Evolution Insurance Company Limited

Solvency & Financial Condition Report

For year ending 30th June 2018

Contents

Summary

The Solvency and Financial Condition Report ("SFCR") is an annual public disclosure requirement under the Solvency II Directive, it presents material information on the Company's business, performance, system of governance, risk profile, valuation for solvency purposes and capital management.

Evolution Insurance Company Limited ("EICL", "the Company") is an independent privately-owned insurance group which provides traditional and innovative commercial insurance solutions to its business partners in the UK and Europe. The Company specialises in niche products including Surety Bonds, Warranties, Latent Defects Insurance, Insurance Backed Guarantees, Legal Indemnity, and Motor Ancillary Products.

The last financial year has been one of transition with the Company repositioning its insurance portfolio to be focused on UK Managing General Agents ("MGAs") that provide high quality underwriting and customer outcomes in the Company's target insurance markets. This change of focus is driven by Brexit and has led to EU sourced business declining from 70% to 63% of premium written. This source of insurance is being replaced by new business generated by UK MGA partners, with gross premium from these new accounts forecast to grow from the £3.2m in 2018 to over £20m in 2021.

During the year ended 30 June 2018 the Company wrote £36.5m (2017: £45.0m) of gross premium and reported a profit after tax of £1.5m (2017: £3.3m). EU written premium reduced by £8.8m representing almost all of the reduction in gross premium. The profit after tax has been adversely impacted by unrealised losses on investments of £1.8m, primarily relating to an equity investment that is underpinned by the value of a UK commercial property business.

The Board of EICL aims to maintain sufficient capital to meet the solvency capital requirement at all times and targets a buffer in excess of this requirement to provide additional resilience to adverse events. All of the Company's basic own funds are classified as Tier 1 with the exception of a £0.4m deferred tax asset.

As at 30 June 2018, the Company has own funds of £20.9m (2017: £19.4m) compared to a solvency capital requirement of £18.1m (2017: £19.2m). The final amount of the solvency capital requirement remains subject to supervisory assessment. The directors expect the surplus to continue to increase from retained forecasted profits, with a strong focus on underwriting discipline and investment return. 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

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

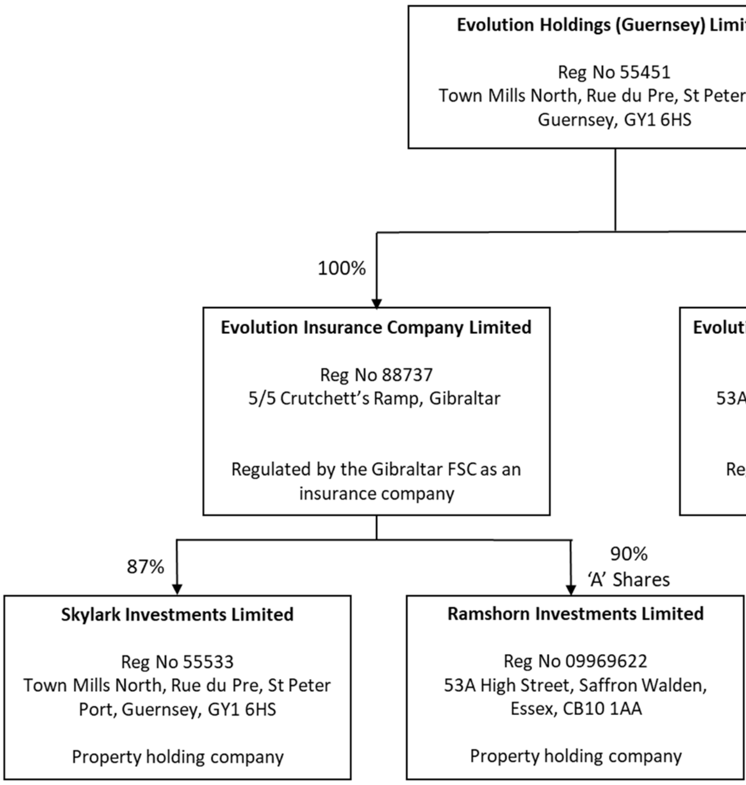
1.4. EICL's external auditor is:

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 are:

Kenneth Acott
Patrick Tilley
William Bidwell

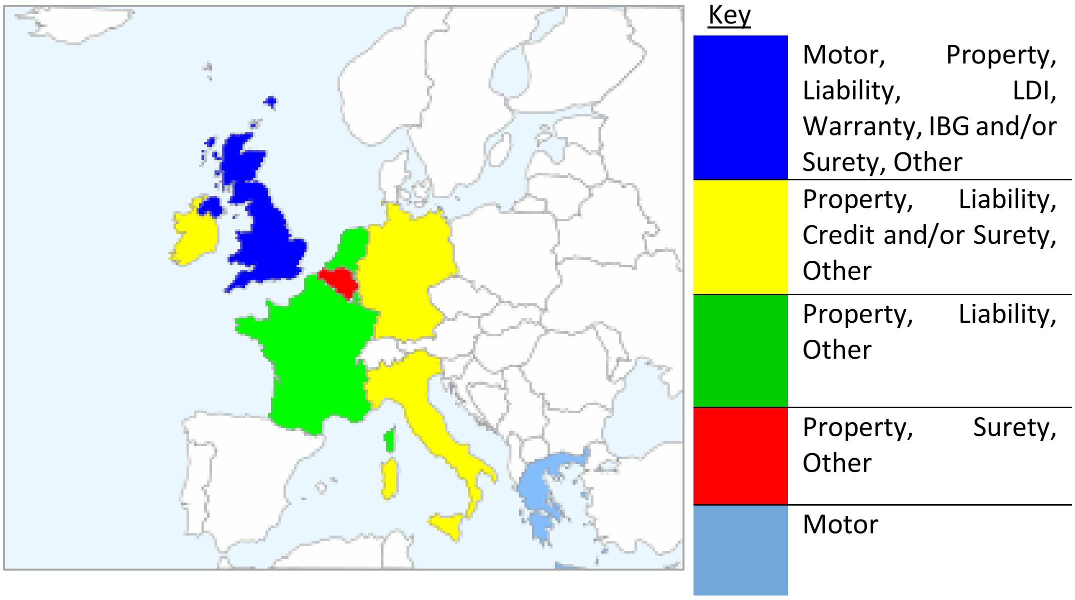
1.6. EHGL Group of companies:
The Group is structured as detailed in the following diagram and supporting notes.



1.7. The Group consists of the following companies:

Group Company	**Domicile**	**Purpose**
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, legal indemnity and title 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, primarily on behalf of EICL and to assist Developers, Builders and Receivers to access alternative Warranties. It is also responsible for policy administration and claims handling (within authority limits) on behalf of EICL, 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:



2. Underwriting Performance

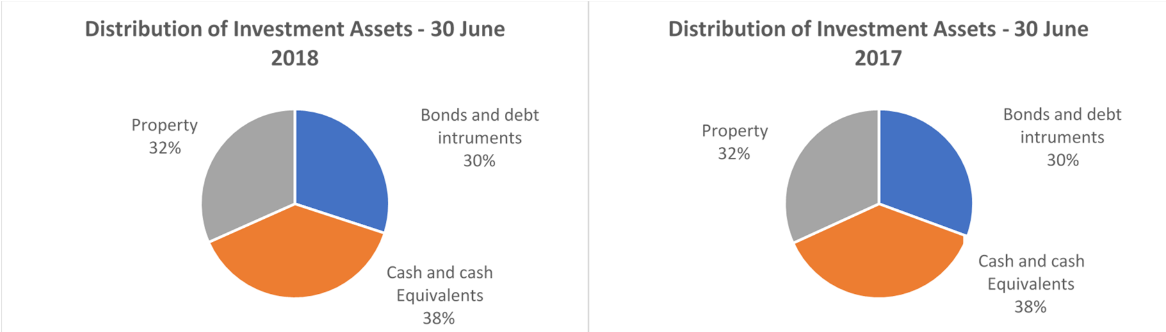
2.1. The premium written by class and by territory for the year ended 30 June 2018, compared to that written in year ended 30 June 2017, is as follows:

		2018	2017	Difference	
Class	**Jurisdiction**	**£'000**	**£'000**	**£'000**	**%**
Motor	UK	39	(22)	61	N/A
Motor	Greece	15,470	23,763	(8,293)	(35)%
Property	France	4,655	4,606	49	1%
Property	Netherlands	1,921	1,525	396	26%
Property	Germany	813	951	(138)	(15)%
Property	Ireland	0	713	(713)	N/A
Property	Belgium	221	116	105	91%
Surety	UK	2,129	3,005	(876)	(29)%
Surety	Italy	116	0	116	N/A
Legal	UK	181	165	16	10%
Assistance	UK	251	4,123	(3,872)	(94)%
Miscellaneous	UK	10,658	6,080	4,578	75%
TOTAL	**ALL**	**36,454**	**45,025**	**(8,571)**	**(19%)**

2.2. Underwriting performance has been positive; the technical profit reported for the year ended 30 June 2018 in the management accounts was £1.2m (2017 audited accounts: £1.5m).

3. Investment Performance

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



3.2. The associated income and expenditure on these investments for the years ended 30 June is stated below. In 2018 £1.8m of realised and unrealised losses were reported in the Bond & Debt Instrument and property portfolio.

	2018		2017	
	Income	**Expenses**	**Income**	**Expenses**
Class	£'000	£'000	£'000	£'000
Cash & Equivalents	113	5	193	4
Bond & Debt Instruments	594	135	668	139
Property	(8)	428	1,184	198

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

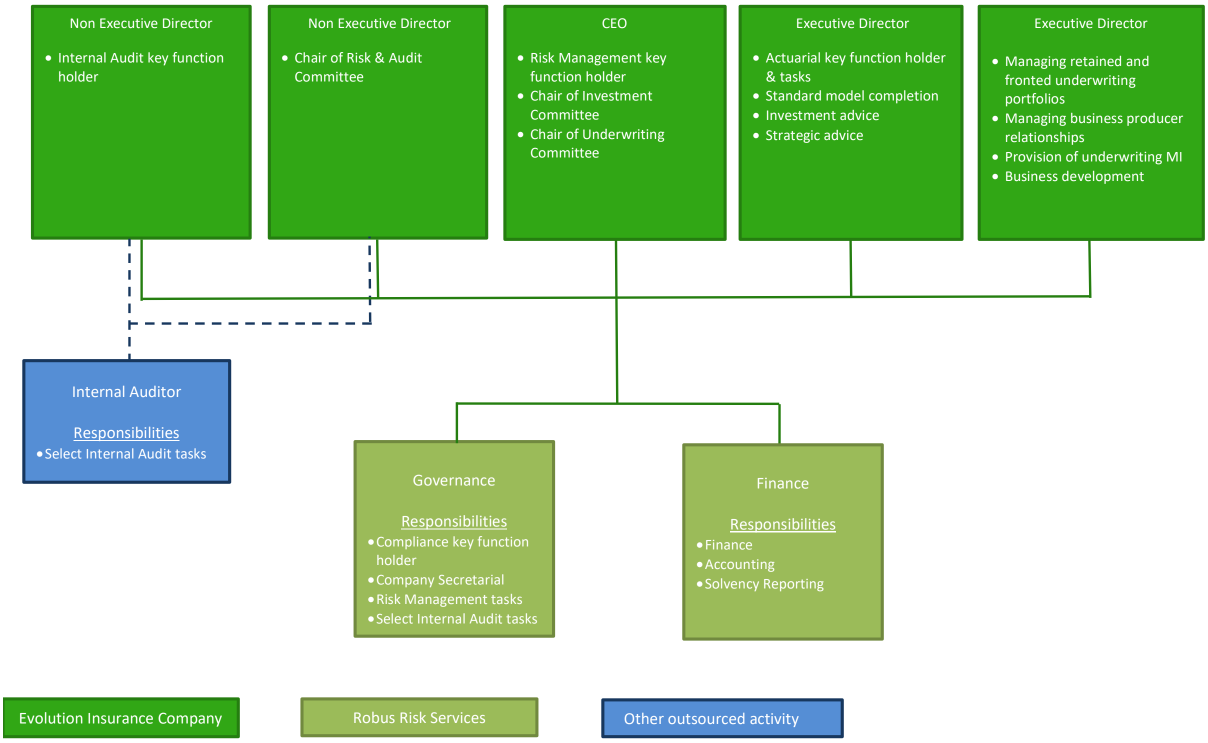
EICL System of Governance

The EICL Board has responsibility for the governance of the Company. The governance structure at 30 June 2018 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, River and Mercantile Solutions (previously P-Solve Meridian), attends each Investment Committee meeting.

Roles and Responsibilities



The above structure operated throughout the financial year to 30 June 2018. At its meeting in September 2018 the Board approved a number of changes which implemented the following structure:

Non-Executive Directors

The responsibilities of the non-executive directors were changed such that one is Chair of the Board and the other is Chair of the Risk & Audit Committee and the Internal Audit key function holder.

Executive Directors

There are now four executive directors with responsibilities as follows:

- CEO: Chair of the Investment Committee
- Executive Director 2: Chair of the Underwriting Committee
- Executive Director 3: Risk key function holder
- Executive Director 4: Finance, Investment and Strategy advice

Actuarial Function Holder

Following the resignation of the Executive Director that previously was the Actuarial key function holder this responsibility has been outsourced to an independent firm of actuarial consultants.

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.

Fees and Dividends

Directors fees were paid to the NEDs and CEO totalling £140k (2017: £100k) during the reporting period. The other Executive Directors do not receive any fees in respect of being a Director.

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

2. Fit and Proper Requirements

The Company seeks to ensure that its directors, key function holders and senior managers are able to perform their role effectively and in accordance with relevant business and regulatory requirements, and to manage EICL in a sound and prudent manner. Accordingly, all directors, key function holders and senior managers are required to meet the requirements set out in the Company's Fit and Proper Policy.

This policy requires that these individuals have:
- appropriate personal characteristics (including being honest and of good repute and integrity);
- the required level of competence, knowledge and experience; and
- financial soundness

The Company ensures that any individual employed, or applying to be employed, in such a position is assessed to ensure that they fulfil the fit and proper requirements. For new candidates this includes reviewing the CV of the candidate, an in-depth interview, obtaining references (both personal and professional), and carrying out due diligence checks. For existing staff the Board performs an annual assessment of all impacted individuals and where necessary seeks a personal attestation.

The Company also seeks to ensure that its Board as whole meets the Fit and Proper requirements by ensuring that collectively the Directors possess appropriate qualifications, experience and knowledge about at least the following:
- Insurance and financial markets;
- Business strategy and model;
- Systems of governance;
- Financial and actuarial analysis; and
- Regulatory frameworks and requirements.

Such a review is led annually by the Chairman of the Board.

3. Risk Management System including ORSA

Risk Management Roles and Responsibilities

The Board is ultimately responsible for ensuring the effectiveness of the risk management system, setting the Company's risk appetite and approving risk management strategies and policies.

The Risk Management Key Function Holder is responsible for the function and ensuring that the Company operates in accordance with the risk approved risk appetites and policies. 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. This individual is supported by the Risk and Audit Committee ("RAC") in the execution of their role.

The key function holder and RAC review, monitor and update as required, all the components of the

Company's Risk Management Framework, engaging other members of the Board, key function or key role holders, as necessary. This includes the ORSA process.

The Risk Register is a central log of all risks identified in the business. It is owned by and it 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). This assessment is then considered against the target or appetite score to determine any required changes in the level of risk or risk mitigation.
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**. The RAC will review all items contained in the Risk Register 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 regularly discussed with internal audit. The RAC and function holder also monitor 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 impact and probability of the risk.

Risk Appetite and Tolerances

Risk appetite defines the amount and type of risk the Board is willing to take in achieving its strategic objectives.

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 reflect the amount of risk that EICL can afford given its financial strength and the prevailing macro environment. 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')

The EICL Own Risk Solvency Assessment ('ORSA') process incorporates EHGL (the Group) and is designed to ensure The Board understands and can proactively monitor and manage the risks being taken by the Company and the Group to achieve its strategic objectives. At least annually a report is produced, that provides to the Boards of the Company and Group an own assessment of their current and forecast risk and solvency needs along with the actions required to ensure risk will remain within appetite. The Group ORSA includes a solo ORSA on EICL, as the only insurance entity in the Group.

A particular focus of the ORSA is to consider situations in which the Group or Company face adverse conditions ('stressed scenarios'), and the capital/liquidity needs and mitigation measures necessary in these scenarios, to ensure that the business can continue to operate without detriment to its customers and stakeholders.

While the Risk Register focuses on risks from a bottom-up viewpoint, the ORSA takes a forward-looking top-down approach, linking strategy and objectives, risks, planning, performance and capital management. 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 consider the need to perform additional ORSAs in the following instances:

- a 50% deviation from business plan with respect to technical profit;
- a 25% increase in gross written premium against the business plan;
- new lines or classes of business are entered which change the risk profile of EICL;
- a breach of risk tolerance is reported for a consecutive period of 6 months; and
- notification from the Investment Committee of a breach in investment risk tolerances.

The ORSA process incorporates 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 remain fit for purpose, in liaison with the Directors and management as appropriate, and are approved by the Board. 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.

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.

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, and may be provided by an external service provider.

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 chairs of the Board and RAC, and the key function holder for internal audit, are non-executive directors and therefore independent of the day-to-day running of the business.

Audit Plan
The RAC and internal audit prepare a risk based three-year internal audit plan every year, reviewing and revising this 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 Internal Audit 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:

- Coordination of the calculation of technical provisions;
- Ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Comparing best estimates against experience;
- Informing the Board of the reliability and adequacy of the calculation of technical provisions;
- Expressing an opinion on the overall underwriting policy;
- Expressing an opinion on the adequacy of reinsurance arrangements; and
- 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'.

Outsourcing is considered where the Board believes that there is an advantage to the Company and its customers by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits. The Board remains fully responsible for any activity or function outsourced and must ensure that the Company does not outsource any activity which will unduly raise its exposure to operational risk, its ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator

Strong governance and management oversight over the outsourcing process, combined with assurance provided by regular management information, are essential controls for managing outsourcing risk and these are all included within the Company's outsourcing policy. The policy also requires the Board to consider contingency arrangements if a service provider should fail.

<u>Outsourcing of critical or important operational functions or activities</u>
EICL is currently utilising several suppliers to undertake critical or important activities on its behalf. Details of the activities they provide and the jurisdictions they operate in are shown in the table below:

Service Provided	**Jurisdiction**
Underwriting, claims management, policy fulfilment & IPT compliance, for all lines of business, subject to delegated authorities	UK Ireland Italy Greece
IT Help-desk and day-to-day support	UK
IPT compliance	Belgium
Insurance Management (compliance, risk management tasks, company secretarial, accounting, banking & investments, regulatory reporting, actuarial tasks)	Gibraltar
Actuarial Function Holder	UK
Internal Audit	UK
Software provider of systems to support insurance data management and control	UK
Investment guidance and advice	UK
Professional services – legal and tax	UK Gibraltar

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.

C. Risk Profile

1. Underwriting Risk

EICL takes a risk-based approach to underwriting risk, prioritising the long-term financial security of the Company, adherence to regulatory requirements, and protection of its policyholders. 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 intermediaries, including premium and cash flows, claims experience, risk management controls, compliance arrangements, 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 through robust controls, including:

- Delegated authority limits being specified in the contracts with the intermediary;
- Intermediaries being 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 in the relevant risk section of this document.

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 2018 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 reviewing claims reserves, particularly large loss claims, to ensure they are appropriate;
- delegated authority holders being regularly 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 considered 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 or underwriting limits placed on intermediaries.

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 material 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.

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 concentration 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 lie within the Company's investment risk appetite and that investments are made in accordance with the Capital Management Policy. This encompasses thorough due diligence prior to any property purchase to evaluate the purchase risk, including the sale price versus market price, location, marketability, and quality of tenant covenant. 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 Capital Management 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 that interest yield curve movements can have in respect to the present value 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 remain low with a flat term structure, implying low future interest rate expectations, which indicates an uncertain economic and political backdrop in the region.

The Company's exposure to interest rates arises primarily from the Company's bond portfolio (as bond values are susceptible t 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 Capital Management 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 Capital Management 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 Capital Management 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 asset and risk exposures of the investment portfolio and assesses a value-at-risk ("VaR") based on the expected loss with a 99.5% (1-in-200 year) level of confidence as well as other risk measures. This includes an assessment of the duration and rating of underlying assets where applicable. 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 insurance 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. The Investment Committee considers the credit risk to banks and other financial institutions.

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;
- for non-rated reinsurers alternative mitigation measures are implemented, such as 'pay as paid' clauses in the contract or collateralised arrangements via 'funds withheld' accounts;
- using a select number of reinsurers (reducing contagion risk).

As at 30 June 2018, the largest risk exposure (net of collateral) in respect of the panel of reinsurers amounted to 29.2% (2016: .35.0%) 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.

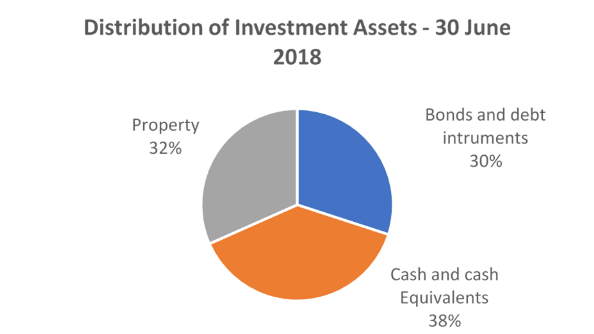
The risk mitigation measures outlined above are reviewed at least annually by the Underwriting Committee and/or Board to ensure that they are still effective and appropriate for the Company and the risk environment in which it operates.

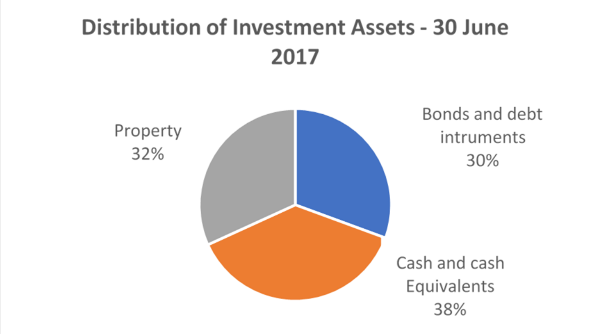
4. Prudent person principle

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 business plan, taking into account the 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:





5. Liquidity Risk

Liquidity risk is the risk that EICL, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or it can secure them only at excessive cost.

Liquidity risk is assessed and monitored by RRS on behalf of EICL on a day-to-day basis, ensuring that there are sufficient funds available to meet both immediate and foreseeable cash flow requirements. This is done by reviewing balances in bank accounts and investments against expected requirements, bearing in mind maturities of investments and notice periods for withdrawals. Investments and cash are reviewed by the Board quarterly. The Investment Committee may set guidelines for the management of liquidity in the Capital Management 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.

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 Capital Management 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 £374k (2017: £325k).

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 include:

- 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, and renewed at regular intervals, 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 over-reliance on any single provider. 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 short term, which is mitigated by ensuring they have robust business contingency plans in place and reviewing their financial stability. In the medium term EICL could source an alternate manager or become "self-managed" and 'insource' the risk.

- 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 assessed 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.

- 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

<u>'Brexit'</u>

At the time of writing the UK and Gibraltar governments have confirmed that trade terms between the two jurisdictions will continue until 2020 and in the meantime a new framework to enable trade to continue after this date will be developed and implemented. The Company is confident that Brexit will not impact its UK business.

Regarding EICL's EU business, the draft transitional arrangements for the UK's exit from the EU have been published but a deal has yet to be reached. Spain has the right of veto over whether, once agreed, the wider EU transitional arrangements for the UK will also apply to Gibraltar; talks between Spain and the UK continue.

To mitigate the risk that EICL is exposed to, it will be putting all of its EU facing business into run-off. It intends to continue servicing any existing EU contracts after the 29th March 2018, to fulfil its contractual requirements and ensure that policyholders are treated fairly.

D. Valuation for Solvency Purposes

1. Assets

1.1. As at 30 June 2018, 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	8,511	-	50	-	8,561	See [1.3.1]
Investment in group undertakings	3,333	-	-	-	3,333	Look through to underlying property
Reinsurers share of unearned premiums	14,994	-	-	(14,994)	-	See [1.3.2]
Reinsurers share of claims outstanding	127,122	-	(5,760)	4,159	125,522	See [2]
Debtors arising out of insurance operations	14,727	-	(14,727)	-	-	See [1.3.3]
Deferred acquisition costs	5,480	-	-	(5,480)	-	See [1.3.4]
Other assets	1,283	-	(687)-	-	596	See [1.3.5]
Cash and cash equivalents	16,952	(8,747)	-	-	8,205	See [1.3.6]
Deposits other than cash equivalents	1,869	-	(445)-	-	1,424	See [1.3.6]
Collective investment undertakings	11,982	(5,534)	-	-	6,448	See [1.3.6]
Financial investments - corporate bonds	14,227	3,481	(7,873)	-	9,834	See [1.3.8]
Financial investments - other	3,243	-	45	-	3,287	See [1.3.8]
Deferred taxation	-	-	-	410	410	See [1.3.9]
TOTAL	**223,721**	**(10,800)**	**(29,397)**	**(15,905)**	**167,620**	

1.2. 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**	

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:

Line of business	As at 30 June 2018			As at 30 June 2017		
	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	129,988	1,698	131,686	134,928	2,127	137,055
Other motor insurance	-	-	-	5,231	61	5,292
Fire and other damage to property insurance	1,596	17	1,613	(464)	-	(464)
Credit and suretyship insurance	1,105	146	1,251	888	165	1,053
Legal expenses insurance	(578)	8	(570)	(438)	3	(435)
Assistance	630	(129)	501	576	7	583
Miscellaneous financial loss insurance	1,228	604	1,832	1,958	361	2,319
Total	133,969	2,344	136,313	142,679	2,724	145,403

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:

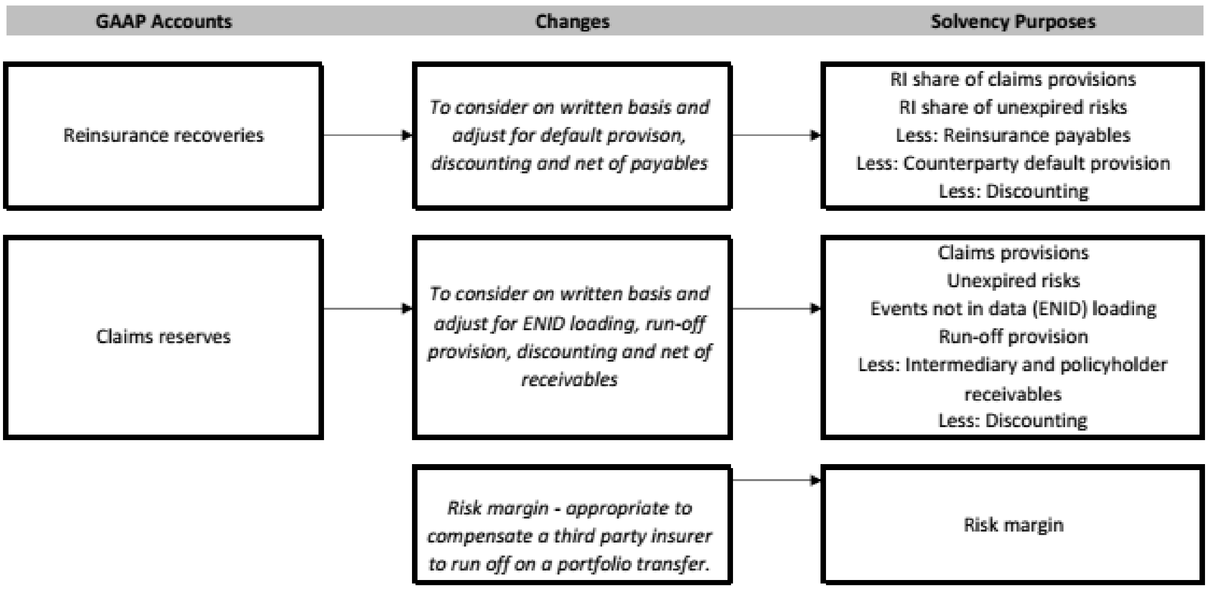
2.4.1 Ongoing monitoring of claims, including regular reviews of clams handling functions.

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:



The adjustments to transition balances from GAAP accounts to solvency technical provisions are set out below.

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 2018 were £139,217k (2017: £143,090k).

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 2018 was £127,122k (2017: £124,282k).

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 2018 was £10,752k (2017: £13,137k).

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 2018 was £8,568k (2017: £11,742k).

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 2018 was £14,727k (2017: £12,804k).

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 2018 was £5,760k (2017: £7,616k

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 2018 was £188k (2017: £117).

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 at June 2017 to be 0.67% (2017: 0.58%), and the resultant counterparty default adjustment was £1,214k (2016: £1,042k).

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 and underlying expense inflation.. The run-off provision applied by the Company as at 30 June 2018 was £2,142k (2017: £1,713k).

2.5.10 Discounting – Discounting has been applied in the technical provisions based on the sterling yield curve as at 30 June 2018 as issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). The impact of discounting on the gross technical provisions was £3,604k (2017: £2,574k), and on the reinsurance share of technical provisions the impact of discounting was £3,194k (2017: £2,202k).

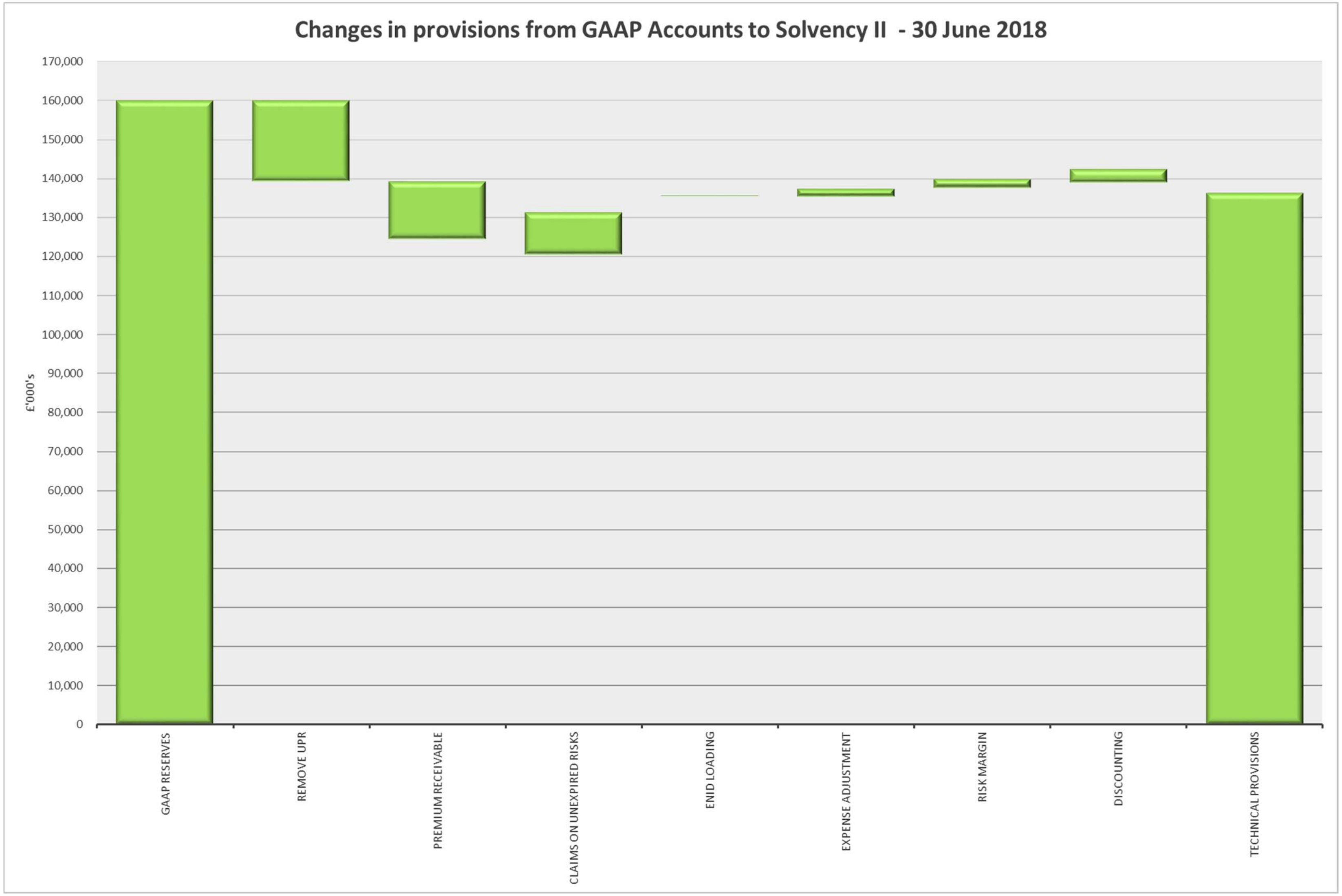
2.5.11 Risk Margin – The risk margin has been considered to ensure that the value of the technical provisions is equivalent to the amount that would be expected to have to be paid to a third party insurance company in order to take over and meet the insurance obligations of the Company. The risk margin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

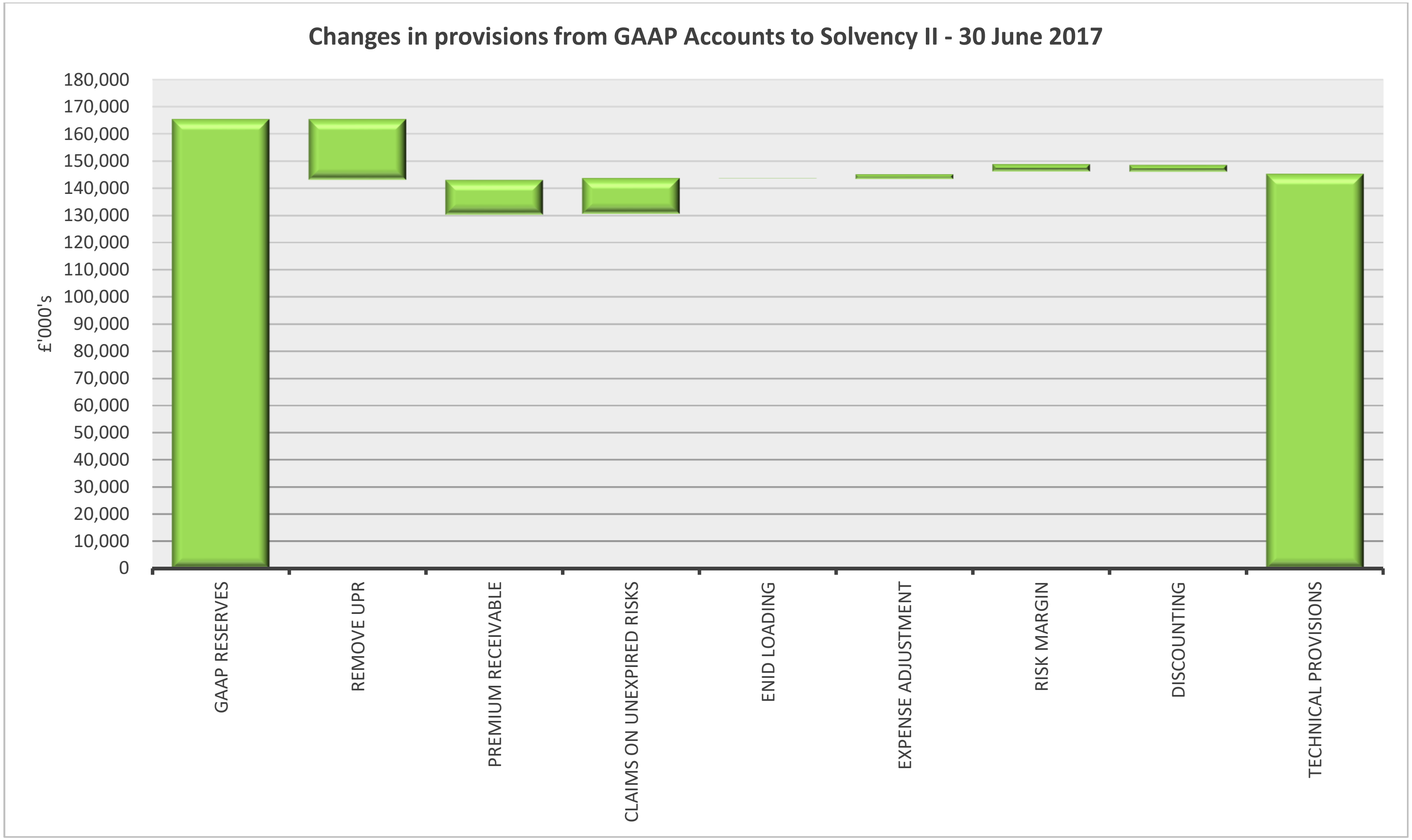
The capital required to run-off the portfolio is based on the future estimated SCRs, taking account of operational, underwriting risk and reinsurance counterparty risk.

This results in a risk margin as at 30 June 2018 of £2,345k (2017: £2,723k).

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 2017
180,000
170,000
160,000
150,000
140,000
130,000
120,000
110,000
100,000
90,000
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60,000
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£'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 2018		As at 30 June 2017		
Liability	**GAAP Accounts Value (£'000)**	**Solvency Value (£'000)**	**GAAP Accounts Value (£'000)**	**Solvency Value (£'000)**	**Explanation of Differences**
Reinsurance share of deferred acquisition costs	3,456	-	5,116	-	Not recognised for solvency purposes
Accruals	285	285	56	56	None
Provisions	135	-	135	-	Not recognised for solvency purposes
Reinsurance accounts payable	23,946	-	35,034	-	Reclassified to technical provisions (see [2.5.6])
Other creditors	8,354	7,604	1,089	3,457	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.

E. 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 2018		As at 30 June 2017	
Own fund item	**Tier**	**£'000**	**%**	**£'000**	**%**
Share capital and share premium	1	5,621	26.95%	5,621	30.2%
Revaluation reserve	1	-	-	2	0.0%
Reconciliation reserve	1	14,825	71.08%	12,892	69.3%
Deferred tax asset	3	410	1.96%	85	0.5%
		20,855	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 2018 is as follows:

	£'000	£'000
Own funds as at 30 June 2017		**19,420**
Accounting profit for the year	**1,537**	
Solvency II valuation adjustments:		
Add: decrease in disallowable assets	*(709)*	
Less: increase in premium provisions and other adjustments to technical provisions	*871*	
Add: decrease in counterparty default provision	*(172)*	
Less: increase in risk margin and change in expense basis	*(51)*	
Add: increase in deferred tax assets	*5*	
Other movements (including discounting of reserves)	*(42)*	
Solvency II profit for the year		**820**
Own funds as at 30 June 2018		**20,855**

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 2018 was £18,137k (2017: £19,209k). The MCR of the Company as at 30 June 2017 was £4,534k (2017: £4,802k).

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 2018 £’000	30 June 2017 £’000
Interest rate risk	43	490
Spread risk	921	809
Equity risk	733	-
Currency risk	188	204
Property risk	2,028	3,174
Concentration risk	1,471	1,304
Market risk diversification	(1,756)	(1,775)
MARKET RISK TOTAL	**3,628**	**4,206**

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 2018 £’000	30 June 2017 £’000
Type 1 risk	1,984	2,507
Type 2 risk	0	715
Market risk diversification	0	(142)
COUNTERPARTY RISK TOTAL	**1,984**	**3,080**

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 2018 £’000	30 June 2017 £’000
Premium and reserve risk	10,716	10,643
Catastrophe risk	2,603	2,327
Lapse risk	50	104
Non-life diversification	(1,726)	(1,625)
NON-LIFE UNDERWRITING RISK TOTAL	**11,643**	**11,449**

In calculating the premium and reserve risk in respect to motor vehicle liability insurance and other motor insurance sectors, the Company has chosen 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 2018 £'000**	**30 June 2017 £'000**
Market risks	3,628	4,206
Counterparty risks	1,984	3,800
Non-life underwriting risks	11,643	11,449
Basic SCR diversification	(3,096)	(3,766)
Operational risks	3,979	4,240
SOLVENCY CAPITAL REQUIREMENT	**18,138**	**19,209**

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 2018 £'000**	**30 June 2017 £'000**	**30 June 2018 £'000**	**30 June 2017 £'000**
Motor vehicle liability insurance	26,564	29,069	19	-
Other motor insurance	-	2,034	-	-
Fire and other damage to property insurance	95	-	-	-
Credit and suretyship insurance	1,127	887	2,129	3,005
Legal expenses insurance	60	47	181	165
Assistance	916	356	-	-
Miscellaneous financial loss insurance	5,060	4,120	4,385	1,256

2.5. The risk profile of the company has reduced during the year ended 30 June 2018 as the company ceased writing UK motor business on 30 June 2016 and the exposure to these liabilities continues to fall. 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

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

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.

F. Quantitative Reporting Templates

P.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	410
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)	29,600
R0080	Property (other than for own use)	8,561
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	3,333
R0110	Equities - listed	0
R0120	Equities - unlisted	3,333
R0130	Bonds	9,834
R0140	Government Bonds	0
R0150	Corporate Bonds	9,834
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	6,448
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	1,424
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	3,287
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	3,287
R0270	Reinsurance recoverables from:	125,522
R0280	Non-life and health similar to non-life	124,019
R0290	Non-life excluding health	124,019
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	1,503
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	1,503
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	8,205
R0420	Any other assets, not elsewhere shown	591
R0500	**Total assets**	167,615

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	134,705
R0520	Technical provisions – non-life (excluding health)	134,705
R0530	TP calculated as a whole	0
R0540	Best Estimate	132,393
R0550	Risk margin	2,312
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)	1,609
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)	1,609
R0660	TP calculated as a whole	0
R0670	Best Estimate	1,576
R0680	Risk margin	34
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	1,424
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)	9,027
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	146,765
R1000	**Excess of assets over liabilities**	20,850

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

Contents

		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	15,510	0	7,610	2,129	181	251	10,773	36,454
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted								0
R0140	Reinsurers' share	15,353	0	7,610	0	0	251	6,388	29,602
R0200	Net	157	0	0	2,129	181	0	4,385	6,852
	Premiums earned								
R0210	Gross - Direct Business	19,647	0	7,172	2,506	179	533	7,848	37,886
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted								0
R0240	Reinsurers' share	18,518	0	7,172	0	0	533	5,571	31,795
R0300	Net	1,129	0	0	2,506	179	0	2,277	6,091
	Claims incurred								
R0310	Gross - Direct Business	21,817	0	2,736	315	52	447	1,128	26,495
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted								0
R0340	Reinsurers' share	20,638	0	2,736	0	0	447	796	24,616
R0400	Net	1,180	0	0	315	52	0	332	1,879
	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**	582	0	285	882	91	9	1,463	3,313
R1200	**Other expenses**								0
R1300	**Total expenses**								3,313

P.05.02.01 - Premiums, claims and expenses by country

Contents

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB	GR	FR	NL	DE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	13,093	15,470	4,463	2,323	829	36,178
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	6,660	15,470	4,463	2,319	829	29,740
R0200	Net	0	6,434	0	0	4	0	6,438
	Premiums earned							
R0210	Gross - Direct Business	0	11,004	19,607	4,252	2,131	790	37,784
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	6,125	19,607	4,252	2,130	790	32,905
R0300	Net	0	4,879	0	0	1	0	4,879
	Claims incurred							
R0310	Gross - Direct Business	0	15,110	8,622	1,636	796	304	26,468
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	13,258	8,622	1,636	795	304	24,616
R0400	Net	0	1,852	0	0	0	0	1,852
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	3,313	0	0	0	0	3,313
R1200	**Other expenses**							0
R1300	**Total expenses**							3,313

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			0	0	0	0	0	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0
	Premiums earned							
R1510	Gross	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0
	Claims incurred							
R1610	Gross	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R1710	Gross	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0
R2500	**Other expenses**							0
R2600	**Total expenses**							0

P.12.01.02 - Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			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)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	0	0			0			0	0	0	0			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			0	0	0	0			0	0	0
	Technical provisions calculated as a sum of BE and RM																
	Best Estimate																
R0030	**Gross Best Estimate**	0		0	0		0	0	1,576	0	1,576		0	0	0	0	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		0	0	1,503	0	1,503		0	0	0	0	0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	0		0	0		0	0	73	0	73		0	0	0	0	0
R0100	**Risk Margin**	0	0			0			34	0	34	0			0	0	0
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	0	0			0			0	0	0	0			0	0	0
R0120	Best estimate	0		0	0		0	0	0	0	0		0	0	0	0	0
R0130	Risk margin	0	0			0			0	0	0	0			0	0	0
R0200	**Technical provisions - total**	0	0			0			1,609	0	1,609	0			0	0	0

P.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Total Non-Life obligation
		Motor vehicle liability insurance	Fire and other damage to property insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0050	C0080	C0100	C0110	C0120	C0130	C0180
R0010	**Technical provisions calculated as a whole**	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
	Technical provisions calculated as a sum of BE and RM							
	Best estimate							
	Premium provisions							
R0060	Gross	5,589	-7,449	448	-626	-64	-2,555	-4,656
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	7,210	-5,986	-22	0	993	-403	1,791
R0150	Net Best Estimate of Premium Provisions	-1,620	-1,463	471	-626	-1,057	-2,152	-6,447
	Claims provisions							
R0160	Gross	122,823	9,045	657	47	694	3,783	137,050
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	110,543	8,862	0	0	687	2,136	122,228
R0250	Net Best Estimate of Claims Provisions	12,280	184	657	47	8	1,646	14,822
R0260	**Total Best estimate - gross**	128,413	1,596	1,105	-579	630	1,227	132,393
R0270	**Total Best estimate - net**	10,660	-1,279	1,127	-579	-1,049	-506	8,374
R0280	**Risk margin**	1,665	17	146	8	-129	604	2,312
	Amount of the transitional on Technical Provisions							
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0
	Technical provisions - total							
R0320	Technical provisions - total	130,077	1,613	1,251	-570	501	1,832	134,705
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	117,753	2,875	-22	0	1,680	1,733	124,019
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	12,324	-1,262	1,274	-570	-1,178	98	10,686

P.19.01.21 - Non-life Insurance Claims Information

Total Non-Life Business

Z0020	Accident year / Underwriting year	**Z0020**	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	0
R0160	**N-9**	0	0	0	0	0	0	0	0	0	0		0	0
R0170	**N-8**	0	0	1	10	84	4	16	19	0			0	134
R0180	**N-7**	0	22	3	40	0	14	25	0				0	104
R0190	**N-6**	1,236	11,229	5,185	2,010	3,216	807	465					465	24,148
R0200	**N-5**	6,262	14,856	5,356	3,332	2,082	1,098						1,098	32,986
R0210	**N-4**	9,714	22,912	11,308	5,871	4,620							4,620	54,426
R0220	**N-3**	10,778	26,824	9,951	5,737								5,737	53,289
R0230	**N-2**	17,638	30,608	10,750									10,750	58,996
R0240	**N-1**	7,754	4,890										4,890	12,645
R0250	**N**	4,055											4,055	4,055
R0260												**Total**	31,616	240,783

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**												0
R0160	**N-9**	0	0	0	0	0	0	0	0	136	0		0
R0170	**N-8**	0	0	0	0	0	0	0	138	135			134
R0180	**N-7**	0	0	0	0	0	0	433	137				136
R0190	**N-6**	0	0	0	0	0	2,550	429					424
R0200	**N-5**	0	0	0	0	3,163	1,297						1,285
R0210	**N-4**	0	0	0	21,596	3,126							3,084
R0220	**N-3**	0	0	30,765	21,208								20,824
R0230	**N-2**	0	76,935	30,850									30,196
R0240	**N-1**	4,957	75,918										74,173
R0250	**N**	7,375											6,794
R0260												**Total**	137,050

P.23.01.01 - Own funds

		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 Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	500	500		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	14,822	14,822			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	410				410
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	0
R0290	**Total basic own funds after deductions**	20,850	20,441	0	0	410
	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	20,850	20,441	0	0	410
R0510	Total available own funds to meet the MCR	20,441	20,441	0	0	
R0540	Total eligible own funds to meet the SCR	20,850	20,441	0	0	410
R0550	Total eligible own funds to meet the MCR	20,441	20,441	0	0	
R0580	**SCR**	18,137				
R0600	**MCR**	4,534				
R0620	**Ratio of Eligible own funds to SCR**	1.1496				
R0640	**Ratio of Eligible own funds to MCR**	4.5080				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	20,850
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**	14,822
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	379
R0790	**Total Expected profits included in future premiums (EPIFP)**	379

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,627		
R0020	Counterparty default risk	1,984		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	11,643		
R0060	Diversification	-3,096		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	14,158		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	3,979
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**	18,137
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	18,137
	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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	4,374

		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	26,564	19
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	95	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	1,127	2,129
R0110	Legal expenses insurance and proportional reinsurance	60	181
R0120	Assistance and proportional reinsurance	916	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	5,060	4,385
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	4,374
R0310	SCR	18,137
R0320	MCR cap	8,162
R0330	MCR floor	4,534
R0340	Combined MCR	4,534
R0350	Absolute floor of the MCR	3,251

		C0070
R0400	**Minimum Capital Requirement**	4,534