# THE NORTH OF ENGLAND PROTECTING AND INDEMNITY ASSOCIATION LIMITED

## North Solo Solvency and Financial Condition Report 2017

Registered in the U.K. : Limited by Guarantee

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**Approval by the Board of Directors**

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report ("SFCR") in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

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

On behalf of the Board of Directors

AA Wilson
Joint Managing Director

Date:
26/06/2017

**Report of the external independent auditor to the Directors of The North of England Protecting and Indemnity Association Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms**

Except as stated below, we have audited the following documents prepared by The North of England Protecting and Indemnity Association Limited as at 20th February 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of The North of England Protecting and Indemnity Association Limited as at 20th February 2017, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, 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:

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

- Company templates S05.01.02, S05.02.01, S19.01.21;

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

**Respective responsibilities of directors and auditor**

As explained more fully in the Responsibility Statement, 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.

Our responsibility is to audit, and express an opinion on, the Relevant Elements of the Solvency and Financial Condition Report in accordance with applicable law and International Standards on Auditing (UK and Ireland) together with ISA (UK) 800 and ISA (UK) 805. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the Relevant Elements of the Solvency and Financial Condition Report**

A description of the scope of an audit is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on the Relevant Elements of the Solvency and Financial Condition Report**

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of The North of England Protecting and Indemnity Association Limited as at 20th 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.

**Emphasis of Matter - Basis of Accounting**

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' 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 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 these matters.

**Matters on which we are required to report by exception**

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The North of England Protecting and Indemnity Association 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.

**The purpose of our audit work and to whom we owe our responsibilities**

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

KPMG LLP

**KPMG LLP**
Chartered Accountants
Quayside House, 110 Quayside
Newcastle upon Tyne
NE1 3DX

Date: 26/06/2017

- The maintenance and integrity of The North of England Protecting and Indemnity Association Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

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

**Solo standard formula**

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

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

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

**Executive Summary**

This is the first Solvency Financial Condition Report (“SFCR”) for North of England Protecting & Indemnity Association Ltd (“North or the company”), based on the financial position as at 20 February 2017.

Regulatory Requirement

The company’s headquarters are in the United Kingdom. Within the United Kingdom, the company is authorised by the Prudential Regulation Authority (PRA) and dual regulated by the PRA and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA’s general objective is to promote the safety and soundness of the firms it regulates and is the company’s lead regulator. The FCA is the company’s conduct regulator.

North is required to produce a Solvency & Financial Condition Report (SFCR) by the PRA Rulebook, SII Firms/Reporting/Parts 3 to 6.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pra

www.fca.org.uk

The company’s external auditor is

KPMG LLP
Quayside House
110 the Quayside
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NE1 3DX

Policy

The company is required by Part 6.1 of the Reporting Rules to have appropriate systems and structures in place to fulfil the requirements for the SFCR and a written policy in place to ensure the appropriateness of the information enclosed.

The company maintains a Group Reporting and Public Disclosure Policy which captures the SFCR. This is reviewed annually and was last approved in May 2017.

Review of 2016/17

2016 was another positive year for North which concluded in a successful renewal with overwhelming support from our Members. The surplus after tax was US$23.9 million. Combined with other comprehensive income items, primarily movements on the company's defined benefit pension scheme, there was a moderate deficit of total comprehensive income of US$1.7 million.

Claims experience remained at a relatively stable level, although due to a number of larger claims in the second half of the year, not as positive as the previous policy year. At 20 February 2017 there were 34 claims recorded with incurred values in excess of US$1.0 million on the 2016 policy year compared to 19 at 20 February 2016 on the 2015 policy year. The number and value of Pool claims in 2016 was at a low point compared to past experience.

During the year North took the decision to return 5% of mutual premium to Members for the 2016 policy year in recognition of the continuing difficult trading conditions facing many areas of the shipping industry. The Company's pension scheme deficit suffered a further impairment following a fall in UK corporate bond yields triggered by post-Brexit uncertainty in the UK. The cumulative impact of these items was a US$42.5 million charge to total comprehensive income.

The North of England Mutual Insurance Association (Bermuda) Limited ("NEMIA")

This SFCR has been prepared in accordance with Solvency II requirements and as a result NEMIA, of which the members of the Company are also members, is included as a reinsurer in the information provided in this document. This document provides information about the results and the financial position on a company basis rather than the combined basis with which Members will be familiar.

## A Business and Performance (Unaudited)

### A.1 Business

#### Principal Activities

The principal activities of the company are the insurance and reinsurance of marine Protecting & Indemnity ("P&I"), Freight, Demurrage & Defence ("FD&D") and War Risks on behalf of Members. North operates from its head office in Newcastle upon Tyne but also has branch offices in Greece, Hong Kong, Singapore and Japan. During the year North opened a claims consultancy subsidiary in China.

#### Strategy

North's mission statement is to be "A world leading marine insurance group, providing the highest quality of cost-effective service". The Directors have developed a series of strategic objectives which are expected to deliver the desired mission outcome. The objectives are as follows:

- To enhance the financial strength and stability of the North Group and to ensure that it is financially well placed among the leading P&I clubs
- To provide the highest level of personable, professional and cost effective service to all North Group Members and Clients
- To maintain market share
- To maintain a diversified portfolio for its mutual business to avoid a concentration of risk
- To develop fixed premium business to bring diversification benefits
- To explore M&A and JV opportunities
- To have a talented and engaged workforce

Key Performance Indicators ("KPI's") have been identified against which the management report to the Board on a regular basis. The primary KPI's are:

- To maintain an S&P A rating
- Operate with a satisfactory combined ratio
- Operate fixed premium business profitably
- Maintain capital available of at least 120% of the Solvency capital requirement
- No members or clients lost as a result of service levels

#### Business Performance

North's key financial and other performance indicators were as follows

| | 2017 | 2016 |
|---|---|---|
| Gross written premiums | US$341.5M | US$390.7M |
| Surplus after tax | US$23.9M | US$45.7M |
| Revaluation of defined benefit pension scheme | US$(25.6)M | US$9.5M |
| Free reserves (total accumulated surplus) | US$177.9M | US$179.6M |
| Average number of employees | 286 | 290 |

A.2 Underwriting performance

North underwrites primarily P&I insurance for commercial Ocean going shipping. The shipping market composite freight rate index shows that most market segments are currently struggling with excessive supply. In this environment there is significant pressure on costs and accordingly pricing pressure in the P&I market is significant. The relatively benign claims environment and difficult freight markets coupled with the generally strong financial condition of all Clubs resulted in all Clubs announcing zero general increases for the 2017 renewal. The Directors are mindful of trading conditions for Members and therefore did not seek to achieve any general increase for P&I and FD&D classes.

**Gross written premiums**

Written premium decreased from US$390.7 million in 2016 to US$347.5 million in 2017.

Premium written by business segment is as follows:

| | 2017 | 2016 |
|---|---|---|
| P & I | US$320.9M | US$367.5M |
| FD & D | US$20.5M | US$22.6M |
| War | US$0.1M | US$0.6M |
| | US$341.5M | US$390.7M |

The decrease was partially as a result of North's confirmed policy of refining the membership in order to retain long-term, good performing Members. General increases of 2.5% as set by the board were not achieved in the current economic climate. In addition, on 11 November 2016 the Directors agreed to return 5% (approximately US$14.0 million) of all mutual premiums debited to Members in the 2016/17 policy year to assist Members during the current difficult trading conditions. This rebate has been accrued in full in the current financial year.

**Surplus after tax**

The reduction in the surplus after tax from US$45.7 million to US$23.9 million arose predominantly as a result of lower written and earned premiums. This was offset by a benign claims environment with a lower than anticipated incurred claims value for the 2016 policy year together with improvements in prior policy year claims values.

A.3 Investment performance

The company's investment assets contributed income of US$0.9 million in the year before the costs of derivative hedging of US$3.3 million are taken into account. The derivative contracts in place provide certainty for the company where the majority of income is in US Dollars but a large proportion of administrative expenses, including staff costs, are incurred in GB Pounds.

A4. Performance of other activities

The total accumulated surplus attributable to members decreased from US$179.6 million at 20 February 2016 to US$177.9 million at 20 February 2017. The decrease arises predominantly from re-measurement losses on the Company's defined benefit pension plan (US$25.6 million), offset by the surplus recorded.

## B System of governance (Unaudited)

### B.1 General information

The Directors are collectively responsible for the long-term success of the Company, setting the strategic aims and ensuring that obligations to Members and others are understood and met.

The Board of Directors is responsible for directing the affairs of the Company in compliance with statutory and regulatory requirements. The Board consists of seven to nine Member Directors, up to two Executive Directors and up to five Independent Directors. The Directors have a Nominations Committee, which evaluates the performance of the Directors and proposes new Directors. There is also a Remuneration Committee, which determines the Group Remuneration Policy including the policy for remuneration of the Executive and Non-Executive Directors.

The Members Board provides a forum for Members to play an enhanced role in the governance of the Group. It has separate committees to consider matters relating to the P&I Class and FD&D Class and an Elections Committee which considers appointments to the Members Board.

The Members Board has the power to nominate Directors. Any Director so appointed may serve until the next annual general meeting, when they must retire and may offer themselves for reappointment by the Members.

The system of governance adopted is considered appropriate for the nature, scale and complexity of the risk inherent in the business.

### B.2 Fit and proper requirements

The group has a policy which is owned by the Group Nominations Committee, and is reviewed annually. The policy requires that prior to approving the appointment of any candidate as a Responsible Person, the Board of Directors must take appropriate steps to ensure that the candidate is fit and proper to perform the relevant role or function. This assessment includes, but is not limited to, confirmation that the candidate:

- Has the appropriate personal characteristics;
- Possesses the required level of competence, knowledge and experience;
- Has the relevant qualifications; and
- Has undergone or is undergoing all training required to perform the role or function effectively and in accordance with all relevant requirements.

The policy also sets out that the Board of Directors must review and confirm annually whether the Responsible Persons meet, and continue to meet, the applicable requirements.

The goals pursued by this policy are to:

- Ensure that Group undertakings comply with all applicable laws, regulations and prudential standards ("Requirements") relating to the fitness and propriety of persons who effectively run and/or perform a key or designated function for that undertaking ("Responsible Persons");

- Clearly describe the procedure for assessing the fitness and propriety of Responsible Persons, both when being considered for the specific position and on an on-going basis;

- Clearly describe the situations that give rise to a re-assessment of applicable Requirements:

- Clearly describe the Group's procedure and internal standards for assessing the skills, knowledge, expertise and personal integrity of other relevant personnel not subject to Requirements, both when being considered for the specific position and on an on-going basis.

The Group Compliance Director is responsible for monitoring all Requirements on an on-going basis in order to identify any matters which necessitate the Requirements to be reassessed and updates the North Company Secretary as appropriate. The Requirements shall be reassessed in the event of the following:

- any change or proposed change to the relevant laws, regulations and prudential standards in any jurisdiction where any Group undertaking conducts business;

- a Group undertaking commencing or proposing to conduct business in any jurisdiction where it does not currently do so.

This policy is reviewed on an annual basis by the North Company Secretary and upon notification of any change or proposed change noted above.

<u>Approved Persons</u>

North Group maintains a governance map (Appendix 1), setting out details of all approved persons. This map includes the regulatory structure of the group and identifies the reporting lines applicable to all approved persons.

<u>B3 Risk management system including the own risk and solvency assessment (ORSA)</u>

<u>Risk culture</u>

The company's aim is to embed a strong culture of risk management at all levels within the organisation, so that all members of staff understand their role and its relationship to risk management. The Risk and Compliance department engages throughout the business to ensure that the risk management and ORSA framework are understood at all levels.

<u>Board oversight of risk management</u>

The Board is responsible for setting strategy – including target capital coverage – and for establishing risk appetite which is expressed in the Board's risk appetite statement. The Board is also responsible for putting in place systems of governance around risk management and has ownership of the ORSA framework and documentation.

Group Risk Committee

The Board has established a Group Risk Committee ("GRC") to which it has delegated key responsibilities within the ORSA framework. The scope of the GRC's responsibilities is group-wide and includes the following key areas:

**Governance:** Oversee the integration of risk management across the Group and ensure the framework is aligned with its strategic objectives. Review the risk management framework including its documentation and related policies and procedures.

**Regulatory:** Review the Group's regulatory position, the outcome from regulatory assessments, regulatory breaches and mitigating actions or responses.

**Risk appetite:** Review and make recommendations in respect of risk appetite.

**Risk policies:** Review the Group's risk policies and policies in respect of illegal acts.

**Risk identification, measurement, control and reporting:** Oversee the production and maintenance of Risk Registers and assess the appropriateness of risk management controls including controls over illegal acts. Set appropriate risk triggers, monitor and review risk reporting against triggers and review mitigating actions for reporting exceptions. Review risk profiles against the Board's risk appetite.

**Investment risk:** Oversight of investment risk including compliance with the Board's agreed appetite for investment risk and ensuring that investment management and decisions are within the framework agreed by the Board for managing investment risk including market and counterparty risks.

**Capital management plan:** Review the method of assessment of capital requirements and the outputs of those processes.

**Stress tests and reverse stress tests:** Review stress tests and reverse stress tests and assess their adequacy and effectiveness in testing the robustness of the Group's business model.

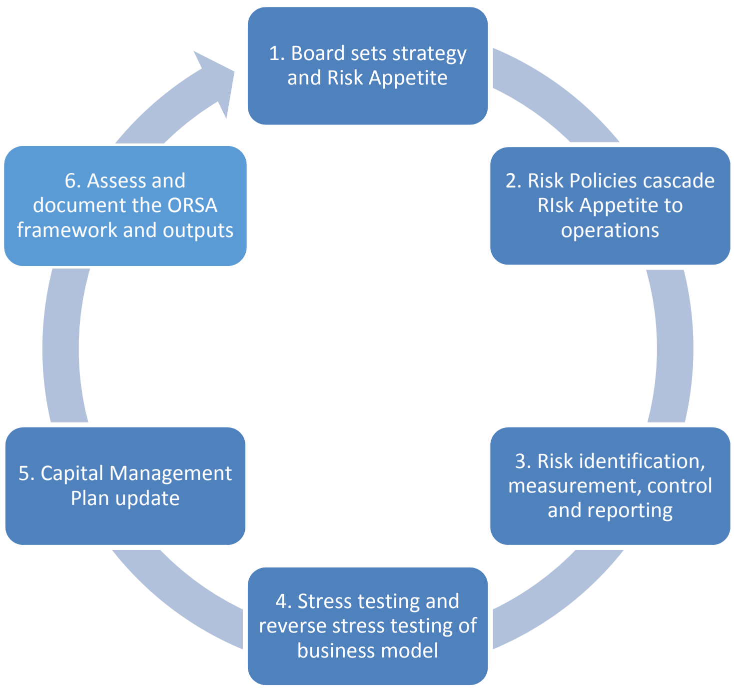
**ORSA assessment:** Review ORSA documentation, assess its adequacy and effectiveness in capturing the ORSA system and its outputs and assess its compliance with regulatory requirements.

Enterprise Risk Management Committee

In order to ensure that sound risk management principles and practices are embedded within the business, management have formed an Enterprise Risk Management committee ("ERM committee"). This committee meets at least four times each year and its responsibilities broadly follow those of the GRC but at a more granular management level. This committee is chaired by the Chief Risk Officer ("CRO").

Risk management framework

The risk management framework has been developed over several years and is summarised below. The process operates as a feedback loop and reflects the requirement to reconsider strategy and risk appetite in view of risk assessment, results and capital requirements. Each step in the cycle may be iterative and may be revisited as a result of the outputs of subsequent steps.




The core elements of the steps above are as follows:

| Core element | Description |
| --- | --- |
| Board sets strategy and risk appetite | Quantitative parameters set for each primary category of risk – underwriting, market and operational.<br><br>Overall internal risk limit set as an absolute amount at a 1 in 20 year probability.<br><br>Target capital coverage established as a range by reference to the overall risk limit. |

| | |
|---|---|
| Risk policies cascade risk appetite to operations | Set out the operational response to the Board's risk appetite for risk within underwriting, reinsurance, investment, operations and capital management.<br><br>Establish documentary link between risk appetite and operational processes and procedures.<br><br>Separate policies to support other areas of internal governance covering internal audit, valuation of assets and liabilities, remuneration and outsourcing. |
| Risk identification, measurement, control and reporting | **Risk register**<br>Central repositories for all risks identified by the company. Constructed on the basis of "key" risks comprising of sub-risks and risk components. Risk owners assigned responsibility for each key risk.<br><br>Key controls identified for all risks with the accepted risk treatment (prevent, mitigate or accept).<br><br>**Emerging risk protocol**<br>Process for risk identification by anybody within the organisation.<br><br>Assessment of potential impact, mitigation in place or required and changes required to the risk register.<br><br>**Risk tolerance and reporting triggers**<br>Each risk and sub-components separately assigned a reporting trigger, agreed with risk owners and reported on monthly by owners to the ERM Committee.<br><br>**Risk profile**<br>Internal valuation performed "gross" and "net" of controls in place. Calculation performed independently of risk owners to provide segregation in the process. Variety of actuarial (statistical or mathematical) and practical techniques employed.<br><br>Correlation applied between risks and risk categories to reach overall assessment.<br><br>Assessment at a 1 in 20 year probability represents the position against the Board's stated risk appetite. |
| Stress testing and reverse stress testing of business model | Use a blend of scenarios identified by the Risk function, the Board or the GRC and those set by regulators.<br><br>Stress tests assess the impact of adverse scenarios on the company's business model. Reverse stress tests ascertain the circumstance which could cause the business model of the company to fail. |

| | |
|---|---|
| Capital management plan update | Performed for each separate business unit on a commercial basis and for each relevant jurisdiction on a regulatory basis.<br><br>Outputs are forecast free reserves, regulatory capital (own funds or local equivalents), minimum and solvency capital requirements (or local equivalents) and rating agency capital calculations. |
| Assess and document the ORSA framework and outputs | Brings together all of the features above and documents status of current risk position and flow through strategy, risk appetite and risk management framework. |

ORSA

The company has in place an ORSA policy. The purpose of this policy is to set out the processes and methodologies for carrying out the ORSA.

Each ORSA process takes place as part of the group's annual strategic and capital management cycle. Initial responsibility for oversight of the process rests with the CRO. Final review, approval and sign-off is undertaken by the ERM committee, the GRC and the Board itself.

The numeric element of the ORSA process begins its cycle following the Board's approval of the updated business plan in November, with an updated ORSA report due to the January meeting.

The timeframe over which any ORSA specifically applies is for the following 12 months, plus the period covered by the business plan.

B.4 Internal control system

The company has a robust system of internal controls which is designed to provide reasonable assurance that its financial reporting is reliable, it is compliant with applicable laws and regulations and its operations are effectively controlled. The directors are ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice the oversight and management of these systems necessarily involves Board committees, members of senior management and the risk, finance and compliance teams.

Internal controls are documented in the company's policies and procedure manuals, covering all areas required by Solvency II and all core areas of operation. They are also summarised in the risk register, which ensures they are appropriate for use in managing the risks faced by the company to within the documented risk appetite.

The key elements of the company's internal control framework are:

**Corporate governance** – sets out how people and committees are organised and managed to support strategic and operational objectives.

**Planning and budget process** – supports the implementation and monitoring of corporate strategy.

**Risk management** – facilitates identification, assessment, mitigation and reporting of risk. More details follow.

**Compliance –** monitors compliance with legal and regulatory requirements, identifies and monitors the control of legal and regulatory risks. More details follow.

**Control policies and processes –** govern the management, control and oversight of key risks.

**Information and communication –** used to assess whether the components of control are present and functioning, identifies control deficiencies to those responsible for taking corrective action.

**Assurance –** reporting on the effectiveness of internal controls.

<u>Risk and Compliance functions</u>

The CRO leads the Risk function and formally reports to the GRC at least four times each year. The CRO has a direct and independent line of contact to the GRC at any time. The Compliance function is led by the Group Compliance Director, who also has direct access to the GRC but reports administratively to the CRO.

Key activities undertaken by the Group's Risk and Compliance functions are summarised as follows:

| | |
|---|---|
| Identifying & assessing | • Assess relevant risks and controls<br>• Determine applicable requirements<br>• Make initial assessment of risk valuation and identify risk limits |
| Monitoring & testing | • Monitor policies and procedures and compliance with them<br>• Liaising with other internal control functions to ensure co-ordinated approach<br>• Monitoring of risk valuations and risk triggers compared to set limits<br>• Stress testing and risk scenario analysis |
| Advising (including regulatory) | • Provision of relevant advice and training<br>• Interaction with worldwide regulators<br>• Proposals for risk appetite and tolerance limits |
| Reporting | • Reporting on activities to relevant Board committees and, ultimately, the Board. |

B.5 Internal Audit Function (Outsourced)

The Group outsources its Internal Audit function to PricewaterhouseCoopers. The relationship is governed by a detailed engagement letter and scope of work. The scope of work of the internal audit programme is to determine whether the group's risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the Group's control process;
- Significant legislative or regulatory issues impacting the Group are recognised and addressed properly; and
- Consistency of standards and approach across the various elements and companies within the Group.

In addition the Internal Audit function can be asked by the business, the second line of defence or the Board to carry out specific one-off tasks where its knowledge and expertise can be utilised without compromising its independence. All internal audit work results, including one-off tasks, are reported to the Group Audit Committee.

Independence and objectivity from the activities that Internal Audit reviews is achieved by ensuring that:

- There is a direct line of reporting to the Group Audit Committee;
- All internal audit activities are free of influence from anyone in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content;
- Members of the Internal Audit function are able to meet with the Group Audit Committee on request of the Board or Group Audit Committee;
- The function has the necessary skills and resources required to deliver the internal audit plan;
- Internal Audit has the authority to audit all parts of the business; and
- Internal Audit has full and complete access to all information, records, facilities and personnel relevant to the performance of an audit.

B.6 Actuarial Function (Outsourced)

The Actuarial Function is outsourced to ensure appropriate levels of technical resource and expertise are available to the Group at all times.

Willis Towers Watson, the outsourcing provider, has provided a Chief Actuary, as defined by PRA rules. This appointment is approved by the Board and subject to review, on an on-going basis, in accordance with the Group's policy and procedures concerning the fitness and propriety of regulated function holders.

The Actuarial Function is independent of other functions and, because it is outsourced, is constituted by persons who have a sufficient level of independence from the Group's senior management team. The Actuarial Function is appointed by, and reports to, the GRC.

The key areas of responsibility for the Actuarial Function include:

**Technical provisions:** Co-ordinating the calculation, ensuring the appropriateness of methods, assumptions, data and models used, and informing the Board of the reliability and adequacy of the calculation.

**Expressing an opinion on the overall underwriting policy:** This includes an assessment of the sufficiency of premiums, underwriting policies and processes, profitability and volatility within underwriting and pricing models.

**Expressing an opinion on the adequacy of reinsurance arrangements:** This includes an assessment of the reinsurance programme and security, evaluation of alternative reinsurance programmes, calculation of reinsurance recoveries in technical provisions and the ORSA and reinsurance policies.

**Contribution to risk management:** in particular with respect to the risk modelling underlying the calculation of the capital requirements and the ORSA. The two key areas of Actuarial Function activity are in relation to the Standard Formula SCR and MCR, and the ORSA.

The Actuarial Function is required to report on its findings in each of the four areas above as a minimum, on an annual basis. The component reports are produced for each of these areas at the time that the analysis is completed. These component reports are then combined into an annual aggregate report which includes comments on the Actuarial Function's contribution to the company's risk management system.

## B.7 Outsourcing arrangements

The company has chosen to outsource some of its operational functions and activities in order to take advantage of economies of scale and external expertise. The activities primarily affected by this arrangement are the Actuarial and Internal Audit functions as described above.

The company has adopted an Outsourcing Policy which establishes a prudent risk management framework in relation to the management of outsourced arrangements and ensures compliance with relevant regulatory requirements. The Policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through relationship management and oversight and provides processes to effectively manage the risks associated with outsourcing relationships.

## C Risk Profile (Unaudited)

Overview

The company operates a low risk business model that is supported by a robust risk management framework which ensures risks are well understood and controlled. Policies and procedures are in place to ensure risks are managed within the Board's risk appetite.

A breakdown of the valuation of risks within the SCR is included within section E2.

Risk profile drivers and measures

An overview of the principal risks associated with the company's business including an outline of how each is managed follows. The risks that comprise the risk register have been allocated to risk categories which are aligned to the statement of board risk appetite. For internal risk valuation purposes, each of the risks is valued across a range of probabilities by combining both actuarial and practical techniques on a gross basis (without controls in place) and a net basis (with controls in place). This calculation is performed independently of risk owners to provide segregation within the process, although meetings with risk owners take place to discuss the valuation of their risks.

The valuation technique for a number of risk types (including all market risks) conforms to Solvency II valuation methods so that the risk profile requirement is aligned with the regulatory solvency requirement. In order to arrive at valuations across a range of likelihoods, the methodology is to agree a known or expected valuation at a specific likelihood point and then apply a statistical distribution to arrive at other likelihoods.

This is not the case for premium and reserving risk, which utilise internally developed models that accurately reflect the claims characteristics and reinsurance structure of the business. These models use North's own claims history to set volatility assumptions and apply North's reinsurance programme explicitly to the gross claims modelling to capture net claims volatility. Similarly, the modelling of reserving risk is based on the company's own claims history and takes into account the specific reinsurance programme in place.

Some risks facing the company are not quantifiable using statistical or mathematical techniques. Consideration has been given to these risks to ensure that, as far as possible, they are identified and an estimate made of their valuation at different likelihoods.

At each selected probability point (e.g. a likelihood of one in twenty years), the relevant individual risks within each risk category (underwriting, market and operational) have been correlated to provide values against the risk appetite statements. These figures are further correlated between risk categories to provide an overall value to compare to the risk limit shown in the statement of Board risk appetite.

There have been no material changes to the measures used to assess risks during the year.

Stress and scenario testing

The stress and scenario framework is an important part of the company's risk management framework and is applied to a range of business processes to assist management and the Board in understanding the potential vulnerabilities within the business model and financial plans. This approach is overseen by the ERM committee and is designed to provide qualitative and quantitative information on what risks look like under stressed conditions, including any mitigating actions available.

There are three main elements to the stress and scenario framework:

**Stress testing** involves looking at the impact on the company's business model of changing a single factor.

**Scenario testing** involves changing a number of factors at once to reflect an economic or business scenario.

**Reverse stress testing** involves consideration of scenarios which could render the company's current business model unviable.

C.1 Underwriting risk

The company issues contracts that transfer insurance risk.

The principal risk the company faces under insurance contracts is that actual claims payments or the timing thereof, differ from expectations. This risk is influenced by the frequency of claims, severity of claims and the subsequent development of long-tail claims.

In addition, the company faces the risk of a catastrophic loss event, where the likelihood of the claim occurring is classified as extremely remote. This equates to a claim with a 1 in 200 chance of occurring.

North's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability in outcomes. In particular business is spread across geographical regions and vessel types and sizes. Underwriters calculate premiums for each risk written on a range of criteria, including (but not limited to) financial exposure, loss record, risk characteristics, limits and deductibles. The company also recognises that insurance events are random by nature and that the actual number and size of events may vary from those estimated using established statistical techniques.

The objective of the company is to ensure that risks are mitigated to a level within the statement of risk appetite approved by the Board. In order to achieve this, the controls operated by the company include:

- Comprehensive reinsurance programme covering both vertical risk (one claim of a very high individual value) and horizontal risk (where many claims accumulate to a high value);
- Experienced underwriters operating to detailed procedural guidance, established authority limits and appropriate management review;
- Regular review of claims reserves, both for individual claims and in the aggregate;
- Monitoring of the claims environment to ensure that changes which could influence the future valuation of claims are recorded and accounted for; and
- Setting of overall technical provisions at a prudent percentile of confidence in accordance with the reserving policy approved by the Group Audit Committee.

Each of these mitigation techniques is monitored regularly to ensure that there have been no changes within the book of business or the insurance market which would render them ineffective or significantly less effective. In addition, regular monitoring of compliance with internal controls takes place to ensure their continuous effectiveness.

Given the wide spread of business there are no material underwriting risk concentrations for North.

## C.2 Market risk

Market risk is the risk that the value of the company's assets, liabilities or income from its assets may fluctuate as a result of market movements. Sources of general market risk include movements in interest rates (interest rate risk), exchange rates (currency risk) and asset prices (price risk) – all are further detailed below. It is important to note that none of these sources of risk is independent of the others.

The guiding principle for North's investment risk management, including market risk, credit risk and liquidity risk, is the Prudent Person Principle (Article 132 of the Solvency II EU Directive). In particular:

- Investment risks have been confirmed as 'ancillary' to those associated with the writing of insurance business, and defined as such within the Board's risk appetite;
- Some investment activities are outsourced to expert managers and advisers, although the Group Risk Committee remains responsible for the investment risk undertaken by the company;
- Investment parameters specify detailed quantitative restrictions for all mandates; and
- The use of derivatives is strictly controlled and monitored.

Market risk is managed by adjusting the allocation to asset classes to reflect the investment risk appetite approved by the directors. The concentration of investments into any one asset is also restricted. The asset class allocation matches assets against the company's technical provisions by currency and maturity. In addition, the company ensures minimal risk is taken with the committed regulatory capital.

Monitoring of the risk position compared to risk appetite takes place regularly using information from investment managers and custodians and also specific value at risk models. Risk concentrations are captured using the 'look through' facilities within these models.

### Currency risk

Currency risk is the risk that the fair value of future cash flows of assets and liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar and UK Sterling but also Euro and other global currencies. The asset allocation policy applied to the investment portfolio contains provisions for matching of assets and liabilities by currency to mitigate the exposure.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to price risk on its holdings in debt securities.

The company manages its exposure to price risk by setting constraints on its investments and by limiting its investments in each country, sector and market. Market valuations are obtained both from investment managers and custodians on a regular basis.

C.3 Credit risk

Credit risk is the risk that a counterparty will cause a financial loss for the company by failing to discharge an obligation. This risk arises principally on the company's financial assets, including investments, reinsurance recoveries and premium receivables.

Investment related credit risk is managed through the board-approved investment guidelines issued to the investment managers. The guidelines impose strict diversification limits by credit rating, maturity and per issuer.

Non-investment related credit risk is managed through monitoring of overdue receivables from policyholders on a regular basis, and by the requirement for all reinsurers providing security on the company's reinsurance programme to comply with a minimum rating requirement.

The most significant concentration of credit risk lies within the reinsurance recoveries, in particular those from one reinsurer (NEMIA) which has been established by the members of North but does not form part of the group. NEMIA is rated 'A' by Standard and Poor's and the risk to the company is viewed as negligible in all but the most extreme circumstances.

C.4 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Liquidity risk is managed by maintaining adequate reserves and banking facilities and ensuring that the spread of investments across short, medium and long term funds will enable any short term funding requirements to be met.

Liquidity is continuously monitored by review of actual and forecast cash flows and the company has negligible liquidity risk in normal business circumstances. Premiums are received well in advance of liabilities and most assets are traded in extremely liquid markets so that funds are available from the sale of these without material discount in all but the most extreme cases.

The liquidity position is monitored under stressed scenarios which include major claim events and reductions in market liquidity. A detailed analysis of the maturity profile of financial instruments at the reporting date is included within the financial statements.

C.5 Operational Risk

The company is exposed to operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the risk of business disruption, of compliance or regulatory breaches, or of poor service delivery, any of which could result in damage to the company's reputation and reduce its ability to meet its stated objectives.

Primary responsibility for the development and implementation of controls to address operational risks rests with senior management. The main operational risks identified relate to compliance with legal and regulatory requirements and those related to business continuity and provision of IT services, including information security. These risks are separately identified on the risk register. There is no specific concentration of risk in this category.

Operational risk controls are many and varied given the wide range of possible causes, including controls in the following areas:

- Regular review of service delivery standards and prompt investigation of potential shortfalls in service delivery;
- Dedicated compliance department with access to appropriate professional advice;
- Detailed business continuity planning and regular testing of recovery plans;
- Information security assessments, detailed gap analysis, and roll out of updated procedures and policies;
- A Brexit Working Group focussing on alternative arrangements to write business in EU states in the event that passporting rights are removed;
- Dedicated human resources department ensuring appropriate monitoring of recruitment and performance of staff members;
- Monitoring of monthly financial results and comparison of results to budget and forecast; and
- Regular monitoring of and interaction with all branches and subsidiaries.

## C.6 Other material risks

### Pension risk

The company operates a defined benefit pension scheme and is accordingly exposed to changes in the valuation of scheme assets and liabilities. Full details of the scheme and its valuation at the balance sheet date can be found in the financial statements.

Whilst the management of the scheme’s assets and the risks of the scheme are the responsibility of the trustees, the risk to the company is managed through the regular monitoring of the asset valuation and the key economic indicators which influence the valuation. In addition, the assets and liabilities of the scheme are considered and modelled alongside those of the company.

**D Valuation for Solvency purposes (Audited)**

D.1 Assets

Assets are recognised and measured for Solvency II purposes consistently with the IFRS financial statements. Solvency II asset valuations also follow the IFRS financial statements where those financial statements provide a market consistent valuation. The main areas where the financial statements do not provide a market consistent valuation are:

- Investments – related undertakings including participations;
- Reinsurance recoverables; and
- Intangible assets (included in Other assets in the below table)

The following table sets out the value of the company's assets at 20th February 2017

| | IFRS assets US$M | Solvency II assets US$M |
|---|---|---|
| Investments – related undertakings including participations | 44.7 | 113.9 |
| Investments - other | 90.6 | 90.7 |
| Reinsurance recoverables | 745.7 | 491.0 |
| Receivables | 147.3 | 2.5 |
| Deposits, Cash and cash equivalents | 24.1 | 24.1 |
| Other assets | 35.9 | 20.1 |
| **Total assets** | **1,088.3** | **742.3** |

The company's assets are recognised and valued using the following principles:

Investments – related undertakings including participations

Investments in related undertakings including participations relate predominantly to investments in insurance subsidiaries (SMI and Hydra Cell – Appendix 2). Investments in non-insurance participations are negligible. Insurance companies are valued at the excess of their assets over their liabilities, each calculated on a Solvency II consistent basis. The adjustments to the insurance subsidiary asset and liability valuations are similar in nature to those made for North. These valuations are higher than the IFRS carrying value, which is based on the cost of the investments.

Investments - other

This includes the company's financial investments. All of the company's financial investments are traded on mainstream exchanges and included in the financial statements at fair value, which is consistent with Solvency II valuation requirements. Fair value is determined based on published quotes in an active market. A market is regarded as active if quoted prices are readily available from a broker, dealer, exchange, pricing service, industry group or regulatory agency. The difference between the IFRS and Solvency II amounts arises due to the allocation of accrued interest. This is included within loans and receivables in the IFRS financial statements but must be included with the financial investments for Solvency II purposes.

Reinsurance recoverables

In the Solvency II balance sheet, the reinsurance recoverables are valued as part of net technical provisions (see D.2 Technical Provisions). Reinsurance recoverables represent amounts receivable from external reinsurers under the company's reinsurance programme. The programme consists of both excess of loss, stop loss and quota share reinsurance arrangements. In addition, the company participates in the International Group pooling arrangement, including market reinsurance bought by the pool, and benefits from its arrangement with the Hydra North Cell.

Receivables

Insurance and reinsurance receivables of US$139.0 million are valued separately in the IFRS financial statements but are considered as a component of the future cash flow projections used to value technical provisions for Solvency II purposes. Adjustments are also made to remove prepayment balances of US$5.7 million from the Solvency II balance sheet. Accrued interest of US$0.1 million is reallocated to financial investments.

Deposits, Cash and cash equivalents

Cash and deposits are included in both the IFRS financial statements and for Solvency II purposes at their nominal value, which is equivalent to fair value.

Other assets

All other assets are valued for Solvency II purposes on the same basis as the financial statements with the exception of intangible assets. The intangible assets held by the company (US$15.8 million) do not meet the criteria to be included as an asset for Solvency II purposes and therefore no value is attributable to them.

Other assets on the Solvency II balance sheet include land and buildings of US$17.7 million. As there have been no sales of comparable office buildings for owner occupation for which to draw direct comparison the valuation has been performed using an investment method approach which involves an assessment of the likely annual rental value of the property which is then translated to a freehold capital value by applying an appropriate investment yield. The sensitivity of this valuation to changes in unobservable inputs is included in the company's financial statements.

D.2 Technical provisions

The following table sets out the value of the company's net technical provisions at 20th February 2017.

| | IFRS TPs<br>US$M | Solvency II TPs<br>US$M |
|---|---|---|
| Gross Technical Provisions | 802.3 | 512.0 |
| Reinsurance recoverables | (745.7) | (491.0) |
| Risk margin | N/a | 12.7 |
| **Net Technical Provisions** | **56.6** | **33.7** |

All of North's technical provisions are in relation to business written under the Marine, Aviation and Transport Solvency II line of business. The company values TPs using the methodology prescribed by the Solvency II Directive and the Regulations made under that Directive. The TPs are made up of a best estimate of the claims, premiums and expense cash flows, which are then discounted to arrive at the necessary provisions. A specific risk margin is then added.

Similarly to the IFRS financial statements, there are a number of uncertainties inherent in the calculation of Solvency II technical provisions. The cash flows ultimately required to settle the net technical provisions are sensitive to a number of factors that can only be known for certain at the conclusion of a claim.

*Claims*

Gross and net claims are projected to their ultimate cost using actuarial techniques including chain ladder and stochastic modelling. Claims cash flows are calculated on a best estimate basis which involves removing the allowance for prudency allowed for in the IFRS financial statements.

*Premiums*

Future premiums receivable and reinsurance premiums payable in respect of incepted business are taken from the IFRS balance sheet. They are then split between premiums on earned business which is included in the claims provision, and premiums on unearned business which is included in the premiums provision.

*Expenses*

Allowance is made for the expenses that will be incurred in managing the run-off of the technical provisions at the balance sheet date. Provision is made based on expenses as a proportion of gross business on the assumption that the same proportion will apply to the unearned business. Claims handling, policy administration, depreciation, investment management and an element of overhead expenses are included in the provision. Some of these expenses are additional to those included in the calculation of the claims handling reserve in the IFRS financial statements.

*Bound but not incepted (BBNI) business*

The majority of the company's insurance business is underwritten with an inception date of 20 February, meaning that at the year-end valuation date there is a significant amount of BBNI business. Provision is made for the future cash flows in relation to this business taking into account premiums, expected claims, and associated expenses expected to be incurred in the management of that business. This BBNI business is not included in the IFRS valuation of technical provisions.

*Events not in data (ENID)*

Events not in data are modelled based on the estimated development of latent claims for an as yet unknown industrial disease, based in part on the development of asbestosis claims historically. This modelling results in a percentage loading which is then added to both earned and unearned business to allow for ENIDs. No such provision is made in the IFRS valuation of technical provisions.

*Reinsurer bad debt*

The technical provisions include an allowance for reinsurer bad debt.

*Projected cash flows*

Projected cash flows are estimated by applying historical payment patterns to the estimates of ultimate claims, premiums and expenses.

*Discounting*

Projected cash flows are discounted using the EIOPA prescribed risk-free interest rate term structure applicable to each currency for which technical provisions are calculated. IFRS technical provisions are not discounted.

*Risk margin*

The risk margin is calculated as the cost of capital for an insurer taking on the technical provisions of the company at the valuation date and running the provisions off to zero. The company's SCR is recalculated at the valuation date and one year later on a run-off basis and is then projected forward on the assumption that the SCR runs-off in proportion to the best estimate technical provisions. A cost of capital of 6% is then applied to the SCR at each future date, with the corresponding costs discounted back to the valuation date to reflect the time value of money.

D.3 Other liabilities

The following table sets out the value of the company's other liabilities at 20th February 2017

| | IFRS Liabilities US$M | Solvency II Liabilities US$M |
|---|---|---|
| Payables | 48.4 | 11.4 |
| Derivatives | 7.2 | 7.2 |
| Pension benefit obligations | 52.6 | 52.6 |
| **Total other liabilities** | **108.2** | **71.2** |

The company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the IFRS financial statements.

Payables include insurance and reinsurance payables (US$37.0 million) that are valued separately in the IFRS financial statements but are included in the future cash flow projections used to value technical provisions for Solvency II purposes.

The IAS 19 valuation of the defined benefit pension scheme included in the IFRS financial statements is considered to be an economic valuation of the net liability of the company associated with the operation of the scheme. Further information on the valuation of the net obligation is included in the financial statements of the company. The scheme requires the company to fund future payments to members of the scheme and as such exposes the company to the risk that the assets held by the scheme are insufficient to meet the scheme obligations as they fall due for payment. The following table sets out the value and nature of the pension scheme assets at 20 February 2017:

| | Pension scheme assets US$M |
|---|---|
| Equities | 23.8 |
| Bonds | 23.9 |
| Other | 18.2 |
| Cash | 0.4 |
| **Total** | **66.3** |

**E Capital Management (Audited)**

E.1 Own Funds

The company has a simple capital structure. IFRS balance sheet reserves comprise only tier 1 items derived from past underwriting and investment surpluses.

In addition to basic own funds, North have received PRA approval for a maximum of 50% of the SCR to be met using ancillary own funds ("AOFs"). These are included as tier 2 own funds. AOFs represent an allowance reflecting the Company's ability to make additional premium calls on its members in the event of a shortfall. The amount that can be included is calculated as a percentage of member's P&I premium making an appropriate allowance for default risk, or, if lower, an amount equal to 50% of the SCR. The current approval for AOFs was granted on 16 February 2017 and expires on 20 February 2020. In the event of an additional call, the additional own funds raised would form part of the company's surplus and be included in tier one capital.

The company's objective with respect to the management of own funds is to ensure that sufficient resources are available to cover 120% of the SCR at any point in time. The company uses a five year planning horizon when managing own funds to ensure this level is maintained at all times.

Solvency II Own Funds at 20 February 2017 are shown in the table below:

| | **20 Feb 2017 US$M** |
|---|---|
| Income & expenditure account | 159.4 |
| Contingency funds | 11.5 |
| Revaluation reserve | 6.9 |
| Total IFRS resources | 177.8 |
| Solvency II adjustments | (31.4) |
| Solvency II excess of assets over liabilities | 146.4 |
| Ancillary own funds | 57.6 |
| Ring fenced funds | (28.3) |
| Total Solvency II resources | 175.7 |

The reconciliation reserve consists of the Solvency II excess of assets over liabilities (US$146.4 million) and the adjustment for restricted own fund items in respect of ring fenced funds (US$(28.3) million).

Solvency II adjustments

All differences included as Solvency II adjustments relate to the valuation differences for assets and liabilities relative to the financial statements as set out in Section D Valuation for Solvency purposes.

Capital transferability

The capital represented by the company's investment in Hydra Insurance Company Limited (North Cell) is not available to the company to fully absorb losses on a going-concern basis. An adjustment has been made to Solvency II resources for this ring-fenced capital. The excess of assets over liabilities for the ring fenced fund is US$34.0 million, the adjustment of US$28.3million represents this excess less the contribution of the ring fenced fund to the SCR of US$5.7 million.

All of the other assets of the company are available to meet liabilities as and when they fall due, and therefore the company has no other restrictions with regard to capital transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The following table shows an analysis of the company's SCR split by risk modules at 20 February 2017:

| | **20 Feb 2017 US$M** |
|---|---|
| Market risk | 57.0 |
| Counterparty default risk | 29.8 |
| Underwriting risk | 26.7 |
| Diversification | (28.2) |
| **Basic SCR** | **85.3** |
| Operational risk | 15.3 |
| **SCR excluding capital add-on** | **100.6** |
| Agreed capital add-on (defined benefit pension schemes) | 14.7 |
| **Solvency Capital Requirement** | **115.3** |

It is recognised that the amount of the calculated SCR is subject to supervisory assessment.

An annual assessment of the appropriateness of the standard formula SCR to North is carried out. The last review, completed in January 2017, confirmed that the SCR was appropriate for all risks except those in respect of the defined benefit pension scheme. Accordingly, the company agreed with the PRA that a voluntary capital add-on was appropriate to capture the risks associated with the scheme. This add-on has now been agreed with the PRA as US$14.7 million as shown in the table above.

Amount of the MCR

The MCR calculation is based on the net value of technical provisions and the expected level of retained premiums over the next 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 20 February 2017, the MCR has been set at the minimum level, i.e. equal to 25% of the SCR. This is US$28.8 million as at 20 February 2017.

Coverage of the MCR and SCR

The following tables show the company's coverage of the MCR and SCR.

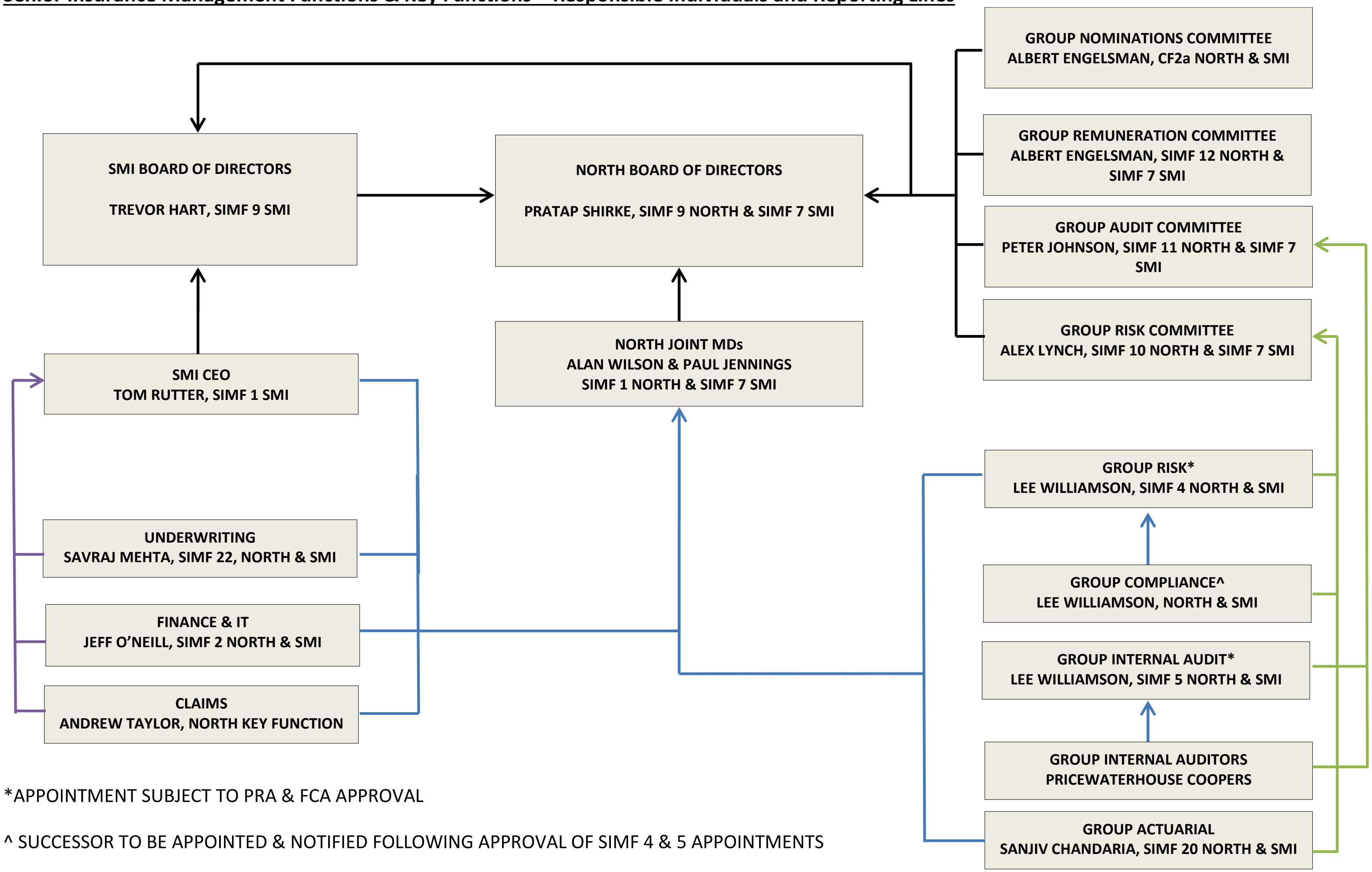
| | |
|---|---|
| **Coverage of SCR** | |
| Capital resources | US$175.7M |
| SCR | US$115.3M |
| Coverage | US$60.4M |
| % Coverage | 152% |
| | |
| **Coverage of MCR** | |
| Capital resources | US$118.1M |
| MCR | US$28.8M |
| Coverage | US$89.3M |
| % Coverage | 410% |

E.3 Confirmation of compliance with the SCR & MCR

The company has complied with the SCR and MCR throughout the year.

## Appendix 1 – Governance Map

**Senior Insurance Management Functions & Key Functions – Responsible Individuals and Reporting Lines**




*APPOINTMENT SUBJECT TO PRA & FCA APPROVAL

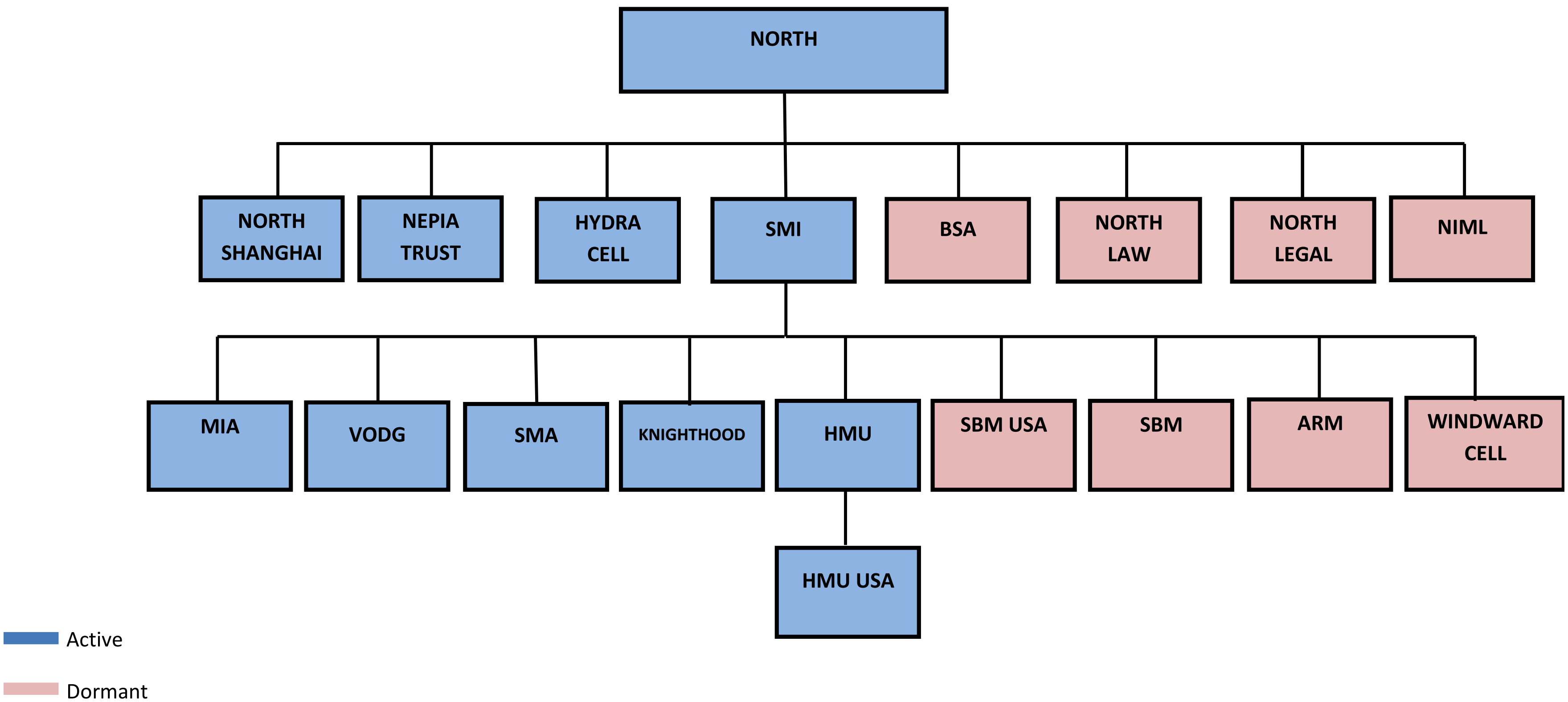
^ SUCCESSOR TO BE APPOINTED & NOTIFIED FOLLOWING APPROVAL OF SIMF 4 & 5 APPOINTMENTS

**Appendix 2**
**Group structure**

**NORTH GROUP – SOLVENCY II GOVERNANCE MAP**

**Group Structure**

The chart below provides a high level summary of the companies in the North Group*.




* Excludes North's bermuda based parallel mutual company North of England Mutual Insurance Association Limited

## Appendix 3

### Glossary of terms

Basic SCR – The SCR before operational risk and capital add-ons

BBNI – Bound but not incepted. Refers to insurance contracts which the business is obliged to enter into where the inception date is after the valuation date

Combined ratio – claims incurred and expenses as a proportion of premiums

CRO – Chief Risk Officer

EIOPA – European Insurance and Occupational Pensions Authority

ENID – Events not in data. Refers to possible future insured events which have not previously occurred

ERM Committee – Enterprise Risk Management Committee

Expense ratio – an expression of expenses as a proportion of premiums

GRC – Group Risk Committee

IAS 19 – The international financial reporting standards for employee benefits, including defined benefit pension schemes

IFRS – International Financial Reporting Standards

Loss ratio – an expression of claims incurred as a proportion of premiums

MCR – Minimum Capital Requirement

ORSA – Own Risk and Solvency Assessment

Own Funds – the capital resources available to the company

QRTs – Quantitative Reporting Templates

Reconciliation reserve – a component of own funds

SCR – Solvency Capital Requirement

SFCR - Solvency Financial Condition Report

SIMF – Senior Insurance Management Function

Standard Formula – the approach applied by the company to calculate its SCR

## Appendix 4

## SFCR Quantitative Templates

S.02.01 Balance Sheet
S.05.01 Premium, claims & expenses by line of business
S.05.02 Premium, claims & expenses by country
S.17.01 Non-life technical Provisions
S.19.01 Non-life insurance claim triangles
S.23.01 Own funds
S.25.01 Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01 Minimum Capital Requirement – non-life

**General information**

| | |
|---|---|
| Undertaking name | North of Engand Protecting & Indemnity Association Ltd |
| Undertaking identification code | XJCO61LLUWTBTNWIXO53 |
| 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 | Standard formula |
| 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
by line of business
S.05.02.01 - Premiums, claims and expenses
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

N.B. This page not a formal part of the disclosure and can be omitted if required.

**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 | 20,054 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 208,908 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 113,919 |
| R0100 | *Equities* | 50 |
| R0110 | *Equities - listed* | 0 |
| R0120 | *Equities - unlisted* | 50 |
| R0130 | *Bonds* | 0 |
| R0140 | *Government Bonds* | 0 |
| R0150 | *Corporate Bonds* | 0 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 90,305 |
| R0190 | *Derivatives* | 321 |
| R0200 | *Deposits other than cash equivalents* | 4,314 |
| 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: | 490,982 |
| R0280 | *Non-life and health similar to non-life* | 490,982 |
| R0290 | *Non-life excluding health* | 490,982 |
| 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 | |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | 2,504 |
| 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 | 19,821 |
| R0420 | Any other assets, not elsewhere shown | |
| R0500 | **Total assets** | 742,269 |

**S.02.01.02**
**Balance sheet**

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 524,682 |
| R0520 | *Technical provisions - non-life (excluding health)* | 524,682 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 512,005 |
| R0550 | *Risk margin* | 12,677 |
| 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 | |
| R0760 | Pension benefit obligations | 52,617 |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | |
| R0790 | Derivatives | 7,178 |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | |
| R0830 | Reinsurance payables | |
| R0840 | Payables (trade, not insurance) | 11,437 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | |
| R0900 | **Total liabilities** | 595,914 |
| | | |
| R1000 | **Excess of assets over liabilities** | 146,356 |

**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: 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* | | | | | | 316,657 | | | | | | | | | | | 316,657 |
| R0120 | *Gross - Proportional reinsurance accepted* | | | | | | 24,840 | | | | | | | | | | | 24,840 |
| R0130 | *Gross - Non-proportional reinsurance accepted* | | | | | | | | | | | | | | | | | 0 |
| R0140 | *Reinsurers' share* | | | | | | 293,573 | | | | | | | | | | | 293,573 |
| R0200 | *Net* | | | | | | 47,924 | | | | | | | | | | | 47,924 |
| | **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 | *Gross - Direct Business* | | | | | | 316,657 | | | | | | | | | | | 316,657 |
| R0220 | *Gross - Proportional reinsurance accepted* | | | | | | 30,794 | | | | | | | | | | | 30,794 |
| R0230 | *Gross - Non-proportional reinsurance accepted* | | | | | | | | | | | | | | | | | 0 |
| R0240 | *Reinsurers' share* | | | | | | 299,564 | | | | | | | | | | | 299,564 |
| R0300 | *Net* | | | | | | 47,887 | | | | | | | | | | | 47,887 |
| | **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 | *Gross - Direct Business* | | | | | | 182,756 | | | | | | | | | | | 182,756 |
| R0320 | *Gross - Proportional reinsurance accepted* | | | | | | 29,165 | | | | | | | | | | | 29,165 |
| R0330 | *Gross - Non-proportional reinsurance accepted* | | | | | | | | | | | | | | | | | 0 |
| R0340 | *Reinsurers' share* | | | | | | 191,368 | | | | | | | | | | | 191,368 |
| R0400 | *Net* | | | | | | 20,553 | | | | | | | | | | | 20,553 |
| | **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 |
| R0550 | **Expenses incurred** | | | | | | -502 | | | | | | | | | | | -502 |
| R1200 | **Other expenses** | | | | | | | | | | | | | | | | | 3,974 |
| R1300 | **Total expenses** | | | | | | | | | | | | | | | | | 3,472 |

**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 | | | | | | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | *Gross - Direct Business* | 316,657 | | | | | | 316,657 |
| R0120 | *Gross - Proportional reinsurance accepted* | 24,840 | | | | | | 24,840 |
| R0130 | *Gross - Non-proportional reinsurance accepted* | | | | | | | 0 |
| R0140 | *Reinsurers' share* | 293,573 | | | | | | 293,573 |
| R0200 | *Net* | 47,924 | 0 | 0 | 0 | 0 | 0 | 47,924 |
| | **Premiums earned** | | | | | | | |
| R0210 | *Gross - Direct Business* | 316,657 | | | | | | 316,657 |
| R0220 | *Gross - Proportional reinsurance accepted* | 30,794 | | | | | | 30,794 |
| R0230 | *Gross - Non-proportional reinsurance accepted* | | | | | | | 0 |
| R0240 | *Reinsurers' share* | 299,564 | | | | | | 299,564 |
| R0300 | *Net* | 47,887 | 0 | 0 | 0 | 0 | 0 | 47,887 |
| | **Claims incurred** | | | | | | | |
| R0310 | *Gross - Direct Business* | 182,756 | | | | | | 182,756 |
| R0320 | *Gross - Proportional reinsurance accepted* | 29,165 | | | | | | 29,165 |
| R0330 | *Gross - Non-proportional reinsurance accepted* | | | | | | | 0 |
| R0340 | *Reinsurers' share* | 191,368 | | | | | | 191,368 |
| R0400 | *Net* | 20,553 | 0 | 0 | 0 | 0 | 0 | 20,553 |
| | **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 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | -502 | | | | | | -502 |
| R1200 | **Other expenses** | | | | | | | 3,974 |
| R1300 | **Total expenses** | | | | | | | 3,472 |

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

| | | Direct business and accepted proportional reinsurance | | | | Direct business and accepted proportional reinsurance | | | | Direct business and accepted proportional reinsurance | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | | | | | | 0 | | | | | | | | | | | 0 |
| 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 | | | | | | -125,639 | | | | | | | | | | | -125,639 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | -125,170 | | | | | | | | | | | -125,170 |
| R0150 | **Net Best Estimate of Premium Provisions** | | | | | | -470 | | | | | | | | | | | -470 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | | | 637,644 | | | | | | | | | | | 637,644 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | 616,152 | | | | | | | | | | | 616,152 |
| R0250 | **Net Best Estimate of Claims Provisions** | | | | | | 21,492 | | | | | | | | | | | 21,492 |
| R0260 | **Total best estimate - gross** | | | | | | 512,005 | | | | | | | | | | | 512,005 |
| R0270 | **Total best estimate - net** | | | | | | 21,023 | | | | | | | | | | | 21,023 |
| R0280 | **Risk margin** | | | | | | 12,677 | | | | | | | | | | | 12,677 |
| | **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** | | | | | | 524,682 | | | | | | | | | | | 524,682 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | | | | | | 490,982 | | | | | | | | | | | 490,982 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | | | | | | 33,700 | | | | | | | | | | | 33,700 |

**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 | | | | | | | | | | | 2,897 | 2,897 | 2,897 |
| R0160 | N-9 | 0 | 43,144 | 26,512 | 13,587 | 10,566 | 4,477 | 17,832 | 4,690 | -303 | 633 | | 633 | 121,139 |
| R0170 | N-8 | 34,548 | 53,261 | 18,745 | 19,667 | 9,491 | 7,209 | 6,298 | 7,942 | 1,258 | | | 1,258 | 158,418 |
| R0180 | N-7 | 61,906 | 40,665 | 32,741 | 21,496 | 9,326 | 9,230 | 2,901 | 11,798 | | | | 11,798 | 190,063 |
| R0190 | N-6 | 25,338 | 41,644 | 29,062 | 48,136 | 15,099 | 4,989 | 9,355 | | | | | 9,355 | 173,622 |
| R0200 | N-5 | 45,623 | 98,194 | 55,212 | 35,249 | 25,964 | 7,670 | | | | | | 7,670 | 267,912 |
| R0210 | N-4 | 43,939 | 63,438 | 61,675 | 43,747 | 17,256 | | | | | | | 17,256 | 230,054 |
| R0220 | N-3 | 55,487 | 91,601 | 122,738 | 19,146 | | | | | | | | 19,146 | 288,973 |
| R0230 | N-2 | 42,710 | 68,526 | 61,492 | | | | | | | | | 61,492 | 172,729 |
| R0240 | N-1 | 31,340 | 49,164 | | | | | | | | | | 49,164 | 80,504 |
| R0250 | N | 38,166 | | | | | | | | | | | 38,166 | 38,166 |
| R0260 | | | | | | | | | | | | **Tota** | 218,836 | 1,724,478 |

**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 | | | | | | | | | | | 0 | 0 |
| R0160 | N-9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| R0170 | N-8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| R0180 | N-7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 |
| R0190 | N-6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| R0200 | N-5 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | 0 |
| R0210 | N-4 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 |
| R0220 | N-3 | 0 | 0 | 0 | 0 | | | | | | | | 0 |
| R0230 | N-2 | 0 | 0 | 0 | | | | | | | | | 0 |
| R0240 | N-1 | 0 | 0 | | | | | | | | | | 0 |
| R0250 | N | 662,047 | | | | | | | | | | | 0 |
| R0260 | | | | | | | | | | | | **Total** | 0 |

**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 | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | 118,062 | 118,062 | | | |
| 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 |
| | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | |
| R0220 | Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | 0 | | | | |
| | **Deductions** | | | | | |
| R0230 | Deductions for participations in financial and credit institutions | 0 | 0 | 0 | 0 | |
| R0290 | **Total basic own funds after deductions** | 118,062 | 118,062 | 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 | 57,630 | | | 57,630 | |
| 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** | 57,630 | | | 57,630 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 175,692 | 118,062 | 0 | 57,630 | 0 |
| R0510 | Total available own funds to meet the MCR | 118,062 | 118,062 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 175,692 | 118,062 | 0 | 57,630 | 0 |
| R0550 | Total eligible own funds to meet the MCR | 118,062 | 118,062 | 0 | 0 | |
| R0580 | **SCR** | 115,259 | | | | |
| R0600 | **MCR** | 28,815 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 152.43% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 409.73% | | | | |
| | **Reconcilliation reserve** | C0060 | | | | |
| R0700 | Excess of assets over liabilities | 146,356 | | | | |
| R0710 | Own shares (held directly and indirectly) | 0 | | | | |
| R0720 | Foreseeable dividends, distributions and charges | | | | | |
| R0730 | Other basic own fund items | 0 | | | | |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 28,293 | | | | |
| R0760 | **Reconciliation reserve** | 118,062 | | | | |
| | **Expected profits** | | | | | |
| R0770 | Expected profits included in future premiums (EPIFP) - Life business | | | | | |
| R0780 | Expected profits included in future premiums (EPIFP) - Non- life business | | | | | |
| R0790 | **Total Expected profits included in future premiums (EPIFP)** | 0 | | | | |

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0080 | C0090 |
| R0010 | Market risk | | | |
| R0020 | Counterparty default risk | | | |
| R0030 | Life underwriting risk | | | |
| R0040 | Health underwriting risk | | | |
| R0050 | Non-life underwriting risk | | | |
| R0060 | Diversification | | | |
| R0070 | Intangible asset risk | | | |
| R0100 | **Basic Solvency Capital Requirement** | | | |

| | **Calculation of Solvency Capital Requirement** | C0100 |
|---|---|---|
| R0130 | Operational risk | 15,360 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | 0 |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0 |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 100,559 |
| R0210 | Capital add-ons already set | 14,700 |
| R0220 | **Solvency capital requirement** | 115,259 |
| | **Other information on SCR** | |
| R0400 | Capital requirement for duration-based equity risk sub-module | 0 |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | 97,048 |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | 5,685 |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | 0 |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | 0 |

**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 | 8,876 |

| | | 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 | 21,023 | 47,932 |
| 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 | 8,876 |
| R0310 | SCR | 115,259 |
| R0320 | MCR cap | 51,867 |
| R0330 | MCR floor | 28,815 |
| R0340 | Combined MCR | 28,815 |
| R0350 | Absolute floor of the MCR | 4,050 |
| R0400 | **Minimum Capital Requirement** | 28,815 |