Global service
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North

Solvency & Financial Condition Report 2019

Sunderland Marine Insurance Company Limited
Registered in the UK: Limited by Guarantee
100 The Quayside, Newcastle upon Tyne, NE1 3DU
Tel: +44 191 232 5221

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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

PA Jennings
Executive Director

Date: 23 May 2019

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 2019.

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 February 2019.

Review of 2018/19

Operating activities generated a surplus of US$2.5 million compared to a surplus of US$2.9 million in the prior year. There has been a slight increase in the net loss ratio and a slight reduction in the expense ratio, with the overall combined ratio remaining relative stable at 99% (2018: 98%).

This year marks the completion of the Company's three year strategy 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 expense ratio has reduced slightly despite a significant reduction in premium levels associated with the execution of the strategy.

Towards the start of the year, the Company completed the disposal of its subsidiary brokerage company, Knighthood Corporate Assurance Services plc for consideration of US$8.2 million and generating a profit on disposal of US$3.6 million.

The Company's investments returned US$2.4 million in the year compared to US$2.3 million in the prior year, reflecting the low risk investment strategy adopted and the generation of stable returns to support capital requirements.

During the year, the Company successfully completed the transfer of its Australian and New Zealand business to its parent, the North of England Protecting and Indemnity Association ("North"). This transfer, together with additional net capital distributions, has seen US$26.2 million of capital returned to the parent company in the year.

The total accumulated surplus decreased from US$78.2 million at 20 February 2018 to US$54.7 million at 20 February 2019. The movement results from the surplus for the year (US$8.3 million), foreign exchange losses on foreign operations (US$5.6 million) and the distribution to the parent company of US$26.2 million.

A Business and Performance

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 Canada, the Netherlands, 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 the North of England P&I Association (North) membership and to maintain long-term financial stability. The strategy is to achieve this through providing insurance to markets where its high level of service and knowledge differentiates it from other insurance providers and where sustainable pricing can be achieved. A strategic review was undertaken three years ago with the objective of achieving an enhanced level of financial stability and resilience to economic and other environmental pressures.

At the time of the strategic review, the Directors identified that the business model of the company required a high level of operational overhead to achieve the delivery of its underwriting and claims services and agreed a three year strategy to transition to a more sustainable business model. The company has now reached the end of that three year period. The changes made have ensured that the company can continue to deliver long-term financial stability and security. The Directors 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, North, 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. During the year, the company successfully transferred the operations of its Australian and New Zealand branches to the parent company, representing a significant step towards the achievement of this objective.

- **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.

Having made significant progress towards all three strategic objectives, the company has delivered a significant return for the North membership in the current year.

Business Performance

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

	2019 US$M	2018 US$M
Long-term financial stability		
Results of operating activities	2.5	2.9
Investment return	2.4	2.3
Total Accumulated Surplus	54.7	78.2
Reduce complexity		
Expense ratio	43%	46%
Operating expenses	7.3	11.9

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 (31%), Europe (24%), Australasia (37%) and others (8%), and for aquaculture they are UK (18%), North America (23%), Europe (36%), and Australasia (23%). We expect the geographical distribution of the business to reduce in the coming year following the transfer of the Australian and New Zealand business to North, and the fact that following the UK's decision to leave the European Union ("Brexit"), future EEA premiums will be underwritten by a fellow subsidiary of North established in Ireland.

A.3 Investment Performance

Investment income and fair value gains for the year ended 20 February 2019 are US$2.4 million. Dividends from group undertakings of US$0.6 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

Towards the start of the year, the Company completed the disposal of its subsidiary brokerage company, Knighthood Corporate Assurance Services plc for consideration of US$8.2 million and generating a profit on disposal of US$3.6 million.

During the year, the Company successfully completed the transfer of its Australian and New Zealand business to its parent, the North of England Protecting and Indemnity Association ("North"). This transfer, together with additional net capital distributions, has seen US$26.2 million of capital returned to the parent company in the year.

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A.5 Any Other Information

None.

B System of governance

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 8 directors: 6 non-executive Directors and 2 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.

Approved Persons

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.

B3 Risk Management System including the Own Risk and Solvency Assessment (ORSA)

Risk Culture

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.

Board Oversight of Risk Management

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

Group Risk Committee

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

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

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

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

Risk policies: Review the Group's risk policies and policies in respect of compliance with legal obligations.

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

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

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

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

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

Enterprise Risk Management Committee

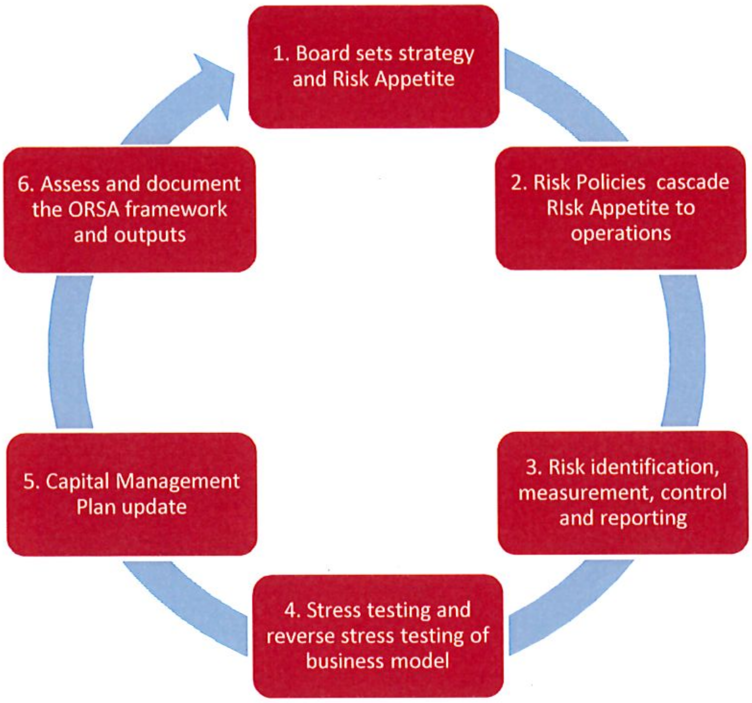
In order to ensure that sound risk management principles and practices are embedded within the business, management have formed an Enterprise Risk Management committee ("ERM committee"). This committee meets at least four times each year and its responsibilities broadly follow those of the GRC but at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

Reserving Committee

Management have formed a Reserving Committee with a specific remit to review and approve the technical provisions included in the financial statements of the Company each year. It is also responsible for reviewing the methodology and assumptions adopted in the calculation of the Solvency II technical provisions and monitoring the Company's response to any findings and recommendations made by the Group Chief Actuary. The Reserving Committee is chaired by the Corporate Actuary and attended by senior underwriting, claims and finance staff.

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 CRO. Final review, approval and sign-off is undertaken by the ERM committee, the GRC and the Board itself.

The numeric element of the ORSA process begins its cycle following the Board's approval of the updated business plan in November, with an updated ORSA report due to the February 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 CRO leads the Risk and Compliance functions and formally reports to the GRC at least four times each year. The CRO has a direct and independent line of contact to the GRC at any time.

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. The outsourcing provider is currently 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, including performance measurement and reporting, and provides processes to effectively manage the risks associated with outsourcing relationships.

B.8 Any Other Information

None.

C Risk Profile

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;
- 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

None

C.7 Any Other Information

None.

D Valuation for Solvency purposes

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 2019 and 20th February 2018.

	20 February 2019		20 February 2018	
	IFRS assets US$M	Solvency II Assets US$M	IFRS Assets US$M	Solvency II Assets US$M
Investments – related undertakings including participations	5.7	3.7	6.2	9.9
Assets held for sale	-	-	4.7	-
Investments – other	38.5	38.5	32.3	32.4
Reinsurance recoverables	50.1	41.0	100.2	74.1
Receivables	37.4	17.9	33.6	4.7
Deposits, Cash and cash equivalents	7.3	7.3	68.5	68.5
Other assets	1.6	-	6.6	2.9
Total Assets	**140.6**	**108.4**	**252.1**	**192.5**

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

Investments – Related Undertakings Including Participations

Investments in 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. The reduction in the Solvency II valuation of investments – related undertakings including participations on the current year is the sale of Knighthood Corporate Assurance Services plc (see 'Assets Held for Sale' that follows).

Assets Held for Sale

In the prior year IFRS financial statements, the investment in the Knighthood brokerage subsidiary was shown as held for sale. This was included in the investments – related undertakings including participations caption of the Solvency II balance sheet and valued on the basis described in 'Investments – Related Undertakings including participations'.

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.

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$19.4 million (2018: US$27.6 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, in the prior year, to re-allocate accrued interest to financial investments (US$0.1 million; 2018: US$1.3m).

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

Other assets in the current year consist entirely of deferred acquisition costs (US$1.6 million; 2018: US$3.7 million), which are valued at US$nil on the Solvency II balance sheet. In the prior year other assets also included property, plant and equipment valued consistently on the IFRS and Solvency II balance sheet, which has been disposed of in the current year.

D.2 Technical Provisions

The following table sets out the value of the company's net technical provisions ("TPs") at 20th February 2019 and 20th February 2018.

	20 February 2019		20 February 2018	
	IFRS TPs US$M	Solvency II TPs US$M	IFRS TPs US$M	Solvency II TPs US$M
Gross Technical provisions	74.9	52.9	150.6	103.1
Reinsurance recoverables	(50.1)	(41.0)	(100.2)	(74.1)
Risk margin	N/a	2.5	N/a	3.5
Net Technical Provisions	**24.8**	**14.4**	**50.4**	**32.5**

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 2019 and 20th February 2018.

	20 February 2019		20 February 2018	
	IFRS Liabilities US$M	Solvency II Liabilities US$M	IFRS Liabilities US$M	Solvency II Liabilities US$M
Payables	11.1	0.6	23.2	7.9
Total other liabilities	**11.1**	**0.6**	**23.2**	**7.9**

Payables include insurance and reinsurance payables (US$10.5 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.

D.4 Alternative Valuation Methods

None.

D.5 Any Other Information

None.

E Capital Management

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 2019 and 20th February 2018 are shown in the table below:

	20 Feb 2019 US$M	20 Feb 2018 US$M
Income & expenditure account	8.6	0.3
Translation reserve	(4.0)	(0.1)
Other reserves	50.1	77.2
Revaluation reserve	-	0.8
Total IFRS resources	54.7	78.2
Solvency II adjustments	(2.3)	-
Solvency II excess of assets over liabilities	52.4	78.2

The reconciliation reserve consists of the Solvency II excess of assets over liabilities of US$52.4 million (2018: US$78.2 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 2019 and 20th February 2018:

	20 Feb 2019 US$M	20 Feb 2018 US$M
Market risk	8.4	13.1
Counterparty default risk	10.3	9.8
Underwriting risk	10.3	16.1
Diversification	(7.2)	(9.8)
Basic SCR	**21.8**	**29.2**
Operational risk	1.6	3.1
SCR excluding capital add-on	**23.4**	**32.3**
Agreed capital add-on (defined benefit pension schemes)	7.8	7.8
Solvency Capital Requirement	**31.2**	**40.1**

An annual assessment of the appropriateness of the standard formula SCR to the company is carried out. The last review, completed in January 2019, confirmed that the SCR was appropriate for all risks. The company has previously agreed with the PRA that a voluntary capital add-on was appropriate to capture the risks associated with the pension scheme which was transferred to the parent company in advance of 20 February 2018. Following the transfer of the pension scheme, an application to the PRA was made to remove this voluntary capital add-on, and this was approved by the PRA with effect from 8 March 2019.

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 2019 and 20th February 2018, 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$7.8 million (2018: US$10.0 million).

Coverage of the SCR and MCR

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

	20 February 2019 US$M	20 February 2018 US$M
Coverage of SCR		
Capital resources	52.4	78.2
SCR	31.2	40.1
Coverage	21.2	38.1
% Coverage	168%	195%
Coverage of MCR		
Capital resources	52.4	78.2
MCR	7.8	10.0
Coverage	44.6	68.2
% Coverage	672%	782%

With effect from 8 March 2019 the PRA have confirmed the removal of the capital add-on related to the defined benefit pension scheme. If this removal had been effective at 20 February 2019, then Solvency II resources would have been unchanged but the SCR would have reduced to US$23.4 million, and coverage of the SCR would have been 224%.

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

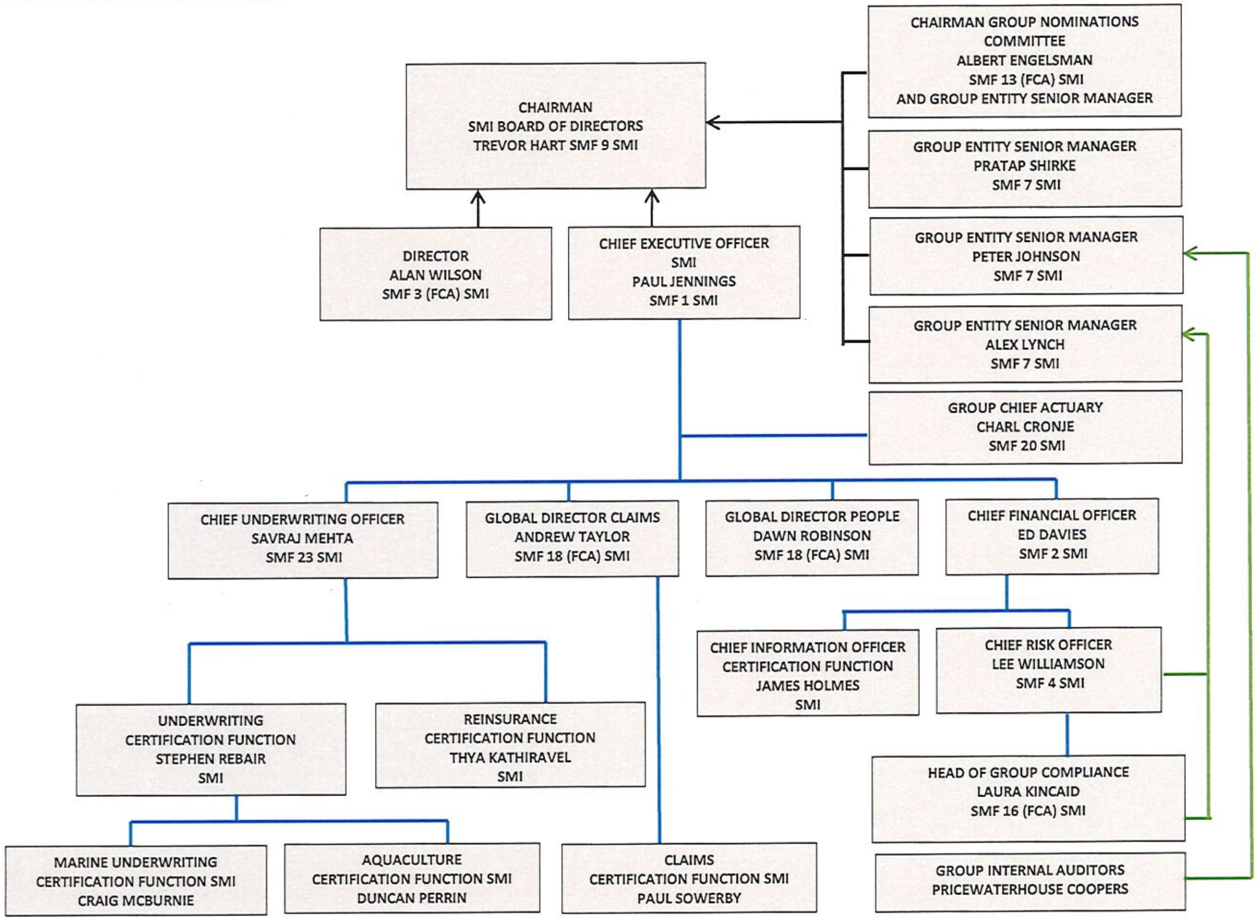
The company has complied with the SCR and MCR throughout the year.

E.6 Any Other Information

None.

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

Management Responsibilities Map (SMI)



Key

Reporting Lines

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

PRA Senior Management Functions

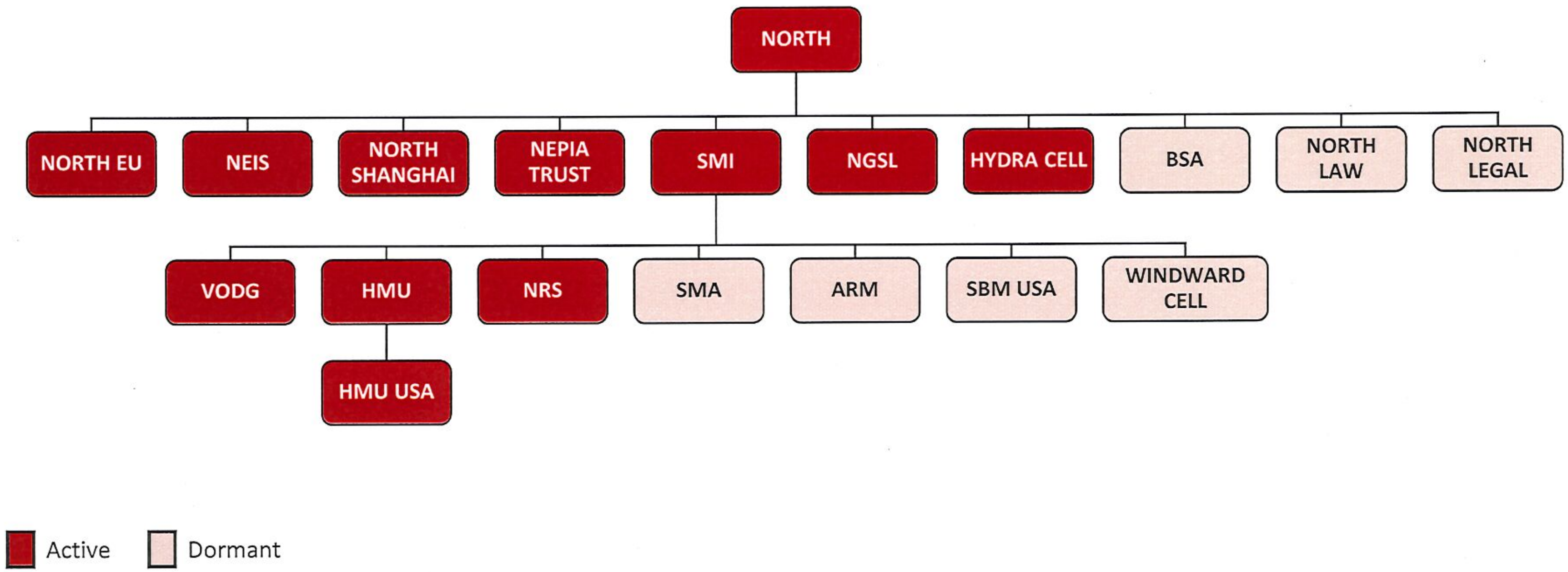
SMF 1 – Chief Executive Function
SMF 2 – Chief Finance Function
SMF 4 – Chief Risk Function
SMF 5 – Head of Internal Audit Function (Election for outsourcing applied as North not considered 'significant')
SMF 7 – Group Entity Senior Insurance Manager Function
SMF 9 – Chairman
SMF 10 – Chair of Risk Committee
SMF 11 – Chair of Audit Committee
SMF 12 – Chair of Remuneration Committee
SMF 20 – Chief Actuary Function
SMF 23 – Chief Underwriting Officer Function

FCA Senior Management Functions

SMF 3 – Executive Director
SMF 13 – Chair of Nominations Committee
SMF 16 –Compliance Oversight Function

SMF 18 – Other Overall Responsibility Function

Appendix 2 - Group Structure



Appendix 3 - Glossary of Terms

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

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

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

CRO – Chief Risk Officer

EIOPA – European Insurance and Occupational Pensions Authority

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

ERM Committee – Enterprise Risk Management Committee

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

GRC – Group Risk Committee

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

2019

(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	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2019
Currency used for reporting	USD
Accounting standards	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	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	43,391
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	3,689
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	39,047
R0140	*Government Bonds*	21,877
R0150	*Corporate Bonds*	17,170
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	656
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:	41,015
R0280	*Non-life and health similar to non-life*	41,015
R0290	*Non-life excluding health*	41,015
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)	17,369
R0390	Own shares (held directly)	
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	6,633
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	108,408

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	55,459
R0520	*Technical provisions - non-life (excluding health)*	55,459
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	52,913
R0550	*Risk margin*	2,546
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	
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)	620
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**	56,079
R1000	**Excess of assets over liabilities**	52,329

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						36,590	6,655										43,245
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						21,741	5,830										27,570
R0200	Net						14,849	825										15,675
	Premiums earned																	
R0210	Gross - Direct Business						40,269	8,075										48,343
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						24,408	7,138										31,546
R0300	Net						15,860	937										16,797
	Claims incurred																	
R0310	Gross - Direct Business						21,943	984										22,927
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						13,147	374										13,521
R0400	Net						8,796	610										9,406
	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**						7,550	258										7,808
R1200	**Other expenses**																	5,579
R1300	**Total expenses**																	13,387

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				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	28,902	9,206	5,137				43,245
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	19,143	5,066	3,371				27,580
R0200	Net	9,759	4,140	1,766	0	0	0	15,665
	Premiums earned							
R0210	Gross - Direct Business	33,864	9,773	4,721				48,358
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	22,496	5,822	3,235				31,553
R0300	Net	11,368	3,951	1,486	0	0	0	16,805
	Claims incurred							
R0310	Gross - Direct Business	15,168	6,055	1,705				22,928
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	9,265	3,432	824				13,521
R0400	Net	5,903	2,623	881	0	0	0	9,407
	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**	1,349	4,916	1,543				7,808
R1200	**Other expenses**							5,579
R1300	**Total expenses**							13,387

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						7,664	1,085										8,749
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						5,637	1,272										6,909
R0150	Net Best Estimate of Premium Provisions						2,027	-187										1,840
	Claims provisions																	
R0160	Gross						32,823	11,341										44,164
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						23,176	10,930										34,106
R0250	Net Best Estimate of Claims Provisions						9,647	411										10,058
R0260	Total best estimate - gross						40,487	12,426										52,913
R0270	Total best estimate - net						11,674	224										11,898
R0280	Risk margin						2,498	48										2,546
	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						42,985	12,474										55,459
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total						28,813	12,202										41,015
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total						14,172	272										14,444

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Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											0	0	0
R0160	2010	33,938	58,697	65,368	70,246	73,422	73,942	74,571	74,634	74,668	74,725		74,725	674,211
R0170	2011	34,665	51,653	55,826	59,042	60,795	61,026	61,224	61,823	61,366			61,366	507,421
R0180	2012	31,880	53,252	56,777	59,914	62,833	62,937	64,259	64,420				64,420	456,272
R0190	2013	45,622	67,903	74,742	78,722	82,296	84,283	84,489					84,489	518,058
R0200	2014	47,528	74,414	79,908	86,928	89,405	93,229						93,229	471,412
R0210	2015	46,410	88,402	99,698	104,816	110,271							110,271	449,597
R0220	2016	59,673	81,408	91,482	96,161								96,161	328,725
R0230	2017	30,899	53,816	60,387									60,387	145,101
R0240	2018	29,313	34,946										34,946	64,258
R0250	2019	18,125											18,125	18,125
R0260												Total	698,118	3,633,181

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0		0
R0170	2011	0	0	0	0	0	0	0	0	0			0
R0180	2012	0	0	0	0	0	0	0	0				0
R0190	2013	0	0	0	0	0	0	0					0
R0200	2014	0	0	0	0	0	0						0
R0210	2015	0	0	0	0	0							0
R0220	2016	0	0	0	0								0
R0230	2017	0	0	0									0
R0240	2018	0	0										0
R0250	2019	53,628											0
R0260												Total	0

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
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	52,329	52,329			
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**	52,329	52,329	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	52,329	52,329	0	0	0
R0510	Total available own funds to meet the MCR	52,329	52,329	0	0	
R0540	Total eligible own funds to meet the SCR	52,329	52,329	0	0	0
R0550	Total eligible own funds to meet the MCR	52,329	52,329	0	0	
R0580	**SCR**	31,223				
R0600	**MCR**	7,806				
R0620	**Ratio of Eligible own funds to SCR**	167.60%				
R0640	**Ratio of Eligible own funds to MCR**	670.40%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	52,329
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**	52,329
	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

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	8,386		
R0020	Counterparty default risk	10,349		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	10,303		
R0060	Diversification	-7,202		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	21,835		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,587
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**	23,423
R0210	Capital add-ons already set	7,800
R0220	**Solvency capital requirement**	31,223
	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

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk

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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	3,362

		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	11,674	14,832
R0080	Fire and other damage to property insurance and proportional reinsurance	224	825
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	3,362
R0310	SCR	31,223
R0320	MCR cap	14,050
R0330	MCR floor	7,806
R0340	Combined MCR	7,806
R0350	Absolute floor of the MCR	4,188
R0400	**Minimum Capital Requirement**	7,806

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