Skyfire Insurance Company Limited

Solvency and Financial Condition Report

For year ended 31st December 2018

Contents

Executive Summary

This document presents the view of Skyfire Insurance Company Limited ('SICL'), which is an insurance company based in Gibraltar. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act ('the Solvency II Act in Gibraltar') including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

SICL has continuously complied with its solvency capital requirement ('SCR') and minimum capital requirement ('MCR') during the course of the year. As at the 31st December 2018, SICL held own solvency funds of £37.3m compared to the SCR of £14.5m, resulting in a surplus a SCR coverage of 258% (2017: Own Funds £40.4m, SCR £35.0m and SCR coverage of 115%). SCR coverage has increased significantly as the Company has restructured some of its reinsurance arrangements and its investment portfolio to reduce both the Company's insurance risk and market risk exposure.

SICL faced a challenging year, recording a profit before taxation of £1.7m (2017: £11.6m), and ending 2018 with equity shareholders' funds of £47.2m (2017: £45.5m).

The governance and risk frameworks are detailed further in this report and there have been no significant changes in the reporting period. Assessment of SICL's risk profile identified that the principal risks to SICL are premium and reserve risk, an increase in excess of loss reinsurance premium, and reinsurance default risk. These risks are appropriately controlled, monitored and reported on within the business, being captured by the Risk Management Framework. SICL does not anticipate any future material changes in its business model that will impact the performance or underlying SCR requirements.

The Board of SICL is satisfied that the business is adequately prepared for, and robust enough to weather any plausible stress scenarios without detriment to stakeholders.

Peter Creed **Date: 18th April 2019**
Managing Director
Skyfire Insurance Company Limited

A. Business & Performance

1. Business

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

1.2. SICL is 100% owned by First Central Group Limited ('FCG'), a non-regulated holding company domiciled in Guernsey. Since Guernsey is not in the European Economic Area, nor is a Solvency II equivalent jurisdiction, Group supervision is carried out at the level of the insurance company.

1.3. SICL is regulated by:

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

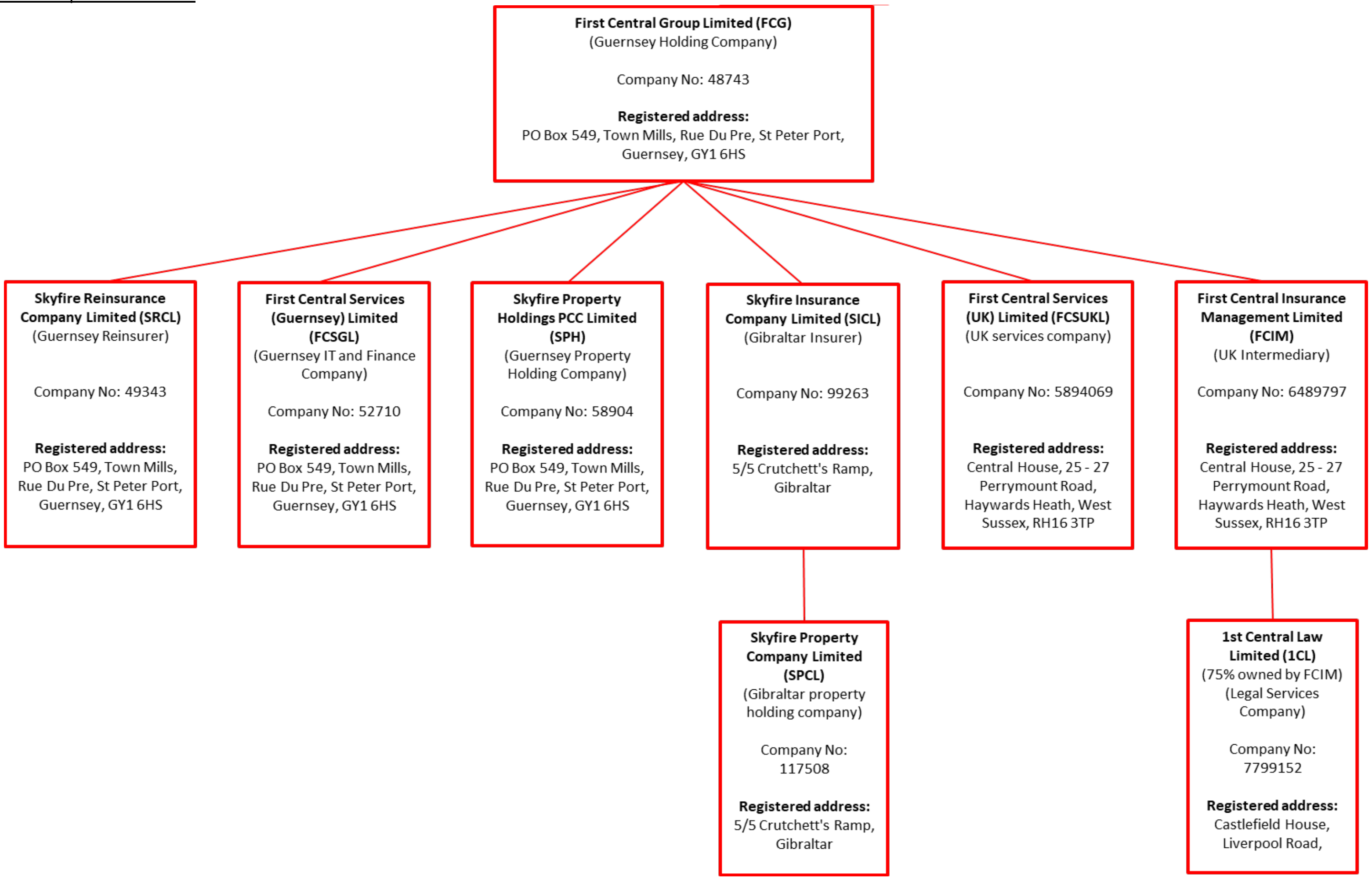
1.4. SICL's external auditor is:
Deloitte Limited
Merchant House
22/24 John Mackintosh Square
Gibraltar
https://www2.deloitte.com/gi/en.html

1.5. FCG shareholders with qualifying holdings are:

Kenneth Acott
Patrick Tilley
Peter Creed

1.6. FCG owns a number of subsidiaries, forming the FCG Group of companies ('the Group'); these are shown on page 6.

First Central Group Structure



SICL is authorised to carry out the following insurance business in the United Kingdom:

Class	Type of insurance business
3	Land vehicles
7	Goods in transit
10	Motor vehicle liability
16	Miscellaneous financial loss
17	Legal expenses
18	Assistance

1.7. During the year, and in order to reduce the Company's exposure to retained insurance risk, the Company ceded a greater proportion of its Written Premiums to its Quota Share partners and also purchased Loss Portfolio Transfer and Adverse Development Cover ('LPT/ADC'), effective from 31st December 2018. The performance of the business was affected by the insurance market cycle, which contributed to the year on year deterioration in underlying ultimate claims loss ratios. These are discussed further in sections A2.2 and C1.

Post 2018 the Managing Director of SICL tendered his resignation with effect from 31st January 2019 and an interim Managing Director has been appointed. Recruitment to appoint a new managing director on a permanent basis is underway.

2. Underwriting Performance

2.1. Motor premium written in the UK via freedom of services from Gibraltar, for the year ended 31st December 2018, is £204.7m (2017: £215m).

2.2. The UK motor insurance market continued to be intensely competitive in 2018. Market rates decreased sharply in quarter 1, dropping 8% followed by further aggregate reductions in quarter 2. The downturn has impacted upon SICL's competitiveness and loss ratios have increased.

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

2.4. SICL's profit has been derived primarily from its share of the Group's non-technical income, with the pure technical result reported in the financial statements being a breakeven position for the year ended 31st December 2018 (2017: £10.3m).

3. Investment Performance

3.1. The Investment assets held by at 31st December 2018 SICL are as follows:

Class	£m	%
Cash and cash equivalents	5.7	5.0%
Bond and debt instruments	81.1	70.8%
Property	0.5	0.4%
Collective investment schemes	14.3	12.5%
Other equity investment	7.6	6.6%
Secured loans	5.3	4.6%

3.2. The investment return, net of expenses, recorded by SICL in the year ended 31st December 2018 was £1.7m or 1.4% of average investments and cash balances.

4. Performance of Other Activities

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

5. Any Other Information

As noted earlier, market rates decreased sharply in Quarters 1 and 2. This seems largely in response to the Lord Chancellor implying the Ogden Discount Rate is likely to be set between 0% and 1%. With the final decision required prior to August 2019, we will likely see market reaction once more as the new rate is set.

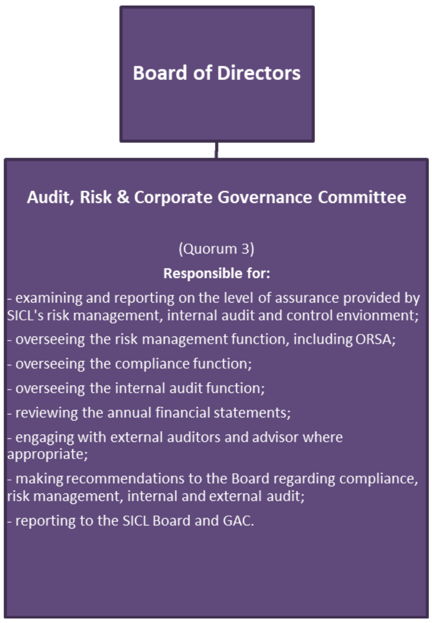
B. System of Governance

1. General Information on System of Governance

The SICL Board has responsibility for its governance, which must align with minimum expectations set by the FCG Board through FCG's Corporate Policies, Group Risk Management Target Operating Model, Group Compliance Minimum Requirements and the Group Internal Audit Framework, which are based on the 'Three Lines of Defence' model.

FCG monitors SICLs adherence to the above mentioned standards through the Group Audit Committee ('GAC'), a sub-committee of the FCG Board. The GAC also has responsibility for overseeing the performance of subsidiary Audit Committees.

Board and Committee Structure, Roles and Responsibilities at 31st December 2018



Board and Committee Membership at 31st December 2018

	Executive Directors	Non-Executive Directors	Managers
Board	4	3 (including Chair) (2 Independent)	0
Audit, Risk and Corporate Governance Committee	1	2 (including Chair)	0

Since the 31st December 2018, two of the Executive Directors resigned on 31st January 2019 and were replaced by appointing a replacement Executive Director on the 1st February 2019 and an additional independent Non-Executive Director on the 13th March 2019, thus changing the above composition to three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Terms of Reference describe the purpose, responsibilities, membership and authority delegated from the Board to the Committee. Relevant attendees are invited to Committee meetings as determined by the Committee.

The FCG Remuneration Committee has responsibility for reviewing and approving (when within the bounds of the business plan) specific remuneration and advising on the specific remuneration structures of all SICL Executive Directors, and nominated senior members of the management team (collectively the 'Senior Management'), as well as all employees of SICL collectively so as to:

a) Ensure that all members of staff are fairly rewarded for their individual performance and contribution to the Group's overall performance; and
b) Demonstrate that the pay of Senior Management is objectively reviewed by a Committee that has no personal interest in the outcome of the decisions.

Where remuneration is outside of the bounds of the business plan the FCG Remuneration Committee makes recommendations to the FCG or SICL Board, as appropriate.

Remuneration includes salary, incentives (including share incentive plans), bonus, pension, benefits, terms and conditions and contract of employment, discretionary payments, compensatory or settlement terms on loss of office or payments to be made on retirement or resignation.

No director or manager shall be involved in any decisions as to their own remuneration. The remuneration of Non-Executive Directors is recommended by the FCG Remuneration Committee to the FCG Board or SICL Board, as appropriate.

A salary was paid to one of the Executive Directors, including bonuses and employers pension contributions, and fees were paid to Non-Executive Directors, in the reporting period. One of the remaining Executive Directors was remunerated through the insurance management contract that the Company has with Robus Risk Services (Gibraltar) Limited ('RRS'); the other two were remunerated through other Group entities.

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

2. Fit and Proper Requirements

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

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

The basic elements of the fit and proper assessment are:

- honesty, integrity and reputation (e.g. prudent approach to business, good reputation, no convictions for fraud or dishonesty, no regulatory sanctions, regulatory approval);
- competence, ability to conduct business and organisation (e.g. experience, knowledge, no unacceptable conflicts of interest); and
- financial position (e.g. no history of personal bankruptcy, no history of association with corporate bankruptcy).

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

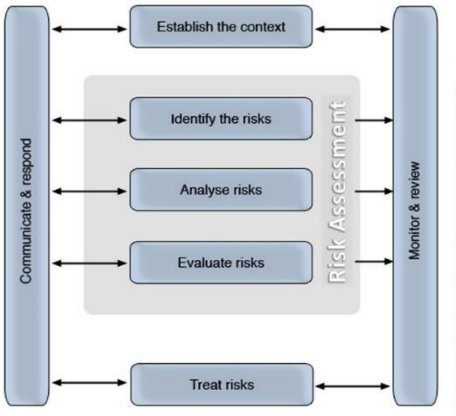
3. Risk Management System including ORSA

SICL has adopted the Group's Risk Management Target Operating Model, along with supporting policies and procedures which it has tailored for the Company. These constitute SICL's Risk Management Framework ('the Framework'). The Group Head of Risk and Compliance liaises with SICL on a day-to-day basis to ensure that the Framework is implemented appropriately, and to provide support and training.

The purpose of the Framework is to provide a logical and systematic approach to risk identification and management. It is reviewed from time to time to take account of the changing environment in which SICL operates. The Framework revolves around the Risk Register which contains details of risks and controls, and includes a process for monitoring the implementation and efficacy of the controls.

Risk Management Process

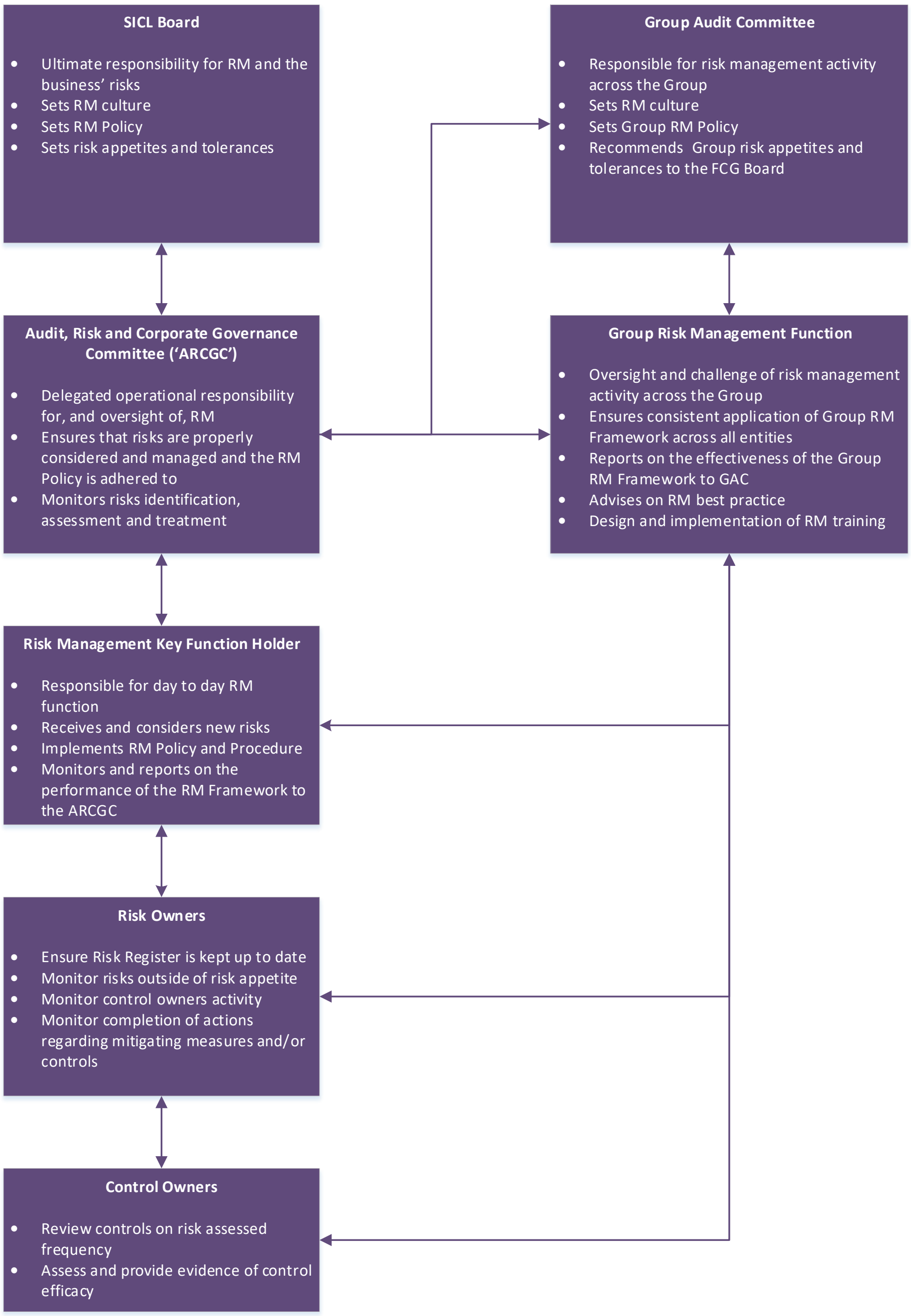
The risk management process is consistent with ISO 31000, the Risk Management standard, and is shown below:



SICL completes its own and the Group solvency calculations and will liaise with the FCG Board as necessary to ensure that the Group SCR is met, or that remedial action is taken as necessary. SICL ensures that risks to its own and the Group solvency are monitored and managed.

Risk Management ('RM') Roles and Responsibilities

Risk Management roles and responsibilities are shown in the diagram on the following page.



Own Risk Solvency Assessment ('ORSA' or 'the Assessment')

SICL is responsible for completing an Own Risk Solvency Assessment ('ORSA') for the consolidated First Central Group. The Group ORSA includes a solo ORSA for SICL, as the insurance entity in the Group which is subject to Solvency II.

The ORSA's main purpose is to ensure that the Group and SICL assess all the risks inherent to their businesses and determine the corresponding capital needs, or identify other means needed to mitigate these risks.

It particularly considers situations in which the Group and SICL may be stressed, and the capital needs and mitigation measures necessary in these scenarios, to ensure that the business is prepared for, and robust enough to weather, adverse conditions without detriment to stakeholders. The capital need identified is termed the ‘economic capital requirement’.

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

The ORSAs are carried out at least annually on the basis that solvency needs, and capital position are not volatile, and the business’ risk profile is stable. However, they will also be carried out in specific circumstances which include, but are not limited to:

- there is a material change to reinsurance arrangements;
- there is a variance to GWP in the business plan of >20%;
- there are new products or jurisdictions being considered;
- there is an adverse breach of risk tolerance threshold which is accepted rather than mitigated; and
- as required by the SICL Board, ARCGC and/or Executive.

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

4. Internal Control System

SICL’s internal controls are organised through the adoption of the ‘three lines of defence’ model it has implemented. FCG has also set out its requirements of SICL’s Compliance Function through the Group Compliance Minimum Requirements, performance against which are regularly monitored.

SICL has implemented policies which describe the Board’s approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfils its policies. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control system, however day-to-day oversight is provided by the compliance key function holder (‘CKFH’) who is also the Compliance Officer. In practice, the Audit, Risk and Corporate Governance Committee (‘ARCGC’), other Directors and key role holders also necessarily participate in the management of the system.

The CKFH is responsible for the completion of compliance tasks although these may be outsourced to the Company’s insurance manager. The key function holder has direct access to both the Board and the ARCGC.

There is a risk-based Compliance Monitoring Programme (‘CMP’) in place to review whether SICL fulfils its legislative and regulatory requirements. The CMP includes monitoring adherence to SICL’s policies and procedures.

The CKFH is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficacy through the Compliance Monitoring

Programme. The CKFH reports to the ARCGC at each meeting and will provide advice to the business when requested. The CKFH also has a 'dotted' reporting line to the Non-Executive Chair of the ARCGC, through which they can raise any material concerns, as well as to the Non-Executive Chair of the Group Audit Committee, through the Group Head of Risk and Compliance.

5. Internal Audit ('IA') Function

Internal Audit's primary role is to provide an assessment of risk management, governance and controls by evaluating the effectiveness of the frameworks in place in supporting the business in achieving its objectives (assurance). Where gaps in the frameworks are identified, recommendations are made to make improvements. Its secondary role is to provide advice to management in developing such frameworks (consultancy).

SICL adheres to the Group Internal Audit Framework ('GIAF') which outlines minimum requirements.

SICL's Board has appointed an Internal Audit key function holder who is a SICL Executive Director and is responsible for the function and associated tasks. SICL has chosen to outsource the fulfilment of its internal audit programme, with the function holder retaining responsibility for the delivery of the plan and conducting, with the independent members of the ARCGC, a quality review of the service provided.

This outsourced model for Internal Audit will commence in 2019 and is intended, subject to it being successful, to run until 2021. Mazars LLP have been engaged, with the relationship being managed by the Group Chair (also a SICL director) and the SICL ARCGC Chair.

The Internal Audit Policy is approved by the Board and outlines how the function will be performed, and this is summarised below.

Independence
IA reports to the ARCGC who is responsible for its effectiveness and efficiency. To carry out its work effectively and to retain the integrity of the function, IA acts independently of line management and has a direct reporting line to the ARCGC to raise any issues identified.

Audit Strategy
A rolling three-year Internal Audit Plan is established and maintained on an ongoing basis. This is reviewed by the ARCGC at least annually. This will be linked to the SICL Business Plan (where possible) to assist in the attainment of SICL's goals.

Annual Plan
Following a risk-based approach, the internal audit function prepares an annual operational plan based upon the Audit Strategy; this outlines the audits to be performed in the forthcoming year. The scope and frequency of audits included within the plan take into consideration results of previous audits, risk assessment of business activities, materiality and the adequacy of systems of internal control. This plan will include specific coverage of Finance, Operational Departments, Information Technology and Special Projects (at the request of the ARCGC).

The annual plan includes input from key stakeholders. The final annual plan is approved by the ARCGC, at the first meeting at the start of the relevant year.

Throughout the year, performance against the annual plan is monitored and reported on by the Internal Audit Function Holder and any significant deviations reported to the ARCGC as required. This reporting may also include proposed changes to the plan reflecting the need to address emerging risks and issues. Any changes to the plan are formally approved by the ARCGC.

Audit Recommendations Log

A log of all internal audit recommendations raised during audits completed is collated. This log contains the priority of the recommendations, the assigned recommendation owners and the proposed completion dates. IA reviews the log on an ongoing basis in order to ensure that all actions are addressed in a timely manner as agreed with management.

Progress against the agreed recommendations is reported to the ARCGC quarterly.

Reporting

The reports produced for each internal audit assignment undertaken are provided directly to the ARCGC and copied to the SICL Board. The ARCGC receive the executive summary and report recommendations, together with the relevant manager's comments.

IA also provides a summary report to the ARCGC on a quarterly basis, detailing work undertaken during that period and progress against the recommendation log.

Preparation took place in Q4 2018 for a Thematic Review conducted by the GFSC, taking place in Q1 2019, which required a detailed questionnaire on the Internal Audit Process and an in-depth interview with the Internal Audit Function Holder.

6. Actuarial Function

SICL's actuarial function is the responsibility of the actuarial function holder, who reports directly to the Board. On the 13th March 2019 SICL appointed its new Head of Reserving as the Actuarial Function Holder, a post held during the reporting period by the Head of Pricing.

The SICL actuarial function also supports Group activity where required, for example the Group Reserve Review Committee, Group solvency calculation and ORSA.

The actuarial function is responsible for:

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

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

Preparation took place in Q4 2018 for a Thematic Review conducted by the GFSC, taking place in Q1 2019, which required a detailed questionnaire on the Actuarial Process and an in-depth interview with the Actuarial Function Holder.

7. Outsourcing

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

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

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

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

SICL Outsourcing

SICL is reliant on a number of material service providers; due to the risk this presents, SICL has an outsourcing policy which describes how it takes the decision to outsource, how a service provider is selected, and how the relationship is defined, managed and monitored. SICL takes a risk-based approach to all of these activities.

Material Service Providers in the Reporting Period:

Service Provider	Service Provided	Jurisdiction Located
Robus Risk Services (Gibraltar) Limited	Insurance Management (compliance tasks, risk management tasks, company secretarial, data protection officer, accounting, solvency, banking & investments, regulatory reporting, actuarial tasks)	Gibraltar
First Central Insurance Management Limited	Claims handling Counter fraud services Policy Sales Marketing Brand Management Outsourced Services Management Assistance with Reinsurance Activities Complaints Handling	UK
First Central Services (UK) Limited (from Q4 2018 – previously outsourced to First Central Insurance Management Limited)	Financial Services including management, accounting, modelling, treasury and investments Business & Human Resources Product Development Procurement Services & Management IT Services Facilities Data Management & Provision of Management Information	UK

Chaffinch Management Services Limited	Claims supplier management	Ireland
Teleperformance Limited	Policy sales and administration (telephony)	UK
Vanguard Vehicle Services Limited	Vehicle salvage services	UK
FCG Limited	Trademark use Software licence (rating engine) Financial oversight Risk management framework Compliance framework Legal services Procurement and supplier management	Guernsey
First Central Services (Guernsey) Limited	IT systems and development	Guernsey
Mazars LLP Appointed in Q1 2019	Internal Audit	UK

8. Adequacy of the System of Governance

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

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

C. Risk Profile

1. Underwriting Risk

The use of quota share and excess of loss ('XOL') reinsurance is SICL's primary method of mitigating underwriting risk. Underwriting risk is monitored by the Underwriting Management Meeting, the Burn Cost Management Meeting, and through the Risk Management Framework, and is reported to the Board.

The proportion of business ceded to A-rated quota share reinsurers was increased during 2018. In addition, SICL entered into a LPT/ADC contract in 2018 with an A-rated reinsurer to further mitigate its underwriting risk. The inception date was 31st December 2018 and all years including 2018 and prior were included. The LPT layer was based on approximately 50% of the external best estimate of unpaid reserves at 31st December 2018.

As the primary insurer within the Group, SICL presents the key initial risk in terms of financial impact where the ultimate cost of claims for the risks underwritten is significantly in excess of the premiums collected for those risks and the regulatory solvency capital retained by SICL. Any shortfall in required regulatory solvency capital is mitigated through FCG's ability to raise additional solvency capital (e.g. extending quota share cessions, de-risking the investment portfolio, raising of equity capital), or take alternative measures to mitigate risk profile. There is also a smaller risk that investments made by SICL suffer capital loss that reduce the amount of capital available. SICL also faces a further risk of capital erosion where there is a failure of one of the reinsurers on its XOL programme, or that the programme to protect the payment required under any Periodic Payment Order ('PPO') might prove inadequate.

In respect of PPOs, SICL maintains a PPO propensity matrix and monitors the likelihood of each large claim developing into a settled PPO. Given the relatively low retention on the XOL programme, most identified large losses have claims paid up to the retention, or it is anticipated that the large loss will settle at an amount in excess of the retention, which leaves SICL little net exposure to annuity style settlements.

SICL has a mixture of capitalised and non-capitalised counterparty exposures in the reinsurance programme, which are considered under Credit Risk below.

Underwriting risk and the efficacy of risk mitigation techniques used are regularly evaluated by the SICL Underwriting and Burn Cost Management Meetings, and Group Reserve Review Committee. Efficacy of controls is monitored by conducting regular control reviews. Mitigating measures are adjusted in accordance with the findings.

SICL is exposed to underwriting concentration risk due to writing one line in one jurisdiction, however this is mitigated via reinsurance arrangements. Exposure, and whether further mitigating actions should be taken, is considered annually during the ORSA and strategic planning processes.

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

2. Market Risk

Currency

SICL is chiefly exposed to one currency only, British Sterling ('GBP'). Currency risk exposure is monitored by the Group Investment Committee ('GIC') on behalf of the SICL Board, which would consider appropriate mitigation measures should currency risk increase over risk appetite.

Property

The Company has allocated a small amount of its total investment assets to property investments. These property investments are held either directly or indirectly through investment in property holding companies. The company owns a property holding company, Skyfire Property Holdings Limited, which holds some of the property investments. These property investments present a liquidity risk in that it may take time to sell and realise cash. The exposure to property risks has increased in the reporting period as the company has taken on additional property exposure.

The GIC assesses and monitors the risks presented by this asset class, ensuring that they lay within the Company's Investment Risk Appetite Statements. The Investment Risk Appetite Statements are reviewed regularly to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates. The GIC has set a maximum of 15% of Group assets that can be invested in property, with tolerance of up to 20% if this is driven by market valuation changes of other assets (to avoid technical breach).

Interest rate

Interest rate risk arises as a result of the impact of interest yield curves on future payments to be made in respect of claims and receipts from the Company's investments. The short end of the UK yield curves curves has moved higher over 2018 reflecting an aggregate 50bps increase in the Bank of England Base Rate over the period. However, yields fell marginally over quarter 4 reflecting the de-risking tone prevalent in financial markets as well as downward pressure from Brexit uncertainty. Continuing economic uncertainty in the UK and Europe around Brexit continue to keep rate expectations low in the UK.

The Company's exposure to interest rates arises primarily from bond portfolios (as bond values are susceptible to changes in interest rates), and the settlement of future claims (as the discount rates applied to claims settlement projections are impacted by interest yield curves).

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

Concentration

Concentration risk exposure arises in respect of positions taken in SICL's bond portfolio, secured loans, property exposure and counterparties in respect of its cash holdings and reinsurance recoveries. Concentration exposure is assessed in respect to exposure to any single name. In respect to properties, concentration exposure is considered where the individual properties are part of the same building. Concentration exposure is calculated based on the proportion of the single name exposure (or grouped property exposure) relative to the investment assets as a whole.

Following a de-risking of the portfolio concentration risk has reduced to nil at the reporting period and is expected to remain immaterial.

Concentration risk in the portfolio is mitigated by ensuring that investments are well diversified. Ongoing monitoring of the concentration risk is undertaken by the investment manager which monitors investment holdings against the Investment Risk Appetite Statements, which are reviewed regularly to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

Ongoing monitoring of concentration risk is undertaken by GIC and by the Risk Management Framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

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

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

The Investment Risk Appetite Statements are reviewed regularly to ensure that the mitigating guidelines in place are appropriate for the Company and the risk environment in which it operates.

The GIC reviews the investment portfolio and assesses a value-at-risk (“VaR”) metric, based on the expected loss with a 99.5% level of confidence. This is therefore considered the likely loss in the portfolio in a 1-in-200 year event. This assessment is undertaken in conjunction with the Company’s investment advisors.

Ongoing monitoring of spread risk is undertaken by GIC and by the Risk Management Framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

Spread risk has decreased during the reporting period as a result of the decision by the GIC to de-risk the investment portfolio, which resulted in the disposal of a number of bond funds.

3. Credit Risk

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

Key areas where SICL is exposed to credit risk are:

- Reinsurers’ share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts held with banks and other financial institutions; and
- amounts due from insurance intermediary.

Reinsurance and Financial Institutions
All reinsurance and financial counterparties used have a credit rating of at least ‘A-’ with the exception of cash balances with the Royal Bank of Scotland for operational purposes, which is rated ‘BBB’, and

of Skyfire Reinsurance Company Limited ('SRCL'). The Company partners with a limited number of counterparties, reducing exposure and mitigating contagion risk.

The credit rating requirement, and use of capitalised exposures where possible, mitigates counterparty default risk. The exception is in relation to the exposure to its intragroup reinsurer, SRCL; however, given the existence of collateral by funds withheld arrangements, and the close arrangements between SICL and SRCL, the risk lies within risk appetite.

Quota share reinsurance concentration risk is mitigated by using a number of quota share reinsurers.

The Company Board assesses reinsurance counterparty risk, including monitoring current and historic credit ratings. Should a reinsurer expose SICL to counterparty risk outside of its risk appetite, it's inclusion in future reinsurance programmes is reviewed.

Credit risk presented by premium owed by the insurance intermediary (First Central Insurance Management Limited – 'FCIM') is mitigated by a contractual requirement for FCIM to pay all premium due for the period policies are on risk to SICL, whether it has been collected from policyholders or not, and by FCIM being a connected party (interests being aligned across the Group).

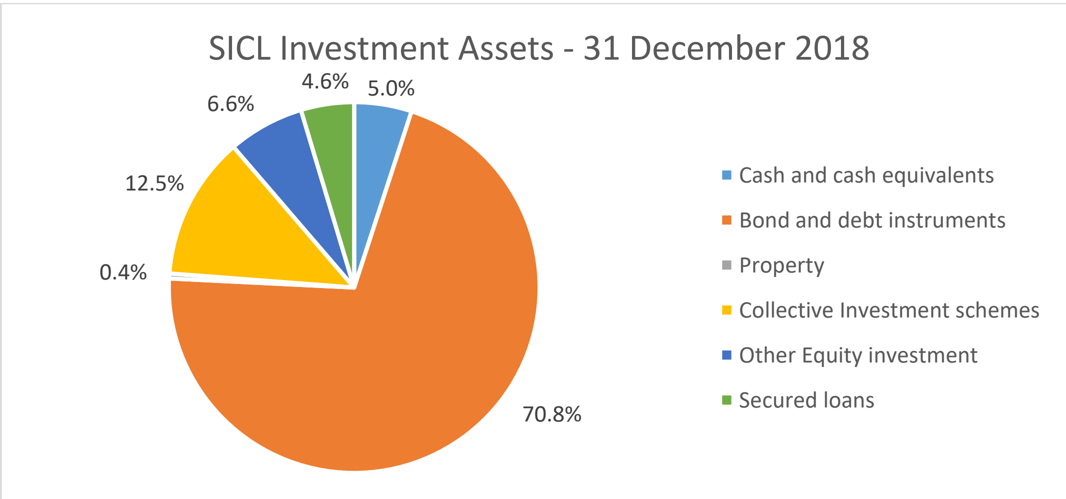
Credit risk is also identified, assessed and monitored through the Risk Management Framework (see above for further details), which also necessitates regular review and evaluation of the mitigation measures in place to ensure the risk remains within risk appetite.

4. Prudent Person Principle

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

The Company forecasts the cash needed over a three year horizon based on the three-year business plan, taking into account liquidity of the assets. The bond portfolio in particular is invested in short dated gilts which, along with the cash and cash equivalents held, are designed to approximate the nature and duration of the insurance liabilities.

The assets of the Company are distributed as follows:



5. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay the obligations when they are due.

Liquidity risk is assessed and monitored by FCSUKL on behalf of SICL on a day-to-day basis, ensuring that there are sufficient funds available to meet both immediate and foreseeable cash flow requirements. This is done by reviewing balances in bank accounts and investments against expected requirements, bearing in mind maturities of investments, notice periods for withdrawals, and known substantial expenses (e.g. reinsurance premium payments).

Investments and cash are reviewed by SICL quarterly. Any guidelines for the management of liquidity are incorporated into SICL's Investment Risk Appetite Statement and Investment Policy, and are reviewed regularly to ensure they reflect SICL's risk environment. The GIC monitors that the Risk Appetite Statements are being adhered to, reporting to SICL as appropriate.

Liquidity risk is also identified, assessed and monitored through the Risk Management Framework

SICL generates some of its profit from instalment income and therefore has a significant amount of future income due from policyholders and in relation to commissions due from reinsurers. However, as was referred to in section 2.4 the pure technical result reported in the financial statements is breakeven and so the expected profit included in future premiums of the Company is nil (2017: £7.7m).

6. Operational Risk

SICL's key operational risks are:

- Pricing risk: the potential loss of profit due to incorrect rate calculations being applied and not being identified for the longest possible time. All rate changes are rigorously tested before release and can be reversed post-release immediately if necessary, reverting to the previous rate set. Changes are released during core working hours so unusual sales activity can be identified and acted upon immediately.
- Cyber Attack: customer data or MI stolen and sold, used to blackmail company, or lost/deleted through a cyber attack. Cyber attack insurance is in place, all data is backed up and restored/ tested regularly.
- Key person risk: the risk of losing knowledge, skills and leadership should a key person leave SICL. SICL has considered possible contingencies should any key members of staff leave and developed a succession plan to mitigate this risk. The risk is further mitigated by key person insurance, by ensuring remuneration is in line with the market, and by providing an enjoyable and fulfilling work environment.
- Material service provider risk: the risk that a provider of key services is unable to operate, affecting SICL's ability to service customers and sell policies. This risk is mitigated by having robust due diligence and service provider monitoring processes, including reviewing the financial security and business contingency plans of service providers. Service providers are required to have appropriate insurance in place including professional indemnity insurance.
- Reputation risk: damage to the 1st Central brand which is owned by FCG. Severe reputational damage could result in a loss of profit.
- Expenses risk: due to overspending against budget. This is mitigated by having a robust business planning process, and an approval process for extra-budgetary expenses.

- Distribution channel risk: loss of sales and therefore profit due to an aggregator website, or FCIM's website not operating. FCSG's principal operational role and responsibility is to provide the IT systems which administer the entire insurance distribution, underwriting, processing and claims functions. The loss of these systems therefore present a risk to the Group as a whole. The risk is mitigated by having comprehensive disaster recovery plans which are regularly reviewed and tested. The failure of an aggregator website is mitigated by the use of a number of aggregators; if one were to fail, customers are likely to switch to another aggregator site.
- Crime risk: fraud (claims or other typologies) or cyber-attack risk. FCIM has a specialist team dedicated to counter fraud services ('CFS'); the main risk is the cost arising between a new issue materialising and CFS understanding and putting in place measures to manage and mitigate the issue. FCG has purchased cyber-insurance, and invested in information security infrastructure, to mitigate the risk of cyber-attack.
- Regulatory breach/legal exposure risk: SICL breaches a regulatory or legal requirement, this includes the risk of breaching solvency requirements or exposure to legal proceedings. This is mitigated by monitoring and reporting solvency on a monthly basis, adhering to the compliance policy, and compliance monitoring and reporting.

Operational risk within SICL is identified, assessed and monitored through the Risk Management Framework which is overseen by the ARCGC; this includes reviewing controls for appropriateness and efficacy.

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

7. Other Material Risks

'Brexit'

The terms of the UK's exit from the EU, and arrangements for continued trade with the EU have still not been clarified. However, in March 2018, the UK government confirmed that Gibraltar would continue to have access for passporting financial services (including insurance) to the UK market on the same basis as currently until 2020. In the mean-time the governments of the UK and Gibraltar will work to design and implement a replacement framework for after 2020.

The two governments have prepared a number of statutory instruments that will come into effect in the event of a 'no deal' Brexit to enable business to continue as usual.

There is a wide scope for potential impacts from the UK leaving the EU which may have an onward impact on the business, for example on the use of green cards, increased cost of fuel in the UK, increased cost of vehicle parts (leading to claims inflation), a change of government etc. Whilst the terms of Brexit remain general, it makes the specific risks very difficult to assess and respond to at this time, including stress testing. However, SICL is continuing to prepare and make plans for its future, following the UK's expected exit.

There is an additional associated risk in that a number of SICL's staff reside in Spain and cross the border into Gibraltar to work, and six are non-British EU nationals, working in Gibraltar under EU freedom of movement rules. The impact on the border and the ability of EU nationals to continue to work in Gibraltar is unknown at the time of publication. Contingency plans are in place and they are being closely monitored.

The SICL Board continues to monitor the situation and consider whether contingency arrangements should be investigated to mitigate the potential risks.

Availability of Capital

Availability of capital risk: the risk of capital not being available to fund the business plan. Although this is a risk to achieving the business plan, it presents no risk to the solvency of SICL. SICL accrues underwriting profit to provide capital for future growth. If FCG were unable to provide capital when required, SICL would reforecast its business plan to ensure solvency and minimum capital requirements are met without requiring additional funds, investigate sourcing additional capital elsewhere than FCG, or investigate other risk mitigation techniques (e.g. additional reinsurance).

Autonomous Cars

The development of Advanced Driver Assistance Systems (‘ADAS’, also known as driver automation, self-drive vehicles, driverless cars and vehicle technology) is progressing at an uncertain, but very fast pace. It is probable that ADAS capability will be available before the regulatory structures and infrastructure are in place to enable widespread uptake. In terms of the three-year focus of this ORSA, FCG has considered the potential impact and believes that there will be no or negligible impact on its markets in this period. In addition, there is an increased and very visible focus by UK HM Government on ADAS, and while this will not demonstrably speed the introduction of self-drive vehicles, it should ensure that the regulatory structures are in place to ease introduction. At this time, UK HM Government recommendations are for the continued requirement for mandatory private motor insurance into the foreseeable future.

FCG will continue to monitor ADAS technology and uptake, and future ORSA iterations will update our expectations of potential impact on our markets and business plan.

The Civil Liability Bill

The Discount Rate, which is currently based on the returns available on inflation linked government securities, is intended to ensure that claimants receive ‘100% compensation’ in respect of personal injury damages. Following consultation on the way the Discount Rate is set during 2017, the Ministry of Justice (‘MOJ’) announced the Civil Liability Bill in March 2018. This bill sets out a framework through which the rate will be set by reference to “low risk” rather than “very low risk” investments. Following agreement by both Houses on the text of the Bill it received Royal Assent on 20th December 2018, putting the Bill into law.

Subsequent to year end, on the 19th March 2019, the UK Lord Chancellor announced that the first review of the personal injury discount rate under the Damages Act 1996, as amended by the Civil Liability Act 2018, will start on the 19th March 2019. The outcome of the review (whether the rate should change or not) will be determined by the 5th August 2019.

The Civil Liability Bill also contains proposals intended to cut the number of whiplash claims, which have increased in value by 50% since 2006 to around £2 billion per year, despite decreases in the number of reported accidents. Fixed amounts will be set for compensating whiplash claims and offering to settle whiplash claims without medical evidence will be banned. These proposals follow on from the MOJ’s consultation in November 2016.

D. Valuation for Solvency Purposes

1. Assets

1.1 As at 31st December 2018, SICL held the following assets:

Asset Class	GAAP (£m)	Look Through (£m)	Reclassification for Solvency purposes (£m)	Solvency Value Adj. (£m)	Solvency Value (£m)
Investments in properties	0.5	0.0	0.0	0.0	0.5
Corporate and government bonds	77.4	(35.8)	0.8	0.0	42.2
Collective investment undertakings	17.4	(5.9)	0.0	0.0	11.5
Collateralised securities	0.0	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	417.0	44.4	(181.3)	(12.4)	267.7
Insurance and reinsurance receivables	159.6	0.0	(159.6)	0.0	0.0
Cash and cash equivalents	6.4	(2.7)	0.0	0.0	3.6
Financial investments - other loans	5.3	0.0	0.0	0.0	5.4
Other assets	9.1	0.0	(0.8)	(0.5)	7.8
Deferred acquisition costs	7.8	0.0	0.0	(7.8)	0.0
Deferred taxation	0.0	0.0	0.0	1.1	1.1
Derivatives	0.0	0.0	0.0	0.0	0.0
TOTAL	**700.4**	**0.0**	**(340.9)**	**(19.7)**	**339.9**

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

As at 31st December 2017, SICL held the following assets:

Asset Class	GAAP (£m)	Look Through (£m)	Reclassification for Solvency purposes (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)	Explanation of differences
Investments in property	0.5	5.4	-	-	5.9	No valuation differences
Corporate and government bonds	66.2	(39.4)	-	-	26.8	See [1.2.1]
Collective investment undertakings	46.5	(9.4)	-	-	37.1	No valuation differences
Collateralised securities	1.0	(0.6)	-	-	0.4	No valuation differences
Technical provisions – reinsurance share	300.8	50.5	(173.8)	(21.6)	155.9	See [1.2.2] and [1.2.3]
Insurance and reinsurance receivables	161.1	-	(161.1)	-	-	No valuation differences
Cash and equivalents	3.5	(0.8)	-	-	2.7	No valuation differences
Other loans	13.8	(5.3)	-	-	8.5	No valuation differences
Other assets	1.2	(0.4)	-	(0.4)	0.4	See [1.2.4]
Deferred acquisition costs	7.9			(7.9)	-	See [1.2.4]
Deferred tax asset	-	-	-	0.5	0.5	See [1.2.5]
Derivative assets	-	-	-	5.1	5.1	See [1.2.6]
TOTAL	**602.5**	**-**	**(334.9)**	**(24.3)**	**243.3**	

1.2. The valuation principles applied to these assets are consistent with those used in the GAAP accounts, with the following exceptions:

1.2.1 Bonds and secured loans – these are quoted instruments in active markets and therefore the market price as at 31st December 2018 has been applied in the GAAP accounts, excluding accrued interest. On the Solvency II balance sheet these have been valued including accrued interest.

1.2.2 Reinsurance share of unearned premiums – the reinsurance share of unearned premiums reserve comprises the reinsurer's share of the proportion of gross premiums written which is to be earned in the following or subsequent financial years in the GAAP accounts. The unearned premiums are not recognised for solvency purposes, and instead the expected claims arising on the unearned premiums are recorded within the reinsurance share of technical provisions (see 2.5).

1.2.3 Reinsurance share of claims reserves - the reinsurance share of claims reserves comprises the reinsurer's share of the claims outstanding (including claims which are estimated to have been incurred but not reported) as at 31st December 2018. The adjustments from claims reserves in the GAAP accounts to technical provision in the Solvency II balance sheet are detailed in section 2.5).

1.2.4 Prepayments and deferred acquisition costs – on the Solvency II balance sheet these have been valued at nil.

1.2.5 Deferred tax asset/liability – valued based on the expected tax benefit or expense once the valuation adjustments to transition to solvency valuations unwind.

1.2.6 Derivative assets and liabilities – there are no derivative assets or liabilities

2. Technical Provisions

2.1 The GAAP accounts of SICL include provisions for claims incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims Incurred But Not Reported ('IBNR'). SICL also considers any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR.

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

31st December 2018:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	254.1	1.4	255.6
Other motor insurance	33.8	0.3	34.1
Total	**287.9**	**1.8**	**289.7**

31st December 2017:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	150.3	3.9	**154.2**
Other motor insurance	32.7	0.6	**33.3**
Total	**183.0**	**4.5**	**187.5**

The tables above show that technical provisions have increased in the year. The primary driver is the technical provisions set up for the latest 2018 underwriting year exceeding the reduction on prior year technical provisions as claims are paid.

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

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

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

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

2.3.4 Market environment – changes in the market environment increase the inherent uncertainty affecting the business. In particular, claims inflation, propensity for UK motor claims to settle through periodic payment orders ("PPOs") and the Legal Aid, Sentencing and Punishment of Offenders ("LASPO") Act have all impacted the market environment in recent years. Much more recently, the change in the personal injury discount rate effective March 2017 has impacted technical provisions significantly, and the whiplash reforms expected in 2019 are also expected to impact technical provisions.

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

2.3.6 Run-off expenses – the estimation of the expenses required to run-off of the bound obligations is inherently uncertain due to the estimations around the length of the run-off, base costs and inflation.

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

2.4 SICL manages the risks around these uncertainties via the following actions:

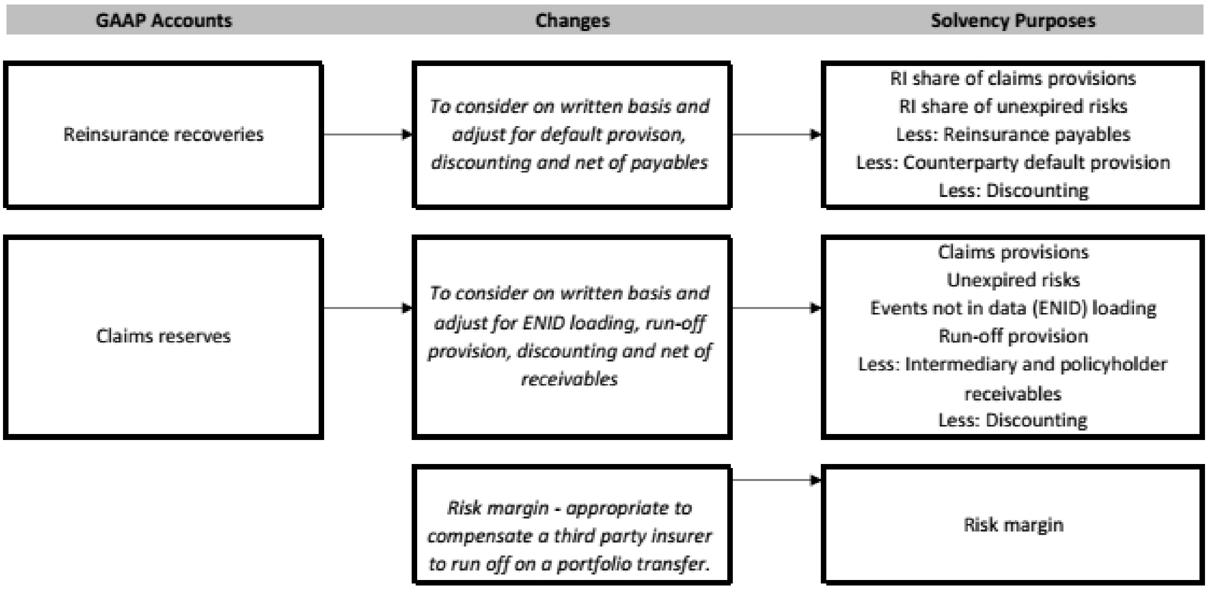
2.4.1 Ongoing monitoring of claims, including regular reviews of claims handling functions.

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

2.4.3 Internal controls through the Underwriting Management Meeting and Actuarial Function which monitor claims development and reinsurance arrangements.

2.4.4 Regular internal and external actuarial reviews.

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



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

2.5.1 Claims provisions – The IBNR in the Company's GAAP accounts includes a margin in excess of best estimate which is not included in the Solvency II Best Estimate Liability. Other than removing this margin the Company has made no other adjustments to its claims provisions in its GAAP accounts in recording the claims provisions for solvency purposes. The Company has considered whether adjustments may be required as a result of contract boundaries and believe there are no such adjustments required. The claims provisions as at 31st December 2018 for the Company were £321.2m (2017: £250.3m).

2.5.2 Reinsurance share of claims provisions – The Company has made no adjustments to its reinsurance recoveries in its GAAP accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31st December 2018 for the Company were £308.3 (2017: £202.6m).

2.5.3 Unexpired risks – The Company has estimated the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The gross premium provisions as at 31st December 2018 for the Company were £117.3m (2017: £100.8m).

2.5.4 Reinsurance share of unexpired risks – The Company has estimated the amounts recoverable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. The reinsurance share of gross premium provisions as at 31st December 2018 for the Company were £104.2m (2017: £81.7m).

2.5.5 Intermediary and policyholder receivables – Intermediary and policyholder receivables are netted off the technical provisions for solvency purposes. There are no valuation differences between GAAP accounts and intermediary and policyholder receivables for solvency purposes. The net insurance receivables as at 31st December 2018 for the Company were £159.6m (2017: £161.1m).

2.5.6 Other receivables – Other receivables, notably quota share commission and other technical income, are netted off the technical provisions for solvency purposes. The Company has estimated the other receivables which will be payable on premium provisions and added these to those recorded in the GAAP accounts in respect of the claims provisions. The other receivables as at 31st December 2018 for the Company were £4.6m (2017: £4.7m).

2.5.7 Reinsurance payables – Net amounts payable to reinsurers are netted off the reinsurance recoveries for solvency purposes. There are no valuation differences between GAAP accounts and net reinsurance payables for solvency purposes. The net reinsurance payables (being reinsurance payables less financial investments held for collateral arrangements) of the Company as at 31st December 2018 were £136.9m (2017: £123.3m).

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

The Company has undertaken market analysis of the changes in net provisions of insurers and used this to make an assessment of previously unobserved events in the domestic UK motor market. This has then been adjusted following scenario analysis which considered both positive and negative outcomes. As such, the ENID loading applied by the Company as at 31st December 2018 was £0.8m (2017: £0.9m).

2.5.9 Counterparty default provision – The Company has considered a provision for default by one or more of its reinsurance providers. The provision is based on the total exposure to the counterparty, the rating of the counterparty and the existence of any collateral arrangements with the counterparty. The Company estimates the counterparty default provision and considers each of the exposures, net of collateral arrangements in existence, applies the estimated probability of default by rating, and derives a weighted average probability of default. The Company's exposures are from reinsurers with a rating of A- and above and from Skyfire Reinsurance Company Limited which is unrated and so any weighted averages will be skewed by the proportion of exposures relating to Skyfire Reinsurance Company Limited.

SICL has calculated the weighted average probability of default of reinsurers as 0.10% (2017: 0.41%), and thus the counterparty default adjustment is £0.4m (2017: £1.1m).

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

The Company has determined an annual servicing cost for servicing bound obligations and has provided for these over the lifetime of the bound obligations, allowing for expected expenses inflation and taking into account future new business. The run-off provision applied by the Company as at 31st December 2018 was £1.8m (2017: £1.6m).

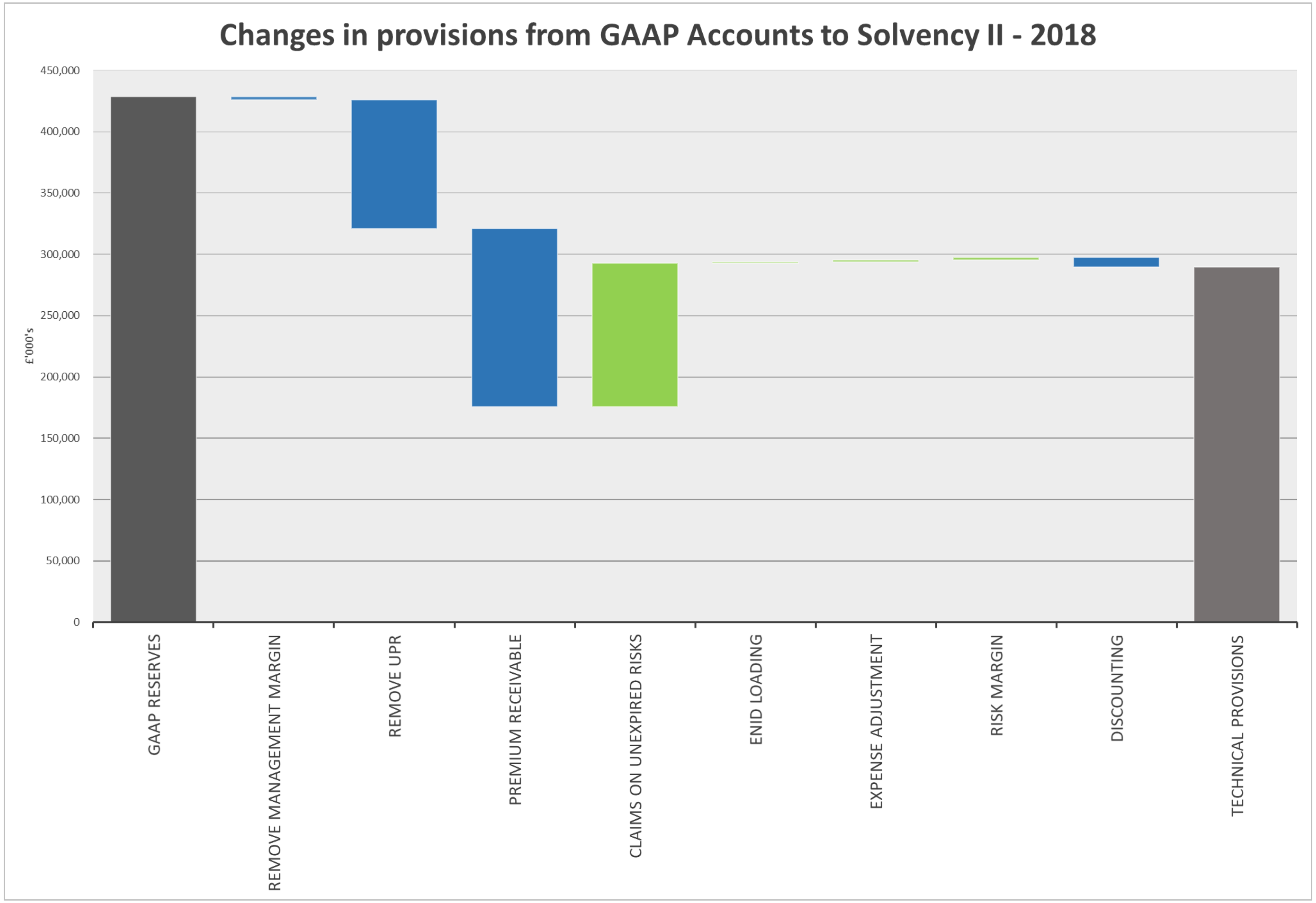
2.5.11 Discounting – Discounting has been applied in the technical provisions based on the sterling yield curve as at 31st December 2018 as issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). In respect of the Company, the impact of discounting on the gross technical provisions is £7.9m (2016: £4.8m), and on the reinsurance share of technical provisions the impact of discounting is £7.5m (2016: £4.0m).

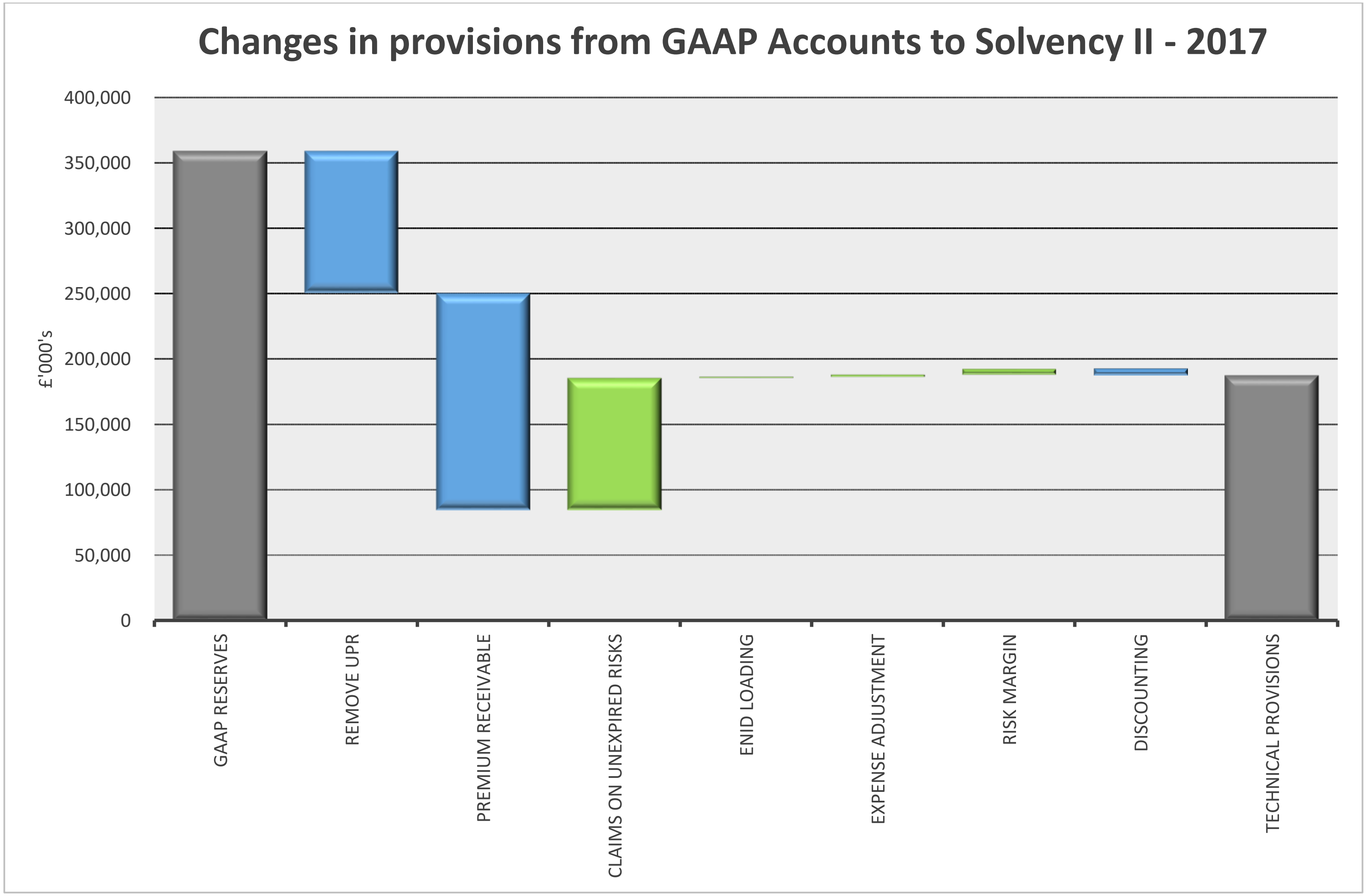
2.5.12 Risk Margin – The risk margin has been determined by approximating the individual risks within all the modules of the SCR for each future period which is Method 1 in EIOPA's Guidelines on the valuation of technical provisions.

This results in a risk margin of £1.8m (2016: £4.5m) in respect of the Company. This has fallen in the year as the primary driver is the solvency capital requirement which has fallen due to the lower net of reinsurance exposures.

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

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





Changes in provisions from GAAP Accounts to Solvency II - 2017
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
£'000's
GAAP RESERVES
REMOVE UPR
PREMIUM RECEIVABLE
CLAIMS ON UNEXPIRED RISKS
ENID LOADING
EXPENSE ADJUSTMENT
RISK MARGIN
DISCOUNTING
TECHNICAL PROVISIONS

2.8 The Company has entered into various reinsurance arrangements to cap its underwriting risk.

2.8.1 In relation to the years ended 31st December 2018, the Company capped its underwriting risk at £1m via non-proportional Excess of Loss ('XOL') treaties (for the year ended 31st December 2017 and prior years the underwriting risk was capped at £500k). The panel of reinsurers in the XOL treaties are predominately counterparties with good ratings from a well-known rating agency, with the exception of the exposure to SRCL which is unrated. The Company also had a number of proportional Quota Share treaties in relation to the 31st December 2018 year of account (2017: four), one of which being with SRCL (in relation to both 2018 and prior years of account) which is collateralised as a result of SRCL being an unrated carrier. In addition, underwriting risk was further capped by a LPT/ADC contract which was incepted on 31st December 2018 for all years including 2018 and prior. The LPT layer was based on approximately 50% of the external best estimate of unpaid reserves at 31st December 2018.

3. Other Liabilities

3.1 SICL recorded the following classes of liabilities for solvency purposes:

As at 31st December 2018:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	0.9	0.9	None
Deferred income	8.5	-	Not recognised for solvency purposes
Reinsurance accounts payable	200.1	-	Reclassified to technical provisions (see [2.5.7])
Other creditors, including corporation tax and IPT	11.9	11.9	None
Derivative liabilities	-	-	None

As at 31st December 2017:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	0.5	0.5	None
Deferred income	14.0	-	Not recognised for solvency purposes
Reinsurance accounts payable	173.8	-	Reclassified to technical provisions (see [2.5.7])
Other creditors, including corporation tax and IPT	9.9	9.9	None
Derivative liabilities	-	5.0	See [1.3.6]

4. Alternative Methods for Valuation

Not applicable to the Company.

5. Any Other Information

Not applicable to the Company.

E. Capital Management

1. Own Funds

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

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

SICL's own funds are as follows.

		31st December 2018		31st December 2017	
Own fund item	**Tier**	**£m**	**%**	**£m**	**%**
Share capital and share premium	1	19.3	52%	19.3	48
Reconciliation reserve	1	17.0	46%	20.6	51
Deferred tax asset	3	1.1	3%	0.5	1
		37.3	100%	40.4	100%

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

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

2. Solvency Capital Requirements ('SCR') & Minimum Capital Requirements ('MCR')

2.1. The SCR of SICL as at 31st December 2018 was £14.5m (2017: £35.0m); its MCR as at 31st December 2018 was £3.6m (2017: £9.5m).

2.2. The SCR of SICL is made up as follows:

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

MARKET RISK	**31st December 2018 £m**	**31st December 2017 £m**
Interest rate risk	1.3	4.2
Spread risk	1.9	6.1
Equity risk	-	0.4
Currency risk	-	-
Property risk	0.1	1.5
Concentration risk	-	1.8
Market risk diversification	(1.0)	(5.4)
MARKET RISK TOTAL	**2.4**	**8.6**

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

COUNTERPARTY RISK	31st December 2018 £m	31st December 2017 £m
Type 1 risk	5.8	5.0
Type 2 risk	1.7	1.6
Market risk diversification	(0.3)	(0.3)
COUNTERPARTY RISK TOTAL	**7.2**	**6.3**

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

NON-LIFE UNDERWRITING RISK	31st December 2018 £m	31st December 2017 £m
Premium and reserve risk	3.3	19.8
Catastrophe risk	2.2	1.6
Non-life diversification	(1.1)	(1.1)
NON-LIFE UNDERWRITING RISK TOTAL	**4.4**	**20.2**

2.2.4. SICL is exposed to life underwriting risk as a result of both the settled periodic payment orders (PPOs) and the propensity for other large claims to settle as PPOs. The life underwriting risk in respect of the Company is immaterial.

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

SOLVENCY CAPITAL REQUIREMENT	31st December 2018 £m	31st December 2017 £m
Market risks	2.4	8.6
Counterparty risks	7.2	6.3
Non-life underwriting risks	4.4	20.2
Life underwriting risks	0.2	0.2
Basic SCR diversification	(3.1)	(7.6)
Operational risks	3.3	7.3
SOLVENCY CAPITAL REQUIREMENT	**14.5**	**35.0**

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

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

Line of business	Net (of reinsurance) best estimate and technical provisions calculated as a whole (£m)	Net (of reinsurance) written premiums in the last 12 months (£m)
Motor vehicle liability insurance	11.9	0
Other motor insurance	12.0	0

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

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

3.2. SICL met its solvency capital requirement throughout the years ended 31st December 2017 and 31st December 2018.

4. Any Other Information

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

F. Quantitative Reporting Templates

P.02.01.02 - Balance sheet

		Solvency II valu
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,055
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	61,834
R0080	Property (other than for own use)	500
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	7,617
R0110	Equities - listed	0
R0120	Equities - unlisted	7,617
R0130	Bonds	42,220
R0140	Government Bonds	42,220
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	11,496
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	5,446
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	5,446
R0270	Reinsurance recoverables from:	267,664
R0280	Non-life and health similar to non-life	264,844
R0290	Non-life excluding health	264,844
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	2,820
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	2,820
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	3,643
R0420	Any other assets, not elsewhere shown	220
R0500	**Total assets**	339,862

		Solvency II valu
	Liabilities	C0010
R0510	Technical provisions – non-life	286,810
R0520	Technical provisions – non-life (excluding health)	286,810
R0530	TP calculated as a whole	0
R0540	Best Estimate	285,082
R0550	Risk margin	1,728
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,894
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	2,894
R0660	TP calculated as a whole	0
R0670	Best Estimate	2,844
R0680	Risk margin	50
R0690	Technical provisions – index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	12,811
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	302,515
R1000	**Excess of assets over liabilities**	37,347

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

		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	0	0	0	165,248	39,499	0	0	0	0	0	0	0					204,746
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0140	Reinsurers' share	0	0	0	209,104	49,982	0	0	0	0	0	0	0	0	0	0	0	259,085
R0200	Net	0	0	0	-43,856	-10,483	0	0	0	0	0	0	0	0	0	0	0	-54,339
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	168,432	40,260	0	0	0	0	0	0	0					208,692
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0240	Reinsurers' share	0	0	0	200,611	47,952	0	0	0	0	0	0	0	0	0	0	0	248,563
R0300	Net	0	0	0	-32,179	-7,692	0	0	0	0	0	0	0	0	0	0	0	-39,870
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	178,915	42,766	0	0	0	0	0	0	0					221,681
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0340	Reinsurers' share	0	0	0	186,021	44,464	0	0	0	0	0	0	0	0	0	0	0	230,485
R0400	Net	0	0	0	-7,106	-1,699	0	0	0	0	0	0	0	0	0	0	0	-8,805
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	2,529	605	0	0	0	0	0	0	0					3,134
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	2,529	605	0	0	0	0	0	0	0	0	0	0	0	3,134
R0550	**Expenses incurred**	0	0	0	-2,928	-700	0	0	0	0	0	0	0	0	0	0	0	-3,627
R1200	**Other expenses**																	0
R1300	**Total expenses**																	-3,627

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

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	**Total**
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	0	0	0	0	0	0	0	0	0
R1420	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1500	Net	0	0	0	0	0	0	0	0	0
	Premiums earned									
R1510	Gross	0	0	0	0	0	0	0	0	0
R1520	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1600	Net	0	0	0	0	0	0	0	0	0
	Claims incurred									
R1610	Gross	0	0	0	0	0	0	0	0	0
R1620	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1700	Net	0	0	0	0	0	0	0	0	0
	Changes in other technical provisions									
R1710	Gross	0	0	0	0	0	0	0	0	0
R1720	Reinsurers' share	0	0	0	0	0	0	0	0	0
R1800	Net	0	0	0	0	0	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0	0	0	0	0	0
R2500	**Other expenses**									0
R2600	**Total expenses**									0

P.05.02.01 - Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	204,746	0	0	0	0	204,746
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	259,085	0	0	0	0	259,085
R0200	Net	0	-54,339	0	0	0	0	-54,339
	Premiums earned							
R0210	Gross - Direct Business	0	208,692	0	0	0	0	208,692
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	248,563	0	0	0	0	248,563
R0300	Net	0	-39,870	0	0	0	0	-39,870
	Claims incurred							
R0310	Gross - Direct Business	0	221,681	0	0	0	0	221,681
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	230,485	0	0	0	0	230,485
R0400	Net	0	-8,805	0	0	0	0	-8,805
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	3,134	0	0	0	0	3,134
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	3,134	0	0	0	0	3,134
R0550	**Expenses incurred**	0	-3,627	0	0	0	0	-3,627
R1200	**Other expenses**							0
R1300	**Total expenses**							-3,627

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

P.12.01.02 - Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, including Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	0	0			0			0	0	0	0			0	0	0
R0020	**Total Recoverables from reinsurance/SPV and Finite Re** after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0			0			0	0	0	0			0	0	0
	Technical provisions calculated as a sum of BE and RM																
	Best Estimate																
R0030	**Gross Best Estimate**	0		0	0		0	0	2,844	0	2,844		0	0	0	0	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		0	0	2,820	0	2,820		0	0	0	0	0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	0		0	0		0	0	24	0	24		0	0	0	0	0
R0100	**Risk Margin**	0	0			0			50	0	50	0			0	0	0
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	0	0			0			0	0	0	0			0	0	0
R0120	Best estimate	0		0	0		0	0	0	0	0		0	0	0	0	0
R0130	Risk margin	0	0			0			0	0	0	0			0	0	0
R0200	**Technical provisions - total**	0	0			0			2,894	0	2,894	0			0	0	0

P.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protectioninsurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0	0	-28,754	-793	0	0	0	0	0	0	0	0	0	0	0	-29,548
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	-28,147	-4,541	0	0	0	0	0	0	0	0	0	0	0	-32,687
R0150	Net Best Estimate of Premium Provisions	0	0	0	-608	3,747	0	0	0	0	0	0	0	0	0	0	0	3,140
	Claims provisions																	
R0160	Gross	0	0	0	280,026	34,604	0	0	0	0	0	0	0	0	0	0	0	314,630
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	270,738	26,793	0	0	0	0	0	0	0	0	0	0	0	297,531
R0250	Net Best Estimate of Claims Provisions	0	0	0	9,288	7,810	0	0	0	0	0	0	0	0	0	0	0	17,099
R0260	**Total Best estimate - gross**	0	0	0	251,272	33,810	0	0	0	0	0	0	0	0	0	0	0	285,082
R0270	**Total Best estimate - net**	0	0	0	8,681	11,558	0	0	0	0	0	0	0	0	0	0	0	20,239
R0280	**Risk margin**	0	0	0	1,395	333	0	0	0	0	0	0	0	0	0	0	0	1,728
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total																	
R0320	Technical provisions - total	0	0	0	252,667	34,144	0	0	0	0	0	0	0	0	0	0	0	286,810
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	242,591	22,253	0	0	0	0	0	0	0	0	0	0	0	264,844
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	0	0	10,076	11,891	0	0	0	0	0	0	0	0	0	0	0	21,967

P.19.01.21 - Non-life Insurance Claims Information

Total Non-Life Business

Z0020	Accident year / Underwriting year	**Z0020**	Underwriting year [UWY]

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

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**											0	0	0
R0160	**N-9**	1,554	8,125	2,868	1,244	697	937	159	-14	169	3		3	15,743
R0170	**N-8**	4,003	11,174	3,711	2,317	1,096	773	287	4	70			70	23,435
R0180	**N-7**	2,854	10,213	4,246	1,980	1,766	1,134	1,686	115				115	23,994
R0190	**N-6**	7,991	21,236	7,594	5,734	3,404	1,239	1,621					1,621	48,819
R0200	**N-5**	9,140	23,856	9,576	5,328	4,275	4,024						4,024	56,199
R0210	**N-4**	11,508	36,561	15,892	7,289	8,702							8,702	79,952
R0220	**N-3**	15,018	43,497	14,281	9,570								9,570	82,365
R0230	**N-2**	17,206	48,159	18,800									18,800	84,164
R0240	**N-1**	27,574	71,289										71,289	98,862
R0250	**N**	33,559											33,559	33,559
R0260												**Total**	147,752	547,093

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	**Prior**											0	0
R0160	**N-9**	0	0	0	0	0	0	0	161	14	-3		-3
R0170	**N-8**	0	0	0	0	0	0	76	310	256			255
R0180	**N-7**	0	0	0	0	0	3,259	627	276				273
R0190	**N-6**	0	0	0	0	3,155	1,992	621					613
R0200	**N-5**	0	0	0	9,533	6,630	2,745						2,716
R0210	**N-4**	0	0	37,747	24,274	16,495							16,277
R0220	**N-3**	0	70,861	53,250	37,705								37,111
R0230	**N-2**	64,560	88,475	55,343									54,242
R0240	**N-1**	72,374	87,221										85,257
R0250	**N**	117,731											117,888
R0260												**Total**	314,630

P.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	102	102		0	
R0030	Share premium account related to ordinary share capital	19,163	19,163		0	
R0040	Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	17,027	17,027			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,055				1,055
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	**Total basic own funds after deductions**	37,347	36,292	0	0	1,055
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	37,347	36,292	0	0	1,055
R0510	Total available own funds to meet the MCR	36,292	36,292	0	0	
R0540	Total eligible own funds to meet the SCR	37,347	36,292	0	0	1,055
R0550	Total eligible own funds to meet the MCR	36,292	36,292	0	0	
R0580	**SCR**	14,482				
R0600	**MCR**	3,620				
R0620	**Ratio of Eligible own funds to SCR**	2.5789				
R0640	**Ratio of Eligible own funds to MCR**	10.0242				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	37,347
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	20,320
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	17,027
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	2,387		
R0020	Counterparty default risk	7,206		
R0030	Life underwriting risk	190		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	4,435		
R0060	Diversification	-3,078		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	11,140		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	3,342
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	14,482
R0210	Capital add-on already set	0
R0220	**Solvency capital requirement**	14,482
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

P.28.01.01 - Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	1,914

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	11,920	0
R0060	Other motor insurance and proportional reinsurance	12,017	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	24	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	1,915
R0310	SCR	14,482
R0320	MCR cap	6,517
R0330	MCR floor	3,620
R0340	Combined MCR	3,620
R0350	Absolute floor of the MCR	3,288

		C0070
R0400	**Minimum Capital Requirement**	3,620