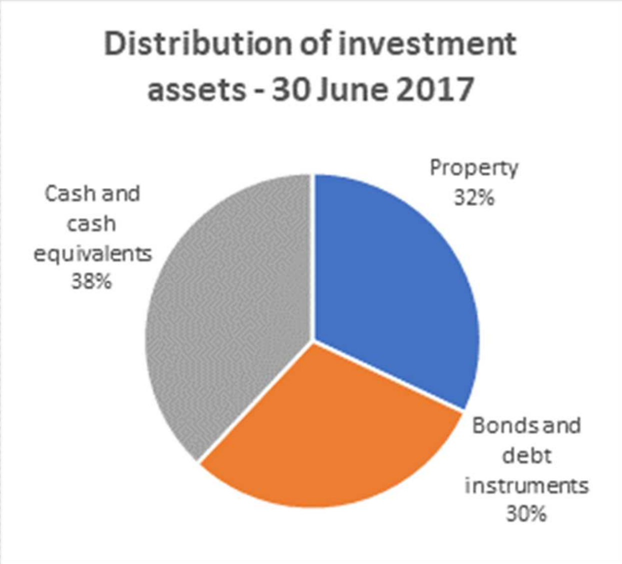
The risk mitigation measures outlined above are reviewed at least annually by the Underwriting Committee and/or Board to ensure that they are still effective and appropriate for the Company and the risk environment in which it operates.

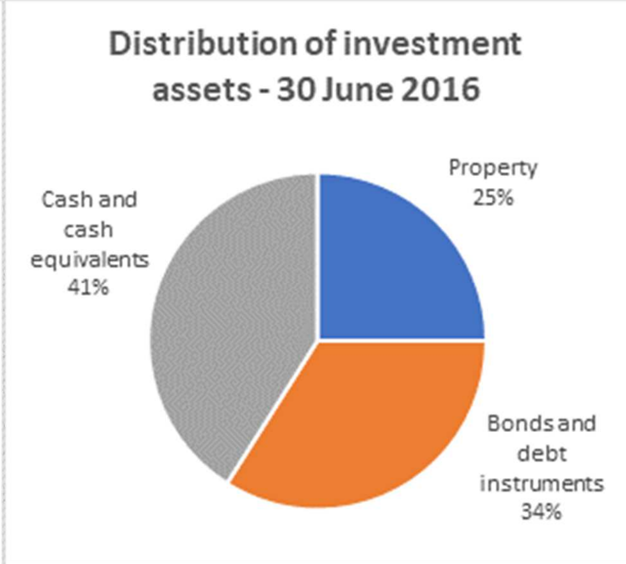
4. Prudent person principle

The Company is required to invest the assets used to cover the minimum capital requirement and the solvency capital requirement in accordance with the 'prudent person principle'. The prudent person principle defines that the assets must be invested in a manner that a 'prudent person' would – that is that the decisions are generally accepted as being sound for the average person.

The Company forecast the cash needed over a three-year horizon based on the three year business plan, taking into account liquidity of the assets. The bond portfolio in particular is invested in short dated instruments which, along with the cash and cash equivalents held, are designed to approximate the nature and duration of the insurance liabilities. In addition, the Company is exposed to some medium to long term business for which the commercial property portfolio is considered a good investment to counter the long-term effects of inflation.

The assets of the Company are distributed as follows based on the asset class of the underlying exposure:





The property portfolio presents the greatest liquidity risk to the Company as property is likely to take some time to sell and a forced sale may result in a reduced return. This is mitigated by the Investment Committee adhering to the Investment Policy, and monitoring liquidity risk.

Liquidity risk is also identified, assessed and monitored through the Risk Register on which key market risks are recorded. See Risk Management Framework above for further detail.

The expected profit included in future premiums is £325k (2016: £1,199k).

6. Operational Risk

Operational risk is identified, assessed and monitored by the RAC with oversight from the Board, and recorded on the Risk Register. See Risk Management Framework above for further detail.

Mitigating measures are also recorded on the Risk Register and are monitored on a risk based frequency. Should the 'net' (post-control) risk assessment score increase, and at least annually, the RAC will consider if the controls for that risk should be improved or augmented.

There have been no material changes to the operational risks the Company is exposed to over the reporting period.

Key operational risks are:

- Material service provider risk
  (A material service provider fails to meet its contractual obligations or goes into liquidation.)

  Mitigated by having an Outsourcing Policy which includes that contracts must be in place with all material service providers, that appropriate risk assessment and due diligence must be conducted before entering into a new outsourcing arrangement, that service providers' stability and performance are monitored regularly, and that contingencies must be considered. Also mitigated by using a range of service providers to avoid reliance on any single provider; the exception to this is the use of an insurance manager. Contagion risk is unlikely amongst material service providers, and therefore the stress test is if any one service provider fails. The only scenario which would have a material impact on the business is if the insurance manager could not operate in the medium to long term, although the Company could seek the services of an alternate insurance manager in this event, limiting the impact to the short term only.

- Regulatory & legal risk
  (EICL breaches a regulatory or legal requirement resulting in a fine, sanction, and/or restriction/revocation of its licence; or licence status challenged by the host state regulator (freedom of services).)

  This risk is mitigated by having sound corporate governance and internal controls, and a strong compliance culture. Internal controls are regularly monitored through the compliance monitoring programme and are also subject to internal audit. Regulatory compliance is reviewed quarterly. The outcome of the compliance monitoring programme, and the breaches and complaints logs, are presented to and reviewed by the Board each quarter. If any recurrent issues are identified, additional or changes to existing controls will be considered to resolve the root cause.

  The Company has Directors & Officers insurance in place to mitigate the risk of litigation against directors and key role holders.

  The Company started the reporting period in transitional measures because it did not meet its solvency capital requirement ('SCR'). Continued profitable trading ensured that its own funds increased and it met its SCR in Q1 2017. This is the only material change (a reduction) to regulatory and legal risk over the reporting period, although the Company still considers that this risk will not be appropriately mitigated until a sufficient buffer above the solvency capital requirement is maintained, which is expected in the coming 12 months.

  The stress test applied to this risk is that the FSC revokes EICL's insurance licence, which is the worst plausible case scenario in regards to regulatory and legal risk.

- Reputation risk
  (A legal or regulatory breach, poor customer service, or market/jurisdiction insurer failures give the Company a bad reputation, effecting its ability to write business or form new business relationships)

  Mitigation of a legal or regulatory breach is described above. Poor customer service is mitigated by ensuring that all intermediaries are regulated in their respective jurisdiction, by complaints monitoring and root cause analysis, and by carrying out intermediary reviews. It is not possible to mitigate against the effect of market/jurisdiction insurer failures.

  The only lines which are sold under the 'Evolution' brand, and would have a material impact on the business if they were effected by reputation risk, are surety bonds and Nequs Greek motor business. Surety bonds and Nequs have both been stressed by assuming three months loss of profit on each book whilst the products are rebranded and relaunched.

- Financial crime risk
  (EICL is used as a vehicle for financial crime, e.g. money laundering, or suffers directly from financial crime e.g. is defrauded by a customer, employee or intermediary. Increased claims costs because of fraudulent claims effects EICL's profitability and potentially its solvency.)

  This risk is largely mitigated by having robust internal controls and corporate governance, including adhering to the 'four-eyes principle'. Internal controls are regularly monitored through the compliance monitoring programme and are also subject to internal audit. The outcome of the compliance monitoring programme, and the breaches log, are presented to and reviewed by the Board each quarter. If any recurrent issues are identified additional or changes to existing controls will be considered to resolve the root cause. Adherence to delegated authority limits are reviewed as described above under Underwriting Risk; a stress test of a fraudulent surety bond being issued, and a claim being made under that bond, has been applied (the only line where the Company could potentially incur a cost from a fraudulent policy being issued).

7. Other Material Risks

'Brexit'

The UK voted to leave the EU in the referendum which took place on the 23rd June 2016; since Gibraltar is a member of the EU through its relationship with the UK, it will also leave the EU if/when the UK does. This presents the Company with the risk that it will be unable to passport into EU jurisdictions from Gibraltar, and therefore unable to continue these lines of business.

The terms of the exit and arrangements for continued trade with the EU are not known and are unlikely to be clarified for a substantial period of time, which makes the risk very difficult to assess and respond to at this time, including stress testing. There is confidence that there will be no issue with trade between Gibraltar and the UK.

The Board continues to monitor the situation and consider whether contingency arrangements should be investigated to mitigate the risk, thus enabling the Company to continue writing business in the EU after the UK exits. In the meantime, it is focussing new business development on the UK.

C. Valuation for Solvency Purposes

1. Assets

1.1. As at 30 June 2017, the Company held the following assets:

Asset Class	GAAP Accounts Value (£'000)	Look Through (£'000)	Reclassification for Solvency purposes (£'000)	Solvency Valuation Adj. (£'000)	Solvency Value (£'000)	Explanation of differences
Investments in properties	11,361	1,336	-	-	12,697	See [1.3.1]
Investment in group undertakings	1,336	(1,336)	-	-	-	Look through to underlying property
Reinsurers share of unearned premiums	18,159	-	-	(18,159)	-	See [1.3.2]
Reinsurers share of claims outstanding	124,282	-	(7,616)	8,498	125,164	See [2]
Debtors arising out of insurance operations	12,804	-	(12,804)	-	-	See [1.3.3]
Deferred acquisition costs	6,754	-	-	(6,754)	-	See [1.3.4]
Other assets	3,438	(3,395)	-	(18)	25	See [1.3.5]
Cash and cash equivalents	15,316	(7,303)	-	-	8,013	See [1.3.6]
Deposits other than cash equivalents	-	901	-	-	901	See [1.3.6]
Collective investment undertakings	-	6,418	-	-	6,418	See [1.3.6]
Derivative assets	-	2,409	-	-	2,409	See [1.3.7]
Financial investments - corporate bonds	36,341	106	(27,418)	-	9,029	See [1.3.8]
Financial investments - other	-	3,273	-	-	3,273	See [1.3.8]
Deferred taxation	-	-	-	407	407	See [1.3.9]
TOTAL	**229,791**	**2,409**	**(47,838)**	**(16,026)**	**168,336**	

1.2. As at 30 June 2016, the Company held the following assets:

Asset Class	GAAP Accounts Value (£'000)	Look Through (£'000)	Reclassification for Solvency purposes (£'000)	Solvency Valuation Adj. (£'000)	Solvency Value (£'000)	Explanation of differences
Investments in property	10,902	1,187	-	-	12,089	See [1.3.1]
Investment in group undertakings	1,187	(1,187)	-	-	-	Look through to underlying property
Reinsurers share of unearned premiums	42,706	-	-	(42,706)	-	See [1.3.2]
Reinsurance share of claims outstanding	64,745	-	(41,446)	32,297	55,595	See [2]
Debtors arising out of insurance operations	55,306	-	(55,306)	-	-	See [1.3.3]
Prepayments and accrued income	47	-	-	(47)	-	See [1.3.4]
Deferred acquisition costs	10,507	-	-	(10,507)	-	See [1.3.4]
Other assets	3,700	(3,188)	-	(262)	251	See [1.3.5]
Cash and equivalents	15,165	5,207	-	-	20,372	See [1.3.6]
Financial investments - other	36,735	(18,557)	(18,179)	-	-	See [1.3.8]
Financial investments - corporate bonds	-	16,537	-	262	16,799	See [1.3.8]
Deferred tax asset	-	-	-	85	85	See [1.3.9]
TOTAL	**241,000**	**-**	**(114,931)**	**(20,879)**	**105,191**	

Reclassifications for solvency purposes are reclassifications to the technical provisions, whereas solvency valuation adjustments are valuation differences applied on a line-by-line basis.

1.3. The valuation principles applied to these assets are consistent with those used in the GAAP accounts, notably:

1.3.1 Investments in property – these are valued based on the most recent external valuation report, or cost if the acquisition was less than three years ago. Properties are valued at least every three years.

1.3.2 Reinsurance share of unearned premiums – the reinsurance share of unearned premiums reserve comprises the reinsurer's share of the proportion of gross premiums written which is to be earned in the following or subsequent financial years. For policies with a defined period of insurance, the unearned premiums reserve is calculated by apportioning premiums over the period to which they relate on a pro rata basis adjusted to take account of the incidence of risk. In instances where the period of insurance is not finite, premiums are fully earned on the date of inception of the policy and an appropriate loss reserve is immediately created. The unearned premiums are not recognised for solvency purposes.

1.3.3 Debtors arising out of insurance operations – valued based on the best estimate of the recoverable value, discounted to present value where the expected recovery is greater than one year. Reclassified for solvency purposes to net off technical provisions (see [2.5.5]).

1.3.4 Prepayments and deferred acquisition costs – GAAP value based on the estimated unutilised benefit as at the balance sheet date. The these are disallowed for solvency purposes.

1.3.5 Other assets – valued based on the best estimate of the recoverable or realisable value. Adjustments for solvency purposes include the look through to reclassify long term loans and a reclassification of accrued interest arising on bonds and secured loans.

1.3.6 Cash and equivalents; deposits other than cash equivalents; and collective investment undertakings – valued at the amount held at the period end, translated using the year end exchange rate where appropriate.

1.3.7 Derivative assets – these are assets backing derivative positions (see [3]), which have been shown separately on the solvency balance sheet, whereas these have been netted off in the GAAP accounts as there is a legally enforceable right to set off and the intention is that these will be settled simultaneously.

1.3.8 Financial investments – all of the financial investments for the company have been looked through to identify the underlying exposures or reclassified to technical provisions where they relate to collateral arrangements (see [2.5.6]).

1.3.9 Deferred tax asset – valued based on the expected tax benefit once the valuation adjustments to transition to solvency valuations unwind.

2. Technical Provisions

2.1 The GAAP Accounts of the Company include provisions for claims incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but not yet reported (IBNR). The Company also considers any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR.

2.2 The technical provisions by line of business are as follows:

	As at 30 June 2017			As at 30 June 2016		
Line of business	Technical provisions (excluding risk margin) (£'000)	Risk margin (£'000)	Technical provisions (£'000)	Technical provisions (excluding risk margin) (£'000)	Risk margin (£'000)	Technical provisions (£'000)
Motor vehicle liability insurance	134,928	2,127	137,055	72,000	1,733	73,733
Other motor insurance	5,231	61	5,292	8,959	272	9,231
Fire and other damage to property insurance	(464)	-	(464)	(4,549)	5	(4,544)
Credit and suretyship insurance	888	165	1,053	1,580	150	1,730
Legal expenses insurance	(438)	3	(435)	32	2	34
Assistance	576	7	583	-	-	-
Miscellaneous financial loss insurance	1,958	361	2,319	2,642	79	2,721
Total	142,679	2,724	145,403	80,663	2,242	82,906

Negative technical provisions arise where future premiums exceed provisions for claims.

2.3 The key areas of uncertainty around technical provisions are as follows:

2.3.1 Estimation of outstanding loss reserves ("OSLR") – while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.

2.3.2 Estimation of the losses relating to claims which have been incurred but not reported ("IBNR") – this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving.

2.3.3 Estimation of claims arising on business which have not yet expired ("unexpired risks") – this is uncertain as the claims have not yet been incurred, but are expected to be incurred on the business which the Company has written.

2.3.4 Market environment – changes in the market environment increase the inherent uncertainty affecting the business. In particular, claims inflation, propensity for UK motor claims to settle through periodic payment orders ("PPOs"), changes in the personal injury discount rate ("Ogden rate") and the Legal Aid, Sentencing and Punishment or Offenders ("LASPO") Act have all impacted the market environment in recent years.

2.3.5 Events not in data ('ENID loading') – estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed.

2.3.6 Run-off expenses – the estimation of the change in expense base for run-off of the Company is inherently uncertain due to the estimations around the period of the run-off, base costs and inflation.

2.3.7 Risk margin – the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run off. This therefore shares the same uncertainties of the run off expenses provision considered at [2.3.6], as well as the inherent uncertainties around forecasting future solvency capital requirements.

2.4 The Company manages the risks around these uncertainties via the following actions:

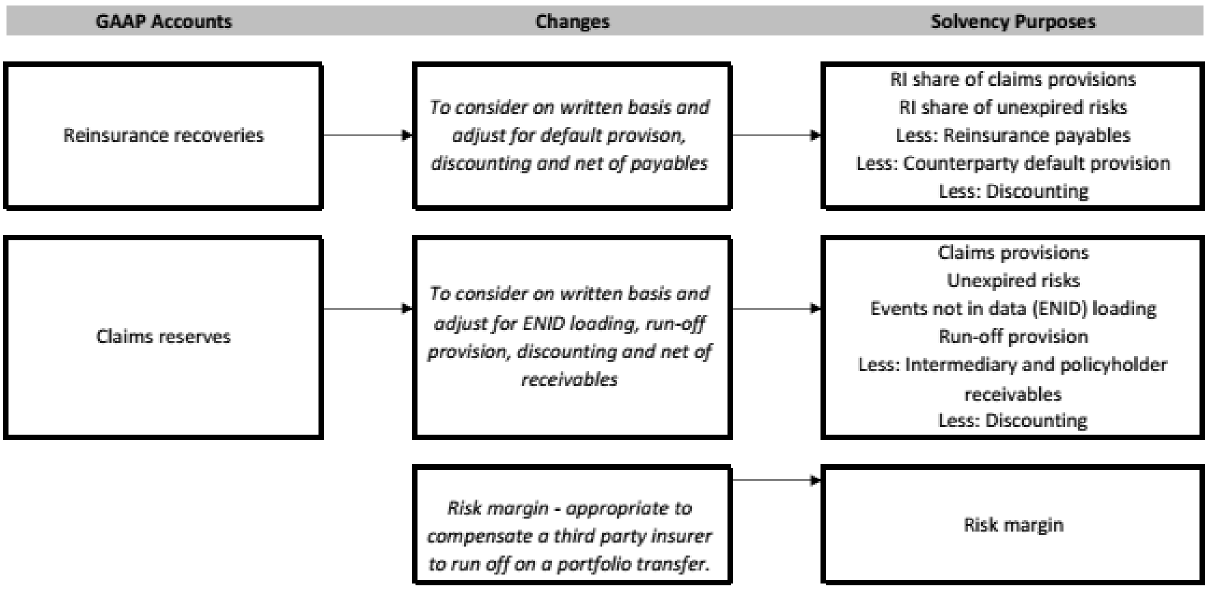
2.4.1 Ongoing monitoring of claims, including regular reviews of claims handling functions.

2.4.2 Maintaining a number of reinsurance arrangement to limit the impact of adverse claims development (see [2.8]).

2.4.3 Internal controls through the underwriting committee and actuarial function which monitor claims development and reinsurance arrangements.

2.4.4 Regular external actuarial reviews.

2.5 The changes required to transition from GAAP accounts to technical provisions for solvency purposes are consistent for all lines of business, and are noted below:



We shall consider each of these adjustments to transition from GAAP accounts to solvency technical provisions.

2.5.1 Claims provisions – The Company has made no adjustments to its claims provisions in its GAAP accounts in recording the claims provisions for solvency purposes. The Company had considered whether adjustments may be required as a result of contract boundaries and believe there are no such adjustments required. The claims provisions as at 30 June 2017 were £143,090k (2016: £91,618k).

2.5.2 Reinsurance share of claims provisions – The Company has made no adjustments to its reinsurance recoveries in its GAAP accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 30 June 2017 was £124,282k (2016: £64,745k).

2.5.3 Unexpired risks – The Company has estimated the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The premiums provision as at 30 June 2017 was £13,137k (2016: £43,477k).

2.5.4 Reinsurance share of unexpired risks – The Company has estimated the amounts recoverable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The reinsurance share of premium provisions as at 30 June 2017 was £11,742k (2016: £34,470k).

2.5.5 Intermediary and policyholder receivables – Intermediary and policyholder receivables are netted off the technical provisions for solvency purposes. There are no valuation differences between GAAP accounts and intermediary and policyholder receivables for solvency purposes. The net insurance receivables as at 30 June 2017 was £12,804k (2016: £55,306k).

2.5.6 Reinsurance payables – Net reinsurance payables are netted off the reinsurance recoveries for solvency purposes. There are no valuation differences between GAAP Accounts and net reinsurance payables for solvency purposes. The net reinsurance payables (being reinsurance payables less financial investments held for collateral arrangements per [1.3.8]) as at 30 June 2017 was £7,616k (2016: £41,446k).

2.5.7 Events not in data loading – Technical provisions for solvency purposes are required to allow for all possible events, including those that may not have been historically realised before. Such events not presented in a set of observable historical loss data are often called events not in data ("ENID"). This is a difference in valuation methodology compared to the GAAP accounts which consider best estimates which can be reasonably foreseen, and therefore leads to a loading on the technical provisions to consider the probability weighted effect of events which have not previously been observed.

The Company has undertaken an assessment of previously unobserved events for each line of business and sought to consider the probability weighted effect of such events and, given the business model, believe that such unobserved events are unlikely. As such, the ENID loading applied by the as at 30 June 2017 was £117k (2016: £74k).

2.5.8 Counterparty default provision – The Company has considered a provision for default by one or more of its reinsurance providers. The provision is based on the total exposure to the counterparty, the rating of the counterparty and the existence of any collateral arrangements with the counterparty. The Company estimates the counterparty default provision and consider each of the exposures, net of collateral arrangements in existence, apply the estimated probability of default by rating, and derive a weighted average probability of default.

The Company has calculated the weighted average probability of default of reinsurers as 0.58% (2016: 1.52%), and the resultant counterparty default adjustment was £1,042k (2016: £1,466).

2.5.9 Run-off provision – Technical provisions for solvency purposes are required to take account of all expenses that will be incurred in servicing insurance obligations. This is commonly referred to as a 'run-off' provision as it therefore considers all future expenses which would be incurred to allow the existing obligations to run-off.

The Company has considered a run-off period of seven years and estimated the level of future expenses based on the current level of expenses, considering the decrease in activity in the period, underlying expense inflation and an estimated minimum level of costs which would be incurred in any one year. The run-off provision applied by the Company as at 30 June 2017 was £1,713k (2016: £1,815k).

2.5.10 Discounting – Discounting has been applied in the technical provisions based on the sterling yield curve as at 30 June 2017 as issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). The impact of discounting on the technical provisions was £2,574k (2016: £1,015k), and on the reinsurance share of technical provisions the impact of discounting was £2,202k (2016: £707k).

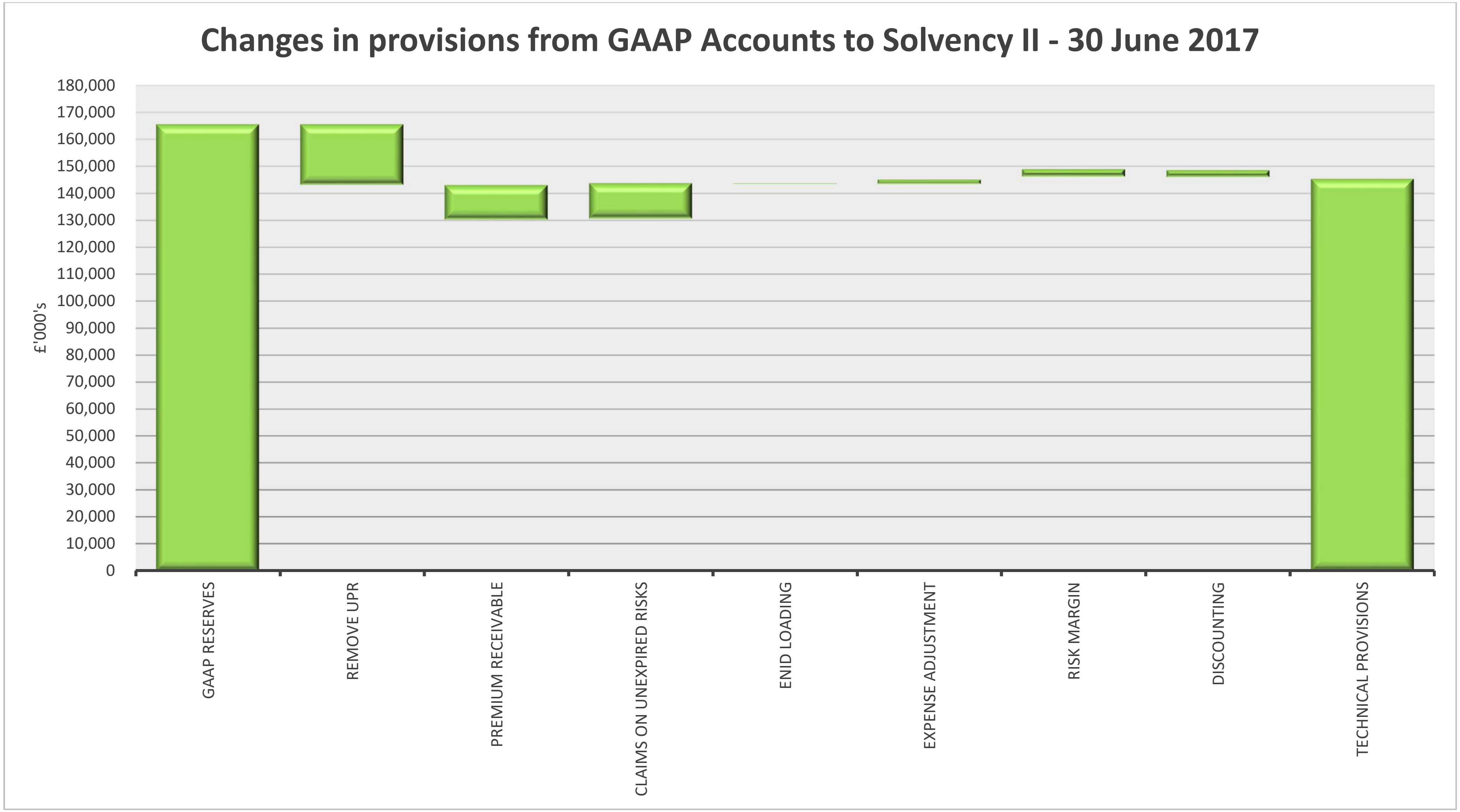
2.5.11 Risk Margin – The risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to have to be paid to a third party insurance company in order to take over and meet the insurance obligations of the Company. The risk margin has been calculated based on the estimated capital requirements to run off the Company's obligations, and applying a cost of capital of 6%.

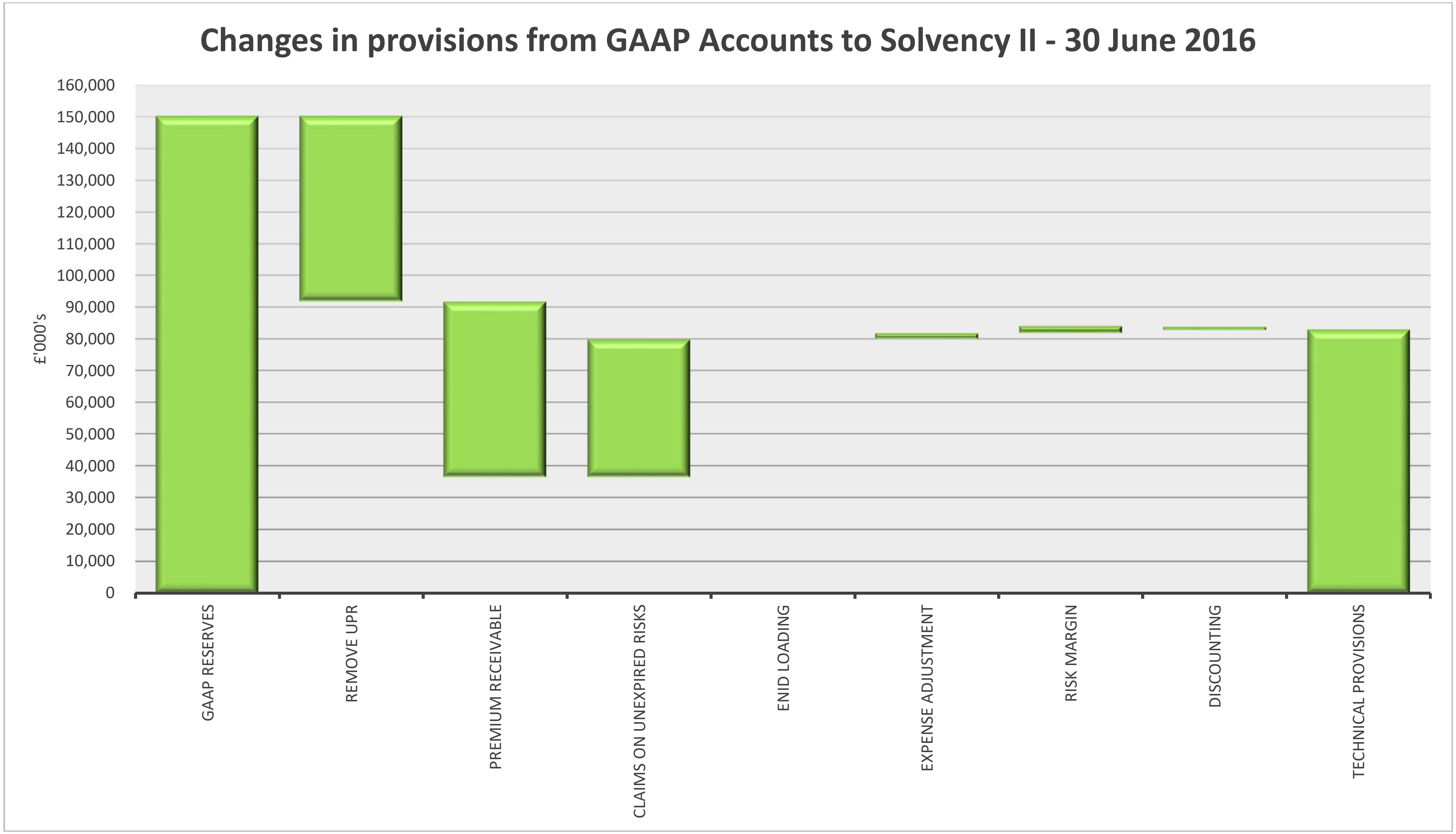
The capital required to run-off the portfolio is based on the future estimated SCR's, taking account of underwriting risk and reinsurance counterparty risk.

This results in a risk margin as at 30 June 2017 of £2,723k (2016: £2,242k).

2.6 The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

2.7 The changes to technical provisions highlighted above are reflected in the waterfall diagram below:





Changes in provisions from GAAP Accounts to Solvency II - 30 June 2016
160,000
150,000
140,000
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
£'000's
GAAP RESERVES
REMOVE UPR
PREMIUM RECEIVABLE
CLAIMS ON UNEXPIRED RISKS
ENID LOADING
EXPENSE ADJUSTMENT
RISK MARGIN
DISCOUNTING
TECHNICAL PROVISIONS

2.8 The Company has entered into various reinsurance arrangements, as follows, for each line of business:

2.8.1 Motor vehicle liability and other motor insurance – The Company caps its underwriting risk at £500,000 for UK policies and €500,000 for Greek policies via non-proportional ("XoL") treaties. The panel of reinsurers in the XoL treaties are predominately counterparties with good ratings from a well-known rating agency. The Company also has a stop-loss arrangement in place which caps the maximum loss across the whole UK motor book in each six month period. In respect of the UK motor business, the company also has a proportional ("QS") treaty for which the company holds collateral via a fund withheld arrangement. In respect of its Greek motor business, the company has a QS treaty with a counterparty with a good rating from a well-known rating agency.

2.8.2 Fire and other damage to property – The Company has a QS treaty with an unrated reinsurer in respect of its Irish, French, German and Netherlands based business. While the reinsurer is unrated, there is a cut through provision to a rated panel of reinsurers.

2.8.3 Credit and suretyship – There are no reinsurance arrangements for this line of business in the UK and Ireland.

2.8.4 Legal expenses – There are no reinsurance arrangements for this line of business in the UK, Ireland or Italy.

2.8.5 Assistance – The company has a QS reinsurance arrangement with an unrated reinsurer but with collateral arrangements in place.

2.8.6 Miscellaneous financial loss – The Company has a range of different QS reinsurance arrangements for different books of business written in this line of business. Most of the reinsurance arrangements are with unrated reinsurers but with collateral arrangements in place.

3. Other Liabilities

3.1 The Company recorded the following classes of liabilities for solvency purposes:

	As at 30 June 2017		As at 30 June 2016		
Liability	**GAAP Accounts Value (£'000)**	**Solvency Value (£'000)**	**GAAP Accounts Value (£'000)**	**Solvency Value (£'000)**	**Explanation of Differences**
Reinsurance share of deferred acquisition costs	5,116	-	7,764	-	Not recognised for solvency purposes
Accruals	56	56	56	56	None
Provisions	135	-	135	-	Not recognised for solvency purposes
Reinsurance accounts payable	35,034	-	59,625	-	Reclassified to technical provisions (see [2.5.6])
Other creditors	1,089	3,457	3,630	3,630	Inclusion of liability element of derivative position (See [1.3.7])

There have been no valuation adjustments for solvency purposes other than the non-recognition of reinsurance share of deferred acquisition costs and provisions.

4. Alternative Methods for Valuation

Not applicable for the Company.

5. Any Other Information

Not applicable for the Company.

D. Capital Management

1. Own Funds

1.1. The Company undertakes an Own Risk and Solvency Assessment ("ORSA") exercise at least annually, or when the risk profile of the Company changes. The ORSA exercise incorporates the business planning process which is typically considered over a three-year time horizon. There have been no significant changes since the last ORSA.

1.2. The Company classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

The Company's own funds are as follows.

		As at 30 June 2017		As at 30 June 2017	
Own fund item	**Tier**	**£'000**	**%**	**£'000**	**%**
Share capital and share premium	1	5,621	28.9%	5,621	30.2%
Revaluation reserve	1	-	-	2	0.0%
Reconciliation reserve	1	13,392	69.0%	12,892	69.3%
Deferred tax asset	3	407	2.1%	85	0.5%
		19,420	100.0%	18,600	100.0%

The reconciliation reserve represents retained earnings and reconciliation adjustments from GAAP balance sheet to SII balance sheet.

1.3. The movement in own funds during the year ended 30 June 2017 is as follows:

	£'000	£'000
Own funds as at 30 June 2016		**18,600**
Accounting profit for the year	**3,381**	
Solvency II valuation adjustments:		
Add: decrease in disallowable assets	*1,128*	
Less: increase in premium provisions and other adjustments to technical provisions	*(4,196)*	
Add: decrease in counterparty default provision	*424*	
Less: increase in risk margin and change in expense basis	*(378)*	
Add: increase in deferred tax assets	*322*	
Other movements (including discounting of reserves)	*140*	
Solvency II profit for the year		**820**
Own funds as at 30 June 2017		**19,420**

1.4. Only the Company's tier 1 own funds may be used towards meeting the Minimum Capital Requirement.

2. Solvency Capital Requirements & Minimum Capital Requirements

2.1. The SCR of the Company as at 30 June 2017 was £19,209k (2016: £20,551k). The MCR of the Company as at 30 June 2017 was £4,802k (2016: £5,987k).

The final amount of the SCR in respect of the Company and the Group remains subject to supervisory assessment.

2.2. The SCR of the Company is made up as follows:

2.2.1. The Company is exposed to market risks derived predominately from the assets held by the Company to meet its insurance liabilities, although exposures to shocks in interest rates and currency rates also consider the exposure from underwriting risks.

MARKET RISK	**30 June 2017 £'000**	**30 June 2016 £'000**
Interest rate risk	490	156
Spread risk	809	938
Equity risk	-	-
Currency risk	204	236
Property risk	3,174	3,022
Concentration risk	1,304	1,251
Market risk diversification	(1,775)	(1,733)
MARKET RISK TOTAL	**4,206**	**3,870**

2.2.2. The Company is exposed to counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2).

COUNTERPARTY RISK	**30 June 2017 £'000**	**30 June 2016 £'000**
Type 1 risk	2,507	1,944
Type 2 risk	715	779
Market risk diversification	(142)	(142)
COUNTERPARTY RISK TOTAL	**3,080**	**2,581**

2.2.3. The Company is exposed to non-life underwriting risk as a result of the insurance policies it sells. The risks are based on volatility around earned premium sand claims reserves, and to catastrophe events to which the Company may be exposed.

NON-LIFE UNDERWRITING RISK	30 June 2017 £'000	30 June 2016 £'000
Premium and reserve risk	10,643	14,080
Catastrophe risk	2,327	1,862
Lapse risk	104	-
Non-life diversification	(1,625)	(1,285)
NON-LIFE UNDERWRITING RISK TOTAL	**11,449**	**14,657**

In calculating the premium and reserve risk in respect to motor vehicle liability insurance and other motor insurance sectors, the Company has chosen for the first time in the year ended 30 June 2017 to apply the provisions available under Article 116(4) of the Commission Delegated Regulations 2015/35 in order to exclude premiums earned in relation to these sectors during the last 12 months from this calculation.

2.2.4. The final solvency capital requirement of the Company is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by the Company.

SOLVENCY CAPITAL REQUIREMENT	30 June 2017 £'000	30 June 2016 £'000
Market risks	4,206	3,870
Counterparty risks	3,800	2,581
Non-life underwriting risks	11,449	14,657
Basic SCR diversification	(3,766)	(3,568)
Operational risks	4,240	3,011
SOLVENCY CAPITAL REQUIREMENT	**19,209**	**20,551**

2.3. The Company has not utilised simplified calculations in applying the standard model and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

2.4. The inputs used to calculate the MCR of the Company are as follows:

	Net (of reinsurance) best estimate and technical provisions calculated as a whole		Net (of reinsurance) written premiums in the last 12 months	
Line of business	**30 June 2017 £'000**	**30 June 2016 £'000**	**30 June 2017 £'000**	**30 June 2016 £'000**
Motor vehicle liability insurance	29,069	27,257	-	12,588
Other motor insurance	2,034	8,679	-	13,148
Fire and other damage to property insurance	-	12	-	-
Credit and suretyship insurance	887	1,580	3,005	1,978
Legal expenses insurance	47	32	165	134
Assistance	356	-	-	-
Miscellaneous financial loss insurance	4,120	1,338	1,256	694

2.5. The risk profile of the company has reduced during the year ended 30 June 2017 as the company ceased writing UK motor business on 30 June 2016. The reduction in SCR and MCR during the year reflect this change in risk profile.

3. Non-Compliance with the MCR and Non-Compliance with the SCR

3.1. The Company has maintained capital sufficient to meet its minimum capital requirement throughout the period covered by this report.

3.2. As disclosed in the solvency and financial condition report in relation to the year ended 30 June 2016, the Company took advantage of transitional arrangements in relation to meeting the solvency capital requirement subject to certain conditions being met, such as meeting their capital requirements under the previous legislation as at 31 December 2015, and subject to submitting a quarterly progress report to the regulator regarding the progress made in meeting the solvency capital requirement.

The Company exited transitional measures during Q1 2017. The Company expects the solvency capital requirement to continue to fall over the coming year, as the UK motor book continues to run-off, giving the Company additional capacity to seek new lines of business and maintain an appropriate buffer over the solvency capital requirement.

4. Any Other Information

The Directors do not consider that there is any further information which should be disclosed regarding the capital management of the Company.

E. Quantitative Reporting Templates

P.02.01.02 - Balance sheet

Contents

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	407
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	31,454
R0080	Property (other than for own use)	12,697
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	0
R0120	Equities - unlisted	0
R0130	Bonds	9,028
R0140	Government Bonds	0
R0150	Corporate Bonds	9,028
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	6,418
R0190	Derivatives	2,409
R0200	Deposits other than cash equivalents	901
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	3,273
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	3,273
R0260	Other loans and mortgages	0
R0270	Reinsurance recoverables from:	125,164
R0280	Non-life and health similar to non-life	123,629
R0290	Non-life excluding health	123,629
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	1,535
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	1,535
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	7,996
R0420	Any other assets, not elsewhere shown	41
R0500	**Total assets**	168,336

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	143,735
R0520	Technical provisions – non-life (excluding health)	143,735
R0530	TP calculated as a whole	0
R0540	Best Estimate	141,080
R0550	Risk margin	2,655
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	1,668
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	1,668
R0660	TP calculated as a whole	0
R0670	Best Estimate	1,599
R0680	Risk margin	68
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	2,369
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	1,144
R0900	**Total liabilities**	148,916
R1000	**Excess of assets over liabilities**	19,420

P.05.01.02.01 - Premiums, claims and expenses by line of business - Table 1

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							Total
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0040	C0050	C0070	C0090	C0100	C0110	C0120	C0200
	Premiums written								
R0110	Gross - Direct Business	17,943	6,717	7,913	3,005	165	4,123	5,160	45,025
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted								0
R0140	Reinsurers' share	17,819	5,940	7,913	0	0	4,123	4,825	40,619
R0200	Net	124	778	0	3,005	165	0	335	4,407
	Premiums earned								
R0210	Gross - Direct Business	44,848	15,652	8,823	2,304	152	3,805	5,753	81,337
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted								0
R0240	Reinsurers' share	34,659	11,553	8,823	0	0	3,805	5,089	63,929
R0300	Net	10,189	4,099	0	2,304	152	0	664	17,408
	Claims incurred								
R0310	Gross - Direct Business	75,315	25,446	3,457	-332	39	2,058	2,363	108,347
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted								0
R0340	Reinsurers' share	67,838	22,613	3,457	0	0	2,058	1,216	97,183
R0400	Net	7,477	2,833	0	-332	39	0	1,147	11,165
	Changes in other technical provisions								
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted								0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	3,039	1,380	162	803	92	85	359	5,921
R1200	**Other expenses**								0
R1300	**Total expenses**								5,921

P.05.01.02.02 - Premiums, claims and expenses by line of business - Table 2

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Line of Business for: Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Total
		C0260	C0300
	Premiums written		
R1410	Gross	0	0
R1420	Reinsurers' share	0	0
R1500	Net	0	0
	Premiums earned		
R1510	Gross	0	0
R1520	Reinsurers' share	0	0
R1600	Net	0	0
	Claims incurred		
R1610	Gross	320	320
R1620	Reinsurers' share	320	320
R1700	Net	0	0
	Changes in other technical provisions		
R1710	Gross	0	0
R1720	Reinsurers' share	0	0
R1800	Net	0	0
R1900	**Expenses incurred**	0	0
R2500	**Other expenses**		0
R2600	**Total expenses**		0

P.05.02.01 - Premiums, claims and expenses by country

Contents

Tabular
Microsoft Excel -based
Solvency II reporting solution

		Top 5 countries (by amount of gross		Total Top 5 and home country
		C0020	C0030	C0070
R0010		GB	GR	
		C0090	C0100	C0140
	Premiums written			
R0110	Gross - Direct Business	21,263	23,763	45,025
R0120	Gross - Proportional reinsurance accepted	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0
R0140	Reinsurers' share	16,856	23,763	40,619
R0200	Net	4,407	0	4,407
	Premiums earned			
R0210	Gross - Direct Business	56,444	24,893	81,337
R0220	Gross - Proportional reinsurance accepted	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0
R0240	Reinsurers' share	39,036	24,893	63,929
R0300	Net	17,408	0	17,408
	Claims incurred			
R0310	Gross - Direct Business	90,388	17,959	108,347
R0320	Gross - Proportional reinsurance accepted	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0
R0340	Reinsurers' share	79,224	17,959	97,183
R0400	Net	11,165	0	11,165
	Changes in other technical provisions			
R0410	Gross - Direct Business	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0
R0440	Reinsurers'share	0	0	0
R0500	Net	0	0	0
R0550	**Expenses incurred**	2,796	3,125	5,921
R1200	**Other expenses**			0
R1300	**Total expenses**			5,921

		Top 5 countries (by amount of gross		Total Top 5 and home country
		C0160	C0170	C0210
R1400		0	0	
		C0230	C0240	C0280
	Premiums written			
R1410	Gross	0	0	0
R1420	Reinsurers' share	0	0	0
R1500	Net	0	0	0
	Premiums earned			
R1510	Gross	0	0	0
R1520	Reinsurers' share	0	0	0
R1600	Net	0	0	0
	Claims incurred			
R1610	Gross	0	0	0
R1620	Reinsurers' share	0	0	0
R1700	Net	0	0	0
	Changes in other technical provisions			
R1710	Gross	0	0	0
R1720	Reinsurers' share	0	0	0
R1800	Net	0	0	0
R1900	**Expenses incurred**	0	0	0
R2500	**Other expenses**			0
R2600	**Total expenses**			0

P.12.01.02 - Life and Health SLT Technical Provisions

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, including Unit-Linked)**
		C0090	C0100	C0150
R0010	**Technical provisions calculated as a whole**	0	0	0
R0020	**Total Recoverables from reinsurance/SPV and Finite Re** after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0
	Technical provisions calculated as a sum of BE and RM			
	Best Estimate			
R0030	**Gross Best Estimate**	1,599	0	1,599
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,535	0	1,535
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	64	0	64
R0100	**Risk Margin**	68	0	68
	Amount of the transitional on Technical Provisions			
R0110	Technical Provisions calculated as a whole	0	0	0
R0120	Best estimate	0	0	0
R0130	Risk margin	0	0	0
R0200	**Technical provisions - total**	1,668	0	1,668

P.17.01.02 - Non-Life Technical Provisions

Contents

		Direct business and accepted proportional reinsurance							
		Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0050	C0060	C0080	C0100	C0110	C0120	C0130	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM								
	Best estimate								
	Premium provisions								
R0060	Gross	8,132	-92	-6,790	473	-472	149	-1,847	-447
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	7,836	-156	-5,699	0	0	147	1,032	3,160
R0150	Net Best Estimate of Premium Provisions	296	64	-1,090	473	-472	1	-2,879	-3,608
	Claims provisions								
R0160	Gross	125,197	5,324	6,326	414	34	428	3,805	141,528
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	106,486	5,269	6,295	0	0	425	1,994	120,469
R0250	Net Best Estimate of Claims Provisions	18,711	55	31	414	34	3	1,811	21,059
R0260	**Total Best estimate - gross**	133,329	5,231	-464	887	-438	577	1,958	141,080
R0270	**Total Best estimate - net**	19,007	119	-1,060	887	-438	4	-1,068	17,451
R0280	**Risk margin**	2,059	61	0	165	3	7	361	2,655
	Amount of the transitional on Technical Provisions								
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0
	Technical provisions - total								
R0320	Technical provisions - total	135,388	5,292	-464	1,053	-435	583	2,319	143,735
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	114,322	5,113	596	0	0	572	3,026	123,629
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	21,066	179	-1,060	1,053	-435	11	-707	20,106

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

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

Total Non-Life Business

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

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

Development year

	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
R0100	**Prior**													0	0
R0160	**N-9**													0	0
R0170	**N-8**													0	0
R0180	**N-7**				10	84		16	19					19	129
R0190	**N-6**		22		40		14	25						25	101
R0200	**N-5**	1,236	11,229	5,185	2,010	3,210	807							807	23,677
R0210	**N-4**	6,262	14,856	5,356	3,332	2,082								2,082	31,888
R0220	**N-3**	9,714	22,912	11,308	5,871									5,871	49,805
R0230	**N-2**	9,850	25,449	15,264										15,264	50,563
R0240	**N-1**	14,484	30,363											30,363	44,846
R0250	**N**	2,011												2,011	2,011
R0260													**Total**	56,441	203,020

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**Year end (discounted data)**
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
R0100	**Prior**													
R0160	**N-9**													
R0170	**N-8**									136				135
R0180	**N-7**								138					136
R0190	**N-6**							433						424
R0200	**N-5**						2,550							2,533
R0210	**N-4**					3,163								3,252
R0220	**N-3**				21,596									21,509
R0230	**N-2**			30,628										31,238
R0240	**N-1**		78,414											77,399
R0250	**N**	5,133												4,902
R0260													**Total**	141,528

P.23.01.01 - Own funds

Contents

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	502	502		0	
R0030	Share premium account related to ordinary share capital	5,119	5,119		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	13,391	13,391			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	407				407
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	19,420	19,012	0	0	407
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	19,420	19,012	0	0	407
R0510	Total available own funds to meet the MCR	19,012	19,012	0	0	
R0540	Total eligible own funds to meet the SCR	19,420	19,012	0	0	407
R0550	Total eligible own funds to meet the MCR	19,012	19,012	0	0	
R0580	**SCR**	19,209				
R0600	**MCR**	4,802				
R0620	**Ratio of Eligible own funds to SCR**	1.0110				
R0640	**Ratio of Eligible own funds to MCR**	3.9591				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	19,420
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	6,029
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	13,391
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

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

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
R0010	Market risk	4,206		
R0020	Counterparty default risk	3,080		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	11,449		
R0060	Diversification	-3,766		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	14,969		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,240
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**	19,209
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	19,209
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

Contents

Tabular
Microsoft Excel -based Solvency II reporting solution

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	4,122

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	29,069	0
R0060	Other motor insurance and proportional reinsurance	2,034	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	887	3,005
R0110	Legal expenses insurance and proportional reinsurance	47	165
R0120	Assistance and proportional reinsurance	356	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	4,120	1,256
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	4,122
R0310	SCR	19,209
R0320	MCR cap	8,644
R0330	MCR floor	4,802
R0340	Combined MCR	4,802
R0350	Absolute floor of the MCR	3,332

		C0070
R0400	**Minimum Capital Requirement**	4,802