SUNDERLAND MARINE INSURANCE COMPANY LIMITED

Solvency and Financial Condition Report 2018

Registered in the U.K. : Limited by Guarantee

The Quayside, Newcastle upon Tyne, NE1 3DU UK

Index

Appendices

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
Executive Director

Date: 12 June 2018

Report of the external independent auditor to the Directors of Sunderland Marine Insurance Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by Sunderland Marine Insurance Company Limited as at 20th February 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Sunderland Marine Insurance Company Limited as at 20th February 2018, (**'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'**).

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Sunderland Marine Insurance Company Limited as at 20 February 2018 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, modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Emphasis of Matter – special purpose 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 this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you if:

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

Other information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of North of England Protecting & 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.

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
Quayside House, 110 Quayside
Newcastle upon Tyne
NE1 3DX

Date:

- The maintenance and integrity of Sunderland Marine Insurance Company 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.12.01.02
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions

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

- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions

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

Executive Summary

The Directors present the Solvency Financial Condition Report ("SFCR") for Sunderland Marine Insurance Company Limited ("Sunderland" or "the company"), based on the financial position as at 20 February 2018.

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.

The company 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
Newcastle upon Tyne
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 March 2018.

Review of 2017/18

Operating activities generated a surplus of US$2.9 million compared to a deficit of US$5.9 million in the prior year. The driver for the improved performance was a reduction in the net loss ratio from 84% to 52%, partly offset by an increase in the expense ratio from 37% to 46%. The company is part way through a three year plan to focus on insurance markets where its high level of service and knowledge differentiates it from other providers and where sustainable pricing can be achieved, whilst at the same time reducing the complexity of the business and reducing exposure to markets where the premium available for providing high quality niche insurance cover does not justify the costs of the company's business model. The reduction in the net loss ratio follows reduced exposure to this non-core business. The expense ratio has increased despite an overall reduction in operating expenses, reflecting a reduction in premium revenue from the execution of the company's strategy together with restructuring costs incurred in the year.

Non-operational factors have also influenced the result in the current year. Net foreign exchange gains of US$1.2 million (2017: net losses of US$0.7 million) and remeasurement gains on the defined benefit pension scheme (US$1.5 million; 2017: remeasurement losses of US$4.7 million) were the most significant items. Total comprehensive income for the year was a surplus of US$6.0 million compared to a deficit of US$11.4 million recorded in the prior reporting period.

During the year, the company transferred its defined benefit pension scheme to its parent company, The North of England Protecting and Indemnity Association Limited ("North"), via a Flexible Apportionment Arrangement.

A Business and Performance (Unaudited)

A.1 Business

Principal Activities

The company underwrites marine insurance for hull and machinery, protection and indemnity, personal accident and war risks as well as aquaculture insurance.

The principal activities of the company's subsidiaries are marine insurance and insurance broking.

The company operates from its head office in Newcastle upon Tyne in the UK but also has a number of offices and subsidiaries in locations worldwide including Australia, Canada, the Netherlands, New Zealand, South Africa and the US.

The entire voting rights of the company are held by the parent company, North, which is also the ultimate parent company, located in the UK.

Strategy

The company's business objective is to generate a consistent return for membership of North and to maintain long-term financial stability. The strategy is to achieve this through providing insurance to markets where Sunderland's high level of service and knowledge differentiates it from other insurance providers and where sustainable pricing can be achieved. Following the acquisition of the company by North a strategic review was undertaken with the objective of achieving an enhanced level of financial stability and resilience to economic and other environmental pressures.

The directors have identified that the business model of the company requires a high level of operational overhead to achieve the delivery of its underwriting and claims services and has agreed a three year strategy to transition to a more sustainable business model. The company is two years into this three year plan. This will ensure the company can continue to deliver long-term financial stability and security. To achieve this, the directors have set three strategic priorities for delivery over that timeframe:

Focus on core business – the company has been successful over its long history working in partnership with its policyholders in niche marine and aquaculture sectors. It is a strategic priority to retain the company's focus on policyholders and the service that sets it apart from other insurers. Sustainable premium levels can be achieved in these areas by providing a high quality insurance cover and service which differentiates the company from its competitors. In these core markets the company's priority is to improve and develop the service and products it provides to policyholders and to maintain its unique reputation.

Reduce complexity – the company's overall expense ratio is high in relation to competitors under the current business model and structure. The company's strategy is to transition its business to its parent and operate as a division of that company to achieve operating and cost efficiencies. This is subject to regulatory approval in a number of jurisdictions worldwide.

Reduce exposures to non-core business – in certain markets the premium available for providing a high quality niche insurance cover does not justify the costs of the company's business model. Nonetheless the company retains a strong reputation, experience and knowledge in these markets. The company's strategy is to work with insurance partners to put in place mutually sustainable arrangements which will provide continuity of cover and service for policyholders and improve the financial stability of the company. This element of the strategy is now largely complete in terms of premium exposure although work to transfer exposure from prior policy years continues.

Business Performance

The company has key financial and other performance indicators (KPIs) which reflect its strategic priorities.

	2018	2017
Long-term financial stability		
Results of operating activities	US$2.9M	US$(5.9)M
Investment return	US$2.3M	US$2.0M
Total accumulated surplus	US$78.2M	US$72.2M
Focus on core business		
Surplus on core underwriting	US$2.0M	US$4.8M
Reduce complexity		
Expense ratio	46%	37%
Operating expenses	US$11.9M	US$13.7M
Reduce exposures to non-core business		
Gross insurance premium revenue	US$60.9M	US$102.5M
Surplus / (deficit) on non-core underwriting	US$1.6M	US$(10.8)M

A.2 Underwriting performance

The company underwrites a variety of marine risks, including hull and machinery, protection and indemnity and personal accident as well as 'all-risks' cover for the aquaculture industry. Both the marine and aquaculture insurance environments are highly competitive with no indication of generalised upwards pressure on premium rating in the short term.

The company manages a portfolio of risks which is well diversified within its niche marine portfolio in relation to size of vessel, fishery and service activity and within aquaculture by species.

The company also maintains geographical diversification although its strategy is to reduce its underwriting exposure in certain regions where its current business model is not competitive. The company's current markets for marine, based on premiums written in the year, are the UK (38%), Europe (21%), Australasia (37%) and others (4%), and for aquaculture they are UK (25%), North America (22%), Europe (20%), and Australasia (33%).

Gross insurance premium revenue decreased by 40.6% from US$102.5 million to US$60.9 million. Marine business accounted for 75% of premium with the remaining 25% accounted for by the aquaculture business. Earned premium revenue decreased by 27.7% from US$110.8 million to US$80.1 million. The reduction in premium reflects progression of the company's strategy in respect of non-core business, and particularly the cessation of underwriting of North American marine business from 1 November 2016.

The net loss ratio has decreased from 84% to 52%, arising from reduced exposure to non-core business. The decrease in net loss ratio has been partly offset by an increase in the expense ratio from 37% to 46%.

The combined ratio for the year ended 20 February 2018 is 98% (2017: 121%).

A.3 Investment performance

Investment income and fair value gains for the year ended 20 February 2018 are US$2.3 million. Dividends from group undertakings of US$1.2 million are included in this figure.

The company has a low appetite for investment risk within its portfolio. No equity investments, with the exception of investments in group undertakings, are held by the Company and a significant proportion of investable assets are held as cash or cash equivalents.

A4. Performance of other activities

Implementation of strategic priorities has incurred restructuring costs in relation to redundancy at US$0.6 million, legal and regulatory fees of US$1.0 million, and the write down in the investment value of Sunderland Marine (Africa) Limited by US$0.7 million as that company ceased to accept insurance risks in the year.

Results of operating activities improve from a surplus in the income statement of US$2.9 million to a surplus of US$5.2 million after exclusion of these restructuring expenses.

The total accumulated surplus increased from US$72.2 million at 20 February 2017 to US$78.2 million at 20 February 2018 as a result of the surplus recorded in comprehensive income for the year of US$6.0 million.

A.5 Any other information

None.

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 policyholders 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 comprises 9 directors: 6 non-executive Directors and 3 executive Directors. The Directors have a Group Nominations Committee, which evaluates the performance of the Directors and proposes new Directors. There is also a Group Remuneration Committee, which determines the Group Remuneration Policy including the policy for remuneration of the Executive and Non-Executive Directors.

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 Head of Group Compliance is responsible for monitoring all Requirements on an ongoing basis in order to identify any matters which necessitate the Requirements to be reassessed and updates the 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 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.

<u>Group Risk Committee</u>

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.

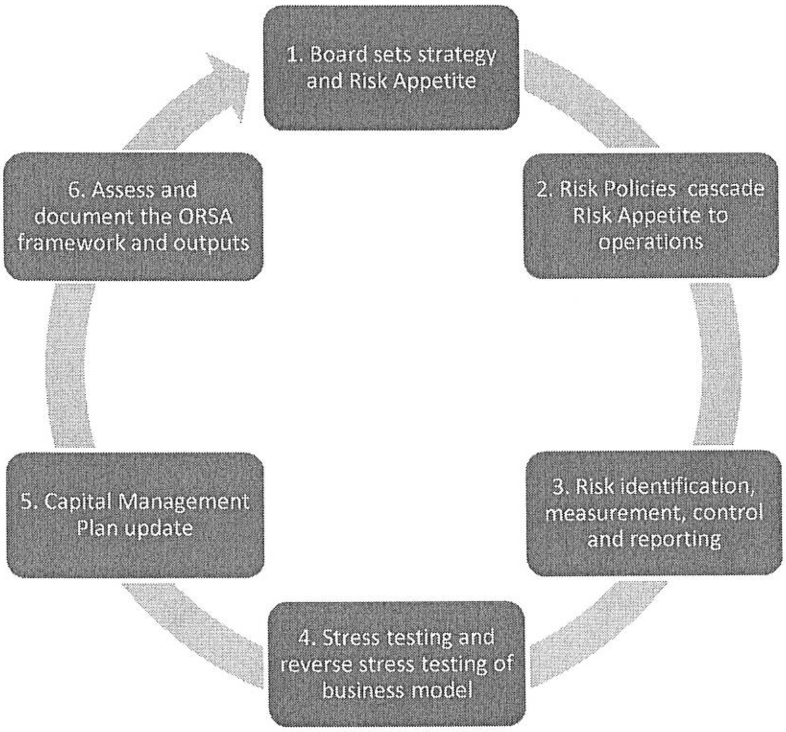
ORSA assessment: Review ORSA documentation, assess its adequacy and effectiveness in capturing the ORSA system and its outputs and assess its compliance with regulatory requirements.

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 Director (Risk and Compliance) ("DRC").

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. Overall internal risk limit set as an absolute amount at a 1 in 20 year probability. 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. Establish documentary link between risk appetite and operational processes and procedures. 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** 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. Key controls identified for all risks with the accepted risk treatment (prevent, mitigate or accept). **Emerging risk protocol** Process for risk identification by anybody within the organisation. Assessment of potential impact, mitigation in place or required and changes required to the risk register. **Risk tolerance and reporting triggers** Each risk and sub-components separately assigned a reporting trigger, agreed with risk owners and reported on quarterly by owners to the ERM Committee. **Risk profile** Calculation performed independently of risk owners to provide segregation in the process. Variety of actuarial (statistical or mathematical) and practical techniques employed. Correlation applied between risks and risk categories to reach overall assessment. 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. 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. 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 DRC. 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.

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

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.

Risk and Compliance functions

The DRC leads the Risk and Compliance functions and formally reports to the GRC at least four times each year. The DRC has a direct and independent line of contact to the GRC at any time.

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

Identifying & assessing	• Assess relevant risks and controls • Determine applicable requirements • Make initial assessment of risk valuation and identify risk limits
Monitoring & testing	• Monitor policies and procedures and compliance with them • Liaising with other internal control functions to ensure co-ordinated approach • Monitoring of risk valuations and risk triggers compared to set limits • Stress testing and risk scenario analysis
Advising (including regulatory)	• Provision of relevant advice and training • Interaction with worldwide regulators • 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's 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. Following a tender process in the year, the outsourcing provider is currently in the process of moving from Willis Towers Watson to Lane Clark & Peacock.

The outsourcing provider provides a Chief Actuary as defined by PRA rules. This appointment is approved by the Board and subject to review, on an ongoing 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.

B.8 Any other information

None.

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 E.2.

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 is provided below. 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. 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 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 the company's own claims history to set volatility assumptions and apply the company'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 year chance of occurring.

The company'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 and the Board.

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 the company.

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 the company'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 the parent company, North. North 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 including cyber risk, 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

Pension risk has previously been a material risk for the company as the operation of a defined benefit pension scheme exposed the company to changes in the valuation of scheme assets and liabilities. The company's defined benefit pension scheme was transferred to North prior to the year end and as a result the company does not have any continuing exposure to such changes in valuation at 20 February 2018.

C.7 Any other information

None.

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
- Deferred acquisition costs (included in Other assets in the below table)

In addition, assets held for sale, which represents an investment in a subsidiary, are presented separately on the IFRS balance sheet but included in the valuation of investments – related undertakings including participations for Solvency II. The following table sets out the value of the company's assets at 20th February 2018 and 20th February 2017.

	20 February 2018		20 February 2017	
	IFRS assets US$M	Solvency II assets US$M	IFRS assets US$M	Solvency II assets US$M
Investments – related undertakings including participations	6.2	9.9	10.8	9.8
Assets held for sale	4.7	-	-	-
Investments - other	32.3	32.4	24.1	24.2
Reinsurance recoverables	100.2	74.1	116.8	72.6
Receivables	33.6	4.7	46.7	4.3
Deposits, Cash and cash equivalents	68.5	68.5	83.8	83.8
Other assets	6.6	2.9	9.3	2.9
Total assets	**252.1**	**192.5**	**291.5**	**197.6**

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

Investments – related undertakings including participations

The investment held in the insurance subsidiary, SMA, is valued based on the excess of assets over liabilities on SMA's own balance sheet, prepared on a Solvency II consistent basis. The adjustments made to the assets and liabilities of SMA are of a similar nature to those made in the company. Investments in the brokerage subsidiaries are valued on an adjusted equity method, which is based on the cost of the investments adjusted for subsequent movements in reserves. Any goodwill or intangible assets on the subsidiaries' own balance sheets are deducted in the Solvency II valuation. These valuations replace the IFRS carrying value, which is based on the cost of the investments.

Assets held for sale

In the current year IFRS financial statements, the investment in the Knighthood brokerage subsidiary was shown as held for sale. This is included in the investments – related undertakings including participations caption of the Solvency II balance sheet.

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 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 and quota share reinsurance arrangements, including a quota share reinsurance arrangement with the parent company, North.

Receivables

Insurance and reinsurance receivables of US$27.6 million (2017: US$41.0 million) 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. Adjustments are also made to remove prepayment balances from the Solvency II balance sheet and to re-allocate accrued interest to financial investments (US$1.3 million; 2017: US$1.4m).

Deposits, Cash and cash equivalents

Cash and deposits are included in both the IFRS financial statements and for Solvency II purposes at their fair value. Deposit amounts are disclosed separately from cash and cash equivalents in the quantitative reporting templates.

Other assets

All other assets are valued for Solvency II purposes on the same basis as the financial statements with the exception of deferred acquisition costs (US$3.7 million; 2017: US$6.4 million) which are valued at US$nil.

D.2 Technical provisions

The following table sets out the value of the company's net technical provisions ("TPs") at 20th February 2018 and 20th February 2017.

	20 February 2018		20 February 2017	
	IFRS TPs US$M	Solvency II TPs US$M	IFRS TPs US$M	Solvency II TPs US$M
Gross Technical provisions	150.6	103.1	179.0	106.3
Reinsurance recoverables	(100.2)	(74.1)	(116.8)	(72.6)
Risk margin	N/a	3.5	N/a	3.8
Net Technical Provisions	**50.4**	**32.5**	**62.2**	**37.5**

The company calculates its technical provisions separately in relation to business written under the Marine, Aviation and Transport (Hull, P&I, Personal Accident classes of business, including proportional Hull and P&I reinsurance) and the Fire and other damage to property (Aquaculture) Solvency II lines 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 Bornhuetter-Ferguson methods. 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

No adjustment is made for bound but not incepted business in the calculation of the technical provisions. The company underwrites business throughout the year and any future cash flows associated with the low volumes of business bound but not incepted at the 20 February valuation date are not significant to the overall valuation.

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 2018 and 20th February 2017.

	20 February 2018		20 February 2017	
	IFRS Liabilities US$M	Solvency II Liabilites US$M	IFRS Liabilities US$M	Solvency II Liabilites US$M
Payables	23.2	7.9	35.8	5.3
Pension benefit obligations	-	-	4.4	4.4
Other liabilities	-	-	0.1	0.1
Total other liabilities	**23.2**	**7.9**	**40.3**	**9.8**

Payables include insurance and reinsurance payables (US$15.3 million; 2017: US$30.5 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 company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the IFRS financial statements. The SMI pension scheme was transferred to the company's parent, North, in advance of the year end (see section E.2 Solvency Capital Requirement and Minimum Capital Requirement).

D.4 Alternative valuation methods

None.

D.5 Any other information

None.

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 and amounts contributed by the parent company.

The company's objective with respect to the management of own funds is to ensure that sufficient resources are available to cover 130% 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 20th February 2018 and 20th February 2017are shown in the table below:

	20 Feb 2018 US$M	20 Feb 2017 US$M
Income & expenditure account	0.3	2.3
Translation reserve	(0.1)	(8.1)
Other reserves	77.2	77.2
Revaluation reserve	0.8	0.8
Total IFRS resources	78.2	72.2
Solvency II adjustments	-	5.5
Solvency II excess of assets over liabilities	78.2	77.7

The reconciliation reserve consists of the Solvency II excess of assets over liabilities of US$78.2 million (2017: US$77.7 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

All of the assets of the company are available to meet liabilities as and when they fall due, and therefore the company has no 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 20th February 2018 and 20th February 2017:

	20 Feb 2018 US$M	20 Feb 2017 US$M
Market risk	13.1	24.3
Counterparty default risk	9.8	16.6
Underwriting risk	16.1	21.0
Diversification	(9.8)	(15.9)
Basic SCR	**29.2**	**46.0**
Operational risk	3.1	3.3
SCR excluding capital add-on	**32.3**	**49.3**
Agreed capital add-on (defined benefit pension schemes)	7.8	7.8
Solvency Capital Requirement	**40.1**	**57.1**

An annual assessment of the appropriateness of the standard formula SCR to the company is carried out. The last review, completed in January 2018, confirmed that the SCR was appropriate for all risks except those in respect of the defined benefit pension scheme. The risks associated with the defined benefit pension scheme have subsequently, and prior to the year end, been transferred to North. The company has previously agreed with the PRA that a voluntary capital add-on was appropriate to capture the risks associated with the scheme. Given the proximity of the transfer of the pension scheme to the year end, the company was not able to get the agreed capital add-on removed in advance of 20th February 2018. Accordingly, the company has included the agreed capital add-on in respect of pension scheme risks of US$7.8 million at both 20th February 2018 and 20th February 2017, despite the fact that the risks no longer reside with the company at 20th February 2018. The final amount of the SCR is subject to supervisory assessment.

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 20th February 2018 and 20th February 2017, the calculated MCR is lower than the 25% floor and therefore the MCR has been set equal to 25% of the SCR, which is US$10.0 million (2017: US$14.3 million).

Coverage of the MCR and SCR

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

Coverage of SCR	**20 February 2018**	**20 February 2017**
Capital resources	US$78.2M	US$77.7M
SCR	US$40.1M	US$57.1M
Coverage	US$38.1M	US$20.6M
% Coverage	195%	136%
Coverage of MCR		
Capital resources	US$78.2M	US$77.7M
MCR	US$10.0M	US$14.3M
Coverage	US$68.2M	US$63.4M
% Coverage	782%	543%

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The company does not use the duration-based equity risk sub-module for the calculation of its SCR.

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

The company does not use an internal model to calculate any part of its SCR.

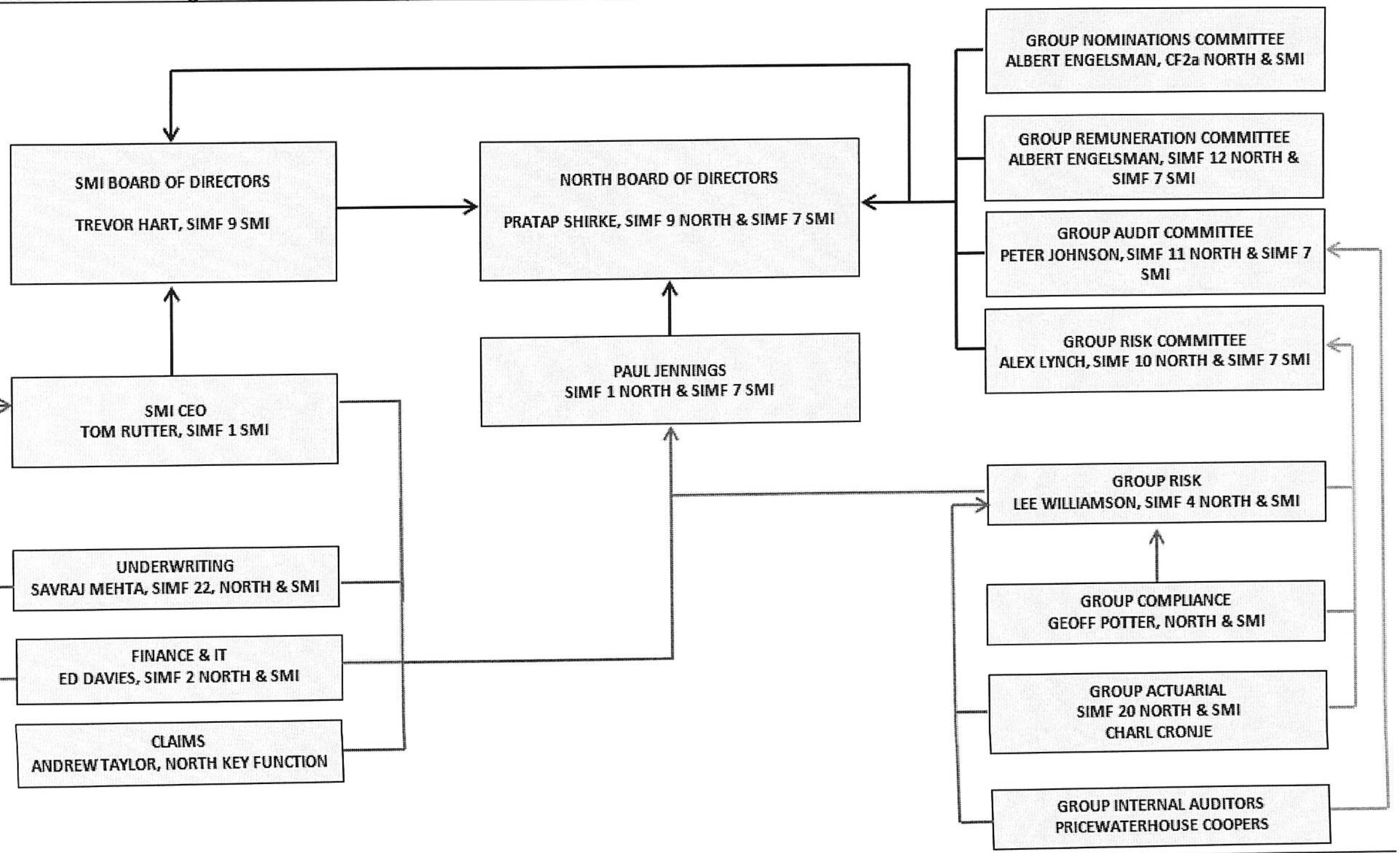
E.5 Confirmation of compliance with the SCR & Minimum Consolidated Group SCR

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

E.6 Any other information

None.

Appendix 1 – Governance Map
Senior Insurance Management Functions & Key Functions – Responsible Individuals and Reporting Lines



<u>**Key**</u>

Reporting Lines

- Reporting line to Board of Directors
- Primary operational reporting line
- Secondary operational reporting line
- Independent reporting line to Committee

PRA Senior Insurance Management Functions (SIMF)

SIMF 1 – Chief Executive Function

SIMF 2 – Chief Finance Function

SIMF 4 – Chief Risk Function

SIMF 5 – Head of Internal Audit Function

SIMF 7 – Group Entity Senior Insurance Manager Function

SIMF 9 – Chairman

SIMF 10 – Chair of Risk Committee

SIMF 11 – Chair of Audit Committee

SIMF 12 – Chair of Remuneration Committee

SIMF 20 – Chief Actuary Function

SIMF 22 – Chief Underwriting Officer Function

FCA Controlled Functions

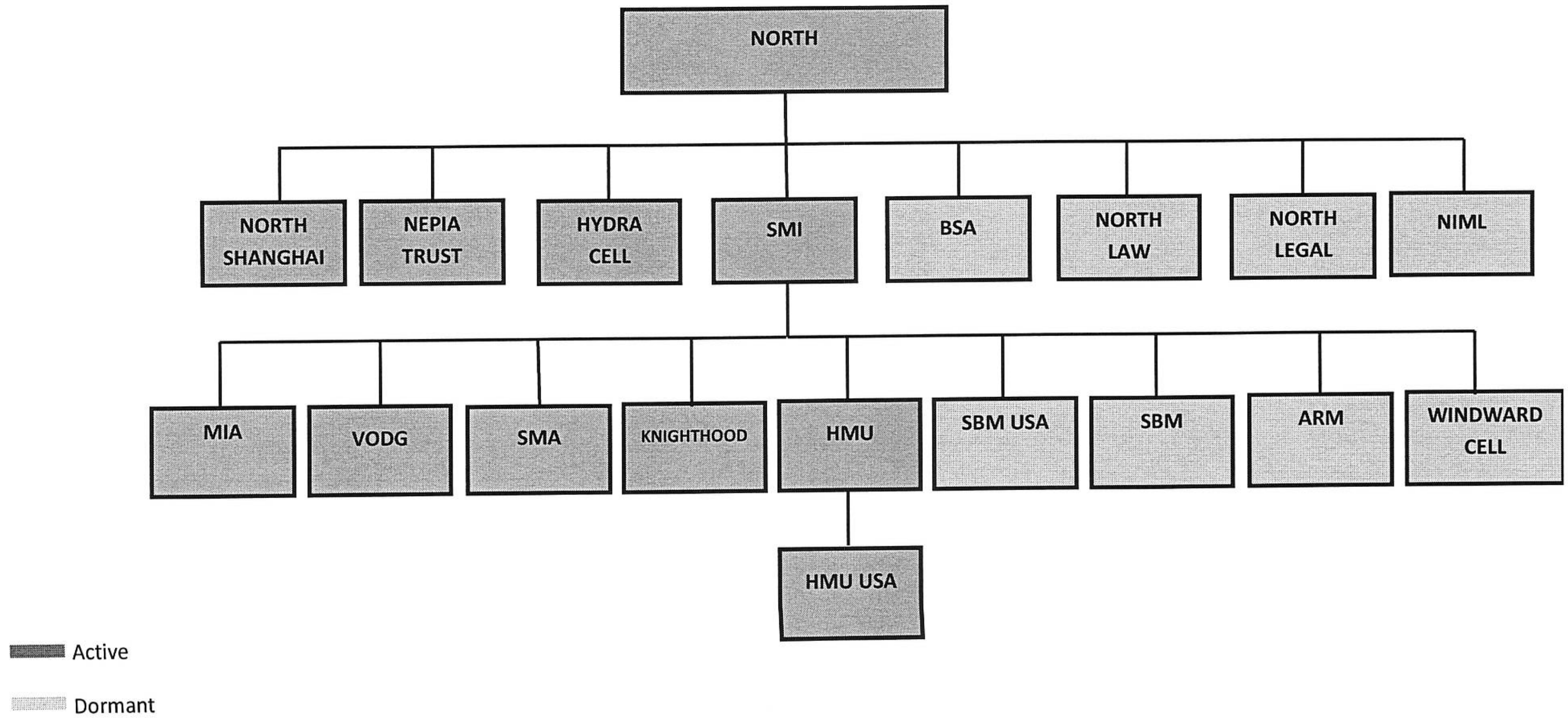
CF2a – Chair of Nominations Committee

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

DRC – Director (Risk and Compliance)

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

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

Sunderland Marine Insurance Company Ltd

Solvency and Financial Condition Report

Disclosures

20 February

2018

(Monetary amounts in USD thousands)

General information

Undertaking name	Sunderland Marine Insurance Company Ltd
Undertaking identification code	549300MOM633ONHVMI67
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2018
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
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	2,920
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	89,264
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	9,885
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	32,412
R0140	*Government Bonds*	24,874
R0150	*Corporate Bonds*	7,538
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	46,966
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:	74,098
R0280	*Non-life and health similar to non-life*	74,098
R0290	*Non-life excluding health*	74,098
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)	4,667
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	21,514
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	192,462

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	106,558
R0520	*Technical provisions - non-life (excluding health)*	106,558
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	103,060
R0550	*Risk margin*	3,498
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	1
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	7,685
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**	114,244
R1000	**Excess of assets over liabilities**	78,219

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						51,605	9,265										60,870
R0120	Gross - Proportional reinsurance accepted						61											61
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						31,479	7,892										39,371
R0200	Net						20,187	1,374										21,560
	Premiums earned																	
R0210	Gross - Direct Business						58,548	21,468										80,016
R0220	Gross - Proportional reinsurance accepted						61											61
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						34,600	19,351										53,951
R0300	Net						24,008	2,117										26,125
	Claims incurred																	
R0310	Gross - Direct Business						47,899	13,167										61,066
R0320	Gross - Proportional reinsurance accepted						-2,414											-2,414
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						34,740	11,707										46,447
R0400	Net						10,745	1,460										12,205
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0	0										0
R0550	**Expenses incurred**						3,135	-1,498										1,637
R1200	**Other expenses**																	12,944
R1300	**Total expenses**																	14,580

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			AU	NZ	CA	US		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	42,674	12,359	5,727	134	-25		60,870
R0120	Gross - Proportional reinsurance accepted	61						61
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	28,689	6,852	3,745	101	-15		39,371
R0200	Net	14,046	5,508	1,982	34	-10	0	21,560
	Premiums earned							
R0210	Gross - Direct Business	56,087	12,078	5,761	4,478	1,612		80,016
R0220	Gross - Proportional reinsurance accepted	61						61
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	39,544	6,816	3,768	2,924	899		53,951
R0300	Net	16,604	5,262	1,993	1,554	713	0	26,125
	Claims incurred							
R0310	Gross - Direct Business	44,767	9,646	2,758	3,411	483		61,066
R0320	Gross - Proportional reinsurance accepted	-2,414						-2,414
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	35,200	6,045	1,751	2,679	772		46,447
R0400	Net	7,154	3,600	1,007	732	-289	0	12,205
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1,711	148	-370	83	65		1,637
R1200	**Other expenses**							12,944
R1300	**Total expenses**							14,580

S.17.01.02

Non-Life Technical Provisions

		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										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						6,733	-9,103										-2,370
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						3,655	-4,107										-453
R0150	**Net Best Estimate of Premium Provisions**						3,079	-4,996										-1,917
	Claims provisions																	
R0160	Gross						84,764	20,666										105,430
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						56,429	18,122										74,550
R0250	**Net Best Estimate of Claims Provisions**						28,335	2,544										30,880
R0260	**Total best estimate - gross**						91,497	11,563										103,060
R0270	**Total best estimate - net**						31,414	-2,451										28,963
R0280	**Risk margin**						3,834	-337										3,498
	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**						95,332	11,226										106,558
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						60,083	14,014										74,098
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						35,248	-2,788										32,460

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident 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											0	0	0
R0160	2009	39,773	25,880	5,960	4,324	2,711	4	542	-1,855	-137	78		78	77,280
R0170	2010	41,205	30,106	6,898	5,086	3,408	630	645	63	36			36	88,077
R0180	2011	44,279	22,449	4,396	3,400	1,813	234	203	586				586	77,360
R0190	2012	37,116	25,195	4,089	3,344	3,094	-158	1,555					1,555	74,235
R0200	2013	57,690	28,971	8,336	4,036	3,723	2,061						2,061	104,817
R0210	2014	66,080	32,258	5,777	7,090	2,963							2,963	114,168
R0220	2015	67,956	49,861	12,775	5,251								5,251	135,843
R0230	2016	92,992	25,935	11,063									11,063	129,990
R0240	2017	40,411	26,212										26,212	66,624
R0250	2018	34,611											34,611	34,611
R0260												Total	84,415	903,005

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	2009	0	0	0	0	0	0	0	0	0	0		0
R0170	2010	0	0	0	0	0	0	0	0	0			0
R0180	2011	0	0	0	0	0	0	0	0				0
R0190	2012	0	0	0	0	0	0	0					0
R0200	2013	0	0	0	0	0	0						0
R0210	2014	0	0	0	0	0							0
R0220	2015	0	0	0	0								0
R0230	2016	0	0	0									0
R0240	2017	0	0										0
R0250	2018	105,368											105,368
R0260												Total	105,368

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	78,219	78,219			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	78,219	78,219	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	0				
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**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	78,219	78,219	0	0	0
R0510	Total available own funds to meet the MCR	78,219	78,219	0	0	
R0540	Total eligible own funds to meet the SCR	78,219	78,219	0	0	0
R0550	Total eligible own funds to meet the MCR	78,219	78,219	0	0	
R0580	**SCR**	40,065				
R0600	**MCR**	10,016				
R0620	**Ratio of Eligible own funds to SCR**	195.23%				
R0640	**Ratio of Eligible own funds to MCR**	780.92%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	78,219
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	0
R0760	**Reconciliation reserve**	78,219
	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	C0090	C0120
R0010	Market risk	13,058		
R0020	Counterparty default risk	9,763		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	16,100		
R0060	Diversification	-9,748		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	29,173		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	3,092
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**	32,265
R0210	Capital add-ons already set	7,800
R0220	**Solvency capital requirement**	40,065
	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	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
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	6,165

		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	31,414	20,187
R0080	Fire and other damage to property insurance and proportional reinsurance	0	1,374
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	6,165
R0310	SCR	40,065
R0320	MCR cap	18,029
R0330	MCR floor	10,016
R0340	Combined MCR	10,016
R0350	Absolute floor of the MCR	4,050
R0400	**Minimum Capital Requirement**	10,016