Our Interest is You.

Argus Insurance Company (Europe) Ltd.

# Solvency and Financial Condition Report (SFCR)

Financial Year End: March 31, 2017

## Our Vision

To give more and more people the freedom to do what matters most.

## Our Mission

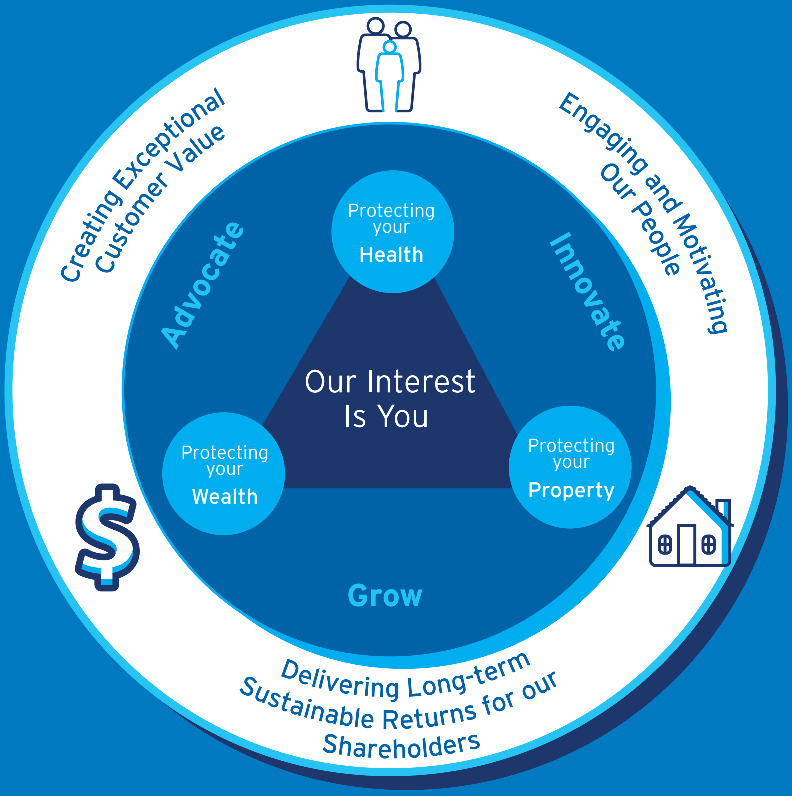
To provide financial services which predict and protect for the future, always ensuring **"Our Interest is You"**.

## Our Purpose

At Argus, our purpose is to deliver long-term sustainable returns to our shareholders through exceptional customer service, delivered by engaging and motivating our staff. **"Our Interest is You"** spans across all stakeholders as we seek to provide exceptional value through the solutions and services that we offer.

## Our Values

Integrity
Fairness
Excellence
Respect
Professionalism
Teamwork



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# EXECUTIVE SUMMARY

Argus Insurance Company (Europe) Limited (AICEL or the Company) is a wholly owned subsidiary of Argus Group Holdings Limited (Group), domiciled in Gibraltar, and licensed by the Gibraltar Financial Services Commission under the Financial Services (Insurance Companies) Act. AICEL offers a broad range of high quality general insurance products to both commercial and individual clients. Our range of products is distributed both directly and through selected intermediaries. The Company underwrites risks in both Gibraltar and Malta.

The purpose of this report is to satisfy the public disclosure requirements of the Financial Services (Insurance Companies) (Solvency II Directive) Act 2015 and to provide a qualitative and quantitative overview of the control environment that the Company operates within, and the methodology used when calculating the solvency margin. The report provides the elements of the disclosure that relate to business performance, governance, risk profile, solvency and capital management.

At Argus, we focus on providing real benefit to our customers by delivering market-leading innovative solutions and high quality service of excellent value. Delivering on our brand promise **"Our Interest is You"** is core to our culture and central to our role as a trusted partner in navigating through everyday challenges and supporting long-term success.

We delivered solid results for the financial year ended March 31, 2017 with gross premiums written of £13.7 million compared to £13.0 million for the year ended March 31, 2016, an increase of £0.7 million or 5.3%. We reported profit before tax for the year of £0.9 million, compared to £0.3 million for the year ended March 31, 2016, an increase of £0.6 million. We have exceeded the Solvency Capital Requirements and the Minimum Capital Requirements throughout the year.

AICEL's focus is to ensure long-term sustainability, in spite of the impact Brexit may have on Gibraltar's economy and AICEL's ability to passport into the EU. Brexit "Neutral" strategies are currently being considered and we recognise that with significant change comes great opportunity. We are exploring how we might capitalise on those new opportunities in Europe as they emerge. We consider we are well placed to execute on our strategy and to build on our solid foundation to deliver meaningful results.

The Solvency II balance sheet and Solvency Capital Requirement (SCR) is reported quarterly. The calculation of the SCR has been outsourced to the Group's Actuarial function, and is calculated twice yearly using the Standard Formula model.

The Solvency II balance sheet requires specific valuation rules to be applied, meaning that there are differences between the Solvency II balance sheet and that reported in our Annual Statutory Financial Statements. These differences can be found in Sections 6 and 10.

The table below shows overall net assets on a Statutory Financial Statement (or Statutory) and Solvency II basis:

| £000 | Statutory Accounts | Solvency II |
|---|---|---|
| Total Assets | 29,510 | 25,491 |
| Total Liabilities | 20,468 | 18,907 |
| Own Funds | 9,042 | 6,584 |

The Company has continuously complied with all aspects of the Solvency II regulations from the date of first implementation on January 1, 2016. The Company continues to work closely with the Gibraltar Financial Services Commission during the implementation period.

Alison Hill
*Director*

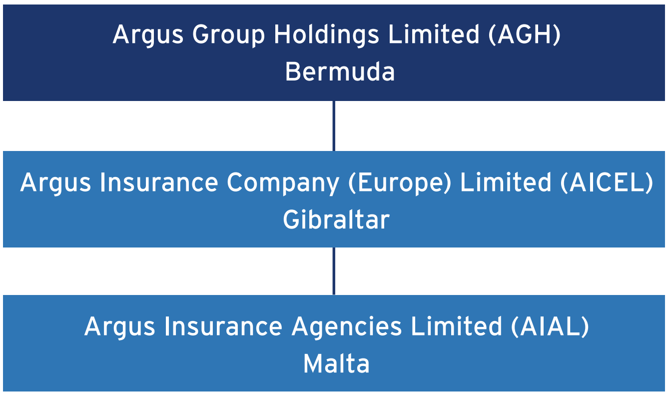
Tyrone Montovio
*Director*

# 1 BUSINESS & PERFORMANCE

## 1.1 Business and external environment

Argus Insurance Company (Europe) Limited is a Gibraltar company that is 100% owned by Argus Group Holdings Limited, a Bermuda company.

Argus Group Simplified
Organisational Structure



The principle activities of the Company are Insurance and Risk Management.

**Name of the Undertaking:**

Argus Insurance Company (Europe) Limited
57/63 Line Wall Road, PO Box 199, Gibraltar
Tel: + 350 200 79520
Fax: + 350 200 70942
Company Registration Number - 1862

**The company is authorised to carry out services in the following countries:**

United Kingdom
Republic of Ireland
Malta
Gibraltar
Netherlands

**Lines of Business:**

Motor (Liability and Other)
Property
Marine
Liability
Income Protection

| | |
|---|---|
| **Financial Supervisory Authority:** | Gibraltar Financial Services Commission<br>PO Box 940, Suite 3, Ground Floor,<br>Atlantic Suites, Europort Avenue, Gibraltar<br>Tel: +350 200 40283<br>Fax: +350 200 40282 |
| **External Auditor:** | KPMG Ltd,<br>3B Leisure Island Business Centre,<br>Ocean Village, Gibraltar<br>Tel: + 350 200 48600<br>Fax: + 350 200 49554 |

### Market Overview

In Gibraltar, where the Company has a large share of the property and casualty market, high retention rates have been maintained on existing business, however, premium levels dropped by approximately 2% due to a contraction in the Construction market during the year. The Malta business continues to develop, notably with increases in the Commercial lines and through improved underwriting performance, which has improved profitability during the year.

There were no underwriting rate changes during the year in the Gibraltar operations and only some minor changes to motor rates in Malta.

## 1.2 Underwriting Performance

For the year ended March 31, 2017, the Company reported underwriting income of £86,000 which was impacted by growth in premiums during the year net of adverse development on two old liability claims. This explains the decrease in underwriting income of £543,000 shown in the table below:

| Total Underwriting Performance £000 | 2017 Actual | 2016 Actual | Variance | Variance % |
|---|---|---|---|---|
| UNDERWRITING REVENUES | | | | |
| Net premiums earned | 8,664 | 7,980 | 684 | 9% |
| Commission, Fees and Other Income | 1,662 | 1,441 | 221 | 15% |
| **Total underwriting revenues** | **10,326** | **9,421** | **905** | |
| UNDERWRITING DEDUCTIONS | | | | |
| Net loss and loss expenses | 5,007 | 3,950 | 1,057 | 27% |
| Commission expenses | 3,040 | 2,676 | 364 | 14% |
| General and administrative expenses | 2,194 | 2,166 | 28 | 1% |
| **Total underwriting deductions** | **10,241** | **8,792** | **1,449** | |
| **UNDERWRITING INCOME** | **85** | **629** | **(544)** | |

The following chart shows underwriting income for the year ended March 31, 2017 for Malta and Gibraltar combined. All lines of business were profitable with the exception of Liability, which is due to the adverse development of two old claims.

**AICEL Gibraltar & Malta Combined Underwriting Income Report**
**Results for the year ended March 31, 2017**

| £000 | Income Protection | Motor | Marine | Fire | Liability | Total |
|---|---|---|---|---|---|---|
| UNDERWRITING REVENUES | | | | | | |
| Net premiums earned | 461 | 5,801 | 271 | 816 | 1,315 | 8,664 |
| Commission income, management fees and other income | - | 23 | 137 | 1,495 | 7 | 1,662 |
| **Total underwriting revenues** | **461** | **5,824** | **408** | **2,311** | **1,322** | **10,326** |
| UNDERWRITING DEDUCTIONS | | | | | | |
| Net loss and loss expenses | 23 | 3,316 | 42 | 455 | 1,171 | 5,007 |
| Commission expenses | 166 | 1,468 | 213 | 805 | 388 | 3,040 |
| General and administrative expenses | 41 | 898 | 58 | 935 | 262 | 2,194 |
| **Total underwriting deductions** | **230** | **5,682** | **313** | **2,195** | **1,821** | **10,241** |
| **UNDERWRITING INCOME** | **231** | **142** | **95** | **116** | **(499)** | **85** |

The following tables show underwriting income for the year ended March 31, 2017 and 2016 by geographical areas being Gibraltar and Malta.

| Gibraltar Underwriting Performance<br>£000 | 2017 Actual | 2016 Actual | Variance | Variance % |
|---|---|---|---|---|
| UNDERWRITING REVENUES | | | | |
| Net premiums earned | 4,472 | 4,501 | (29) | -1% |
| Commission, Fees and Other Income | 1,125 | 1,008 | 117 | 12% |
| **Total underwriting revenues** | **5,597** | **5,509** | **88** | |
| UNDERWRITING DEDUCTIONS | | | | |
| Net loss and loss expenses | 2,767 | 1,912 | 855 | 45% |
| Commission expenses | 681 | 625 | 56 | 9% |
| General and administrative expenses | 2,117 | 2,045 | 72 | 4% |
| **Total underwriting deductions** | **5,565** | **4,582** | **983** | |
| **UNDERWRITING INCOME** | **32** | **927** | **(895)** | |

The Gibraltar operations maintained profitability, however, underwriting income declined from £927k for the year ended March 31, 2016 compared to £33k for the year ended March 31, 2017, mainly due to the adverse development of two old liability claims.

The Malta operations had a successful year with net premiums earned increasing to £4.2 million for the year ended March 31, 2017, compared to £3.5 million for the year ended March 31, 2016, an increase of

£0.7 million or 20%. Underwriting income was £53k for the year ended March 31, 2017 compared to a loss of £298k for the year ended March 31, 2016. This was driven by significant improvements in the motor and commercial lines largely through increased underwriting discipline and risk selection.

| **Malta Underwriting Performance**<br>**£000** | **2017 Actual** | **2016 Actual** | **Variance** | **Variance %** |
|---|---|---|---|---|
| UNDERWRITING REVENUES | | | | |
| Net premiums earned | 4,192 | 3,479 | 713 | 20% |
| Commission, Fees and Other Income | 537 | 433 | 104 | 24% |
| **Total underwriting revenues** | **4,729** | **3,912** | **817** | |
| UNDERWRITING DEDUCTIONS | | | | |
| Net loss and loss expenses | 2,240 | 2,038 | 202 | 10% |
| Commission expenses | 2,359 | 2,051 | 308 | 15% |
| General and administrative expenses | 77 | 121 | (44) | -36% |
| **Total underwriting deductions** | **4,676** | **4,210** | **466** | |
| **UNDERWRITING INCOME** | **53** | **(298)** | **351** | |

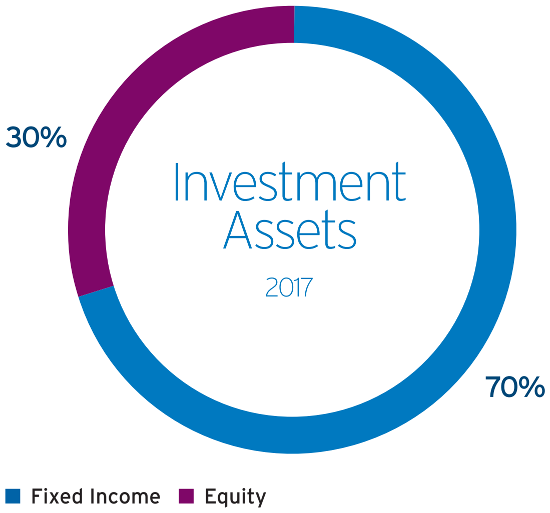
## Investment Performance

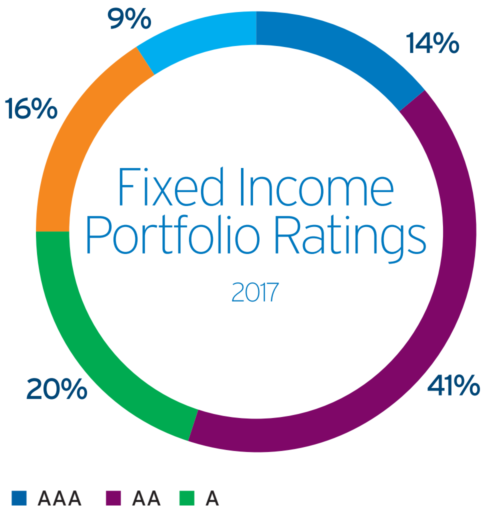
### 1.3 Investment Statement

The Company's investment portfolio is designed to ensure funds are readily available to satisfy our obligation to policyholders and to enhance shareholder value by generating appropriate long-term risk-adjusted yields.

As can be seen from the charts below, 70% of the Company's investments are fixed income bonds of which 91% are investment grade. The 9% holding of below investment grade and non-rated fixed income asset is comprised of a diverse range of tactical positions and is under the threshold of 10%, as defined in the investment policy.

The portfolio's weighted average fixed income credit quality is A+, and its weighted average duration is 2.93 years.





The UK's decision to leave the EU was the most noteworthy geopolitical event in Europe during the year ended March 31, 2017. Since the referendum, the value of Sterling against the U.S. Dollar has declined over 15%, and the Bank of England cut its official interest rate from 0.5% to 0.25%. However, the equity sell-off was short-lived, with the FTSE 100 Index rallying to end the fiscal year up over 18%, offsetting the decline in Sterling.

At the conclusion of their meeting in March 2017, the European Central Bank (ECB) decided to extend its Quantitative Easing (QE) programme until December 2017. However, the ECB's monthly purchase of EU debt has been reduced from €80 billion to €60 billion.

Against this backdrop, the combined investments had a total return of £933,000, or 6.9%, for the year ended March 31, 2017. £817,000 was recognised through the income statement while unrealised gains of £182,000 were recorded in other comprehensive income (OCI). This compares with an investment loss of £204,000 during the year ended March 31, 2016.

| | 2017 | | | | | 2016* | | |
|---|---|---|---|---|---|---|---|---|
| £000 | Asset Balance | Net Investment Income | OCI | Total Return | Total % Return** | Asset Balance | Net Investment Income | Total % Return** |
| Fixed Income | 9,053 | 252 | 184 | 436 | 2.8% | 9,873 | (33) | -0.3% |
| Equities | 3,569 | 555 | (2) | 553 | 17.1% | 3,631 | (171) | -4.7% |
| Other*** | - | 10 | - | 10 | 0.0% | - | - | 0.0% |
| **Total** | **12,622** | **817** | **182** | **999** | **6.9%** | 13,504 | (204) | -1.5% |

* Nil other comprehensive income (OCI) during fiscal year ending March 31, 2016.

** Total % Return includes net interest/dividend income less amortisation, realised gains/losses & market value movement.

*** Other includes bank interest income and other charges.

The table below provides a breakdown of the Company's investment portfolio by asset class along with the total returns generated for the year ended March 31, 2017 and March 31, 2016.

During the year ended March 31, 2017, total return increased by £1.2 million, the variance is mainly due to positive market value movement.

The table below provides a breakdown of income generated under each asset class:

| | 2017 | | | | | 2016* | | | |
|---|---|---|---|---|---|---|---|---|---|
| £000 | Net Interest Income | Realised Gains | Unrealised Movement via P&L | Unrealised Movement Via OCI | Total Investment Income | Net Interest Income | Realised Gains | Unrealised Movement Via P&L | Total Investment Income |
| Fixed Income | 232 | 20 | - | 184 | **436** | 222 | 148 | (403) | **(33)** |
| Equities | 134 | 195 | 226 | (2) | **553** | 118 | 324 | (613) | **(171)** |
| **Total** | **366** | **215** | **226** | **182** | **989** | 340 | 472 | (1,016) | (204) |

* No OCI (Other Comprehensive Income) during fiscal year ending March 31, 2016

During the year ended March 31, 2017, AICEL's fixed income assets generated a total income of £436,000. This compares with a net loss of £33,000 for the year ended March 31, 2016. The increase in income, compared to the prior year, was predominately due to unfavourable market conditions during the previous year.

During the year ended March 31st 2017, AICEL's equity investments generated a total income of £553,000. This contrasts with a loss of £171,000 during the year ended March 31, 2016. The increase from prior year was driven by very strong equity performance, which is in line with the FTSE 100 index rallying towards the end of the fiscal year.

# 2 PERFORMANCE OF OTHER ACTIVITIES

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

# 3 GOVERNANCE STRUCTURE

## 3.1 Governance Arrangements

The Company's Board has responsibility for strategic oversight and for ensuring that Management complies with legal and regulatory requirements. The Board of Directors adhere to the Terms of Reference, which details each director's statutory and fiduciary duties under Gibraltar law.

Management is responsible for the day-to-day operations and administration of the Company.

The Group committees used to manage the Company are as follows:

- Compensation Committee
- Nominations and Governance Committee
- Risk Management Committee
  - Operational Risk sub-committee
  - Data Privacy and Information Risk sub-committee
  - Underwriting and Claims Risk sub-committee
  - Capital and Regulatory sub-committee

The Company's Board approves Company-specific versions of the relevant risk management policies, processes and standards of conduct of the Group, given the particular nature, scale and complexity of the Company's risks.

**The Company's Board of Directors**

| | |
|---|---|
| Alison Hill | *Chief Executive Officer* |
| Sheila Nicoll | *Director* |
| Tyone Montovio | *Director* |
| Timothy Fairies | *Director* |
| Michael Oliver | *Director* |

Management is responsible for managing and coordinating the relationship between the Company and the Group's risk management, compliance, internal audit and actuarial functions. Members of the Company's Board represent AICEL's interests at the Group's Audit and Risk Committees.

There have been no material changes in the System of Governance during the year.

Our compensation programme is a key component of our talent management strategy and incentivises forward-looking activities that generates long term sustainable value. The Company's remuneration packages offered to staff are designed to attract, retain and motivate high quality employees. Both fixed and variable remuneration is offered. Fixed remuneration is given in the form of a base salary and is determined taking into account an individual's experience and qualifications.

A small number of sales staff receive commissions based on sales achieved. Variable remuneration is discretionary and takes the form of a cash bonus and is available to all staff. Three factors that impact the variable remuneration are market position, individual performance and the Group's ability to meet its financial and strategic targets. The granting of restricted Group stock is at the discretion of the Compensation Committee of the Group Board of Directors. When determining stock distributions, consideration is given to further enhance the Group's ability to retain the services of key employees.

Comprehensive salary reviews are conducted as part of the annual performance appraisal process. The Human Resource department ensures that remuneration is internally equitable and aligned with market competitive compensation levels.

The Compensation Committee of the Group Board of Directors is empowered to review and approve key compensation policies on behalf of the Group and to ensure that such policies provide total compensation which is competitive in the marketplace. The role of the Compensation Committee Board is annual review and approval of the Company's remuneration and compensation policies. This includes the executive total compensation plan structure, short-term incentive compensation plans, review of performance evaluations and equity-based plans to the Company's executive officers and other designated senior officers. Additionally, the Board is charged with oversight of plans for the executive officer (CEO) and senior officers' development and succession.

The Company has not established a separate Remuneration Committee and therefore maintains a Remuneration Policy which is set by and similar to that of the Group. The Company has three Independent Non-Executive Directors who receive a fixed fee which has no variable or performance-related elements. The remaining Executive Directors are employees of the Company or from the Group and therefore, are remunerated based on their employment contract. The Executive Directors receive no additional remuneration or share options based upon their role as Directors.

During the year the Company paid a dividend of £3,089,380 to the Group and Management Fees of £350,000. There were no other material transactions with shareholders.

### 3.2 Fit & Proper

The Board ensures that persons who effectively run the Company or have other key functions are "fit" and take account of the respective duties allocated to individual persons to ensure appropriate diversity of qualifications, knowledge and relevant experience so that the Company is managed and overseen in a professional manner.

The Board has not established a stand-alone Nominations & Governance Committee. All candidates for election as non-executive directors are determined by the Nominations & Governance Committee of the Group. When evaluating existing non-executive directors for re-election, the following non-exhaustive list of criteria is used. Individuals to be considered for board membership should possess all of the following personal characteristics pursuant to various specific Group and Company Policies governing director's eligibility criteria and directors' terms of reference, based upon the Solvency II Directive and other statutory requirements: good character and integrity, informed judgment, financial literacy, maturity and a history of achievement in a business environment. Consideration is also given to the combination of skills, experience, independence and diversity of backgrounds which will enable the Board, as a body, to be effective in advancing the business and prospects of the Company.

The Board as a whole should have demonstrated abilities in the following fields: accounting, financial and actuarial analysis; business judgement; general management; local and international insurance and reinsurance, including knowledge of the Company's businesses and products; familiarity with the Gibraltar economy and its political and social situation; familiarity with the Gibraltar regulatory framework and requirements.

Members of the Board and sub-committees and those carrying out other significant functions have extensive knowledge and experience across a variety of areas. This ensures that there is an appropriate spread of skills for managing the business leadership and vision.

Below are brief biographies of the Company's Board and local management team.

**Chairman – Sheila E. Nicoll,** FCII
*Chief Operating Officer, Sirius Bermuda Insurance Company, Ltd*

Ms. Nicoll has been a member of the Argus Group Holdings Limited's Board of Directors for 12 years, and Chairman since 2008. Ms. Nicoll has over 35 years of experience in the insurance/reinsurance industry in Bermuda, London and New York. She holds an MA in Chemistry from Oxford University and professional designations as a Fellow of the Chartered Institute of Insurance.

**Non-executive Director – Timothy C. Faries,** BA, LLB, LLM
*Managing Partner, Appleby (Bermuda) Limited*

Mr. Faries has been a member of the Argus Group Holdings Limited's Board of Directors for three years. In addition to being the Managing Partner, Mr. Faries is also the Bermuda group head of the Corporate and Commercial department and the Insurance and Reinsurance sector leader for Appleby (Bermuda) Limited. Mr. Faries qualified as a barrister and solicitor in Alberta and was called to the Bermuda Bar in 1994. He serves as director on several other Boards.

**Director – Alison S. Hill,** FCMA, CGMA
*Chief Executive Officer, Argus Group Holdings Limited*

Ms. Hill has been a member of the Argus Group Holdings Limited's Board of Directors for six years. Ms. Hill has 28 years of experience in the financial services sector, including 15 years of senior management experience in the financial services sector in Europe, prior to joining Argus Group Holdings Limited as Chief Operations Officer in 2009. She succeeded to Chief Executive Officer in 2011. She holds a BA (Hons) in Business Studies from Plymouth University and professional designations as a Fellow Chartered Management Accountant and Chartered Global Management Accountant. She serves as director on several other Boards.

**Director – Tyrone Montovio,** Cert Mgmt (open) CMgr FCMI ACII Chartered Insurer
*European General Manager*

Mr. Montovio was appointed European General Manager in 2012 with overall responsibility for the Argus Groups operations in Gibraltar as well as providing underwriting and reinsurance support to the Maltese operations. In October 2016, he achieved Chartered Manager status and Fellowship of the Chartered Management Institute.

**Non-executive Director – Michael Oliver,** FCII

Mr. Oliver is a Fellow of the Chartered Insurance Institute and a Distinguished Fellow of the International Association of Insurance Supervisors (IAIS). He entered the general insurance industry in 1973 with the Guardian Royal Exchange Group, holding underwriting and senior management positions in its UK and U.S. operations. From 1998, he worked for insurance regulators in the UK, Caribbean and Gibraltar and was a member of the Executive Committee of the IAIS from 2011 to 2014. Mr. Oliver now runs his own insurance and regulatory consulting company in Gibraltar and is a director of a number of Gibraltar insurers.

**Philip Hodgson,** ACMA Dip CII
*Finance Manager*

Mr. Hodgson qualified as a member of the Chartered Institute of Management Accountants in June 2003. His early career involved working for an Engineering and an Airport Management Company, followed by his entry into the Insurance industry in July 2005 and beginning his Management career within the RBS Group Financial Accounting department. After three years in the role, Mr. Hodgson moved to the position of Financial Controller with Aetna International in London where he spent a further five years. In August 2013 he joined Argus as Financial Controller before being made Finance Manager for Europe in October 2015.

**Alex Bonavia,** ACII
*Commercial and Business Development Manager*

Mr. Bonavia has over 20 years' experience in the Financial Services Industry in Gibraltar, as a Financial Advisor of the only overseas branch of a UK Building Society, and as an International Financial Manager of the European office of Lloyds Bank. The latter role consisted of advising high net worth clients all over Europe on their banking andr investment needs.

**David Keane.** CDip L.A.
*European Claims Manager*

Mr. Keane joined Hibernian General Insurance (Ireland), now Aviva, in September 2000 and spent 15 years there. Having started as a Claims Handler, he progressed to Senior Claims Handler and after four years, David became a Claims adjuster. He spent 11 years as a Claims' Adjuster with Aviva Insurance. In this role David completed field investigations and reported findings for Motor, Employers' Liability, Public Liability, Product Liability and fraud cases. He joined AICEL in September 2015 as European Claims Manager.

**Kathleen Wilkes,** Chartered MCIPD
*Office Manager*

Ms. Wilkes has over 25 years' experience in the HR field in the UK and Gibraltar where she has worked in a range of sectors including financial services, manufacturing and pharmaceutical. Ms. Wilkes became a Chartered member of the Chartered Institute of Personnel and Development in 2011 and is currently Vice Chair of the Gibraltar CIPD branch. She joined Argus Insurance in 2015 and led on the project to obtain Corporate Chartered Insurers status for the company in 2016. Ms. Wilkes is currently undertaking the International Compliance Association Advanced Certificate in Compliance.

## 3.3 Risk Management System and ORSA

### 3.3.1 Risk Management System

The Board is ultimately responsible for ensuring the effectiveness of the risk management system, setting the Company's risk appetite and overall risk tolerance limits, as well as providing the main risk management strategies and policies.

Material risks addressed by the risk management system include the following:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Board has established a Risk Management Policy, as well as appointed a Risk Manager whose responsibilities include:

- Ensuring the effective operation of the risk management system;
- Monitoring the risk management system;
- Monitoring the general risk profile of the Company;
- Reporting on risk exposures and advising Management and the Board on risk management matters,

The Risk Manager reports to the Group Risk Management monthly and to the Board on a quarterly basis.

#### *3.3.1.1 Risk Management Strategies, Objectives, Processes and Reporting*

The Company aims to ensure that all material risks are considered when managing the business. The ultimate goal is to ensure policyholder protection and to enable the company to achieve its overall strategic objectives, while maintaining regulatory compliance. The processes in place are intended to identify all material risks, minimise risks wherever possible and manage and control all significant risks within acceptable limits.

The Company's is in the process of developing a Risk Appetite Statement which will provide a guide to management for the consideration of risk when managing the business. The statement will include the Company's:

- Risk Strategy;
- Risk Preferences; and
- Risk Tolerances.

The actions and policies implemented to meet strategic objectives and regulatory obligations form the core of the risk management framework. The Company's systems, processes and controls are considered proportionate and appropriate to the nature, scale and complexity of the Company's risks and operations.

#### *3.3.1.2 Identification, Measurement, Monitoring, Management and Reporting of Risks*

The Company ensures that the risk management system and solvency assessment systems are embedded in the running of its business through the Argus Group's monthly Risk Management Committee, and sub committees which encompass the Company's specific risks. The Risk Management Committee has four sub committees being the Operational Risk Committee, the Data Privacy and Information Risk Committee, the Underwriting and Claims Committee and the Capital and Regulatory Committee. All material risks, business decisions and strategic planning are brought to these committees/working groups, and reported to the Committees of the Board for review and approval. Business decisions are assessed taking into consideration the risks and the Company's appetite towards risk, as defined in the Risk Management Policy. Solvency assessment is carried out on a forward-looking basis at least quarterly. The impact on solvency and capital from potential material business decisions is incorporated in the Medium-Term Capital Plan and reported to the Risk Management Committee.

The Risk Register is a key input into the risk management framework, and any material changes in the underlying risks will be modelled for potential impact on the Company's capital requirements. Such changes include, but are not limited to, changes in business mix, strategy and investment.

The controls identified in the Risk Register to monitor, mitigate and control the risks facing the Company are reviewed for continued relevance and documented. Compliance with the components of the controls is verified via the ongoing management reviews and Internal Audit reviews. Any significant issues are reported to the Company's Board.

#### *3.3.1.3 Implementation of Risk Management Function*

The risk assessment exercise takes place annually in conjunction with the annual business planning and strategy review cycle. The identified risks, together with risk measurement and mitigation control respectively, are recorded in the risk registers for the Company. The risk identification process takes into consideration all material risks identified and included in the Solvency II Directive. To that end, the Risk Management function has developed Risk Assessment Guidelines and Risk Register Templates that are used by the Company. Risk Registers are reviewed and challenged by the Risk Management Committee and the Company's Board. A report on how high risk areas are being managed is submitted to the Risk Committee bi-annually.

### 3.3.2 Own Risk and Solvency Assessment

#### *3.3.2.1 ORSA Process and Integration*

The Company has established a policy setting out the requirement to carry out an Own Risk and Solvency Assessment (ORSA). The purpose of the policy is to ensure that all material risks faced by the Company are appropriately assessed and the level of capital required in managing these risks, or other risk mitigation measures are determined and put in place. The ORSA provides the Board and Management with a thorough understanding of the Company's risk profile and provides the information needed to make appropriate decisions.

The Company produces an ORSA at least annually incorporating the output from the annual business planning process. Additional ORSAs may be produced in response to material changes to the Company's risk profile.

The ORSA is produced by Management in conjunction with the Actuarial and Risk functions. The ORSA report is discussed and challenged by the Company's Board. The Company's Board maintains oversight, ensuring that the ORSA takes account of the Company's material risks, and is aligned with the Board's strategy for the business.

The ORSA approval process includes independent verification by Internal Audit, comment, review and approval by the Risk Management Committee, and final approval by the Company's Board.

#### *3.3.2.2 Relationship between Solvency Needs, Risk Profile, Capital Management and Risk Management*

The ORSA enables the Board to assess the Company's capital needs over the planning horizon. The ORSA is carried out taking due account of Company's specific risk profile. This includes risks explicitly captured in the Standard Formula, as well as risks which are either not captured or not able to be mitigated through capital. All material risks are taken into account in the ORSA process.

The ORSA process operates continuously throughout the year, with consideration being given as to whether any decisions, events, issues, market factors or similar are likely to impact the Company's risk profile, appetite, free reserves, or other relevant matters. In such a case, the impact on the Company's own assessment of its capital needs will be considered and, if required, a further ORSA, together with the SCR calculation, will be carried out. This ensures that the Company's existing and forecast capital position and risk profile are properly taken into account in any strategic decisions.

The Company's capital management policy has been established to ensure that the Company has in place the appropriate levels and quality of capital as required by both the SCR calculation and as determined by the ORSA. The policy aims to ensure that appropriate plans are in place to enable the Company to meet its capital requirements both in the immediate and the medium-term and that all items of own funds comply with the relevant rules, regulations and legislation.

Management considers the capital requirements of the Company on a quarterly basis, and advises the Risk Management Committee, through the Medium-Term Capital Plan, of any surplus or deficit capital.

The Company prepares a quarterly Medium-Term Capital Plan outlining the actions to be taken for the subsequent year, and further into the future as appropriate. These actions are based on:

- The adequacy of capital held as at the quarter end date;
- A forecast of business performance;
- The impact of distributing surplus capital; and
- Other business decisions in line with the Company's strategic goals.

The Medium-Term Capital Plan ensures that the Company is sufficiently capitalised to meet all statutory and regulatory requirements. The Company currently meets its regulatory capital requirement.

## 3.4 Internal Control System

The Board has established a system of internal controls comprised of internal control environment, monitoring and reporting mechanisms to ensure that business objectives are achieved in an effective and efficient manner; and that reliable financial information is produced for the decision-making process.

The adherence to internal policies and procedures is an integral part of the business culture. Senior management of the Company ensures that the internal control system and control activities are commensurate with the risks arising and that all personnel are aware of their role and responsibilities.

### Monitoring and Reporting

The Board has established the compliance function which is responsible for the ongoing monitoring and reporting on the adherence to the internal control system. The compliance officer reports to the Risk Management Committee monthly and to the Board quarterly.

### 3.4.1 Compliance Function

The Board has established the compliance function which is responsible for the ongoing monitoring and reporting of the adherence to the internal control system. The function is managed by a Compliance Officer appointed by the Board whose primary responsibilities include:

- Establishment and implementation of the Company's compliance programme.
- Ensuring that all personnel are aware of their role in the Company's internal control system.
- Monitoring and reporting on compliance with policies and procedures, applicable laws and regulations, as well as Board approved standard of business conduct policy.
- Monitoring regulatory changes and advise management and the Board where such changes have implications for the Company's regulatory compliance risk.
- Advising management and the Board on compliance issues pertaining to:
  a) Corporate Governance;
  b) The prevention of money laundering and combating of terrorist financing;
  c) Know Your Customer and Due Diligence process;
  d) Data privacy and protection; and
  e) Customer complaints.

Non-compliance incidents are dealt with swiftly in proportion to the severity of the incident. The Compliance Officer reports to the Board on a quarterly basis.

## 3.5 Internal Audit

The Internal Audit function is currently outsourced to the Group and is managed by the Head of Group Internal Audit Function who conducts independent audits and reports to the Board of the Company.

The Company has developed a Board-approved Internal Audit policy that covers the terms and conditions according to which the Internal Audit function can be called upon to give its opinion or assistance and to carry out other special tasks.

The Group Internal Audit has developed and implemented a Board-approved audit plan that sets out the following:

- The audit work to be undertaken during each fiscal year, taking into account strategic business objectives, the complete system of governance and the relevant regulatory requirements;
- A risk-based approach in deciding its priorities focusing on the areas of greatest risk to the business;
- Assessment and adherence to the effectiveness of internal systems and controls, procedures and policies;
- Appropriate and effective action is taken by management on significant findings; and
- The timing and submission of the internal audit report to the Board.

Where necessary, the Group Internal Auditor may carry out audits and/or special investigations as requested by Senior Executives and the Board.

## 3.6 Actuarial

The Company's Actuarial Function is outsourced to the Group's Actuarial Function. The Actuarial Function holder is the Group's Chief Actuary. The Actuarial Function is governed by Terms of Reference which encompasses the requirements of the Solvency II Directive, and has been approved by the Board.

The Company's Actuarial Function is responsible for the following key areas:

- Overseeing and validating the calculation of technical provisions;
- Opining on the adequacy of reinsurance arrangements;
- Opining on the overall underwriting policy; and
- Contributing to the Company's risk management system.

The Company engages an external actuarial firm to carry out the independent reserve reviews under the oversight of the Chief Actuary, and ultimately the Board. The Actuarial Function holder is responsible for providing a recommendation to management regarding the adequacy of the reserves. The Chief Actuary reports at least annually to the Board on the nature, reliability and adequacy of the Company's reserves for insurance liabilities.

The Actuarial Function contributes to the effectiveness of the risk management framework, particularly as it relates to policyholder obligations, potential exposures and capital requirements. Analyses performed by the Actuarial Function include but are not limited to:

- Own risk and solvency self-assessment at least annually (ORSA);
- Asset liability matching quarterly;
- Experience analyses at least annually;
- Effectiveness of underwriting processes;
- Effectiveness/appropriateness of reinsurance arrangements; and
- Product profitability, business performance.

The Actuarial Function reports on its activities via the relevant executive management committees and committees of the Board.

## 3.7 Outsourcing

The Company has developed a Board-approved Outsourcing Policy that governs the outsourcing arrangements, thereby ensuring that outsourced functions are conducted in a sound manner, in compliance with applicable laws and regulations and ensuring that the Company meets its financial and service obligations to policyholders.

The policy sets out a robust governance process to follow when selecting a Third Party Service Provider (TPSP). Prior to the appointment of any TPSP, a full due diligence exercise is undertaken to assess the suitability, competency and capability of each TPSP to carry out the outsourced function and the control environment in which it operates. Part of the control environment assessment is to ensure that the TPSP has sufficient data security controls in place to protect the Company data and that of its policyholders, as well as having the appropriate business continuity plans.

The policy further sets out a process to monitor the performance of each outsourced function or service and to report to the Company all instances of non-compliance with the policy or breach of laws and regulations in a timely manner.

Approximately half of the Company's business is distributed through Insurance Intermediaries. Only one Insurance intermediary has a binding authority to write premium and manage minor claims within the terms of the Service Level Agreement with the Company.

**Outsourcing Providers by Location:**

The table below shows important operational functions which are outsourced by the Company and the location of that service providers' operations.

| Third Party Outsourced Service Description | Location |
|---|---|
| Binding Authority and Minor Claims Handling | Gibraltar |
| Claims handling services | Spain/Gibraltar/Malta |
| Actuarial Review | United States |
| IT Support | Gibraltar |
| SII Quality Assurance Review | UK |
| Internal Audit Field Work | Gibraltar/Malta |
| Investment Management | UK |
| Underwriting | Malta |

| Intra-Group Outsourced Service | Location |
|---|---|
| Actuarial Function | Bermuda |
| Internal Audit | Bermuda |
| IT Infrastructure | Bermuda |
| Investment Function | Bermuda |

## 3.8 Adequacy of 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 systems. The Company also considers relevant industry advice and guidelines from bodies such as the Gibraltar Insurance Association (GIA). New processes are implemented where appropriate and relevant for the size and complexity of the Company. Internal audits and external audits provide independent evaluation of the Company's systems of governance. Recommendations from these audits are considered by the Board and implemented proportionate to the business' risks.

## 3.9 Any other Material Information

There is no other Material Information as at March 31, 2017.

# 4 RISK PROFILE

To facilitate effective business operations and to maintain consistency in its risk management process of risk identification, measurement, management, monitoring and reporting, the Company has identified material risks to which its general insurance product offerings are exposed. For each material risk, the Company has described the various mitigation controls and risk treatment to minimise or reduce the risk exposure arising.

The category of the material risks to which the company is exposed include the following:

- Underwriting risk
- Market risk
- Currency risk
- Interest rate risk
- Equity price risk
- Credit risk
- Concentration of credit risk
- Liquidity risk
- Operational risk

## 4.1 Underwriting Risk

Underwriting risk can arise from inadequate pricing or risk selection, inappropriate reserving, or other fluctuations in the frequency and severity of insured events.

The Company manages underwriting risk through regular reviews of the performance of our book of business including loss ratio, claims frequency, claims costs and premiums. This is linked to a continuous feedback cycle of reserving and claims development. Risks are recorded on the Company's Risk Register and monitored on an annual basis.

Underwriting risk can arise from inadequate pricing or risk selection, inappropriate reserving, or other fluctuations in the frequency and severity of insured events.

The Company distributes on a direct basis and via a carefully network of selected intermediaries in a competitive but fairly stable market.

Claims are handled in-house initially, larger or more complex claims may be outsourced to carefully selected third party handlers. Reserving practices and approach are set by the Company based on local market experience and results arising from external actuarial reviews.

### Material Risk Concentrations

The Company underwrites a variety of classes of insurance so the portfolio is not restricted to one particular product. The Company does, however, rely on a number of key intermediaries for its business so these relationships are monitored closely.

### Risk Mitigations

The Company mitigates underwriting risk through the purchase of reinsurance protection and implementation of appropriate controls. Reinsurance is placed with counterparties that have a strong credit rating. Reinsurers are selected on the strength of financial ratings A- or higher as measured by Standard and Poor or A. M. Best. Management regularly monitors and performs an assessment of creditworthiness of reinsurers.

In addition, the Company further monitors underwriting risk through the Underwriting and Claims Risk sub-committee.

## 4.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

### 4.2.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Sterling and Euros and its exposure to foreign exchange risk arises primarily with respect to Euros from the Malta branch. Company practice is to ensure that all Euro denominated liabilities are matched with Euro denominated assets, thus mitigating currency exposure.

### 4.2.2 Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Company manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

### 4.2.3 Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market price.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market.

The Company has no significant concentration of equity price risk.

## 4.3 Credit Risk

### 4.3.1 Maximum Exposure to Credit Risk

The Company manages credit risk by its specific investment diversification requirements, such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to senior management and the Company and Parent Company's Board.

### 4.3.2 Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. Aged receivables are monitored and reviewed on a quarterly basis; any significant aggregation is brought to the attention of the management. Similarly, reinsurance recoverables are monitored quarterly.

## 4.4 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company's asset-liability management process allows it to maintain its financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Company invests in various types of assets with a view to matching them with its liabilities of various durations. To strengthen its liquidity further, the Company actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

The short-term (less than one year) liquidity needs are more than adequately met by maturing bonds, the sale of equities, as well as by current operating cash flows. As of March 31, 2017, the expected profit in future premium is £95,000. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets.

Based on the Company's historical cash flows and current financial performance, Management believes that the cash flow from the Company's operating activities will continue to provide sufficient liquidity for the Company to satisfy debt service obligations and to pay other expenses, as they fall due.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

## 4.5 Operational Risk

Operational risk is defined as the risk of financial loss, reputational or brand damage, resulting from inadequate or failed internal processes, people, systems or from external events, including legal and compliance risk.

The Company has developed a Board-approved Operational Risk Management Policy which covers the following areas:

- Identification of material operational risks to which the Company is, or might be, exposed and assessment of how to mitigate these risks;
- Activities and internal processes for managing operational risks, including the IT system;
- Definition of risk tolerance limits with regard to operational risk; and
- A process to identify record and analyse the causes of operational risk events resulting from control breakdowns or non-compliance with Operating Policies and Procedures, as well as customer complaints.

The Company has established the following controls to mitigate operational risk:

- Four-eyes processes for review and analysis;
- Information systems controls, as well as physical controls to ensure the integrity and protection of the Company and customer's data is adequate;
- Employees training and awareness of the various cyber risks/threats and how to guard against them;
- Monthly reporting of operational risk events, including customer complaints to the Risk Management Committee and significant issues arising to the Board on a quarterly basis; and
- Disaster Recovery and Business Continuity plans.

### 4.6 Other Material Risk Exposures

A risk register of significant risks is maintained by local management and is reviewed by the Risk Committee. The most material risk identified is Geopolitical Risk. Gibraltar is a member of the EU through its relationship as a British Overseas Territory. In June of 2016, the UK majority voted to leave the EU in the EU referendum.

The manner in which the UK will leave the EU is still unknown and therefore it is difficult to perform stress testing to quantify the impact this will have on the economies affected. However, risks faced by the Company include the inability to passport into EU jurisdictions from Gibraltar, which will affect the Company's subsidiary in Malta, and potentially the freedom of movement of people particularly from Spain.

Without clarity on the UK exit terms, the Board continues to monitor the developments, and is developing various strategies in response to the potential outcomes. For the time being, the mix and volumes of business have not been affected.

Other less material risks are addressed through sensitivity testing as part of the Company's ORSA process.

## 5 ASSETS – INFORMATION ON AGGREGATION BY CLASS

The valuation methods used are based on International Accounting Standards, as used in the Company's Financial Statements. Any variations in valuation are detailed in Section 6.

## 6 CONTENT BY MATERIAL CLASSES OF ASSETS AND LIABILITIES OTHER THAN TECHNICAL PROVISIONS

The following table shows the differences between the Solvency II valuations of asset classes and those in the Company's Statutory Financial Statements; explanations are provided:

| Assets | Solvency II Value | IFRS value | Variance | Comments |
|---|---|---|---|---|
| Deferred acquisition costs | 0 | 1,474 | (1,474) | DAC valued at zero under Solvency II |
| Property, plant & equipment held for own use | 41 | 244 | (203) | PPE valued using market value basis for Solvency II |
| Holdings in related undertakings, including participants | 1,522 | 2,316 | (794) | Subsidiary valued using Net Equity Method under Solvency II |
| Equities – listed | 3,673 | 3,673 | 0 | |
| Equities – unlisted | 142 | 142 | 0 | |
| Government Bonds | 4,202 | 4,202 | 0 | |
| Corporate Bonds | 4,690 | 4,703 | (13) | Accrued interest not valued under Solvency II |
| Reinsurance recoverables: Non-life excluding health | 5,571 | 6,023 | (452) | See Section 7 for details |
| Reinsurance recoverables: Health similar to non-life | 1 | 0 | 1 | See Section 7 for details |
| Insurance intermediaries receivables | 1,500 | 2,633 | (1,133) | Receivables which are not overdue form part of the future cash flows reported within provisions for Solvency II |
| Receivables (trade, not insurance) | 465 | 416 | 49 | Variance between Net Assets per SII and GAAP creates an additional tax assets for Solvency II purposes |
| Cash and cash equivalents | 3,684 | 3,684 | 0 | |
| **Total assets** | **£25,491** | **£29,510** | **(£4,019)** | |

## 7 VALUATION OF TECHNICAL PROVISIONS

Technical provisions represent the insurance liabilities as of the reporting date. The Technical provisions comprise of the Best Estimate of Liabilities (BEL) and a risk margin determined in accordance with the Solvency II Directive, Articles 75 to 86.

A summary of the technical provisions for the Company as at March 31, 2017 is set out in the following table:

| £000 | Net BEL | Risk Margin | Net Solvency II Technical Provisions |
|---|---|---|---|
| Best Estimate Liabilities | | | |
| Property | 73 | 4 | 77 |
| Motor | 7,328 | 369 | 7,697 |
| Accident and liability | 1,970 | 98 | 2,068 |
| Marine | 81 | 4 | 85 |
| **Solvency II Technical Provisions** | **9,452** | **475** | **9,927** |

### Actuarial Methodologies and Assumptions

The BEL is comprised of two components, the claims provision and the premium provision. The claims provision represents the liability for the unpaid portion of the claims that have occurred as of the valuation date. The premium provision represents the present value of the expected cash flows on the unexpired portion of all in-force policies, and policies to which the Company is contractually bound that have yet to incept. These are commonly referred to as Bound But Not Incepted Exposures (BBNI).

The starting point for deriving the BEL is the Company's unpaid claims liabilities on an IFRS basis. Traditional actuarial techniques are used, such as the Paid and Reported Loss Development methods, the Bornhuetter-Ferguson method, and the Case Reserve Development method. The particular method selected for a particular reserve segment is judgmentally selected based on the applicability of each method and the availability of data to support each method.

No assumptions regarding management actions are included in the calculation of the technical provisions. Expected policyholder behaviour is captured through the expected lapse rates with respect to policies in-force or bound but not incepted underlying the derivation of the premium provisions. Expected lapse rates are based on the Company's average lapse experience by reserve segment.

The key differences between the Company's insurance liabilities on an IFRS basis and on a Solvency II are as follows:

- *Discounting* – Cash flows are discounted using the risk free term structure provided by European Insurance and Occupational Pensions Authority (EIOPA).
- *Unearned Premium* – These are replaced by premium provisions, which are valued on a best estimate basis taking account of all future premium cash inflows.
- *Expenses* – Expenses include run-off expenses, and ceded expenses take account of reinsurance commissions from the Company's reinsurance programmes.
- *BBNI* – The technical provisions include future premium cash flows not yet overdue, in respect of BBNI exposures up to the relevant contract boundary.

- *Adjustment for counterparty default* – Ceded liabilities are reduced for expected reinsurer default using the probability of default applicable to the credit rating of the counterparty as specified by the EIOPA guidance.
- *Events Not in Data* (ENIDs) – There may be possible future events which are not reflected in the historical data of the Company or the market. ENIDs are typically viewed as being low frequency and high severity events, but consideration also needs to be given to the potential for favourable loss experience not in the data. An ENID loading is applied to lines of business where it is warranted, and it applies to both the claims provisions and the premium provisions.

### Allocation to Lines of Business

Best estimates and cash flows are calculated separately for each line of business. Data used in the derivation of the BEL has been satisfactorily segmented into homogeneous risk groups, consistent with the requirements of Solvency II.

### Reinsurance Recoverables

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance is placed on both a proportional and non-proportional basis. The expected cash flow of ceded losses for each year is based on the difference between the expected cash flow of gross and net unpaid claims liabilities, offset by an adjustment for expected reinsurer default.

### Risk Margin

The risk margin has been calculated using the Level 3 simplification method. This method assumes that the future SCR is proportional to the net BEL. A ratio of the SCR to the net BEL is determined as of the valuation date, and the future SCRs is projected at this rate until the BEL is fully run-off. A cost of capital rate of 6% is applied at each SCR estimate, and discounted using the yield curve provided by EIOPA to estimate the cost of capital required to support the liabilities.

### Transitional Adjustments

The Company has not used any transitional adjustments with regard to the matching adjustment, volatility adjustment, transitional risk free interest rate term structure or transitional deduction.

### Material Changes

This is the first time that technical provisions have been reported for the Company. Therefore, no commentary is given on the changes to methodologies or assumptions since the last reporting period. However, the IFRS basis has not changed during the period.

### Level of Uncertainty

There is inherent uncertainty in estimating the technical provisions. Uncertainty may arise from the following areas:

- Outstanding losses may ultimately settle at a higher or lower amount than estimated from known information as of the valuation date;
- Future losses on both expired and unexpired business are based on actuarial assumptions which take account of past experience, and anticipated future changes. These assumptions may prove to differ from actual experience;
- ENIDs, by their nature are unpredictable and any allowance for ENIDs may prove to be overstated or understated.

- Expense assumptions are based on reasonable judgement reflecting past experience where appropriate. These assumptions may ultimately prove to differ from actual experience.
- Impact from unforeseen economic, legal and social trends.

The following table shows the movement from the IFRS insurance liabilities to the Solvency II technical provisions.

| £000 | Gross | Ceded | Net |
|---|---|---|---|
| **IFRS Reserves** | **17,111** | **6,023** | **11,088** |
| Remove Unearned Premium Reserve | (6,510) | (1,686) | (4,824) |
| Expected Losses on Unexpired Risks | 3,390 | 601 | 2,789 |
| Premium Receivables net of Expenses | 1,092 | 663 | 429 |
| Counterparty Default | - | (1) | 1 |
| Effect of Discounting | (60) | (29) | (31) |
| Risk Margin | 475 | - | 475 |
| **Solvency II Technical Provisions** | **15,498** | **5,571** | **9,927** |

## 8 LIABILITIES OTHER THAN TECHNICAL PROVISIONS - INFORMATION ON AGGREGATION BY CLASS

The valuation methods used are based on International Accounting Standards, as used in the Company's Financial Statements. Any variations in valuation are detailed in Section 9.

## 9 VALUATION OF MATERIAL PROVISIONS OTHER THAN TECHNICAL PROVISIONS AND CONTINGENT LIABILITIES

The following table shows the differences between the Solvency II valuations of liability classes and those in the Company's Statutory Accounts. Explanations have been provided.

| Solvency II Liabilities – £000 | IFRS Value | Value | Variance | Comments |
|---|---|---|---|---|
| Technical Provisions – Non-life: best estimate | 14,888 | 16,812 | (1,924) | See Section 7 for details |
| Technical Provisions – Non-life: risk margin | 469 | 0 | 469 | See Section 7 for details |
| Technical Provisions – Life: best estimate | 135 | 299 | (164) | See Section 7 for details |
| Technical Provisions – Life: risk margin | 7 | 0 | 7 | See Section 7 for details |
| Payables (trade, not insurance) | 3,408 | 3,357 | 51 | Annual (future) MIB obligation must be recognised under Solvency II |
| **Total liabilities** | **18,907** | **20,468** | **(1,561)** | |

## 10 OWN FUNDS - SOLVENCY RATIO

A Dividend of £3,089,380 was paid to Argus Group Holdings Limited during the year.

The Company manages its level of own funds by monitoring its Solvency Capital Requirement (SCR) coverage ratio, the calculation of which is detailed below. The company's target coverage ratio is 135%. Should the coverage ratio approach 100% then corrective action may be considered by the Board.

The SCR and the Minimum Capital Requirement (MCR) for the Company as at March 31, 2017 is shown by risk module in the following table.

| Risk Module | £000 |
|---|---|
| Market Risk | 2,097 |
| Counterparty Risk | 1,580 |
| Health Non Similar to Life Techniques Underwriting Risk | 319 |
| Non-Life Underwriting Risk | 3,476 |
| Diversification | (1,953) |
| **Basic Solvency Capital Requirement** | **5,519** |
| Operational Risk | 450 |
| **Solvency Capital Requirement** | **5,969** |
| **Minimum Capital Requirement** | **3,332** |

The results show that the Company is compliant with the SCR and the MCR.

### Calculation of the SCR

The Company uses the Standard Formula to determine the SCR. No simplifications have been used for any of the risk modules of the SCR, and the Company does not use any undertaking specific parameters.

No capital add-ons have been applied to the SCR figures. In addition, the Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

The SCR was submitted to the regulator on August 4, 2017 and is therefore, still subject to supervisory assessment.

### Calculation of the MCR

The inputs used to calculate the MCR are shown in the following table.

| LINE OF BUSINESS £000 | Net Best Estimate Liabilities | Net Written Premiums in the last 12 months |
|---|---|---|
| Property | 73 | 996 |
| Motor | 7,328 | 6,008 |
| Accident and Liability | 1,970 | 1,842 |
| Marine | 81 | 152 |

The MCR determined per the Standard Formula is the absolute floor of £3.3 million.

**Compliance with the SCR and MCR**

There has not been any non-compliance with the SCR or MCR over the financial year.

| £000 | 2017 |
|---|---|
| Solvency II minimum capital regulatory (MCR) | 3,332 |
| Solvency II solvency capital requirement (SCR) | 5,969 |
| Solvency II eligible own funds | 6,584 |
| Solvency Capital Requirement Ratio | 110% |

## 11 OWN FUNDS – INFORMATION ON THE STRUCTURE, AMOUNTS AND ELIGIBILITY OF OWN FUNDS

All of the Company's own funds are in the form of fully paid up Share Capital.

## 12 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODELS USED

The Company uses the Standard Formula.

ARGUS
Our Interest is You.

Argus Insurance Company (Europe) Limited
57/63 Line Wall Road
Gibraltar

Mailing Address:
PO Box 199
Gibraltar, GX11 1AA

# Annual QRTs 2017

The templates are included as follows:

S.02.01.01 - Balance Sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-life insurance claims
S.23.01.01 - Own funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance Sheet

| £000 | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | - |
| R0040 | Deferred tax assets | - |
| R0050 | Pension benefit surplus | - |
| R0060 | Property, plant & equipment held for own use | 42 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 14,228 |
| R0080 | Property (other than for own use) | - |
| R0090 | Holdings in related undertakings, including participations | 1,522 |
| R0100 | Equities | 3,815 |
| R0110 | Equities - listed | 3,673 |
| R0120 | Equities - unlisted | 142 |
| R0130 | Bonds | 8,892 |
| R0140 | Government Bonds | 4,202 |
| R0150 | Corporate Bonds | 4,690 |
| R0160 | Structured notes | - |
| R0170 | Collateralised securities | - |
| R0180 | Collective Investments Undertakings | - |
| R0190 | Derivatives | - |
| R0200 | Deposits other than cash equivalents | - |
| R0210 | Other investments | - |
| R0220 | Assets held for index-linked and unit-linked contracts | - |
| R0230 | Loans and mortgages | - |
| R0240 | Loans on policies | - |
| R0250 | Loans and mortgages to individuals | - |
| R0260 | Other loans and mortgages | - |
| R0270 | Reinsurance recoverables from: | 5,571 |
| R0280 | Non-life and health similar to non-life | 5,571 |
| R0290 | Non-life excluding health | 5,571 |
| R0300 | Health similar to non-life | 1 |
| R0310 | Life and health similar to life, excluding health and index-linked and unit-linked | - |
| R0320 | Health similar to life | - |
| R0330 | Life excluding health and index-linked and unit-linked | - |
| R0340 | Life index-linked and unit-linked | - |
| R0350 | Deposits to cedants | - |
| R0360 | Insurance and intermediaries receivables | 1,501 |
| R0370 | Reinsurance receivables | - |
| R0380 | Receivables (trade, not insurance) | 465 |
| R0390 | Own shares (held directly) | - |
| R0400 | Amounts due in respect of own fund items or initial fund called up but not yet paid in | - |
| R0410 | Cash and cash equivalents | 3,684 |
| R0420 | Any other assets, not elsewhere shown | - |
| R0500 | **Total assets** | 25,491 |

## S.02.01.02
## Balance Sheet

| £000 | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions – non-life | 15,498 |
| R0520 | Technical provisions – non-life (excluding health) | 15,357 |
| R0530 | TP calculated as a whole | - |
| R0540 | Best Estimate | 14,888 |
| R0550 | Risk margin | 469 |
| R0560 | Technical provisions - health (similar to non-life) | 141 |
| R0570 | TP calculated as a whole | - |
| R0580 | Best Estimate | 135 |
| R0590 | Risk margin | 7 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | - |
| R0610 | Technical provisions - health (similar to life) | - |
| R0620 | TP calculated as a whole | - |
| R0630 | Best Estimate | - |
| R0640 | Risk margin | - |
| R0650 | Technical provisions – life (excluding health and index-linked and unit-linked) | - |
| R0660 | TP calculated as a whole | - |
| R0670 | Best Estimate | - |
| R0680 | Risk margin | - |
| R0690 | Technical provisions – index-linked and unit-linked | - |
| R0700 | TP calculated as a whole | - |
| R0710 | Best Estimate | - |
| R0720 | Risk margin | - |
| R0740 | Contingent liabilities | - |
| R0750 | Provisions other than technical provisions | - |
| R0760 | Pension benefit obligations | - |
| R0770 | Deposits from reinsurers | - |
| R0780 | Deferred tax liabilities | - |
| R0790 | Derivatives | - |
| R0800 | Debts owed to credit institutions | - |
| R0810 | Financial liabilities other than debts owed to credit institutions | - |
| R0820 | Insurance & intermediaries payables | - |
| R0830 | Reinsurance payables | - |
| R0840 | Payables (trade, not insurance) | 3,409 |
| R0850 | Subordinated liabilities | - |
| R0860 | Subordinated liabilities not in Basic Own Funds | - |
| R0870 | Subordinated liabilities in Basic Own Funds | - |
| R0880 | Any other liabilities, not elsewhere shown | - |
| R0900 | **Total liabilities** | 18,907 |
| | | |
| R1000 | **Excess of assets over liabilities** | 6,584 |

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

**Non-life**

| £000 | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of Business for:accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| | **Premiums written** | | | | | | | | | | | | | | | | | |
| R0110 | Gross - Direct Business | - | 468 | - | 3,181 | 3,250 | 603 | 4,644 | 1,588 | - | - | - | - | | | | | 13,733 |
| R0120 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | - | - | - | - | - |
| R0140 | Reinsurers' share | - | 4 | - | 610 | - | 497 | 3,526 | 204 | - | - | - | - | - | - | - | - | 4,841 |
| R0200 | Net | - | 463 | - | 2,571 | 3,250 | 107 | 1,118 | 1,384 | - | - | - | - | - | - | - | - | 8,892 |
| | **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 | Gross - Direct Business | - | 465 | - | 3,160 | 3,251 | 677 | 4,479 | 1,526 | - | - | - | - | | | | | 13,558 |
| R0220 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | - | - | - | - | - |
| R0240 | Reinsurers' share | - | 4 | - | 609 | - | 405 | 3,663 | 211 | - | - | - | - | - | - | - | - | 4,893 |
| R0300 | Net | - | 461 | - | 2,551 | 3,251 | 272 | 816 | 1,314 | - | - | - | - | - | - | - | - | 8,664 |
| | **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 | Gross - Direct Business | - | 22 | - | 2,005 | 1,638 | 114 | 853 | 254 | - | - | - | - | | | | | 4,885 |
| R0320 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | - | - | - | - | - |
| R0340 | Reinsurers' share | - | - | - | 173 | 58 | 79 | 696 | (307) | - | - | - | - | - | - | - | - | 700 |
| R0400 | Net | - | 22 | - | 1,832 | 1,580 | 34 | 156 | 560 | - | - | - | - | - | - | - | - | 4,185 |
| | **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 | Gross - Direct Business | - | 1 | - | 513 | (975) | 8 | 570 | 1,225 | - | - | - | - | | | | | 1,341 |
| R0420 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| R0430 | Gross - Non- proportional reinsurance accepted | | | | | | | | | | | | | - | - | - | - | - |
| R0440 | Reinsurers'share | - | - | - | (342) | (24) | (0) | 271 | 614 | - | - | - | - | - | - | - | - | 519 |
| R0500 | Net | - | 1 | - | 855 | (951) | 8 | 299 | 611 | - | - | - | - | - | - | - | - | 822 |
| | | | | | | | | | | | | | | | | | | |
| R0550 | **Expenses incurred** | - | 242 | - | 1,202 | 1,270 | 174 | 46 | 637 | - | - | - | - | - | - | - | - | 3,572 |
| R1200 | **Other expenses** | | | | | | | | | | | | | | | | | - |
| R1300 | **Total expenses** | | | | | | | | | | | | | | | | | 3,572 |

## S.05.01.02
## Premiums, claims and expenses by country

### Non-life

| £000 | | 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 | | | MT | - | - | - | - | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 7,552 | 6,181 | - | - | - | - | 13,733 |
| R0120 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0130 | Gross - Non-proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0140 | Reinsurers' share | 2,953 | 1,888 | - | - | - | - | 4,841 |
| R0200 | Net | 4,599 | 4,293 | - | - | - | - | 8,892 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 7,555 | 6,003 | - | - | - | - | 13,558 |
| R0220 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0230 | Gross - Non-proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0240 | Reinsurers' share | 3,073 | 1,820 | - | - | - | - | 4,893 |
| R0300 | Net | 4,481 | 4,183 | - | - | - | - | 8,664 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 2,501 | 2,384 | - | - | - | - | 4,885 |
| R0320 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0330 | Gross - Non-proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0340 | Reinsurers' share | 289 | 410 | - | - | - | - | 700 |
| R0400 | Net | 2,212 | 1,973 | - | - | - | - | 4,185 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | 919 | 422 | - | - | - | - | 1,341 |
| R0420 | Gross - Proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0430 | Gross - Non- proportional reinsurance accepted | - | - | - | - | - | - | - |
| R0440 | Reinsurers'share | 364 | 154 | - | - | - | - | 519 |
| R0500 | Net | 555 | 267 | - | - | - | - | 822 |
| R0550 | **Expenses incurred** | 1,962 | 1,610 | - | - | - | - | 3,572 |
| R1200 | **Other expenses** | | | | | | | - |
| R1300 | **Total expenses** | | | | | | | 3,572 |

## S.17.01.02
## Non-Life Technical Provisions

| £000 | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | Total Non-Life obligation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | | | | | | | |
| R0060 | Gross | - | 79 | - | 1,536 | 1,306 | 43 | 1,178 | 353 | - | - | - | - | - | - | - | - | 4,495 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | - | (0) | - | (30) | 7 | 18 | 926 | 32 | - | - | - | - | - | - | - | - | 952 |
| R0150 | **Net Best Estimate of Premium Provisions** | - | 79 | - | 1,566 | 1,300 | 24 | 252 | 321 | - | - | - | - | - | - | - | - | 3,542 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | - | 56 | - | 5,074 | 738 | 164 | 1,057 | 3,440 | - | - | - | - | - | - | - | - | 10,528 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | - | 1 | - | 1,306 | 44 | 107 | 1,237 | 1,925 | - | - | - | - | - | - | - | - | 4,619 |
| R0250 | **Net Best Estimate of Claims Provisions** | - | 55 | - | 3,768 | 694 | 57 | (180) | 1,514 | - | - | - | - | - | - | - | - | 5,909 |
| R0260 | **Total Best estimate - gross** | - | 135 | - | 6,610 | 2,044 | 206 | 2,235 | 3,793 | - | - | - | - | - | - | - | - | 15,023 |
| R0270 | **Total Best estimate - net** | - | 134 | - | 5,334 | 1,993 | 81 | 73 | 1,836 | - | - | - | - | - | - | - | - | 9,451 |
| R0280 | **Risk margin** | - | 7 | - | 268 | 100 | 4 | 4 | 92 | - | - | - | - | - | - | - | - | 475 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| R0300 | Best estimate | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| R0310 | Risk margin | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Technical provisions - total** | | | | | | | | | | | | | | | | | |
| R0320 | **Technical provisions - total** | - | 141 | - | 6,878 | 2,144 | 210 | 2,239 | 3,885 | - | - | - | - | - | - | - | - | 15,498 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | - | 1 | - | 1,276 | 50 | 125 | 2,163 | 1,957 | - | - | - | - | - | - | - | - | 5,571 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | - | 141 | - | 5,602 | 2,094 | 85 | 76 | 1,928 | - | - | - | - | - | - | - | - | 9,927 |

## S.19.01.21
## Non-Life Insurance claims

### Total Non-life business

| | | |
|---|---|---|
| Z0020 | Accident year / Underwriting year | Accident year |

£000

**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 | | | | | | | | | | | 123 | | 123 | 123 |
| R0160 | N-9 | - | 614 | 105 | 35 | 88 | 19 | 8 | 2 | 5 | (1) | | | (1) | 875 |
| R0170 | N-8 | 1,451 | 898 | 305 | 9 | 68 | 652 | 14 | 47 | 20 | | | | 20 | 3,464 |
| R0180 | N-7 | 1,011 | 745 | 207 | 241 | 143 | 750 | 244 | 78 | | | | | 78 | 3,418 |
| R0190 | N-6 | 1,270 | 849 | 240 | 368 | 94 | 49 | 30 | | | | | | 30 | 2,900 |
| R0200 | N-5 | 1,267 | 1,891 | 891 | 82 | 112 | 76 | | | | | | | 76 | 4,318 |
| R0210 | N-4 | 3,645 | 1,796 | 427 | 245 | 103 | | | | | | | | 103 | 6,215 |
| R0220 | N-3 | 2,912 | 1,325 | 198 | 201 | | | | | | | | | 201 | 4,636 |
| R0230 | N-2 | 2,725 | 1,456 | 345 | | | | | | | | | | 345 | 4,526 |
| R0240 | N-1 | 2,788 | 1,560 | | | | | | | | | | | 1,560 | 4,347 |
| R0250 | N | 2,350 | | | | | | | | | | | | 2,350 | 2,350 |
| R0260 | | | | | | | | | | | | | **Total** | 4,885 | 37,172 |

**Gross undiscounted Best Estimate Claims Provisions**
(absolute amount)

**Development year**

| | Year | - | 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 | | | | | | | | | | | 2,194 | | 2,190 |
| R0160 | N-9 | - | - | - | - | - | - | - | - | 150 | 30 | | | 30 |
| R0170 | N-8 | - | - | - | - | - | - | - | (7) | 37 | | | | 37 |
| R0180 | N-7 | - | - | - | - | - | - | 108 | 55 | | | | | 55 |
| R0190 | N-6 | - | - | - | - | - | 265 | 341 | | | | | | 332 |
| R0200 | N-5 | - | - | - | - | 687 | 578 | | | | | | | 578 |
| R0210 | N-4 | - | - | - | 1,020 | 831 | | | | | | | | 827 |
| R0220 | N-3 | - | - | 877 | 630 | | | | | | | | | 624 |
| R0230 | N-2 | - | 1,526 | 937 | | | | | | | | | | 927 |
| R0240 | N-1 | 3,963 | 1,528 | | | | | | | | | | | 1,516 |
| R0250 | N | 3,427 | | | | | | | | | | | | 3,412 |
| R0260 | | | | | | | | | | | | | **Total** | 10,528 |

## S.23.01.01
## Own Funds

| £000 | Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 5,984 | 5,984 | | - | |
| R0030 | Share premium account related to ordinary share capital | 1,400 | 1,400 | | - | |
| R0040 | Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | - | - | | - | |
| R0050 | Subordinated mutual member accounts | - | | - | - | - |
| R0070 | Surplus funds | - | - | | | |
| R0090 | Preference shares | - | | - | - | - |
| R0110 | Share premium account related to preference shares | - | | - | - | - |
| R0130 | Reconciliation reserve | (799) | (799) | | | |
| R0140 | Subordinated liabilities | - | | - | - | - |
| R0160 | An amount equal to the value of net deferred tax assets | - | | | | - |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | - | - | - | - | - |
| | 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 | - | | | | |
| | Deductions | | | | | |
| R0230 | Deductions for participations in financial and credit institutions | - | - | - | - | |
| R0290 | Total basic own funds after deductions | 6,584 | 6,584 | - | - | - |
| | Ancillary own funds | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | - | | | - | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | - | | | - | |
| R0320 | Unpaid and uncalled preference shares callable on demand | - | | | - | - |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | - | | | - | - |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | - | | | - | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | - | | | - | - |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | - | | | - | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | - | | | - | - |
| R0390 | Other ancillary own funds | - | | | - | - |
| R0400 | Total ancillary own funds | - | | | - | - |
| | Available and eligible own funds | | | | | |
| R0500 | Total available own funds to meet the SCR | 6,584 | 6,584 | - | - | - |
| R0510 | Total available own funds to meet the MCR | 6,584 | 6,584 | - | - | |
| R0540 | Total eligible own funds to meet the SCR | 6,584 | 6,584 | - | - | - |
| R0550 | Total eligible own funds to meet the MCR | 6,584 | 6,584 | - | - | |
| R0580 | SCR | 5,969 | | | | |
| R0600 | MCR | 3,332 | | | | |
| R0620 | Ratio of Eligible own funds to SCR | 1.1030 | | | | |
| R0640 | Ratio of Eligible own funds to MCR | 1.9762 | | | | |

| | Reconciliation reserve | C0060 |
|---|---|---|
| R0700 | Excess of assets over liabilities | 6,584 |
| R0710 | Own shares (held directly and indirectly) | - |
| R0720 | Foreseeable dividends, distributions and charges | - |
| R0730 | Other basic own fund items | 7,384 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | - |
| R0760 | Reconciliation reserve | (799) |
| | Expected profits | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | - |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | - |
| R0790 | Total Expected profits included in future premiums (EPIFP) | - |

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

| £000 | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| R0010 | Market risk | 2,124 | | |
| R0020 | Counterparty default risk | 1,580 | | |
| R0030 | Life underwriting risk | - | | |
| R0040 | Health underwriting risk | 319 | | |
| R0050 | Non-life underwriting risk | 3,476 | | |
| R0060 | Diversification | (1,963) | | |
| R0070 | Intangible asset risk | - | | |
| | | | | |
| R0100 | Basic Solvency Capital Requirement | 5,535 | | |

| | Calculation of Solvency Capital Requirement | C0100 |
|---|---|---|
| R0130 | Operational risk | 451 |
| R0140 | Loss-absorbing capacity of technical provisions | (16) |
| R0150 | Loss-absorbing capacity of deferred taxes | - |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | - |
| R0200 | Solvency capital requirement excluding capital add-on | 5,969 |
| R0210 | Capital add-on already set | - |
| R0220 | Solvency capital requirement | 5,969 |
| | Other information on SCR | |
| R0400 | Capital requirement for duration-based equity risk sub-module | - |
| R0410 | Total amount of Notional Solvency Capital Requirement for remaining part | - |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | - |
| R0430 | Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | - |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | - |

## S.28.01.01

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

£000 **Linear formula component for non-life insurance and reinsurance obligations**

| | | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 1,644 |

| | | 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 | - | - |
| R0030 | Income protection insurance and proportional reinsurance | 134 | 480 |
| R0040 | Workers' compensation insurance and proportional reinsurance | - | - |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 5,334 | 2,830 |
| R0060 | Other motor insurance and proportional reinsurance | 1,993 | 3,179 |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 81 | 152 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 73 | 996 |
| R0090 | General liability insurance and proportional reinsurance | 1,836 | 1,363 |
| R0100 | Credit and suretyship insurance and proportional reinsurance | - | - |
| R0110 | Legal expenses insurance and proportional reinsurance | - | - |
| R0120 | Assistance and proportional reinsurance | - | - |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | - | - |
| R0140 | Non-proportional health reinsurance | - | - |
| R0150 | Non-proportional casualty reinsurance | - | - |
| R0160 | Non-proportional marine, aviation and transport reinsurance | - | - |
| R0170 | Non-proportional property reinsurance | - | - |

**Linear formula component for life insurance and reinsurance obligations**

| | | C0040 |
|---|---|---|
| R0200 | $MCR_L$ Result | - |

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

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 1,644 |
| R0310 | SCR | 5,969 |
| R0320 | MCR cap | 2,686 |
| R0330 | MCR floor | 1,492 |
| R0340 | Combined MCR | 1,644 |
| R0350 | Absolute floor of the MCR | 3,332 |
| R0400 | **Minimum Capital Requirement** | 3,332 |