Solvency and Financial Condition Report

The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited

Year ended 20 February 2017

Contents

A. Summary

This Solvency and Financial Condition Report ("SFCR") covers the Business and Performance of the Association, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate Administrative Body that has the responsibility for all of these matters is the Association's Board of Directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

The Association's internal model has been approved for the calculation of the insurance risk elements of the Solvency Capital Requirement ("SCR") with the remainder calculated using the standard formula.

For SCR purposes the Association's total eligible own funds stood at $223.4 million. This includes ancillary own funds, as approved by the Association's regulator.

Eligible own funds cover the SCR (of $118.4 million) by 189% and the Minimum Capital Requirement ("MCR") (of $29.6 million) by 622%.

Directors' Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency 2 Regulations.

We are satisfied that:

a) throughout the financial year in question, the Association has complied in all material respects with the requirements of the PRA Rules and the Solvency 2 Regulations as applicable to the insurer; and
b) it is reasonable to believe that the Association has continued so to comply subsequently and will continue so to comply in future.

Director

For and on behalf of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited
23 June 2017

Auditors report

Report of the external independent auditor to the Directors of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion
Except as stated below, we have audited the following documents prepared by The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited as at 20 February 2017.

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited as at 20 February 2017, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the relevant elements of the Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S05.01.02, S05.02.01, S.19.01.21, S.25.02.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited as at 20 February 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Emphasis of Matter – Basis of Accounting
We draw attention to the Valuation for solvency purposes and Capital Management and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not

limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-andguidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx

Other Matter

The Company has authority to calculate its Solvency Capital Requirement using a partial internal model (''the Model'') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Michael Butler (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street,
London.
EC1A 4AB

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo partial/internal model

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.01:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0590: Technical provisions – health (similar to non-life) – risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
  - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

- The following elements of template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM – Risk margin
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A.1. Business

Corporate information
The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited ("UKE" or "The Association") is incorporated in England and Wales as a company limited by guarantee without share capital.

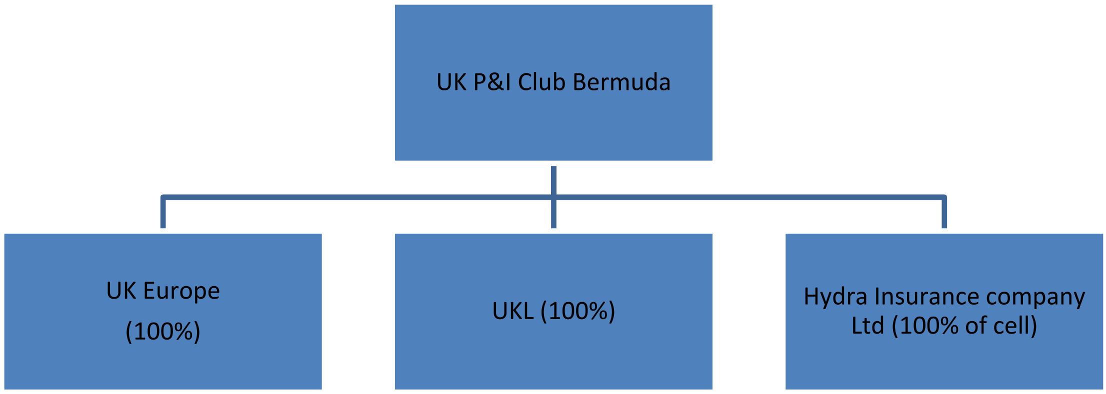
UKE's parent company is The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, ("UKB") which is registered in Bermuda as a company limited by guarantee without share capital.

The Group's parent undertaking, UKB, is the sole member of the UKE and therefore holds all voting rights.

Group structure

Collectively these entities form "the Group". The group structure, including all active companies, is as follows:

Table 1: The Group Structure



The principal activity of the Association is the insurance and reinsurance of marine protection and indemnity risks on behalf of the Members.

The Group operates as a single business. All policies of insurance issued by the Group are written by UKE and all policyholders of UKE are members of UKB. The policyholders therefore hold all voting rights of UKB and the Group.

UKE reinsures 90% of all premium income and claims incurred to UKB (net of external reinsurance).

Hydra Insurance Company operates through several segregated cells. One of these cells provides reinsurance to the Association for claims in excess of $30 million arising from mutual owned business.

The United Kingdom Mutual Steam Ship Assurance Association Limited ("UKL") ceased writing new business in 1971. All liabilities arising from business written by UKL are fully reinsured by UKE.

The authority responsible for the financial supervision and review of the SFCR of the Group is the Prudential Regulatory Authority which is located at 20 Moorgate, London EC2R 6DA

The Association is also regulated by the Financial Conduct Authority ("FCA"): 25 the North Colonnade, London, E14 5HS, United Kingdom.

The external auditor of the Association is Moore Stephens LLP located at 150 Aldersgate Street, London, EC1A 4AB, United Kingdom.

A.2. Underwriting performance

Underwriting performance measures

The Association's target is to call sufficient premium to cover its claims and expenses as measured by the combined ratio. Since claims vary from one year to another, the Association considers performance against this target over the medium term by monitoring the average financial year combined ratio.

To achieve the combined ratio target, the Association focusses on disciplined underwriting based on appropriate risk selection as informed by a thorough understanding of risk.

The Association employs techniques such as programmes for loss prevention and efficient reinsurance purchase to manage the risk accepted.

S.05.02.01 includes a geographical split of the Association's business based on the flag of the vessel insured.

Recent Underwriting performance

The Association operates a single line of business being Protection and Indemnity insurance for the shipping community. The Association therefore reports all business within this single line and does not report additional analysis by business segment.

The Association's target is to call sufficient premium to meet claims and expenses at group level over the medium term for the Group as a whole. The average combined ratio over the last seven years is 100% (excluding supplementary calls and mutual premium discounts) and therefore the Group has met its underwriting target over the previous seven years. By achieving this target the Group has been able to discount mutual premium rates three times in the previous five years. The total discount amounts to $19.6 million.

Table 2: Recent underwriting performance for UKE

Amounts in $000	**2017**	**2016**
Income		
Gross earned premium	386,166	393,613
Mutual premium discount	(9,996)	(8,253)
	376,170	385,360
Premium ceded to reinsurers	(303,240)	(310,839)
Net earned premium	72,930	74,521
Net investment return	1,260	4,603
Total net income	**74,190**	**79,124**
Expenses		
Claims and claims adjustment expenses net of reinsurance	(24,269)	(20,402)
Expenses for the acquisition of insurance contracts	(19,988)	(20,303)
Net operating expenses	(21,119)	(22,165)
Foreign exchange (losses)/gains	(6,809)	(2,788)
Total expenses	**(72,185)**	**(65,658)**
Results from operating activities	**2,005**	**13,466**

Total net premium income fell by $1.6 million to just below $73 million. The Association benefits from significant reinsurance cover.

A greater number of large claims were incurred by the Association during the 2016 policy year than in the 2015 policy year although the total cost of the year was higher than last year but in line with expectations. The 2015 policy year was particularly favourable.

Total expenses were broadly in line with the previous year.

The overall surplus was transferred to the reserves of the Association.

A.3. Investment performance

In accordance with the investment policy, the investment mandate is updated on a regular basis. The asset allocation established within the mandate is principally determined to ensure that the Association's future cash flows arising from liabilities (principally claims reserves) are matched by available assets of the correct currency and duration. Effective risk management is therefore the principal driver of investment allocation.

Having established a matched portfolio, the Association accepts limited investment risk to achieve the best return available from the surplus assets.

Some factors that may influence future investment return are:

- Market performance – as affected by macro-economic, political or other factors
- Capital allocation and risk profile – determining the risk accepted into the portfolio
- Portfolio management – including asset allocation (both strategic and tactical)

Asset allocation

The following table provides the breakdown of the Association's investment portfolio.

Asset allocation within UKE

The investment portfolio is entirely invested in government and corporate bonds. The total portfolio returned $1.3 million (excluding currency losses) over the 2016/17 financial year. Investment returns per the IFRS financial statements are further detailed in the table below:

Amounts in $000	**2017**	**2016**
Investment income		
Dividend income	851	-
Interest on fixed income securities	4,833	5,094
Bank deposit interest	26	6
Other investment charges	(715)	(1,012)
Total investment income	**4,995**	**4,088**
Net realised gains on financial assets at fair value through profit and loss		
- Debt securities	(1,643)	(442)
- Equity securities	(3)	-
Total net realised gains on financial assets	**(1,646)**	**(442)**
Net fair value gains on financial assets through profit and loss		
- Debt securities	(2,176)	957
- Equity securities	87	-
Total	**(2,089)**	**957**
Total investment return	**1,260**	**4,603**

A.4. Performance from other activities

As noted in A.2. all of the Association's activities relate to its core business.

A.5. Any other information

The Association does not consider that the disclosure of any other information is necessary.

B. System of Governance

B.1. General Information on the System of Governance

B.1.1. Overview

The Board directs, and has responsibility for, all activities of the Association. The Directors are drawn principally from the ship-owner members, supplemented by other Directors with specialist knowledge or executive responsibilities.

The Board has outsourced the day to day management of the Association to a third party, Thomas Miller P&I (Europe) Limited or “the Managers”

The Board of UKE consists of 8 ship-owner directors, two specialist directors and two executive directors. The two executive directors are the CEO and the CFO of the Managers.

The Board consider that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing the Association.

The Board is supported by several committees.

B.1.1.1. Committee Structure

The Members’ Committee (“MEMCO”)

MEMCO provides a forum for Members to play an enhanced role in the governance of the Club in relation to mutual member issues and provides members’ perspective on matters which are relevant to the business of the Club.

Audit & Risk Committee (“ARCO”).

ARCO is responsible for monitoring the risk management system and internal control framework against the Board’s risk appetite. ARCO directs the internal audit function and oversees the external audit function to gain assurance over significant risks.

ARCO considers the results of the internal model validation exercise and oversees regulatory and statutory reporting.

Strategy Committee (“STRATCO”).

STRATCO assists the Board in formulating strategy and providing reports and recommendations on strategic issues and any other issues affecting the Association. The Committee meets on an ad-hoc basis and specifically conducts an annual review of a strategic risk assessment and a review of strategy.

Ship & Membership Quality Committee ("QUALCO").

QUALCO provides the Board with advice regarding the criteria used to establish the suitability of Members. QUALCO also considers whether individual ships or fleets meet the underwriting criteria.

Nominations Committee ("NOMCO").

NOMCO ensure that the Board continues to be composed of suitably qualified and skilled individuals. It also makes recommendations to ensure that the Committees of the Board are composed of individuals appropriate to the respective roles.

Investment Committee (IVCO).

IVCO makes recommendations to the Board in respect of the Investment Mandate and reviews in detail the performance of the investment portfolio.

Material changes

Over the previous 12 months the Association formed the Members Committee (as described above).

B.1.1.2. Outsourcing

The Association outsources all functions, including controlled functions, to the Managers.

The Managers aim to provide a governance framework to facilitate the Association's strategic plan whilst managing risks. The Managers operate through several committees, all of which report to the Thomas Miller P&I (Europe) Board ("TM P&I (E) Board"). These committees include risk, finance, operations, reinsurance, data governance and credit worthiness.

B.1.1.3. Key Functions

The Managers
The Association has no direct employees, except within the Japan Branch, and as such the Board relies on the Managers for the day-to-day management duties of the Association.

The Investment Managers
Investment of the Association's funds is conducted by the Investment Managers in accordance with the Board's Investment Policies and is subject to internal compliance procedures.

Governance map
The Association maintains a governance map that details Senior Insurance Manager Functions and Key Functions. According to the governance map, the following functions are maintained with a prescribed set of responsibilities. These are performed by:

- Chairman (Director)
- Group Entity Senior Manager (Director)
- Chief Executive Officer (Director)
- Chief Financial Officer (Director)
- Chairman of Audit and Risk Committee (Director)
- Chief Actuary (Manager)
- Chief Risk Officer (Manager)
- Chief Underwriting Officer (Manager)
- Chief Claims Officer (Manager)
- Head of Internal Audit (Manager)

B.1.2. Remuneration

The Association outsources all executive matters to the Managers in accordance with the Management Agreements. The Managers operate a formal group performance and merit-based remuneration policy aimed at paying competitive and appropriate remuneration consistent with the long-term interest of the business.

The Association's Remuneration Policy sets out how the Managers are remunerated under a management fee agreement. This is agreed periodically by the Board.

B.1.3. Related party transactions

The Association has no share capital and is controlled by UKB. All policyholders of the Association are members of UKB and hence insurance transactions are between related parties, but these are the only transactions between the Association and the Members.

All of the shipowner Directors are representatives of Member companies and have no financial interests in the Association, other than the insurance of their ships entered in the Association, which is arranged on an arm's length basis, and the Member interests of their companies.

Directors are paid an annual fee and an attendance fee for each meeting. There are no variable components to the directors' remuneration.

B.2. Fit and Proper Requirements

The Association has in place a Fit & Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the Association, including executive senior management and key function holders.

All persons within the scope of the Association's Fit and Proper policy must have the professional qualifications, knowledge and experience and demonstrate the sound judgement necessary to discharge their areas of responsibility competently. They must be of good repute and demonstrate in their personal behaviour and business conduct character, integrity and honesty. As part of the assessment consideration will be given to potential conflicts of interest and financial soundness.

The Board members must collectively possess sufficient knowledge, competence and experience to direct and oversee the Association's affairs effectively.

The Managers maintain role specifications for all executive roles that are within the scope of the Fit and Proper policy which detail the key competencies and duties for each position.

Fit and proper assessments are carried out by the Compliance Officer both annually through declarations and formally every three years. No person is permitted to undertake their own assessment.

The Association's Fit & Proper Policy applies to:

- All Directors of the Association and Committees;
- All employees of the Managers who are members of the Thomas Miller P&I (E)'s senior management; and
- Persons within the Managers responsible for key functions.

B.3. Risk Management System

The Association's Risk Management System

The Association uses a Risk Management Framework to design an effective risk management system with an integrated approach to risk management and the application of the three lines of defence:

- 1st line of defence: business units and all staff not included in the second and third lines of defence, process and risk owners
- 2nd line of defence: risk management and compliance functions
- 3rd line of defence: internal and external audit

The risk management system incorporates the accurate and appropriate identification, recording, analysis, reporting and mitigation of risk. The Board has:

- a clearly defined and well-documented risk management strategy;
- adequate written policies;
- appropriate processes and procedures;
- appropriate reporting procedures;
- reports on the material risks faced by the Association and on the effectiveness of the risk management system;
- a suitable Own Risk and Solvency Assessment (ORSA);

The risk management system not only covers the risks included in the calculation of the Solvency Capital Requirement but also other risks to which the Association is exposed and which are considered by the Association to be materially relevant to its business.

The Partial Internal Model (PIM)

The internal model is a key risk management tool within the Risk Management Framework. It has been developed by the Actuarial Function in conjunction with the Managers' Risk Committee which fulfils the Risk Management Function of the Association. The internal model is used for the calculation of certain elements of the Solvency Capital Requirement. As the outputs of the PIM are being used to replace parts of the Solvency II standard formula calculation, they are subject to additional governance and validation requirements. The Managers' Risk Committee is responsible for determining the scope of the internal model and the PIM.

The internal model is used to analyse the impact of any risk management decisions and changes to the Association's risk profile falling within the scope of the model on the Association's regulatory and internal capital requirements. In particular, the Solvency Capital Requirement and the Own Solvency Needs Assessment will be calculated whenever the model is used to determine the capital implications of any changes to the Association's risk profile. The results of these analyses are reported in the ORSA.

All uses of the model are recorded in an internal model uses log maintained by the Actuarial Function. The Actuarial Function also carried out an annual model performance review on the PIM, with the results reported to the Managers' Risk Committee and subsequently presented to the Audit & Risk Committees of the Association. The review may result in decisions to change the scope of or otherwise improve the model.

The use of the PIM is subject to the Internal Model Governance Framework which covers processes and controls applied. Changes to the PIM are subject to the Internal Model Change Policy and validation is carried out in accordance with the Internal Model Validation Policy.

The risk management system also has a coherent focus on data and IT infrastructure governance and appropriate policies and standards to outline the framework within which responsibilities are exercised. It is supported by a robust internal control system and is designed to identify measure, manage, monitor and report significant risks to the achievement of the Association's business objectives.

Risk Management Strategy
The objectives of the Association's risk management strategy are to identify, measure, monitor, manage and report in a consistent, continuous and timely fashion, on the basis of the Association's risk appetite as set by the Board and documented in the Corporate Plan.

The Risk Management Framework helps both support and relay the Association's business plan strategy throughout the organisation by ensuring that those factors that may advance or impede the achievement of strategic and operational objectives are managed by strong controls.

The risks to which the Association is exposed are recorded in the Business Risk Log.

Key Risks
A list of key risks has been compiled by the Board and senior management of the Association based on their experience and expert judgement in running the business. This list provides a high-level overview of the principal risks faced by the business which, individually or in combination, may have a significant, substantial or severe impact on the Association.

Implementation of the Risk Management Strategy: Risk Policies and Procedures
The Association's strategy is specified in more detail through its policies and Corporate Plan which underpin its day-to-day business. It sets out the systematic application of management policies, procedures and practices that are used to identify, manage and communicate risk to facilitate Board decision-making and to provide an effective system of risk management.

Policies have been developed for all material risks to which the Association is exposed, including policies relating to the internal model. They define the Association's approach to risk management overall and more specifically the risk for which the policy has been written. The policies establish the controls, procedures, limits and escalation to ensure that the risks are managed in line with risk appetite. Specific procedures, where appropriate, have been developed to provide full understanding of the means by which the first and second lines of defence will implement the strategy.

The policies also include appropriate reporting procedures to ensure that information relating to the component elements of the risk management is routinely reported to the Audit & Risk Committee and to the Board.

Risk Appetite
The Association's Risk Appetite is articulated in the statement of risk appetite, which is a document owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually

The Board bears ultimate responsibility for the management of risk and for maintaining a sound system of internal control that supports the achievement of the business strategy, policies, aims and objectives of the Association. ARCO supports the Board by providing oversight of the Risk Management Function.

Business Risk Log: Assessment, Measurement and Management
Risks to the business that could inhibit the Association achieving its business plan objectives are described in the Business Risk Log, together with the consequences should the risk materialise.

Emerging Risk Log
Risk Owners identify potential emerging risks which are then discussed at the Managers' Risk Committee meeting and included in an emerging risk log which is reviewed annually by ARCO.

Risk Rating
A rating for each risk is determined by assessing its probability and impact of the event if it occurs. The rating assists the Board with the prioritisation and management of risks and demonstrates the importance of the mitigation or controls in place.

The assessment of each risk is on the basis of Inherent Risk and Residual Risk after taking into account the strength of current risk management procedures in place.

All risks on the Business Risk Log are re-assessed on an ongoing basis and at least annually by the Managers and by ARCO and the Board. Each Risk Owner or function head continuously monitors the risks for which they are responsible.

Own Risk and Solvency Assessment ("ORSA")
The ORSA is the process used by the Association to manage its financial and solvency position over the period of its Corporate Plan and the ORSA overview report is the culmination of this process into a report reviewed by the Board. As such, it is an intrinsic part of the Association's Corporate Planning Process.

The key elements of the ORSA process are:

- An analysis of the Association's recent performance
- Assessment of the Association's risk profile
- Consideration of business planning and stress scenarios

The ORSA overview document is produced twice each year in May and October. ARCO reviews the ORSA and recommend it for approval and use by the Board. The Board reviews and approves the ORSA and considers appropriate action for the Association such as:

- Capital related decisions

- General Increase considerations
- Reassessment of risk profile and risk appetite
- Additional risk mitigating actions

The Association has set its Risk Appetite and documented this within the Risk Appetite Statement. The Board assess the adequacy of Capital against this Risk Appetite statement. To date theses assessments indicate that the Association is adequately capitalised.

Risk Controls

The Association's Risk Management Framework has been developed to manage risks across the business, using internal control policies, procedures and processes to control risks.

Whereas ultimate control for each risk rests with the Board, day-to-day control is exercised by the Risk Owners unless otherwise stated, as set out in the Business Risk Log.

The appropriateness and effectiveness of controls is monitored and confirmed by Risk Owners and, for key controls, independently assessed by the Risk Officer.

Risk Mitigation

Reinsurance

One of the key risk mitigation techniques available for the Association is reinsurance. The Association considers its whole account reinsurance options leading up to a new policy year. Proposed reinsurance arrangements are analysed by the Actuarial Function, using the internal model, the Managers' Risk Committee and the Reinsurance Group.

International Group Pool

This can be considered to be a specialised form of reinsurance. The International Group Pool allows for large insurance risks to be shared between its thirteen P&I club members. The International Group also arranges an excess of loss reinsurance programme to cover the risks at higher levels.

Other risk mitigation techniques may be utilised from time to time, for example the use of hedging instruments to mitigate the risk of swings in foreign exchange rates.

Risk Reporting Procedures

Risk Owners are required to provide six-monthly reports on the risks for which they are responsible, based on a template of questions compiled by the Risk Officer. These reports are summarised into key themes and form the basis of an annual Risk Report to the Audit & Risk Committee which is then escalated to the Board.

Any amendments to the Business Risk Log proposed by Risk Owners, such as changes to controls or risk descriptions or potential amendments to the ratings are discussed with the Audit & Risk Committee for recommendation for approval by the Board.

Risk Owners also identify operational risk loss or near miss events.

Integrated and embedded into the organisational structure and decision-making processes
The Risk Management Function is fulfilled by the Association's Risk Officer and the Managers' Risk Committee. The function maintains an organisation-wide and aggregated view of the risk profile of the Association, including monitoring risk tolerances against appetite, and advising on how risks might impact the business singly and in combination. This analysis includes stress and scenario testing.

The integration of risk management processes with business activities is performed through the requirement for business function heads, who are also risk owners, to focus on risk management on an ongoing basis whilst ensuring that the risks for which they are responsible remain within risk tolerance. This demonstrates the proactive application of risk management techniques to support the business processes and decision-making for which they are also responsible in their day-to-day insurance business activities.

B.4. Internal Control System

Internal control is defined as a continually operating process effected by the Association's Board, ARCO, the Managers, all staff and systems and designed to support the Association in achieving its business plan objectives through efficient and effective operations and to protect its resources.

Each Risk Owner, as named in the Business Risk Log, is responsible for the application of the Internal Control Framework and the design, development, implementation, documentation and maintenance of effective internal control processes in their area and reporting thereon.

Control activities
Control activities are the actions taken or systems put in place to address business risks, protect assets and ensure that all material control failures and issues are identified and managed. The control activities are embedded into plans, policies, procedures, systems and business processes. Their effectiveness relies on the level of compliance by management and staff.

Control environment
The Managers are responsible for establishing and maintaining an effective control environment throughout the organisation. In furtherance of that, there is a culture which values the highest levels of integrity in the staff, together with openness and honesty in relation to the conduct and reporting of all activities. Policies, procedures and processes are designed to define and

support effective, efficient and appropriate activities at every level of the business.

ARCO seeks assurance and provides, through the processes set out in the Compliance policy or through internal audit, assurance to the Board that the scope and quality of compliance monitoring and reporting on regulatory compliance are sufficient to ensure the effectiveness of this Policy and of the management of regulatory compliance risk. All reviews are carried out at least annually and ad hoc as circumstances require.

Internal Audit is authorised to investigate and challenge any actions or concerns without influence from the business; be independent of operational business functions and without undue influence from the Board or other functions/management; have unfettered and direct access to all activities in its area of responsibility, including all documentation, systems, staff, Management, executive and non-executive Board members; and have direct access to the Chairman of the Audit, Regulatory & Risk Committee.

Compliance function

The Board bears ultimately responsibility for Regulatory Compliance, and is supported by the Audit and Risk Committee.

The Association takes a risk-based approach to regulatory compliance, focussing on preventing breaches to regulatory principles and other rules and informing the relevant regulators of any that are material, or must be reported to regulators on a mandatory basis.

The Compliance Function advises on and promotes compliance with applicable laws, regulatory requirements and administrative provisions and coordinates and monitors implementation of policies, processes and procedures to achieve compliance across the business, and manages regulatory compliance risk.

Regulatory developments are monitored for impact on the Association by the Compliance function. Breaches and associated remedial action are posted to the Operational Risk Database.

B.5. Internal Audit Function

Internal Audit is the “third line of defence” in the Association’s internal control framework, established to provide independent assurance that the systems of internal control established by management (“first line”) and the monitoring and oversight provided by the Risk Management and Compliance Functions (“second line”) are fit for purpose and operating effectively.

The objectives of the Internal Audit Function are to provide independent assurance that business risks are identified and are being well managed and controlled by effective systems of internal control.

The Internal Audit function of the Association is provided by the Managers who employ an independent Head of Internal Audit (HIA) who in turn reports to the Chair of ARCO. The HIA may engage third parties to conduct some Audits under his/her management if it is felt that specific technical skills are required or where insufficient general audit resource is available.

Independence
The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas. It is not authorised to carry out any operational work on behalf of any area of any business. The Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee.

B.6. Actuarial Function

The Association's Board is ultimately responsible for ensuring an effective Actuarial Function. This function is performed by the TM Actuarial Team, led by its Chief Actuary.

The Actuarial Function is independent of the Association's management team and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function is integrated into the Association's internal control system through its role on the Managers' committees and attendance at Board meetings.

The Actuarial Function makes a significant contribution to the Association's Risk Management Framework by operating its capital model and running the ORSA process and related decisions.

B.7. Outsourcing

The Association has in place an outsourcing policy which is directed at services or activities which are particularly important or critical to the Association's business (material business activities).

A material business activity is one that has the potential, if disrupted, to have a significant impact on the Association's business operations or its ability to manage risks effectively.

Management outsourcing
The Association has no internal executive function and its management is wholly outsourced to the Managers under management agreements.

In order to comply with its regulatory obligations, the Board has developed monitoring and reporting procedures and has delegated to ARCO to monitor internal controls and risk. The risk control and reporting procedures to be followed by the Managers form part of their obligations under the management agreement. The Committee reports to the Board.

Investment management outsourcing
Management of the Association's investments is outsourced to Thomas Miller Investment Limited, part of Thomas Miller, under investment management agreements.

The performance of the investment managers is monitored and supervised by the Board and the Investment Committee.

Internal audit outsourcing
The Association's internal audit function is outsourced to Thomas Miller Internal Audit. Internal Audit is supervised by the Audit and Risk Committee and the Board.

Oversight
The Board bears ultimate responsibility for outsourced functions, services, or activities and related governance. The Board are supported by the Audit and Risk Committee which review outsourcing arrangements and the TM P&I(E) Board which monitors the activities of the Association, including outsourcing.

B.8. Any Other Information

The Association considers no other information material to be disclosed.

C. Risk Profile

The key areas of risk impacting the Association can be classified as follows:

1. Insurance risk – incorporating underwriting and reserving risk
2. Market risk – incorporating investment risk, interest rate risk and currency rate risk
3. Credit risk – being the risk that a counterparty is unable to pay amounts in full when due
4. Liquidity risk – being the risk that cash may not be available to pay obligations as they fall due
5. Operational risk – being the risk of failure of internal processes or controls.

The Board has established its appetite for risk in relation to its business strategy and available resources. The Board seeks to maximise their resources by effective risk management techniques. Therefore a risk management system has been developed to identify and mitigate risk.

As part of the risk management system, the Board has developed an internal model to cover underwriting risk. The model is tailored specifically to the underwriting risk accepted by the Association and therefore provides the Board with the expected outcome of a given scenario.

This allows the Board to consider more accurately the effectiveness and efficiency of risk mitigation techniques such as reinsurance. The model is designed to encompass the full spectrum of underwriting risks to which the Association is exposed.

C.1. Underwriting Risk

The Association is a mono-line insurer, underwriting only protection and indemnity insurance for the shipping community.

Underwriting risk is the risk that the Association's net insurance obligations (i.e. claims less premiums) are different to expectations. The Association considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed by the Association's reserving policy. The Association establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by management and ARCO.

The Board considers that the liability for insurance claims recognised in the consolidated statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Premium risk is managed by an underwriting policy which establishes robust underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach undertaken as part of the Association’s ORSA process.

The underwriting process is based on a thorough understanding of the risk accepted. This understanding is enhanced as:

- The Association is a mono line insurer and has provided broadly the same cover for many years.
- The Board and Members Committee of the Association include representatives from a full cross section of the shipping community so giving insight into changes in the risk accepted by the Association over time.
- Underwriting authority is delegated to specific individuals who operate under set underwriting parameters and the ongoing guidance and review of senior management.

Underwriting Risk is mitigated via the Association’s reinsurance programme. The programme comprises excess of loss reinsurance cover purchased jointly with other members of the International Group, the International Group Pooling agreement and reinsurance to claims within the claims retained by the Association within the Pool deductible.

The excess of loss reinsurance cover purchased jointly with other members of the International Group provides cover for claims arising from mutual business which exceed $100 million up to a limit of $3.1 billion.

The International Group Pooling agreement provides a sharing of claims costs between thirteen member Clubs. The share attributable to each member is calculated for each policy year on an agreed formula including an adjustment for each Club’s historic loss record on the Pool.

In addition to the reinsurance purchased externally, the primary insurer, UK(E) reinsures 90% of its residual risks to its parent company, UK(B). In addition, part of the International Group Pool is reinsured to a captive reinsurance vehicle, Hydra. The Association has its own segregated cell within Hydra which transacts only with the Association. Hydra also accepts a proportion of the risk covered by the joint reinsurance contract for claims above $30 million.

C.2. Market Risk

Market risk arises through fluctuations in market valuations, interest rates, corporate bond spreads and foreign currency exchange rates. Such movements will affect not only the Association’s investments, but also the value of other assets and liabilities such as premium income, claims payments and reinsurance recoveries.

The Association has an investment policy in place to manage exposure to its investments, and this is monitored by regular reports from the investment managers. Further discussion of this arrangement is provided below under the “prudent person principle”.

The prudent person principle

Under the Association’s investment policy, all of the Association’s investments are invested and managed in accordance with the ‘prudent person principle’, meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically the portfolio:

- is invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- ensures the security, quality and liquidity of the portfolio as a whole.
- Is appropriate to the nature, currency and duration of the Association’s insurance liabilities.
- Includes derivative instruments only where they contribute to a reduction of risks or efficient portfolio management;
- Includes only a prudent level of unlisted investments and assets;
- is diversified to avoid excessive reliance on any asset, issuer or group, or geographical area

The Association’s funds are invested by the Investment Managers in accordance with parameters set by an Investment Mandate. The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the Association’s investment assets in conformity with the business and investment objectives and sets the parameters within which the Association’s assets may be invested. It is considered and approved by the Board on an annual basis and ad hoc as required and is subject to the Association’s Investment Policy. The Investment Managers report to the Board at each meeting.

The following table sets out the Association's exposure to assets by currency as at 20th February 2017. In this table mutual funds hold fixed interest securities:

Amounts in US$000s	US Dollar	Sterling	Euro	Other	Total
Debt securities	105,082	25,936	17,955	0	**148,973**
Mutual funds	46,919	0	0	0	**46,919**
UCITS	1,376	174	-	-	**1,550**
Derivative financial instruments	-	-	-		**-**
Cash balances	33,674	1,896	2,980	1,204	**39,754**
Amounts due from Member	79,100	208	390	-	**79,698**
Reinsurers' share of outstanding claims	848,777	-	-	-	**848,777**
Accrued interest	-	-	-	-	**-**
Sundry debtors	13,862	8,619	0	0	**22,481**
Gross outstanding claims	(705,599)	(104,041)	(70,988)	(43,909)	**(924,537)**
Other liabilities	(90,574)	-	-	-	**(90,574)**
	332,617	**(67,208)**	**(49,663)**	**(42,705)**	**173,041**

C.3. Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The Association's objective is to reduce credit risk through the risk management techniques discussed below.

The Association is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties on a regular basis, the Reinsurance committee monitors aggregate exposure to each reinsurer and the Association has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made.

Amounts due from members represents premium owing to the Association in respect of insurance business written. The Association manages the risk of member default through a screening process to ensure the quality of new entrants to the Association and the ability to cancel cover and outstanding claims to members that fail to settle amounts payable. The Association limits its reliance on any single member.

Exposure to bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

The following table shows the Association's assets by counterparty rating as at 20 February 2017. In this table mutual funds hold fixed interest securities:

Amounts in US$000s	AAA	AA	A	Not readily available/ not rated	Total
Debt securities	-	102,286	-	46,687	**148,973**
Mutual funds	-	46,919	-	-	**46,919**
UCITS	1,550	-	-	-	**1,550**
Derivative financial instruments	-	-	-	-	**-**
Cash balances	-	-	39,754	-	**39,754**
Amounts due from Member	-	-	-	79,698	**79,698**
Amounts due from group pooling arrangement	-	-	21,708	7,974	**29,682**
Amounts due from reinsurers	-	31,626	778,908	8,561	**819,095**
Accrued interest	-	-	-	-	**-**
Sundry debtors	-	-	-	22,481	**22,481**
Total of assets subject to credit risk	**1,550**	**180,831**	**840,370**	**165,401**	**1,188,152**

C.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Association has adopted an investment policy which requires the maintenance of significant holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short term cash needs are monitored to ensure the most efficient investment of cash balances.

The following table outlines the future maturity of assets held by the Association. In this table mutual funds hold fixed interest securities:

Amounts in US$000s	Short term assets	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Debt securities	-	-	-	64,046	84,927	**148,973**
Mutual funds	-	-	-	-	46,919	**46,919**
UCITS	1,550	-	-	-	-	**1,550**
Derivative financial instruments	-	-	-	-	-	**-**
Cash balances	39,754	-	-	-	-	**39,754**
Amounts due from Member	1,152	78,546	-	-	-	**79,698**
Accrued interest	-	-	-	-	-	**-**
Sundry debtors	-	22,481	-	-	-	**22,481**
Reinsurers share of outstanding claims	-	275,014	141,412	210,048	222,303	**848,777**
Total assets	**42,256**	**376,041**	**141,412**	**274,094**	**354,149**	**1,188,152**

As further disclosed in appendix S.23.01.01, expected profit in future premium is estimated to be $33.6 million. However, it should be noted that the Solvency 2 balance sheet does not reflect all future expense cash flows and the actual expected profit over the year is expected to be lower than this.

C.5. Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In order to mitigate such risks the Club has engaged managers to document all key processes and controls in a procedural manual. This manual is embedded into the organisation and available to all staff.

Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by ARCO. A human resource manual and including all key policies have also been documented.

The Managers are protected against loss through errors and omissions through the purchase of insurance cover. The Association therefore benefits indirectly from this cover.

C.6. Other Material Risks

The Association has not identified any other material risks that it considers necessary for disclosure.

C.7. Any Other Information

Stress and Scenario testing

Stress and scenario tests are presented within the Association's ORSA overview document and are assessed at a group level. These are based upon the business plan and projects the Association's financials over the next four years and considers its solvency position relative to its overall risk appetite statement. The Association's ORSA include the following scenarios:

- Weak economic growth
- High claims experience
- Cyber risk
- Negative interest rates

The scenario testing results show that the Group is most vulnerable to high claims experience. However the Association benefits from significant reinsurance cover and is expected to continue to meet its Solvency 2 requirements in all scenarios.

D. Valuation for Solvency Purposes

D.1. Assets

Valuation of the Association's assets as at 20 February 2017

	Solvency II $000s	IFRS $000s
Investments	199,905	199,905
Reinsurance share of technical provisions	829,941	848,777
Insurance and reinsurance receivables	6,411	81,950
Receivables (trade, not insurance)	8,312	8,207
Cash and cash equivalents	37,293	37,293
Any other assets not elsewhere shown	13,273	13,273
	1,095,135	1,189,405

The above table presents amounts at Solvency 2 and IFRS valuation bases respectively. For classification purposes an aggregated Solvency 2 classification of amounts has been used in order to best demonstrate any valuation differences between the two bases.

Refer to appendix S.02.01.02 for a full Solvency II balance sheet.

The Association's assets are valued using the following principles:

Investments

Investments are carried at market value. Market value is calculated using the bid price at the close of business on the balance sheet date. The market value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Reinsurance share of technical provisions
Reinsurance share of technical provisions is valued consistent with gross technical provisions. Refer to D.2. for further details.

Cash and cash equivalents
Cash and cash equivalents include cash at bank or in hand. The carrying value of these balances is considered to be a suitable proxy for fair value.

Insurance and reinsurance receivables
These represent balances that are due for existing insurance and reinsurance contracts. Due to the short term nature of these balances, the carrying amount is considered to be a suitable proxy for its fair value.

When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Receivables (trade, not insurance)
This balance includes sundry, short term receivable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Any other assets not elsewhere shown
These represent all asset balances not included above. These items are all of a short-term nature, and as such their carrying amounts are considered to be a suitable proxy for its fair values. There are no material differences between the valuation used for Solvency purposes and the valuation used in the Association's financial statements.

D.2.Technical Provisions

Net technical provisions as at 20 February 2017

	2017 $000s
Gross best estimate	862,810
Risk Margin	23,624
Reinsurance best estimate	(829,941)
Net technical provisions	56,493

Refer to QRTs S.17.01.02 and S.19.01.21 in the appendices for further details on technical provisions.

Technical provisions
This relates to the Association's insurance liabilities, which all fall under the "marine, aviation and transport" line of business under Solvency II. As well as claims arising from the Association's own members, the Association also participates in the International Group of P&I Clubs and so shares claim amounts above a certain level with other participating P&I clubs.

Solvency II requires the technical provisions to be calculated as the sum of a best estimate and a risk margin. The best estimate is valued as the probability-weighted average of future cash flows, taking account of the time value of money, and the risk margin is calculated on a cost-of-capital basis. In addition, for the best estimate, there are three elements to consider: claims, premiums and expenses.

The calculation of the different elements of the technical provisions is discussed below.

Claims
The claims element of the best estimate is calculated using the Association's internal model. This covers both the claims outstanding provision and the premium provision. In particular, as the scope of the internal model covers Reserve Risk and Premium Risk and virtually all of the new policy year's insurance business is bound prior to the valuation date, the means of the probability distribution forecasts for Reserve Risk and Premium Risk (gross of reinsurance recoverables) can be used for the provision for claims outstanding and the premium provision respectively.

The parameterisation of the internal model is updated each year to allow for:

- the claims reserves held in the Association's financial statements;
- changes to the Association's reinsurance arrangements; and
- the Association's business plan over the next year.

Premiums
The premiums element of the best estimate covers (i) the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the provision for claims outstanding); and (ii) the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).
Nearly all of the Association's policies are coterminous with its financial year. As such, the renewal is completed and therefore bound before the Association's financial year end. The consequence is that nearly a full year's worth of business is recognised as bound but not incepted business.

Expenses
When calculating the best estimate, a provision is made for all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. The provision is calculated directly in respect of the provision for claims outstanding (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted business).

Risk margin
The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a cost-of-capital rate of 6% per annum. The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero. The SCRs in future time periods have been assumed to be directly proportional to the best estimate claims liabilities net of reinsurance recoverables at those points in time.

Reinsurance recoverables
This relates to the Association's expected recoverables from its reinsurance arrangements at the valuation date. It is made up of two elements: reinsurance payments and reinsurance premiums. These are valued on a consistent basis with the corresponding claims and premiums elements of the technical provisions. In addition, an adjustment is made to take account of expected losses due to default of the reinsurance counterparties.

Differences between GAAP and Solvency II technical provisions
A reconciliation of UK GAAP technical provisions to Solvency II technical provisions is provided below:

	Note	Gross $000s	RI $000s	Net $000s
IFRS technical provisions		**924,537**	**848,777**	**75,760**
Adjustments to best estimate valuation basis	1	25,507	31,604	(6,097)
Reallocations	2	(75,388)	(67,087)	(8,301)
Adjustment to expense reserve	3	11,829	10,646	1,183
Provision for contracts bound but not incepted	4	36,127	71,423	(35,296)
Reinsurance counterparty default adjustment	5	-	(8,875)	8,875
Effects of discounting	6	(59,802)	(56,547)	(3,255)
Solvency II technical provisions before risk margin		**862,810**	**829,941**	**32,869**
Risk Margin	1	**23,624**	**-**	**23,624**
Total Solvency II technical provisions		**886,434**	**829,941**	**56,493**

Notes

1. Adjustments to best estimate valuation basis

Since the Solvency II technical provisions figure is a true best estimate, the IFRS technical provisions are adjusted for the following items:

- All margins for prudence are removed
- A provision is made for events not in data ("ENID") to represent a true average of future outcomes
- Technical provisions are stated both gross and net of reinsurance
- An additional Solvency II risk margin which is intended to represent a notional market value adjustment.

2. Reallocations

This is based on the elimination of unearned premium and reallocation of various amounts from the IFRS balance sheet to Solvency II technical provisions.

The Solvency II balance sheet contains no concept of deference of premium, and as such any such balances are eliminated upon transition to the Solvency II balance sheet.

Furthermore under Solvency II valuation methodologies, all future cash flows are included in the calculation of technical provisions. More specifically, any amount not yet due shall be included as a future cash inflow under the calculation of Solvency II technical provisions. As a result, these amounts are reallocated from the accounting balance sheet to technical provisions on the Solvency II balance sheet.

3. Adjustment to expense reserve

Unlike IFRS, Solvency II recognises all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. As such, an adjustment is made.

4. Provision for contracts bound but not incepted
Solvency II valuation methodology requires contracts to be recognised when the insurer becomes party to the insurance contract. Usually, an undertaking becomes a party of the contract when the contract between undertaking and policyholder is legally formalised.

Nearly all of the Association's policies are coterminous with its financial year. The consequence is that nearly a full year's worth of business is recognised as Bound But Not Incepted ("BBNI") business. A provision on the Solvency II balance sheet, known as the "premium provision", is thus made for future premiums, claims and expenses that relate to BBNI business.

5. Reinsurance counterparty default adjustment
For the Solvency II balance sheet, amounts recoverable from reinsurance counterparties must be adjusted for the expected losses due to counterparty default. This adjustment approximates the expected present value of the losses in the event of default, weighted by the probability of default for each counterparty. Under current accounting bases a provision for bad debts is only made where there is objective evidence that counterparty may default on its obligation.

6. Effects of discounting
Since Solvency II technical provisions take into account the time value of money, an adjustment is made for the discounting of all future cash flows, based on risk-free interest rates. This includes an adjustment for items previously discounted at rates other than the risk-free rate.

D.3. Other liabilities

Valuation of the Associations other liabilities as at 20 February 2017

	Solvency II $000s	IFRS $000s
Technical provisions	**886,434**	**924,537**
Insurance & intermediaries payables	**14,283**	**14,283**
Reinsurance payables	**2,004**	**11,582**
Payables, trade not insurance	**4,074**	**4,074**
Any other liabilities , not elsewhere shown	**4,100**	**61,887**
	910,895	**1,016,363**

The above table presents amounts at Solvency 2 and IFRS valuation bases respectively. For classification purposes an aggregated Solvency 2 classification of amounts has been used in order to best demonstrate any valuation differences between the two bases.

The Association's other liabilities are valued using the following principles:

Technical provisions
The valuation principles of technical provisions are further detailed in D.2.

Reinsurance payables
These represent balances that are due to be paid for existing reinsurance contracts.

When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Payables (trade, not insurance)
This balance includes sundry, short term payable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered to be a suitable proxy for its fair value.

Any other liabilities not elsewhere shown
Under statutory accounting requirements, these balances include intercompany payables under the Quota Share Reinsurance arrangement, however when not yet due, these amounts are included as a future cash flow in the calculation of reinsurance technical provisions under Solvency II requirements.

All other amounts comprise balances not included in liabilities above. Due to its short-term nature, the carrying amount is considered a suitable proxy for its fair value.

D.4. Alternative methods of valuation

The Association does not utilise any alternative methods of valuation.

D.5. Any other information

The Association has not identified any other information that it considers material to be disclosed.

E. Capital Management

E.1 Own funds

	2017
	$000s
SCR ratio	188.71%
SCR	118,407
Eligible capital	223,441
Excess / (shortfall)	105,034
MCR Ratio	622.40%
MCR	29,602
Eligible capital	184,241
Excess / (shortfall)	154,639
Tier 1 Basic own funds	184,241
Tier 2 ancillary own funds	39,200

As a mutual insurer with no share capital the Association's capital structure consists of two types of own funds:

1. Accumulated income and expenditure account reserve and reconciliation reserve, which falls under Tier 1 and counts as Basic Own Funds (BOF). These funds may be fully utilised to meet both the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR").

2. The Association's Rules allow for unlimited additional calls to be made on Members. When received such calls (known as supplementary calls) would become Tier 1 loss absorbent BOF and therefore count as Tier 2 Ancillary Own Funds for regulatory solvency purposes.

   The PRA has granted an approval for a method of calculation of ancillary own funds ("AOF") to the Association. The method, which results in AOFs of $39.2 million has been approved for a period of 4 years.

   Under the Solvency II regulations, up to 50% of the SCR may be covered by these funds. This amounted to $39.2 million of tier 2 ancillary own funds being eligible towards SCR coverage.

   As far as possible, the Association seeks to provide certainty over the insurance costs borne by Members and therefore would only make a supplementary call in extreme circumstances. These circumstances might include, but are not limited to, being unable to meet its regulatory capital requirements or other internal or external capital measures.

   No items have been deducted from own funds and there are no significant restrictions affecting the availability and transferability of own funds.

Information, objectives, policies and processes for managing own funds

The Association's objective under its Corporate Plan is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. The Association forecasts its capital over a 3 year planning horizon as part of its ORSA process.

Material differences between equity as shown in the financial statements and the excess of assets over liabilities

The table below provides a reconciliation of the capital reported within the Financial Statements to that within the Solvency II balance sheet.

	2017 $000s
Financial Statements	**173,041**
Solvency II gross technical provisions adjustment	38,067
Of which reallocations from IFRS balance sheet	(75,434)
Solvency II RI technical provisions adjustment	(18,800)
Of which reallocations from IFRS balance sheet	67,367
Total Solvency II basic own funds	**184,241**

The most material adjustment to reserves is as a result of the differences in valuation of technical provisions. Refer to D.1 to D.3 for a discussion of the differences between the bases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

Below table summarises the capital requirements for the current period. Further details can be found in appendices S.25.02.21 and S.28.01.01

	2017 **$000s**
SCR	**118,407**
Made up of	
Operational risk	**25,884**
Market risk	**20,996**
Underwriting & reserving risk	**12,329**
Counterparty default risk	**77,853**
Diversification effects	**(18,655)**
MCR	**29,602**

The SCR has been calculated using the Association's partial internal model and the standard formula as described in section E4 below.

The inputs into the MCR are gross net premium ($73.0 million) and net technical provisions ($32.9 million) as further detailed in appendix S.28.01.01.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This sub-module is not used by the Association.

E.4 Differences between the standard formula and any internal model used

The Club has an internal model which it uses for all key decisions as part of its ORSA process. It also has approval from the regulator to use this model to calculate its SCR under Solvency II as described below.

Internal Model Scope

The standard formula is made up of four broad risk categories: underwriting risk (which includes premium risk and reserve risk), counterparty default risk, market risk and operational risk. Most of these risk categories are thought to be broadly appropriate for the Club on the grounds that the Club's exposure to these risks should not be materially different to that of a typical insurer that the standard formula was designed for.

However, as a P&I insurer, the Club's risk profile for underwriting risk is very different to that of typical insurers in the marine, aviation and transport insurance line of business. Consequently, it is inadequately reflected by the standard formula. This is exacerbated by the fact that the standard formula does not adequately reflect the Club's reinsurance structure.

Accordingly, the Club has elected to use a partial internal model to replace the underwriting risk module of the standard formula SCR. All other risk modules within the SCR are calculated according to the standard formula. The improvements to the calculation of underwriting risk module mean that the resulting partial internal model SCR better reflects the Club's risk profile compared to the standard formula SCR.

Partial Internal Model – Underwriting Risk modelling approach

A high-level summary of the Association's partial internal model and the modelling techniques used are outlined below.

- The Association's Partial Internal Model of underwriting risk is a stochastic model built using industry standard software. It is consistent with the risk measures (1-in-200 value at risk) and time period (1 year) adopted by the standard formula.

- Premium Risk – Claims are modelled separately for the key lines of business (Chartered, Owned, Pool and Non-Poolable risks). For each of these lines, claims are modelled by frequency and severity for attritional and large claims separately.
- Reserve Risk – Claims are modelled separately for the Association's key reserving classes (Chartered, Owned (including Non-Poolable), Pool and Occupational Disease). Due to the complexities of these risks and associated reinsurance structures, standard industry methodologies (e.g. chain ladder bootstraps) are not always valid. The Club therefore uses different approaches for modelling each of these risk classes including; an in-house developed individual claims development methodology; modified chain ladder bootstraps; and scenario based approaches.

The nature and appropriateness of the data used in the internal model

The key data sources used in the model are:

- The historical exposure and claims history of the Chartered, Owned and Non-Poolable classes.
- The historical exposure and claims history of the Pool class, which is collected from all members of the International Group and collated within the International Group Data Collection Portal (DCP).

As part of the Club's Solvency II implementation project a significant level of work was undertaken in order to validate and document these data items. Various checks and controls are now carried out as part of business as usual activity, which ensure that the data continues to meet Solvency II standards in relation to completeness, accuracy and appropriateness. In addition to these ongoing controls, the key data elements used for reserving (and the Club's Internal Model) are reviewed against Solvency II standards as part of the annual Actuarial Function Data Opinion.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Association has fully complied with the SCR and MCR requirements during the period under review.

Refer to section E1 for results of the SCR / MCR Calculations

E.6 Any other information

The Association considers no other information material that should be disclosed.

THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (EUROPE) LIMITED

Solvency and Financial Condition Report

Disclosures

20 February

2017

(Monetary amounts in USD thousands)

General information

Undertaking name	UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (EUROPE) LIMITED
Undertaking identification code	213800QWNPYB4MEE1U70
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2017
Currency used for reporting	USD
Accounting standards	The undertaking is using IFRS
Method of Calculation of the SCR	Partial internal model
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.25.02.21 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	199,905
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	197,605
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	2,300
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	829,941
R0280	*Non-life and health similar to non-life*	829,941
R0290	*Non-life excluding health*	829,941
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,159
R0370	Reinsurance receivables	2,251
R0380	Receivables (trade, not insurance)	8,312
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	37,294
R0420	Any other assets, not elsewhere shown	13,273
R0500	**Total assets**	1,095,135

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	886,434
R0520	*Technical provisions - non-life (excluding health)*	886,434
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	862,810
R0550	*Risk margin*	23,624
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)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	5
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	14,283
R0830	Reinsurance payables	2,004
R0840	Payables (trade, not insurance)	4,074
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	4,095
R0900	**Total liabilities**	910,894
R1000	**Excess of assets over liabilities**	184,241

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						376,220											376,220
R0120	Gross - Proportional reinsurance accepted						0											0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						303,210											303,210
R0200	Net						73,010											73,010
	Premiums earned																	
R0210	Gross - Direct Business						376,170											376,170
R0220	Gross - Proportional reinsurance accepted						0											0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						303,240											303,240
R0300	Net						72,930											72,930
	Claims incurred																	
R0310	Gross - Direct Business						189,382											189,382
R0320	Gross - Proportional reinsurance accepted						0											0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						169,483											169,483
R0400	Net						19,899											19,899
	Changes in other technical provisions																	
R0410	Gross - Direct Business						0											0
R0420	Gross - Proportional reinsurance accepted						0											0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share						0											0
R0500	Net						0											0
R0550	**Expenses incurred**						46,038											46,038
R1200	**Other expenses**																	7,165
R1300	**Total expenses**																	53,204

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			US	GR	JP	DE	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	12,308	76,515	67,884	50,471	29,942	21,529	258,649
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	9,919	61,667	54,711	40,676	24,131	17,351	208,455
R0200	Net	2,388	14,849	13,174	9,794	5,811	4,178	50,194
	Premiums earned							
R0210	Gross - Direct Business	12,308	76,515	67,884	50,471	29,942	21,529	258,649
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	9,919	61,667	54,711	40,676	24,131	17,351	208,455
R0300	Net	2,388	14,849	13,174	9,794	5,811	4,178	50,194
	Claims incurred							
R0310	Gross - Direct Business	9,131	38,118	85,270	27,815	32,824	11,120	204,278
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	8,172	34,113	76,310	24,892	29,375	9,951	182,814
R0400	Net	959	4,005	8,959	2,923	3,449	1,168	21,464
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,506	9,363	8,307	6,176	3,664	2,635	31,651
R1200	**Other expenses**							4,926
R1300	**Total expenses**							36,577

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0											0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						21,939											21,939
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						55,578											55,578
R0150	**Net Best Estimate of Premium Provisions**						-33,640											-33,640
	Claims provisions																	
R0160	Gross						840,872											840,872
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						774,362											774,362
R0250	**Net Best Estimate of Claims Provisions**						66,509											66,509
R0260	**Total best estimate - gross**						862,810											862,810
R0270	**Total best estimate - net**						32,869											32,869
R0280	**Risk margin**						23,624											23,624
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						886,434											886,434
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						829,941											829,941
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						56,493											56,493

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 **Accident year / underwriting year** Underwriting Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											6,774	6,774	6,774
R0160	N-9	52,046	99,336	66,303	46,556	28,160	15,005	9,878	6,153	-143	3,409		3,409	326,704
R0170	N-8	41,821	74,107	48,821	31,290	20,222	9,970	7,114	5,778	7,207			7,207	246,330
R0180	N-7	50,986	70,739	44,024	31,998	26,082	8,965	10,938	6,381				6,381	250,112
R0190	N-6	37,909	83,167	59,072	18,682	21,783	11,077	19,719					19,719	251,408
R0200	N-5	35,469	68,764	43,719	27,846	4,894	6,548						6,548	187,240
R0210	N-4	47,296	71,896	55,146	30,024	12,430							12,430	216,791
R0220	N-3	53,495	96,301	69,396	30,495								30,495	249,687
R0230	N-2	50,993	57,445	29,617									29,617	138,055
R0240	N-1	27,886	56,481										56,481	84,367
R0250	N	45,546											45,546	45,546
R0260												**Total**	224,607	2,003,014

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											168,397	141,706
R0160	N-9	0	0	0	0	0	0	0	0	0	22,747		20,109
R0170	N-8	0	0	0	0	0	0	0	0	10,178			9,383
R0180	N-7	0	0	0	0	0	0	0	27,272				24,575
R0190	N-6	0	0	0	0	0	0	41,019					37,481
R0200	N-5	0	0	0	0	0	43,659						39,778
R0210	N-4	0	0	0	0	43,601							40,668
R0220	N-3	0	0	0	97,365								90,443
R0230	N-2	0	0	76,276									72,212
R0240	N-1	0	199,320										188,368
R0250	N	221,180											210,691
R0260												**Total**	875,414

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	173,042	173,042			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	11,199	11,199			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	184,241	184,241	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	39,200			39,200	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	39,200			39,200	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	223,441	184,241	0	39,200	0
R0510	Total available own funds to meet the MCR	184,241	184,241	0	0	
R0540	Total eligible own funds to meet the SCR	223,441	184,241	0	39,200	0
R0550	Total eligible own funds to meet the MCR	184,241	184,241	0	0	
R0580	**SCR**	118,407				
R0600	**MCR**	29,602				
R0620	**Ratio of Eligible own funds to SCR**	188.71%				
R0640	**Ratio of Eligible own funds to MCR**	622.40%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	184,241
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	173,042
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	11,199
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	33,640
R0790	**Total Expected profits included in future premiums (EPIFP)**	33,640

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0080	C0090
1	1	Market Risk	20,996			
2	2	Counterparty Default Risk	77,853			
3	5	Non-Life underwriting Risk	12,329	12,329		
4	7	Operational Risk	25,884			

S.25.02.21

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	137,063
R0060	Diversification	-18,655
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	118,407
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	118,407
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	13,607

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	32,869	73,010
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	13,607
R0310	SCR	118,407
R0320	MCR cap	53,283
R0330	MCR floor	29,602
R0340	Combined MCR	29,602
R0350	Absolute floor of the MCR	2,737
R0400	**Minimum Capital Requirement**	29,602