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Tokio Millennium Re

# Tokio Millennium Re (UK) Limited

# Solvency and Financial Condition Report

# Year ended 31 December 2016

# Directors’ Report

## Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with PRA Rules and the Solvency II Regulations.

The Solvency II Directive, the Delegated Acts, related implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which Tokio Millennium Re (UK) Limited (“TMRUK Ltd”) operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

## Compliance with Solvency Capital Requirement (“SCR”)

We acknowledge our responsibility for preparing the Solvency Financial Condition Report in all material respects in accordance with the PRA rules and the Solvency II regulations.

We are satisfied that:

- throughout the financial year in question, TMRUK Ltd has complied, in all material respects with the requirement of the PRA rules and the Solvency II regulations as applicable to TMRUK Ltd; and
- it is reasonable to believe that TMRUK Ltd will comply with the PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

By order of the Board

Mark Julian

Director

May 2017

**Report of the external independent auditors to the Directors of Tokio Millennium Re (UK) Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part 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**

We have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**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 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02, S.05.02.01 and S.19.01.21;

- The written acknowledgement by management 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 the Company as at 31 December 2016 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

**Emphasis of Matter - Basis of Accounting**

We draw attention to the Valuation for solvency purposes and/or Capital Management 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.

**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.

**Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report 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. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

**Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Solvency and Financial Condition Report and of the Company'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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT

18 May 2017

- The maintenance and integrity of the Tokio Millennium Re (UK) Limited 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.

# A. Business and External Environment

## A1.1 Name and legal form of the undertaking

Tokio Millennium Re (UK) Limited ("TMRUK Ltd") is incorporated in the UK and is a private company limited by shares. The address of the registered office is:

5th Floor
20 Fenchurch Street
London
EC3M 3BY

Registered Number: 02553288

This Solvency and Financial Condition Report ("SFCR") covers TMRUK Ltd on a solo basis only.

TMRUK Ltd is authorised by the Prudential Regulation Authority ("PRA"), 20 Moorgate, London EC2R 8AH and regulated by the Financial Conduct Authority ("FCA"), 25 The North Colonnade, E14 5HS and the PRA.

The external auditors for TMRUK Ltd for the year ended 31 December 2016 were PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

## A1.2 Business Strategy

TMRUK Ltd was placed into run-off with effect from 1 July 2015 from which date all new and renewal business was written by the UK Branch of its sister company, Tokio Millennium Re AG ("TMR AG"), which was authorised by the PRA/FCA on 8 April 2015. TMRUK Ltd applied to remove the "effecting contracts of insurance" permission on the basis that it had ceased to write new and renewal reinsurance business as of 30 June 2015. Formal approval by the PRA of TMRUK Ltd's Variation of Permission request was granted on 5 April 2016.

It is planned that the existing TMRUK Ltd treaty business will be transferred to TMR AG and the Direct & Facultative ("D&F") business to another group company or to a third party provider under the Part VII Transfer Process. TMRUK Ltd will be liquidated once all its assets and liabilities have been transferred out and/or extinguished.

TMRUK Ltd provided treaty reinsurance across multiple lines of business. This included property, casualty, motor, fire and perils, political risks, marine and terrorism. Business was approximately split between territories in the following proportions: UK - 43%, EEA – 32%, other overseas territories – 25%. Business in other overseas territories was focused on the Middle East and Asia (excluding Japan).

TMRUK Ltd ceased writing D&F business from 31 December 2010, when the D&F underwriting team moved to TMRUK Ltd's sister operation, Tokio Marine Kiln Syndicates Limited ("TMK") Syndicate 1880. The portfolio included property and engineering risks written on a D&F basis located in UK, Europe, Africa, the Middle East, South America, Asia, Canada and the US as well as risks with worldwide coverage. The property element of the portfolio has completely run off. From 1 January 2012, TMRUK Ltd bought "run-off" cover from TMK Syndicate 1880 to protect TMRUK Ltd against any losses occurring on or after that date within the engineering element of the portfolio.

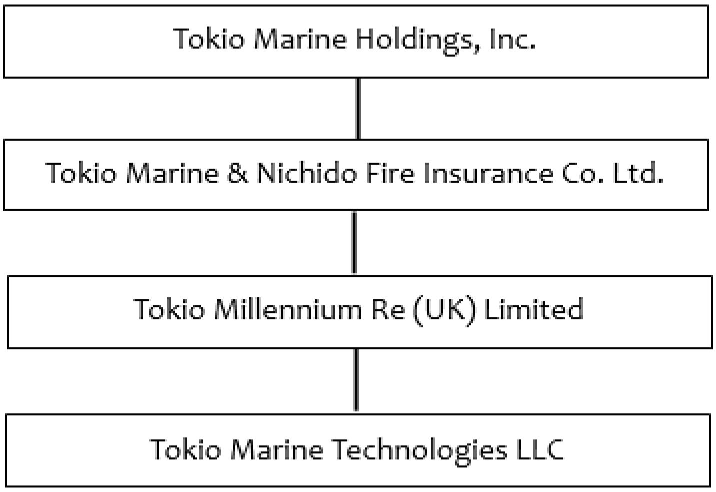
The TMRUK Ltd run-off plan was communicated to the PRA in the form of a Scheme of Operations in line with regulatory requirements. The Scheme was originally submitted on 30 December 2014 with an update on 28 January 2016. As at 31 December 2016 TMRUK Ltd has not yet commenced the Part VII transfer processes and no timescales are currently set.

### A1.2 Material Subsidiaries

Tokio Marine Technologies LLC, a software development and consultancy company, is a 100% owned subsidiary of TMRUK Ltd.

### A1.3 Legal Structure

TMRUK Ltd is 100% owned by Tokio Marine & Nichido Fire Insurance Co. Ltd, which in turn is a wholly owned subsidiary of Tokio Marine Holdings, Inc. (“TMHD”).




### A1.4 Business Performance 2016

TMRUK Ltd produces its financial statements in accordance with UK GAAP. On a UK GAAP basis, TMRUK Ltd generated a post-tax loss of GBP(1.8) million (2015: post-tax profit GBP0.4 million) during the financial year. Net assets stood at GBP197.3 million (2015: GBP201.6 million) at the end of the financial year.

On 27 February 2017, the Ogden discount rate was revised down to -0.75% from +2.50%. The impact of this was an GBP26.2 million overall increase in reserves, which previously made some allowance for the Ogden rate reducing below 2.5%. Despite the Ogden discount rate changing after the year-end, this is considered to be a material post-year end event impacting year-end reserves.

## A.2 Performance from Underwriting Activities

### A.2.1 Underwriting Performance

TMRUK Ltd ceased to write business on 30 June 2015. All underwriting activity since that date has been in respect of the run-off of the business. The negative written premium below arises due to adjustments to prior underwriting year estimated premium income. The figures below are shown on a UK GAAP basis split by Solvency II lines of business for the year ended 31 December 2016.

| **Solvency II line of business** | | **Net Written Premium** | **Net Earned Premium** | **Net Claims Incurred** | **Expenses Incurred** |
|---|---|---|---|---|---|
| | | GBP'000 | GBP'000 | GBP'000 | GBP'000 |
| Direct business and accepted proportional reinsurance | Medical expense insurance | (93) | 80 | (32) | 348 |
| | Motor vehicle liability insurance | 1,213 | 26,394 | 26,632 | 3,881 |
| | Marine, aviation and transport insurance | 382 | 7,217 | 3,375 | 2,908 |
| | Fire and other damage to property insurance | (1,865) | 13,481 | (373) | 6,532 |
| | General liability insurance | 3,788 | 10,790 | 5,372 | 3,004 |
| | Miscellaneous financial loss | (2,070) | 6,984 | 6,563 | 2,305 |
| Accepted non-proportional reinsurance | Non-proportional health reinsurance | (45) | (10) | (103) | 54 |
| | Non-proportional casualty reinsurance | 496 | 13,219 | 36,231 | 2,535 |
| | Non-proportional marine, aviation and transport reinsurance | 119 | 444 | (1,722) | 387 |
| | Non-proportional property reinsurance | 278 | 665 | (1,938) | 217 |
| **Total non-life obligation** | | **2,203** | **79,264** | **74,005** | **22,171** |

## A.2.2 Underwriting performance by geographical area

The below table shows the underwriting performance by geographical areas with the largest gross written premium in the year ended 31 December 2016. Note that all written premiums are due to changes in the estimates of premium amounts, rather than relating to newly written business, as TMRUK Ltd has been in run off since mid-2015. Note also that the SFCR requirement is to show the business written in the home country and largest five overseas countries by gross written premium. Further detail is shown in appendix S.05.02.

| **Income Statement Description** | **United Kingdom** | **Gibraltar** | **Brazil** | **Denmark** | **Germany** | **Italy** | **Total** |
|---|---|---|---|---|---|---|---|
| | GBP'000 | GBP'000 | GBP'000 | GBP'000 | GBP'000 | GBP'000 | GBP'000 |
| Net Written Premium | 563 | 1,705 | (12) | 170 | 102 | 64 | 2,592 |
| Net Earned Premium | 33,675 | 27,207 | (7) | 330 | 144 | 895 | 62,244 |
| Net Claims Incurred | 31,906 | 32,365 | (134) | 470 | (69) | 350 | 64,888 |
| Expenses Incurred | 10,843 | 4,256 | 7 | 58 | 41 | 295 | 15,500 |

## A.3 Performance from Investment Activities

The table below shows the performance from investment activities for the year ended 31 December 2016.

| **Asset Class** | **Interest/coupon Income** | **Realised gains/(losses)** | **Unrealised gains/(losses)** | **Total** |
|---|---|---|---|---|
| | GBP'000 | GBP'000 | GBP'000 | GBP'000 |
| Government Bonds | 4,591 | (2,626) | 986 | 2,951 |
| Corporate Bonds and similar fixed income products | 2,219 | (1,668) | 626 | 1,177 |
| Collective Investment Undertakings | 283 | 0 | 0 | 283 |
| Cash Deposits | 297 | 0 | 0 | 297 |
| **Total** | **7,390** | **(4,294)** | **1,612** | **4,708** |

Investment costs for the year ended 31 December 2016 were GBP0.5m.

TMRUK Ltd does not hold investments in securitised assets.

## A.4 Other Operating Income and Expenses

Due to the deterioration of GBP in the year (primarily against USD and EUR), TMRUK Ltd recognised GBP2.2m of foreign exchange gain in the year ended 31 December 2016 in the UK GAAP financial statements.

TMRUK Ltd had no other material income or expenses in the year ended 31 December 2016.

## A.5 Any Other Information

There is no other information regarding the business and performance of TMRUK Ltd to disclose.

# B. System of Governance

## B.1 General Governance Arrangements

TMRUK Ltd maintains a Governance Map as required by the PRA's Senior Insurance Managers Regime ("SIMR") that shows the responsibilities of individuals for the systems of internal control of TMRUK Ltd and the holders of specific responsibilities detailed by the SIMR regime and the FCA Controlled Function ("CF") regime.

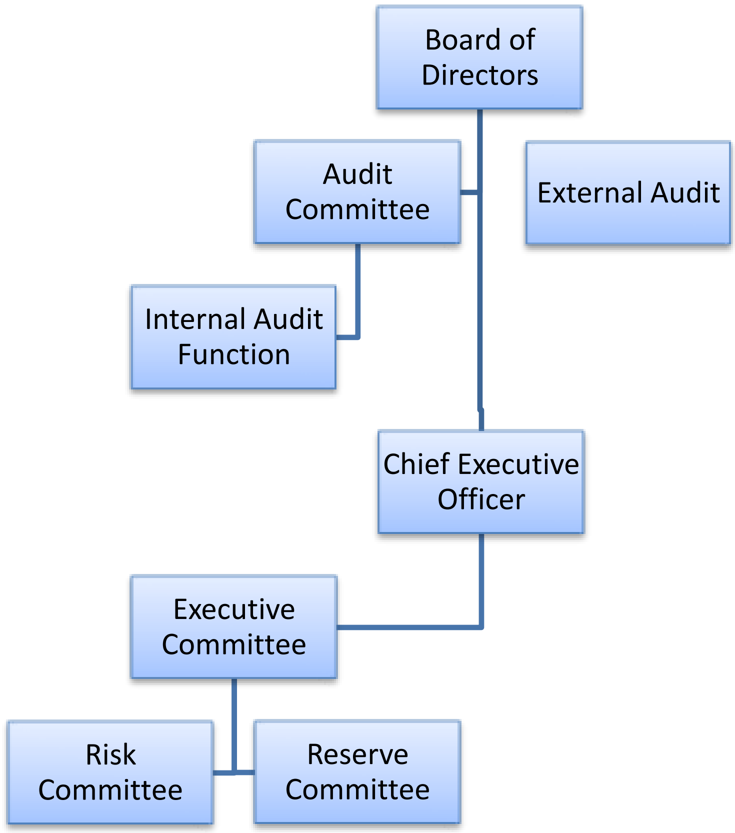
The Board are satisfied that the system of governance as set out in the Governance Map is adequate and appropriate for TMRUK Ltd. The risk management and actuarial teams are well-resourced with experienced, appropriately-qualified practitioners and their work feeds into the Risk Committee and Reserve Committee but with the appropriate degree of independence, i.e. the chair of the Reserve Committee is the Chief Financial Officer ("CFO") and the chair of the Risk Committee is the Chief Risk Officer ("CRO"). Members of the actuarial team attend the Reserve Committee meetings but none is a member of the Committee. Compliance attends all meetings to provide oversight from a legal and regulatory perspective. All meeting minutes, including decisions made, are provided to the Audit Committee and each function provides a detailed report to the quarterly meetings of the Audit Committee and Board.

Similarly, the Internal Audit function provides independent oversight and assurance over the work done by the other key functions and reports to the quarterly Audit Committee and Board meetings.

### *The Board of Directors*

The Board of Directors is the governing body for the activities of TMRUK Ltd. The Board is responsible for the direction and management of the business of TMRUK Ltd in the fulfilment of its business strategy in run off, any applicable legislation and regulation and oversight of TMRUK Ltd's policies, principles and values.

### B.1.1 Structure of Governance Arrangements




The system of governance is considered to be appropriate for TMRUK Ltd, taking into account the nature, scale and complexity of the risks inherent in the business of a run-off company.

Further details on each of these committees can be found below.

*Board of Directors*

The responsibilities of the Board in managing the business and affairs of TMRUK Ltd are set out in its Memorandum and Articles of Association. The principal responsibilities are:

i) Approving the strategy, plans and budgets of TMRUK Ltd;
ii) Ensuring that TMRUK Ltd has adequate systems of internal control and reporting;
iii) Ensuring TMRUK Ltd has effective risk management policies and procedures; and
iv) Ensuring compliance with regulatory requirements.

The Board consists of four Non-Executive Directors and one Executive Director:

- David John Finch
- Stephan Ruoff
- Toshiaki Suzuki
- Clemens Anton Theodor Wolf von Bechtolsheim
- Mark James Phillip Julian (Chief Executive Officer)

*Audit Committee*

The Audit Committee is a sub-committee of the Board.

The Audit Committee's objectives are to:

i) Ensure the integrity of the financial statements of the Company;
ii) Ensure the internal audit function operates effectively; and
iii) Ensure the risk management function operates effectively.

*Executive Committee*

The Executive Committee is a sub-committee of the Board, chaired by the CEO and has the following objectives:

i) Assist the CEO in delivering the corporate goals, strategies and plans;
ii) Oversee day to day management of business operations;
iii) Implement projects assigned by the CEO and Board;
iv) Carry out responsibilities delegated in approved policies and procedures;
v) Oversee sub committees.

*Risk Committee*

The Risk Committee's objectives are to advise the Executive Committee and report to the Audit Committee on risk management and to encourage a culture within TMRUK Ltd that emphasises and demonstrates the benefits of Risk Management for TMRUK Ltd and promotes continuing development and refinement of TMRUK Ltd's risk management policy and framework. (More details on the Risk Committee can be found in section B.3.2)

*Reserve Committee*

The primary goals of the Committee are to oversee the determination of the reserves held by TMRUK Ltd on a consolidated basis, to oversee, review and challenge TMRUK Ltd's assumptions and methodology for developing the estimate of reserves, to oversee and review the Company's actuarial reserving policy and to oversee the development of TMRUK Ltd's strategy for managing claims.

### B.1.2 Changes to the Governance Structure during the year

There were no material changes to the governance structure during the 2016 financial year.

### B.1.3 Remuneration Policies

The TMRUK Ltd Compensation Policy applies to all TMRUK Ltd employees who have an employment contract with TMRUK Ltd. The purpose of this policy is to ensure that compensation practice:

- Reflects the risk strategy, profile and management practices;
- Remains aligned with TMRUK Ltd's long-term business objectives, plan and strategy;
- Promotes TMRUK Ltd's culture and values;
- Attracts, retains and motivates competent, experienced and skilled employees;
- Minimizes the risk of inappropriate behaviour;
- Serves the best interests of TMRUK Ltd, its parent company and clients.

Remuneration does not give incentives to reward short-term profits and is aligned to appropriate time horizons.

Remuneration is based on two elements: fixed compensation and a variable component related to the performance of the Company and the individual.

Individual performance will be measured at least annually in a formal performance assessment process, and will take into account how far the employee has implemented core competencies and effective risk management practices.

The performance criteria does not encourage unauthorised or unwanted risk-taking that exceeds the level of tolerated risk.

#### B.1.3.1 Variable remuneration

TMRUK Ltd may at its discretion offer the opportunity for variable remuneration, by way of bonus or incentive schemes. All bonus schemes are discretionary. Employees are not overly dependent on variable components. Variable remuneration and salary reviews are based on a combination of the assessment of the individual's performance and the performance of TMRUK Ltd.

Variable remuneration is adjusted for present and, if appropriate, future risks. The risk profile and cost of capital are taken into account for senior management, underwriters and employees involved in business decisions.

There are no specific arrangements for supplementary pension or early retirement schemes for senior management.

## B.2 Fit and Proper

### B.2.1 Policies and Processes

TMRUK Ltd has put in place practical guidance on what TMRUK Ltd needs to do in order to meet Fit and Proper Standards, which defines the standards to be applied in terms of fitness and proprietary to all the "Relevant Employees" of TMRUK Ltd.

According to these guidelines, TMRUK Ltd has implemented appropriate and regular assessments to ensure that the Relevant Employees meet the following requirements both at appointment and on an on-going basis.

#### B.2.1.1 Fitness Requirements

All Relevant Employees must possess the professional qualification, knowledge and experience which are appropriate and adequate to hold all the roles they are in charge of and appropriate experience about the following topics:

*Market knowledge*

Awareness and understanding of the wider relevant business, economic and market environment in which TMRUK Ltd is operating and an awareness of the level of knowledge of and needs of customers.

*Business strategy and business model*

Understanding of the TMRUK Ltd business strategy and model.

*System of governance*

Awareness and understanding of the risks that TMRUK Ltd is facing and the capability to manage them. Furthermore, it includes the ability to assess the effectiveness of the undertaking's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.

*Actuarial and financial analysis*

The ability to interpret TMRUK Ltd's actuarial and financial information, identify and assess key issues, and take any necessary measures (including appropriate controls) based on this information.

*Regulatory framework and requirements*

Awareness and understanding of the regulatory framework in which TMRUK Ltd operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Furthermore, appointment of each Relevant Employee is required to be notified to the PRA, through a formal process, including an assessment of the fitness and propriety of each person. The process also includes an annual declaration of adherence to the current Fit and Proper requirements and commitment to give immediate notice of any notifiable events which are relevant in this respect.

### B2.1.2 Propriety Requirements

TMRUK Ltd evaluates whether Relevant Employees are "proper" to perform the roles and responsibilities assigned to them. Personal reliability and good reputation are prerequisites to be eligible for and hold relevant roles within TMRUK Ltd.

The assessment of whether the Relevant Employees are proper includes an assessment of their honesty based on the evidence regarding their character, personal behaviour and business conduct.

The professional integrity of Relevant Employees is assessed on the basis of the following evidence:

a) Criminal convictions within the United Kingdom and elsewhere;

b) Negative assessments by the competent supervisory authorities stating the inadequacy of the person to hold the relevant office;

c) Serious disciplinary or administrative measures applied as a consequence of willful misconduct or gross negligence, also related to relevant breaches of the TMRUK Ltd Code of Conduct and rules.

Criminal convictions and disciplinary measures are assessed in relation to legislation and UK regulation on varying laws including, banking, financial securities, or insurance activity, not limited to laws on money laundering, market manipulation, or insider dealing and usury as well as offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection.

## B.3 Risk Management System

### B.3.1 Risk Strategy and Policies

For TMRUK Ltd as a closed company in run-off there is a greater focus on effective and efficient capital management to ensure that the run-off is successful. The capital requirements under Solvency II are monitored closely. TMRUK Ltd continues to ensure that all risks are properly identified, assessed and quantified, aiding the understanding of potential upside and downside factors, which can affect the results.

TMRUK Ltd's risk strategy comprises the risk objectives as described in the risk appetite, and the strategy for how they will be implemented.

The risk appetite, risk tolerance levels and risk limits are defined in the Risk Appetite and Risk Tolerance/Limit Policy. The implementation strategy is described in the Risk Management Policy.

The risk appetite represents the company's overall philosophy to risk taking in line with its objectives and the expectations of its stakeholders including, but not limited to, parent company, policyholders, regulators, directors and employees. All risks will be expected to reduce overall as the Technical Provisions decrease in absolute terms. It is expected that reserving risk will continue to increase as a proportion of economic capital.

TMRUK Ltd operates under an enterprise risk management ("ERM") framework that is aligned across the Tokio Marine Group to aid the management of the growing global entity and evolving reinsurance environment within which it operates.

ERM is the capability to protect and/or enhance enterprise value by managing risk in a coordinated and systematic approach which encompasses all risk types. It is the process by which TMRUK Ltd identifies, assesses controls, manages, exploits, finances and monitors its significant risks from all sources to enhance shareholder value.

Risk management, which begins at the individual business area level, is a process of identifying, quantifying, analysing, exploiting, monitoring, mitigating, reviewing and reporting of risks which may threaten and/or enhance the value, existence, reputation, people or assets of TMRUK Ltd or the services that TMRUK Ltd provided to the market. A key component of risk management is the process of ensuring that risk controls maintain a net risk retention profile that is within TMRUK Ltd's stated risk appetite and supports its stated business objectives.

The purpose of risk management at TMRUK Ltd is twofold. The first is to ensure that risks are identified and that their potential to cause loss or generate profit is understood, and that action is taken to reduce and/or increase the likelihood of their occurrence or reduce/increase their impact to the organisation based on that information. The second purpose is to ensure that the appropriate level of capital is held to cover the potential impact of risk from all sources.

### B.3.2 Risk Management Function

The Risk Management Function in TMRUK Ltd facilitates and co-ordinates the implementation of the Risk Management policy and ERM framework within TMRUK Ltd.

It facilitates the implementation of the risk management procedures and processes by supporting employees, risk owners and management to identify, assess, evaluate and monitor risks, including facilitation of regular risk reviews.

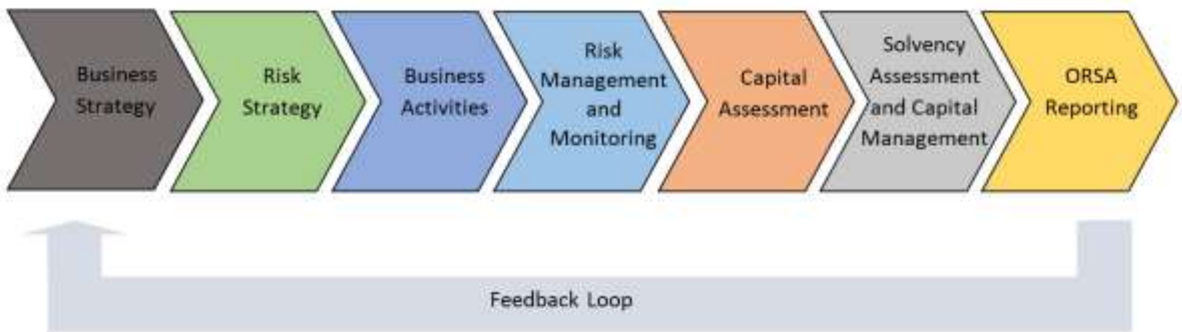
Led by the CRO who is responsible for the activities and deliverables of the Risk Management Function the Risk Management Function will:

- Regularly evaluate the design and operational effectiveness of the risk management framework based on the risk profile of TMRUK Ltd;
- Maintain and monitor the risk register;
- Develop and maintain the risk policies;
- Report risk exposures to the Board, Risk Committee and Head Office and advise management on the risk aspects of strategic affairs;
- Identify and assess emerging risks;
- Liaise across company to collate data for production of risk MI, including producing statistics and summaries for risk owners and management;
- Perform analyses and produce summaries for management to assist testing of the appropriateness of the business plan, including stress testing and reverse stress testing; and
- Co-operate closely and share information with the actuarial function.

## B.4 ORSA

### B.4.1 ORSA Integration

The Own Risk and Solvency Assessment ("ORSA") is produced for the Board and Audit Committee and summarises TMRUK Ltd's own assessment of risks and associated economic capital needs. The diagram below shows the ORSA process and feedback loop.




### B.4.2 ORSA Processes

#### *B.4.2.1 Business Strategy*

This was covered in Section A1.2 above.

#### *B.4.2.2 Risk Strategy*

This was covered in Section B.3.1 above.

#### *B.4.2.3 Risk Management and Monitoring*

Using a number of sources (e.g. audit reports, Risk Committee input), risks are identified which may have a material effect on the business. All risks identified are fully reviewed by the Risk Committee annually, with quarterly update reviews. Emerging risks are actively researched by the Risk Management department, as documented in the Emerging Risk Procedures. All risks are recorded in the Risk Register.

Risk owners assess the likelihood of occurrence and impact of the risk at an inherent level. The ratings are recorded in the company's risk register, and any change in the ratings proposed by the risk owners are submitted to the Risk Committee for review. Controls are identified to manage the risks. Risk owners consider the existing controls in place, and modify, remove or add additional controls depending on their assessment. This includes consideration of the results of:

- Day-to-day operational monitoring
- Audits (internal, external, parent company)
- Regulator Audit (PSM and/or Solvency II review)

The risks are reassessed on a residual basis after application of the controls, using the same criteria.

Risk assessment also includes the use of quantitative techniques including validation using techniques such as stress and scenario testing.

Risks are monitored to ensure that the risk profile falls within the risk appetite, tolerance and limits of the company.

For risks requiring additional control or risk mitigation, an appropriate strategy shall be selected, incorporating a plan for risk exploitation, reduction, transfer, sharing or elimination.

#### *B.4.2.4 Solvency Assessment and Capital Management*

##### B.4.2.4.1 Capital & Liquidity planning

Capital and Liquidity planning includes a forward-looking assessment of the business plans, economic balance sheet and profit & loss account. These are used to project future Solvency Capital Requirements and Own Funds, which are tested, e.g. using scenarios and stress testing. The results are documented in the ORSA report, which is reviewed by the Risk Committee and Board on a quarterly basis.

##### B.4.2.4.2 Business Plan

TMRUK Ltd prepares an annual business plan, which is approved by the TMRUK Ltd Board. TMRUK Ltd monitors its performance and any material movements are reported to the Board quarterly.

##### B.4.2.4.3 Contingency Plan

Contingency plans, in the event that the capital available is insufficient to meet the TMRUK Ltd's commitments under adverse conditions, will be reviewed at least on an annual basis and documented in the annual ORSA report. This includes consideration of the reinsurance purchasing strategy.

### *B.4.2.5 Reporting*

The results of the ORSA processes are reported in the formal ORSA report provided to the Audit Committee and Board each year. The full report is produced and presented to the Board on an annual basis, with a quarterly summary report of significant changes. The annual ORSA report is also provided to the PRA.

Feedback on the ORSA report is provided in the form of meeting minutes (e.g. Board, Audit Committee, Risk Committee).

# B.5 Internal Control Systems

## B.5.1 Overview

The aim of TMRUK Ltd's Internal Control System ("ICS") is a harmonized, comprehensive approach to risk control across all risk types with no overlaps and no gaps. The ICS focuses on an effective identification, analysis and assessment, control, reporting and monitoring of all significant risks.

As defined in the TMRUK Ltd Risk Management Policy, all risks are managed as part of the ERM framework described above.

All the TMRUK Ltd's identified risks are collected in a Risk Register and reviewed quarterly by the TMRUK Ltd Risk Committee.

The Board of Directors has ultimate responsibility for the governance, and hence risk management of TMRUK Ltd. The Board, with the support of the Audit Committee, utilizes the three lines of defence to carry out this responsibility.

The ICS is based on the "three lines of defence" approach:

*First Line of Defence: Operational Management*

At the first line of defence, operational managers (i.e. managers/heads of each team) own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

The operations include front office functions, as well as middle and back office functions such as Claims, HR, Pricing, IT and Financial Reporting.

Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Operational management would work within their teams to delegate responsibility to design and implement and maintain detailed procedures that serve as controls and supervise execution of those procedures by their employees.

Operational management naturally serves as the first line of defence because controls are designed into systems and processes under the guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

#### *Second Line of Defence: Risk Management and Compliance Functions*

The Board and senior management have established various risk management and compliance functions to support the building and monitoring of the first line of defence risks and controls.

The ERM function facilitates and monitors the implementation of effective risk management practices by operational management and works with risk owners in defining the risk appetite and reporting adequate risk-related information throughout TMRUK Ltd. The approach taken is set out in the risk management policy, and the appetite, tolerances and risk limits are set out in the Risk Appetite and Risk Tolerance/Limit Policy.

The Compliance function develops and maintains a framework for ensuring ongoing compliance with, and monitoring of non-compliance with applicable laws and regulations, and in this capacity, reports directly to senior management and to the Board of Directors. This function therefore carries out various risk management practices around certain risks and controls, independent of the first line of defence.

The CFO monitors financial risks and financial reporting issues.

#### *Third Line of Defence: Internal and External Audit*

The Internal Audit Function is the principal means by which TMRUK Ltd senior management gains assurance around the robustness of its governance arrangements and systems of controls. This is described in more detail in the next section.

External Audit are also within the third line of defence, and provide an independent review of the Financial reporting processes and controls. External Audit are completely independent of internal functions including the Board and Audit Committee.

## B.6 Internal Audit Function

### B.6.1 Overview

The internal audit function of TMRUK Ltd is outsourced to Grant Thornton LLP who operate in accordance with TMRUK Ltd's Internal Audit Charter. This allows TMRUK Ltd access to a wider array of skills to carry out audits of different parts of the business. The Internal Audit Charter contains the following information on the roles of the internal auditor.

Internal auditors are authorised to:

- Have unrestricted access to all functions, records, property, and personnel relevant to a review;
- Have full and free access to the Chief Executive Officer and the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of TMRUK Ltd where they perform audits, as well as other specialised services from within or outside TMRUK Ltd.

Internal auditors are not authorised to:

- Perform any operational duties for TMRUK Ltd or its affiliates;
- Initiate or approve accounting transactions outside of the internal auditing function;
- Direct the activities of any company employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors; or
- Have direct authority over, or responsibility for, any of the activities reviewed. Management retains full control over the implementation of Internal Audit recommendations.

Internal Audit provides the Board of Directors and senior management with assurance based on their independence and objectivity. Internal Audit reviews and provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. The scope of this assurance, which is reported to senior management and to the Audit Committee includes:

- A broad range of objectives, including effectiveness of controls within operations, safeguarding of assets, reliability and integrity of reporting processes, compliance with laws, regulations, policies, procedures. All elements of the risk management and internal control framework, which includes: internal control environment; all elements of an organization's risk management framework (i.e. risk identification, risk assessment, and response); information and communication; and monitoring;
- The overall entity, divisions, subsidiaries, operating units, and functions – including business processes, safety, customer functions and operations – as well as supporting functions (e.g., revenue and expenditure accounting, human resources, purchasing, payroll, budgeting, infrastructure and asset management, inventory, and information technology).

## B.7 Actuarial Function

### B.7.1 Overview

The actuarial function is led by the Chief Actuary, who is a qualified actuary, with the support of an actuarial team. The actuarial team are subject to professional standards set out by the Institute and Faculty of Actuaries ("IFoA") and the Financial Reporting Council. In addition, the Chief Actuary holds a Chief Actuary (non-life) practising certificate from the IFoA and also the roles of Chief Risk Officer ("SIMF4") and Chief Actuary ("SIMF20") under the Senior Insurance Managers Regime.

The actuarial function is kept free of external influence of the Board, performing all regulated tasks as set out in Solvency 2 Directive: Article 48 and Delegated Acts: Article 272. The actuarial team naturally conduct many other tasks throughout the year. Many of these tasks further the knowledge and involvement of the actuarial team allowing them to fulfil the role of actuarial function more effectively.

### B.7.2 Actuarial Contribution to Risk Management

The actuarial function is required to contribute to the effective implementation of the risk management system of TMRUK Ltd, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The Chief Actuary and the CRO roles in TMRUK Ltd are performed by the same person. This naturally enables a high level of meaningful interaction between the actuarial function and the separate risk function. Risk management work is documented in a combined ORSA and risk management report ("ORSA report") which is produced annually with quarterly updates by Chief Risk Officer. It is sent to the Executive Committee, Audit Committee and Board.

The Actuarial Function is responsible for the recommendation of the Technical Provisions to the Reserve Committee: this is a key part of the overall governance and risk management framework.

Two aspects of TMRUK Ltd's risk management process are materially dependent on the Technical Provisions work conducted by the Actuarial Function. These are the Standard Formula ("SF") calculation of the SCR as well as the assessment of Own Funds through a Solvency II balance sheet.

## B.8 Outsourcing Policy

TMRUK Ltd recognises that outsourcing is a key element of its business and that there are associated risks. The Outsourcing Risk Policy covers TMRUK Ltd's approach and processes for outsourcing from the inception to the end of the contract.

Outsourced functions, services and activities are subject to the ICS framework in the same way as internal activities from the inception to the end of each contract.

The way in which the requirements set out in the ICS framework are implemented in each area will vary depending on the type, size and complexity of the inherent risks.

### B.8.1 Outsourced Functions

As at 31 December 2016, TMRUK Ltd had the following outsourced key functions:

- Internal Audit function outsourced to Grant Thornton UK LLP
- Investment Management to BlackRock Investment Management (UK) Ltd
- Investment Management to Threadneedle Asset Management Ltd
- Payroll to Xchanging Plc

# C. Risk Profile

## Overview of Risk Profile for TMRUK Ltd

For a run-off company the main focus is on effective and efficient capital management to ensure that the run-off is successful.

The most significant risks to TMRUK Ltd are all captured under the Solvency II SF stress tests used to determine the Solvency Capital Requirement ("SCR"). The profile of TMRUK Ltd's main risks is shown by the components of the SCR as at 31 December 2016 in Sections E2.2.

## C1. Underwriting Risk

Underwriting risk refers to the uncertainties in the valuation of claims liabilities and related expenses. As a company closed to new business, the underwriting risk for TMRUK Ltd mostly relates to the valuation of reserves, i.e. Reserve Risk, which is the most significant risk faced by the company. TMRUK Ltd has very little remaining other underwriting risk, i.e. premium and catastrophe risks.

TMRUK Ltd maintains a significant focus on setting accurate reserves, which are subject to robust challenge by the business through the reserve and audit committees on a quarterly basis. TMRUK Ltd also commissions annual independent, external reserve reviews on both UK GAAP and Solvency II bases, which are reviewed by the reserve and audit committees and the Board of Directors.

TMRUK Ltd performs various validation exercises to assess the adequacy and level of prudence in its reserves, including monitoring the development of reserves from prior years.

*Material exposures and risk concentrations*

TMRUK Ltd's largest reserves relate to motor, liability and political risks classes, which are also the most uncertain. The motor and liability classes have significant exposures to long-tailed injury claims, including periodical payment orders (PPOs). The political risks class business with long policy periods and is exposed to the global economic environment.

*Risk Mitigation*

Reserve risk is managed by monitoring compliance with the reserving policy by the reserve committee and the audit committee. The effectiveness of this is assessed by comparing the internal and external reserve reviews and by application of TMRUK Ltd's risk management framework, including the ORSA process, including quarterly monitoring offing and reporting of various risk measures against risk tolerances and limits.

TMRUK Ltd places limited reliance on reinsurance and has only previously bought reinsurance from Group companies. This related to either assumed Group business, or direct and facultative classes, which were not part of the core business during the last five years of underwriting.

## C2. Market Risk

Market risk refers to the uncertainties arising from market movements a firm may be exposed to in relation to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets.

The Market risks that TMRUK Ltd believes it is exposed to are recorded in the Risk Register, and include risks relating to:

- Changes in Interest rates;
- Changes in the value of financial market instruments (such as Money Market Funds ("MMFs"), bonds and other financial instruments) including those resulting from changes in credit spreads not matched by a corresponding movement in the value of liabilities;
- Changes in the value of other assets including equities; and
- Exchange rate movements.

TMRUK Ltd considers Market and Liquidity risks together and has developed a strategy to ensure that TMRUK Ltd can pay its liabilities, including day-to-day cash requirements. TMRUK Ltd aims to achieve this objective by holding investment assets types with highly secured, good quality and liquid nature such as cash, MMFs and highly rated bonds, where appropriate, so that TMRUK Ltd can minimise investment credit risks and liquidity risks and focus its risk management activities to risks resulting from the movements in interest rates and exchange rates.

TMRUK Ltd's investment management policy ensures its continued compliance with the Prudent Person Principle as laid down in Article 132 of the Directive 2009/138/EC.

## C3. Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where TMRUK Ltd is exposed to credit risk are:

- exposure to investments in debt securities, money market funds and cash deposits;
- reinsurers' share of insurance/reinsurance claim reserve liabilities;
- claim recovery amounts due from reinsurers in respect of claims already paid;
- premium amounts due from insurance/reinsurance policyholders/cedants; and
- premium amounts due from insurance/reinsurance intermediaries.

TMRUK Ltd monitors its exposure to a single counterparty, or groups of related counterparties, and to territorial and industry segments and sets limits on these.

There is no significant credit risk in respect of reinsurers as TMRUK Ltd's reinsurers are the Tokio Marine group companies.

## C4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. In order to meet such calls, the Board sets minimum limits on the maintenance of cash deposits and investments. As such, liquidity risk is not a significant risk to TMRUK Ltd.

## C5. Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including Legal, Strategic and Reputational risks.

TMRUK Ltd's Risk Register recognises Operational risks for TMRUK Ltd and those resulting from TMRUK Ltd being part of a group i.e. including Operational risks from the parent company, sister companies and subsidiaries.

Risk mitigations include:

- Annually updated policies and procedures
- Robust systems monitoring and auditing
- Exposure to fraud limited owing to small size of company

## C6. Risk Sensitivities

TMRUK Ltd's risk assessment and validation also includes the use of quantitative techniques including using techniques such as stress and scenario testing. Risks are monitored to ensure that the risk profile falls within the risk appetite, tolerance and limits of the company.

TMRUK Ltd considered the following sensitivities related to the key reserve risks identified in section C1.

A. The impact of 1-in-50-year and 1-in-250 year losses to the political risks class, e.g. generated by global economic downturn. The impact of these scenarios would reduce TMRUK Ltd's coverage of its SF SCR from 109% to 101% and 97% respectively.

B. The impact of doubling the assumed proportion of future large injury claims that will settle as Periodical Payment Orders. The impact of this scenario would reduce TMRUK Ltd's coverage of its SF SCR from 109% to 90%.

C. The impact of the Ogden discount rate for calculating lump sum settlements for large injury claim settlements changing from -0.75% to either -1.0% or -1.5%. The impact of these scenarios would reduce TMRUK Ltd's coverage of its SF SCR from 109% to 103% and 82% respectively.

## C7. Other Material Risks

All material risks are covered in above.

# D. Valuation for Solvency Purposes

## Solvency II Balance Sheet as at 31 December 2016

### Basis of preparation

TMRUK Ltd's Solvency II balance sheet is prepared as of 31 December 2016. The balance sheet is prepared in compliance with the Solvency II regulations.

Assets and liabilities are valued based on the assumption that TMRUK Ltd will pursue its business as a going concern.

TMRUK Ltd may by ordinary resolution declare a dividend, subject to Board approval. The articles of association do not prohibit the cancellation of a dividend at any time including after declaration.

Technical Provisions are recognized with respect to all insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of Technical Provisions corresponds to the current amount that TMRUK Ltd would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") and the Companies Act 2006, under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"), provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC:

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of TMRUK Ltd's own credit standing).

The main adjustments between FRS 102 local statutory GAAP and Solvency II assets and liabilities relate to:

- Re-measurement of assets that are not measured at fair value in the FRS 101 financial statements;
- Re-measurement of Technical Provisions including allowance for discounting;
- Recognition of the Risk Margin;
- Re-measurement of reinsurance assets and liabilities; and
- Deferred tax impacts related to the adjustments above (where applicable).

These adjustments are detailed hereafter in this section.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires the application of Solvency II principles described below. The main balance sheet account impacted are assets accounted at fair value, deferred tax assets and assets and liabilities relating to the insurance business. The principles set out below specify the measurement methods used for these items.

Unless otherwise stated, TMRUK Ltd's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in GBP, being TMRUK Ltd's functional currency. TMRUK Ltd operates mainly in the three transactional currencies of GBP/EUR/USD. All non-GBP/EUR/USD transactions are translated into GBP/EUR/USD at the exchange rates prevailing on the dates of the transactions. Assets and liabilities resulting from transactions denominated in foreign currencies are translated at the local closing exchange rate.

## D1. Assets

### Fair value measurement

The table below summarizes for each material class of assets, the value of the assets of TMRUK Ltd according to Solvency II provisions together with the values of the assets recognised and valued on a statutory accounting basis as at 31 December 2016.

| Asset Class | Assets per GAAP | Reclassify for Solvency purposes | Solvency valuation adjustment | Solvency value |
|---|---|---|---|---|
| | GBP'000 | GBP'000 | GBP'000 | GBP'000 |
| Property, plant and equipment | 164 | 0 | 0 | 164 |
| Intangible assets | 3 | 0 | 0 | 3 |
| Investments in government and corporate bonds | 312,429 | 1,894 | 0 | 314,323 |
| Investments in subsidiary | 2,683 | 0 | 0 | 2,683 |
| Collective investment undertaking | 44,973 | 0 | 0 | 44,973 |
| Cash and cash equivalents | 96,722 | 0 | 0 | 96,722 |
| Deferred tax asset | 730 | 0 | 0 | 730 |
| Deferred acquisition costs | 2,322 | 0 | (2,322) | 0 |
| Reinsurers share of unearned premium | 661 | 0 | (661) | 0 |
| Reinsurers share of claims reserve/Technical Provision | 6,275 | 0 | (2,744) | 3,531 |
| Receivables (trade, not insurance) | 2,102 | 0 | 0 | 2,102 |
| Insurance and intermediaries receivable | 21,937 | 0 | (21,937) | 0 |
| Other assets | 5,314 | (1,894) | 0 | 3,420 |
| **Total** | **496,315** | **0** | **(27,664)** | **468,651** |

### D1.1 Valuation principles

The valuation principles applied to these assets are consistent with those used in the GAAP accounts, notably:

#### D1.1.1 Property, plant and equipment, and intangible assets

These are valued at the same method as the annual financial statements, which follow UK GAAP.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. The costs of property, plant and equipment are capitalised on the UK GAAP Statement of Financial Position within various categories, and depreciated on a straight-line basis over the estimated useful lives, details of which can be found in the statement of accounting policies in the UK GAAP annual report for the year ended 31 December 2016. The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of intangible assets are capitalised on the UK GAAP Statement of Financial Position, and depreciated on a straight-line basis over the estimated useful life, details of which can be found in the statement of accounting policies in the UK GAAP annual report for the year ended 31 December 2016. Where factors indicate the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Property, plant and equipment, and intangible assets are considered to be valued at fair value under Solvency II.

### D1.1.2 Investments in government and corporate bonds

Investments in government and corporate bonds are all valued at fair value, being the quoted market price on close of business 31 December 2016, in the UK GAAP accounts. Solvency II valuation is fair value plus any accrued interest (which is included in the Other assets account in the UK GAAP balance sheet). All gilts and bonds are investment grade and their valuations represent quoted prices in active markets (being a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis).

### D1.1.3 Investment in subsidiary

TMRUK Ltd owns 100% of the shares in Tokio Marine Technologies LLC, a software development company. Investment in the subsidiary company is held at fair value in the UK GAAP accounts using a valuation method consistent with IFRS. No adjustments have been made to the Solvency II valuation. TMRUK Ltd's investment in its subsidiary is considered to be valued at fair value under Solvency II.

### D1.1.4 Collective investment undertaking

As at the reporting date, TMRUK Ltd held assets in collective investment undertakings. The collective investment undertakings are externally-managed funds, containing underlying assets that are highly credit rated and of short duration. Collective investment undertakings are valued at fair value under Solvency II based on market prices at the reporting date. As these are publicly traded securities, the market prices are readily available and are actively traded. The value of these funds in the financial statements is the same as for Solvency II.

### D1.1.5 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Such deposits are classified as cash equivalents where they have maturity dates of three months or less from date of acquisition. Cash and cash equivalents are valued at fair value by the relevant financial institution. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset.

### D1.1.6 Insurance and intermediaries receivable

Under UK GAAP these figures relate primarily to the amount owed to TMRUK Ltd from policyholders. However, under Solvency II, these amounts are included as part of premium provisions within Technical Provisions and therefore do not feature within Solvency II assets.

### D1.1.7 Deferred tax asset

Deferred tax asset is valued based on the GAAP expected tax benefit. Deferred tax asset arises from differences in timing between the recognition of taxable profits/losses in the UK GAAP financial statements, versus their recognition in the tax computation. Deferred tax assets are recognised to the extent that it is regarded more likely than not that these will be recovered.

With effect from 1 April 2017 the UK headline rate of corporation tax will reduce from 20% to 19% and will further reduce to 17% on 1 April 2020. The rate reduction to 19% and 17% were substantively enacted at the balance sheet date. The closing deferred tax balance is recognised at a blended rate between 20% and 17% on when the deferred tax asset is expected to reverse.

No deferred tax asset has been recognised from the transition from UK GAAP to Solvency II valuation as per the PRA Supervisory Statement SS2/14 (November 2016). The deferred tax asset is considered to be valued at fair value under Solvency II.

### D1.1.8 Reinsurers share of unearned premium

Under Solvency II, these amounts are included within Technical Provisions and therefore do not feature within Solvency II assets.

### D1.1.9 Deferred acquisition costs

Deferred acquisition costs are defined as acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to unexpired periods of risks. Deferred acquisition costs are not recognised within Solvency II assets.

### D1.1.10 Reinsurers share of claim reserves (Reinsurers share of Technical Provisions)

Under the Solvency II balance sheet the reinsurers' share of Technical Provisions are valued using the same approach as for gross as part of net Technical Provisions, as described in Section D2 below. This has been calculated as the reinsurers' share of the unearned premium provision multiplied by the expected claim rate for each Solvency II line of business.

### D1.1.11 Receivable (trade, not reinsurance)

Receivable (trade, not reinsurance) relate to other receivables which are due within 1 year and UK GAAP carrying value (being equivalent to IFRS carrying values) are taken to approximate fair values under Solvency II.

### D1.1.12 Other Assets

Other assets relate to prepayments, interest receivable and sundry debtors which are due within 1 year under UK GAAP and represent the fair value of the assets. Interest receivable has been reclassified to investments under Solvency II. The other assets valuation is considered to be valued at fair value under Solvency II.

## D2. Technical Provisions

Technical Provisions are split between Non-life and Life (Periodic Payment Orders or "PPOs").

The table below summarises TMRUK Ltd's non-life Technical Provisions under Solvency II as at 31 December 2016:

| Solvency II line of business | | Net Best Estimate | Risk Margin |
|---|---|---|---|
| | | GBP'000 | GBP'000 |
| Direct business and accepted proportional reinsurance | Medical expense insurance | 1,687 | 206 |
| | Motor vehicle liability insurance | 46,882 | 5,725 |
| | Marine, aviation and transport insurance | 563 | 69 |
| | Fire and other damage to property insurance | 36,752 | 4,488 |
| | General liability insurance | 28,478 | 3,478 |
| | Miscellaneous financial loss | 39,625 | 4,839 |
| Accepted non-proportional reinsurance | Non-proportional health reinsurance | (25) | (3) |
| | Non-proportional casualty reinsurance | 98,437 | 12,021 |
| | Non-proportional marine, aviation and transport reinsurance | 6,932 | 846 |
| | Non-proportional property reinsurance | 825 | 100 |
| **Total non-life obligation** | | **260,156** | **31,769** |

The table below summarises TMRUK Ltd's life Technical Provisions under Solvency II as at 31 December 2016:

| Solvency II line of business | | Net Best Estimate | Risk Margin |
|---|---|---|---|
| | | GBP'000 | GBP'000 |
| Accepted reinsurance | Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations | 22,798 | 2,784 |
| **Total (Life other than health insurance, incl Unit-linked)** | | **22,798** | **2,784** |

## General Principles

Technical Provisions are measured as the sum of:

- Best Estimate Liabilities ("BEL"); and
- Risk Margin for non-hedgeable risks that is added to the BEL.

The BEL is grouped into the following key components:

- Claims provisions: Best Estimate of provisions that relate to the earned exposure; and
- Premium provisions: Best Estimate of provisions that relate to the unearned exposure.

The BEL corresponds to the probability-weighted average of future cash flows including policyholder's benefit payments, expenses, and premiums related to existing insurance and reinsurance contracts taking into account the time value of money (i.e. by discounting these future cash flows to present value using EIOPA yield curves). The calculation of the BEL is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

The BEL is calculated using standard actuarial methods with method selection varying according to class of business, loss category and age of development. The two key assumptions feeding into the BEL outputs are the development patterns and initial expected loss ratios ("IELRs"). Consideration is given to adding in further loads for Events Not In Data ("ENIDs"). The BEL is calculated in this way both gross of reinsurance and separately for reinsurance cash flows. These are then used to estimate the Technical Provisions net of reinsurance.

The Risk Margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on the basis of transferring the portfolio to another insurance or reinsurance company. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks. The

Risk Margin is determined as the present value at the basic risk-free interest rate structure of the future capital charges using a 6% cost of capital for all lines of business.

### Uncertainty Associated with the Value of Technical Provisions

The main sources of uncertainty in the valuation of the Technical Provisions are around the assumptions used for:

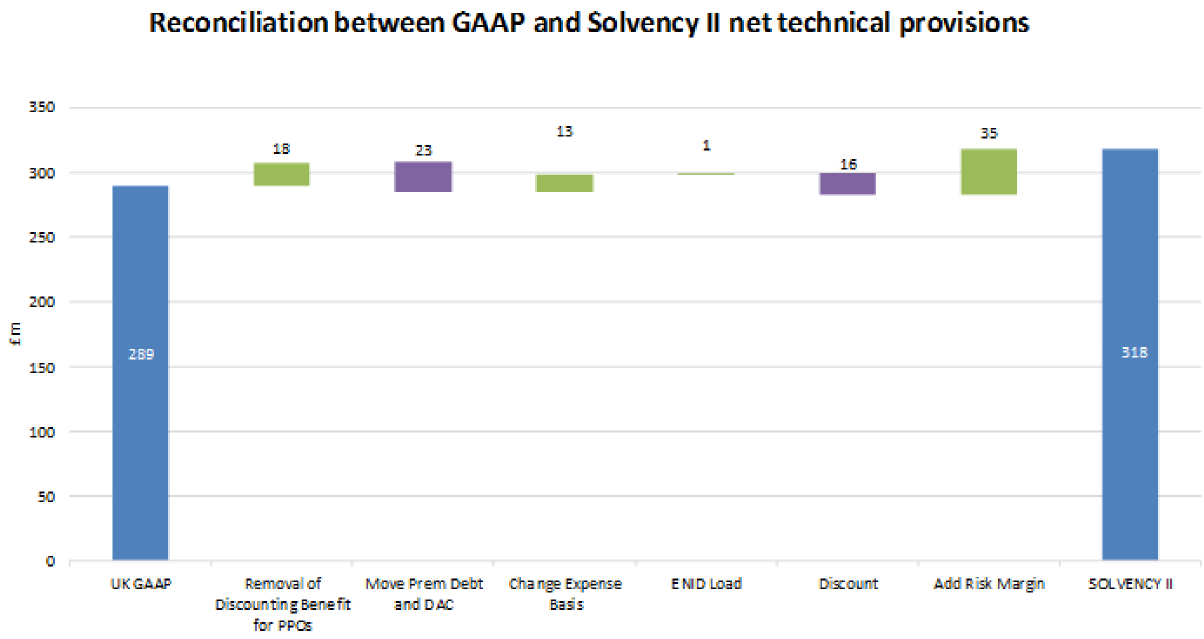
- Uncertainty on the claims performance (both number and severity); and
- Uncertainty on the level of expenses.

The assumptions are the best estimate assumptions based on TMRUK Ltd's own experience. Although TMRUK Ltd has more than 10 years of experience, the data only includes the limited outcomes of the underlying distribution. Therefore, there are possible events that have not been experienced by TMRUK Ltd and thus cannot be captured for the analysis. This could result in the best estimate assumptions being mis-estimated.

TMRUK Ltd believes that the Technical Provisions for lump sum Motor claims are adequate but does recognise the sensitivities of key assumptions involved in the calculation of the reserve. These include the assumption made for future Ogden discount rates for bodily injury settlements and the ages of claimants. For example, a 5 year change in the average age of the claimant and/or life expectancy of the claimant may have a material impact on the Technical Provisions for lump sum Motor claims.

### Reconciliation between Financial Statements and Solvency II Technical Provisions

The chart below shows a reconciliation between UK GAAP reserves in TMRUK Ltd's Financial statements and the Solvency II Technical Provisions on a net-of-reinsurance basis.




The larger items driving the difference are:

- For Solvency II Technical Provisions, an explicit Risk Margin is calculated. This has been calculated by projecting different elements of the Solvency II Standard Formula for the SCR over future years to estimate the appropriate SCR at those times. The Risk Margin is then derived by applying the cost of capital of 6% and discounting the future costs using EIOPA's risk-free yield curve;

- Movement of premium debt, which is an asset in the Financial Statements, but reduces claims liabilities under Solvency II;

- Change in discounting basis. In the financial statement, only liabilities relating to PPOs are discounted, whereas most liabilities are not discounted. The discount rate is estimated using market data for AA-rated corporate bonds. Under Solvency II all liabilities are discounted, but at a lower rate provided by EIOPA; and

- Change in the basis of calculation for expenses.

### Other notes regarding the Technical Provisions

The following are not applied by TMRUK Ltd:

- The volatility adjustment referred to in Article 77d of the Directive;
- The transitional risk-free interest rate-term structure referred to in Article 308c of the Directive; and
- The transitional deduction referred to in Article 308d of the Directive.

TMRUK Ltd used no significant simplifications in the calculation of the Technical Provisions.

## D3. Other Liabilities

| Other liability class | UK GAAP | Solvency II |
|---|---|---|
| | GBP'000 | GBP'000 |
| | | |
| Payable (trade, not insurance) | 184 | 184 |
| Other creditors | 2,546 | 2,546 |

There are no differences between the bases, methods and main assumptions used by TMRUK Ltd for the valuation of other liabilities for solvency purposes and those used for their valuation in financial statements.

## D3.1 Payable (trade, not insurance)

Payable (trade, not insurance) include amounts due to suppliers, public entities etc. which have been invoiced by 31 December 2016 and are not insurance related. Payable (trade, not insurance) solely comprise amounts which fall due within 12 months and are considered to be held at fair value.

## D3.2 Other creditors

Other creditors include liabilities of uncertain timing including accruals to suppliers, amounts due to employees etc. The liabilities are recognised when they represent obligations as at 31 December 2016 and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Other creditors solely comprise amounts which fall due within 12 months and are considered to be held at fair value.

### D3.3 Contingent liabilities

Contingent liabilities are:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; and
- A present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Under Solvency II, possible contingent liabilities that are material are recognized as liabilities, unlike FRS 102 where they are only disclosed. Contingent liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgment of the intended user of that information, including the supervisory authorities.

TMRUK Ltd has not recognised any contingent liabilities as at 31 December 2016.

## D4. Alternative Valuation Methods

There were no alternative methods required or considered for the valuation of TMRUK Ltd's assets or liabilities.

## D5. Any other material information

There is no other material information to be disclosed regarding the valuation of TMRUK Ltd's assets and liabilities for solvency purposes.

# E. Capital Management

## E1. Own Funds

### E1.1 Capital Structure

TMRUK Ltd has a Capital Management Policy and a Medium Term Capital Management Plan which outline the overall aim and approach to be taken for capital management, together with the standards and parameters which must be adhered to and reporting requirements and responsibilities.

The objective is to ensure that TMRUK Ltd has sufficient capital resources to remain solvent on both a regulatory basis (Solvency II Pillar I) and an economic basis (Solvency II Pillar II).

The capital projections shown in the ORSA over the 3-year business planning period facilitate Board discussion on the capital requirements for TMRUK Ltd.

TMRUK Ltd also has an unconditional and irrevocable guarantee from its immediate parent in Japan.

There have not been any material changes to the capital management policy or processes in 2016.

### E1.2 Own Funds

TMRUK Ltd's Own Funds are classified as Tier 1 unrestricted capital and Tier 3 capital as follows:

| **Own Fund Item** | **Tier** | **GBP'000** |
|---|---|---|
| Share capital | 1 - unrestricted | 125,000 |
| Reconciliation reserve | 1 - unrestricted | 19,153 |
| Deferred tax asset | 3 | 730 |
| **Total Own Funds** | | **144,883** |

The reconciliation reserve is classified as Tier 1 unrestricted capital in accordance with the Solvency II regulations. It is calculated as follows:

| | **GBP'000** |
|---|---|
| Excess of assets over liabilities | 144,883 |
| Less: | |
| Ordinary share capital | (125,000) |
| Deferred Tax Assets | (730) |
| **Reconciliation Reserve** | **19,153** |

### E1.3 Tiering of Capital

Only TMRUK Ltd's Tier 1 Own Funds may be used towards meeting the Minimum Capital Requirement ("MCR"). TMRUK Ltd's Tier 1 and Tier 3 Own Funds may be used towards meeting the Solvency Capital Requirement.

| **Description** | **GBP'000** |
|---|---|
| Eligible Own Funds to meet MCR | 144,153 |
| Eligible Own Funds to meet SCR | 144,883 |

### E1.4 Reconciliation from UK GAAP to Solvency II excess of assets over liabilities

For the excess of assets over liabilities, the attribution of valuation differences is as follows:

| Description | GBP'000 |
|---|---|
| Total of retained earnings from GAAP financial statements. | 72,258 |
| Difference arising from Solvency II valuation of Technical Provision, net of reinsurance | (50,053) |
| Difference arising from Solvency II valuation of assets | (2,322) |
| **Reserves from GAAP fianncial statements adjusted for Solvency II valuation differences** | **19,883** |
| Ordinary Share Capital | 125,000 |
| **Excess of assets over liabilities** | **144,883** |

Capital resources are allocated differently under UK GAAP and Solvency II resulting from differences in the classification and valuation of certain items under Solvency II definitions compared to UK GAAP:

- Deferred acquisition costs are not allowed under Solvency II (difference arising from Solvency II valuation of assets above); and
- Technical Provisions are recalculated under Solvency II on a discounted best estimate basis (difference arising from Solvency II valuation of Technical Provisions above).

## E2. Solvency Capital Requirement and Minimum Capital Requirement

### General Principles

The Solvency II directive provides for two separate levels of solvency margin: (i) the MCR, which is the amount of Own Funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk should TMRUK Ltd be allowed to continue its operations, and (ii) the SCR, which corresponds to a level of eligible Own Funds that enables insurance and reinsurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made.

TMRUK Ltd uses the standard formula to calculate its SCR.

### E2.1 Amount of SCR and MCR

The table below shows the SCR and MCR position and the admissible Own Funds as at 31 December 2016.

| Description | GBP'000 |
|---|---|
| Minimum Capital Requirement | 38,438 |
| Solvency Capital Requirement | 132,933 |

### E2.2 SCR components by risk type

The table below shows the components of TMRUK Ltd's SCR at 31 December 2016.

| Net SCR | GBP'000 |
|---|---|
| Market risk | 6,244 |
| Counterparty default risk | 9,289 |
| Life underwriting risk | 135 |
| Health underwriting risk | 285 |
| Non-life underwriting risk | 118,237 |
| **Undiversified basic SCR** | **134,190** |
| Diversification credit | (9,270) |
| **Diversified basic SCR** | **124,920** |
| Operational risk | 8,013 |
| **Final standard formula SCR** | **132,933** |

### E2.3 MCR

The table below shows the inputs into the MCR calculation as at 31 December 2016. Note, the absolute floor of the minimum capital requirement ("AMCR") is prescribed by EIOPA and stated in Great British Pounds.

| Overall MCR Calculation | GBP'000 |
|---|---|
| AMCR (in GBP) | 3,332 |
| Linear MCR | 38,438 |
| MCR cap | 59,820 |
| MCR floor | 33,233 |
| SCR | 132,933 |
| Combined MCR | 38,438 |
| **MCR** | **38,438** |

## E3. Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

TMRUK did not make use of the duration-based equity risk sub-module during the reporting period.

## E4. Non-compliance with SCR and MCR

TMRUK Ltd has complied with the MCR and the SCR throughout 2016 and does not expect to breach the requirements over TMRUK Ltd's plan period.

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

| | | Solvency II value |
|---|---|---|
| | **Assets** | |
| R0010 | Goodwill | 0 |
| R0020 | Deferred acquisition costs | |
| R0030 | Intangible assets | 3 |
| R0040 | Deferred tax assets | 730 |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 164 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 361,979 |
| R0080 | *Property (other than for own use)* | 0 |
| R0090 | *Holdings in related undertakings, including participations* | 2,683 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | 0 |
| R0120 | *Equities - unlisted* | 0 |
| R0130 | *Bonds* | 314,323 |
| R0140 | *Government Bonds* | 219,550 |
| R0150 | *Corporate Bonds* | 94,773 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 44,973 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | 0 |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 3,531 |
| R0280 | *Non-life and health similar to non-life* | 3,531 |
| R0290 | *Non-life excluding health* | 3,531 |
| 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* | 0 |
| R0330 | *Life excluding health and index-linked and unit-linked* | 0 |
| R0340 | *Life index-linked and unit-linked* | 0 |
| R0350 | Deposits to cedants | 2,069 |
| R0360 | Insurance and intermediaries receivables | 0 |
| R0370 | Reinsurance receivables | |
| R0380 | Receivables (trade, not insurance) | 2,102 |
| 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 | 96,722 |
| R0420 | Any other assets, not elsewhere shown | 1,351 |
| R0500 | **Total assets** | 468,651 |

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 295,456 |
| R0520 | *Technical provisions - non-life (excluding health)* | 293,591 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 262,025 |
| R0550 | *Risk margin* | 31,566 |
| R0560 | *Technical provisions - health (similar to non-life)* | 1,865 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 1,662 |
| R0590 | *Risk margin* | 203 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 25,582 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | 0 |
| R0630 | *Best Estimate* | 0 |
| R0640 | *Risk margin* | 0 |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 25,582 |
| R0660 | *TP calculated as a whole* | 0 |
| R0670 | *Best Estimate* | 22,798 |
| R0680 | *Risk margin* | 2,784 |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | 0 |
| R0710 | *Best Estimate* | 0 |
| R0720 | *Risk margin* | 0 |
| R0730 | Other technical provisions | |
| R0740 | Contingent liabilities | |
| 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) | 184 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 2,546 |
| R0900 | **Total liabilities** | 323,768 |
| | | |
| R1000 | **Excess of assets over liabilities** | 144,883 |

**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 | Motor vehicle liability insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0010 | C0040 | C0060 | C0070 | C0080 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| | **Premiums written** | | | | | | | | | | | |
| R0110 | *Gross - Direct Business* | | | | 763 | | | | | | | 763 |
| R0120 | *Gross - Proportional reinsurance accepted* | (93) | 1,213 | 382 | (1,873) | 3,788 | (2,070) | | | | | 1,347 |
| R0130 | *Gross - Non-proportional reinsurance accepted* | | | | | | | (45) | 496 | 119 | 278 | 848 |
| R0140 | *Reinsurers' share* | | | | 755 | | | | | | 0 | 755 |
| R0200 | *Net* | (93) | 1,213 | 382 | (1,865) | 3,788 | (2,070) | (45) | 496 | 119 | 278 | 2,203 |
| | **Premiums earned** | | | | | | | | | | | |
| R0210 | *Gross - Direct Business* | | | | 1,268 | | | | | | | 1,268 |
| R0220 | *Gross - Proportional reinsurance accepted* | 80 | 26,394 | 7,217 | 13,473 | 10,790 | 6,984 | | | | | 64,938 |
| R0230 | *Gross - Non-proportional reinsurance accepted* | | | | | | | (10) | 13,219 | 444 | 665 | 14,318 |
| R0240 | *Reinsurers' share* | | | | 1,260 | | | | | | 0 | 1,260 |
| R0300 | *Net* | 80 | 26,394 | 7,217 | 13,481 | 10,790 | 6,984 | (10) | 13,219 | 444 | 665 | 79,264 |
| | **Claims incurred** | | | | | | | | | | | |
| R0310 | *Gross - Direct Business* | | | | (103) | | | | | | | (103) |
| R0320 | *Gross - Proportional reinsurance accepted* | (32) | 26,632 | 3,375 | (1,501) | 5,372 | 6,563 | | | | | 40,409 |
| R0330 | *Gross - Non-proportional reinsurance accepted* | | | | | | | (103) | 36,231 | (1,722) | (1,938) | 32,468 |
| R0340 | *Reinsurers' share* | | | | (1,231) | | | | | | | (1,231) |
| R0400 | *Net* | (32) | 26,632 | 3,375 | (373) | 5,372 | 6,563 | (103) | 36,231 | (1,722) | (1,938) | 74,005 |
| | **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 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 348 | 3,881 | 2,908 | 6,532 | 3,004 | 2,305 | 54 | 2,535 | 387 | 217 | 22,171 |
| R1200 | **Other expenses** | | | | | | | | | | | (7,303) |
| R1300 | **Total expenses** | | | | | | | | | | | 14,868 |

**S.05.02.01**

**Premiums, claims and expenses by country**

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | **Non-life** | **Home Country** | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | | | | **Total Top 5 and home country** |
| R0010 | | | **GI** | **BR** | **DK** | **DE** | **IT** | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | *Gross - Direct Business* | (105) | 0 | 888 | 0 | 1 | 0 | 784 |
| R0120 | *Gross - Proportional reinsurance accepted* | 435 | 1,477 | 0 | 0 | 38 | 61 | 2,011 |
| R0130 | *Gross - Non-proportional reinsurance accepted* | 126 | 228 | 0 | 170 | 64 | 3 | 591 |
| R0140 | *Reinsurers' share* | (107) | 0 | 900 | 0 | 1 | 0 | 794 |
| R0200 | *Net* | 563 | 1,705 | (12) | 170 | 102 | 64 | 2,592 |
| | **Premiums earned** | | | | | | | |
| R0210 | *Gross - Direct Business* | (300) | 0 | 944 | 0 | (11) | 0 | 633 |
| R0220 | *Gross - Proportional reinsurance accepted* | 26,423 | 21,888 | 0 | 0 | 81 | 824 | 49,216 |
| R0230 | *Gross - Non-proportional reinsurance accepted* | 7,250 | 5,319 | 0 | 330 | 63 | 71 | 13,033 |
| R0240 | *Reinsurers' share* | (302) | 0 | 951 | 0 | (11) | 0 | 638 |
| R0300 | *Net* | 33,675 | 27,207 | (7) | 330 | 144 | 895 | 62,244 |
| | **Claims incurred** | | | | | | | |
| R0310 | *Gross - Direct Business* | 52 | 0 | (362) | 0 | (15) | 0 | (325) |
| R0320 | *Gross - Proportional reinsurance accepted* | 18,725 | 18,382 | 0 | 0 | 7 | 362 | 37,476 |
| R0330 | *Gross - Non-proportional reinsurance accepted* | 13,162 | 13,983 | 0 | 470 | (71) | (12) | 27,532 |
| R0340 | *Reinsurers' share* | 33 | 0 | (228) | 0 | (10) | 0 | (205) |
| R0400 | *Net* | 31,906 | 32,365 | (134) | 470 | (69) | 350 | 64,888 |
| | **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** | 10,843 | 4,256 | 7 | 58 | 41 | 295 | 15,500 |
| R1200 | **Other expenses** | | | | | | | (5,645) |
| R1300 | **Total expenses** | | | | | | | 9,855 |

**S.12.01.02**
**Life and Health SLT Technical Provisions**

| | | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | Total (Life other than health insurance, incl Unit-linked) |
|---|---|---|---|---|
| | | C0090 | C0100 | C0150 |
| R0010 | **Technical provisions calculated as a whole** | | | 0 |
| R0020 | 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** | | | |
| R0030 | **Gross Best Estimate** | | 22,798 | 22,798 |
| R0080 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | 0 |
| R0090 | Best estimate minus recoverables from reinsurance/SPV and Finite Re | 0 | 22,798 | 22,798 |
| R0100 | **Risk margin** | | 2,784 | 2,784 |
| | **Amount of the transitional on Technical Provisions** | | | |
| R0110 | Technical Provisions calculated as a whole | | | 0 |
| R0120 | Best estimate | | | 0 |
| R0130 | Risk margin | | | 0 |
| R0200 | **Technical provisions - total** | 0 | 25,582 | 25,582 |

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

| | | Direct business and accepted proportional reinsurance | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Motor vehicle liability insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | 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 | C0050 | C0070 | C0080 | C0090 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | |
| R0060 | **Gross - Total** | 43 | 1,281 | 3 | 634 | 840 | 2,158 | 0 | 655 | 0 | 111 | 5,725 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | (619) | | | | | | | (619) |
| R0150 | **Net Best Estimate of Premium Provisions** | 43 | 1,281 | 3 | 1,253 | 840 | 2,158 | 0 | 655 | 0 | 111 | 6,344 |
| | **Claims provisions** | | | | | | | | | | | |
| R0160 | **Gross - Total** | 1,644 | 45,601 | 560 | 39,649 | 27,638 | 37,467 | (25) | 97,782 | 6,932 | 714 | 257,962 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | 4,150 | | | | | | | 4,150 |
| R0250 | **Net Best Estimate of Claims Provisions** | 1,644 | 45,601 | 560 | 35,499 | 27,638 | 37,467 | (25) | 97,782 | 6,932 | 714 | 253,812 |
| R0260 | **Total best estimate - gross** | 1,687 | 46,882 | 563 | 40,283 | 28,478 | 39,625 | (25) | 98,437 | 6,932 | 825 | 263,687 |
| R0270 | **Total best estimate - net** | 1,687 | 46,882 | 563 | 36,752 | 28,478 | 39,625 | (25) | 98,437 | 6,932 | 825 | 260,156 |
| R0280 | **Risk margin** | 206 | 5,725 | 69 | 4,488 | 3,478 | 4,839 | (3) | 12,021 | 846 | 100 | 31,769 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | |
| R0290 | TP as a whole | | | | | | | | | | | 0 |
| R0300 | Best estimate | | | | | | | | | | | 0 |
| R0310 | Risk margin | | | | | | | | | | | 0 |
| R0320 | **Technical provisions - total** | 1,893 | 52,607 | 632 | 44,771 | 31,956 | 44,464 | (28) | 110,458 | 7,778 | 925 | 295,456 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | 0 | 0 | 0 | 3,531 | 0 | 0 | 0 | 0 | 0 | 0 | 3,531 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total** | 1,893 | 52,607 | 632 | 41,240 | 31,956 | 44,464 | (28) | 110,458 | 7,778 | 925 | 291,925 |

**S.19.01.21**
**Non-Life insurance claims**

**Total Non-life business**

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

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

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Development year | | | | | | | | | | | In Current | Sum of years |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | year | (cumulative) |
| R0100 | Prior | | | | | | | | | | | 535 | 535 | 535 |
| R0160 | N-9 | 205 | 6,954 | 14,031 | 9,040 | 6,071 | 9,977 | 5,839 | 2,829 | 530 | 597 | | 597 | 56,073 |
| R0170 | N-8 | 1,414 | 15,790 | 15,830 | 12,468 | 5,576 | 4,923 | 3,243 | 424 | 842 | | | 842 | 60,510 |
| R0180 | N-7 | 546 | 14,772 | 13,281 | 5,969 | 3,825 | 6,164 | 1,139 | 1,534 | | | | 1,534 | 47,230 |
| R0190 | N-6 | 3,197 | 22,535 | 11,805 | 2,230 | 2,525 | 1,632 | 894 | | | | | 894 | 44,818 |
| R0200 | N-5 | 5,330 | 12,825 | 14,015 | 3,900 | 2,144 | 136 | | | | | | 136 | 38,350 |
| R0210 | N-4 | 1,119 | 11,972 | 9,855 | 4,265 | 4,556 | | | | | | | 4,556 | 31,767 |
| R0220 | N-3 | 1,838 | 19,045 | 12,707 | 9,378 | | | | | | | | 9,378 | 42,968 |
| R0230 | N-2 | 2,169 | 24,136 | 18,876 | | | | | | | | | 18,876 | 45,181 |
| R0240 | N-1 | 5,529 | 34,762 | | | | | | | | | | 34,762 | 40,291 |
| R0250 | N | 0 | | | | | | | | | | | 0 | 0 |
| R0260 | | | | | | | | | | | | Total | 72,110 | 407,723 |

**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 |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | (discounted data) |
| R0100 | Prior | | | | | | | | | | | 1,273 | 1,268 |
| R0160 | N-9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,649 | | 4,627 |
| R0170 | N-8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,115 | | | 4,098 |
| R0180 | N-7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,397 | | | | 6,315 |
| R0190 | N-6 | 0 | 0 | 0 | 0 | 0 | 0 | 5,871 | | | | | 5,828 |
| R0200 | N-5 | 0 | 0 | 0 | 0 | 0 | 7,060 | | | | | | 7,015 |
| R0210 | N-4 | 0 | 0 | 0 | 0 | 33,238 | | | | | | | 32,732 |
| R0220 | N-3 | 0 | 0 | 0 | 50,961 | | | | | | | | 50,226 |
| R0230 | N-2 | 0 | 0 | 68,567 | | | | | | | | | 67,519 |
| R0240 | N-1 | 0 | 79,675 | | | | | | | | | | 78,334 |
| R0250 | N | 0 | | | | | | | | | | | 0 |
| R0260 | | | | | | | | | | | | Total | 257,962 |

**S.23.01.01**
**Own Funds**

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | C0010 | C0020 | C0030 | C0040 | C0050 |
| R0010 | Ordinary share capital (gross of own shares) | 125,000 | 125,000 | | 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 | |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | |
| R0130 | Reconciliation reserve | 19,153 | 19,153 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | |
| R0160 | An amount equal to the value of net deferred tax assets | 730 | | | | |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | |
| | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | |
| R0220 | Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | 0 | < Note: this deduction now included in R0290/C0020 | | | |
| | **Deductions** | | | | | |
| R0230 | Deductions for participations in financial and credit institutions | 0 | 0 | 0 | 0 | |
| R0290 | **Total basic own funds after deductions** | 144,883 | 144,153 | 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 | |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 144,883 | 144,153 | 0 | 0 | |
| R0510 | Total available own funds to meet the MCR | 144,153 | 144,153 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 144,883 | 144,153 | 0 | 0 | |
| R0550 | Total eligible own funds to meet the MCR | 144,153 | 144,153 | 0 | 0 | |
| R0580 | **SCR** | 132,933 | | | | |
| R0600 | **MCR** | 38,438 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 108.99% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 375.03% | | | | |

| | | |
|---|---|---|
| | **Reconcilliation reserve** | C0060 |
| R0700 | Excess of assets over liabilities | 144,883 |
| R0710 | Own shares (held directly and indirectly) | 0 |
| R0720 | Foreseeable dividends, distributions and charges | |
| R0730 | Other basic own fund items | 125,730 |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 |
| R0760 | **Reconciliation reserve** | 19,153 |
| | **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**

| | | Net solvency capital requirement | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|---|
| | | C0030 | C0040 | C0080 | C0090 |
| R0010 | Market risk | 6,244 | 6,244 | | |
| R0020 | Counterparty default risk | 9,289 | 9,289 | | |
| R0030 | Life underwriting risk | 135 | 135 | | |
| R0040 | Health underwriting risk | 285 | 285 | | |
| R0050 | Non-life underwriting risk | 118,237 | 118,237 | | |
| R0060 | Diversification | (9,270) | (9,270) | | |
| R0070 | Intangible asset risk | | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 124,920 | 124,920 | | |

| | **Calculation of Solvency Capital Requirement** | C0100 |
|---|---|---|
| R0130 | Operational risk | 8,013 |
| R0140 | Loss-absorbing capacity of technical provisions | 0 |
| R0150 | Loss-absorbing capacity of deferred taxes | |
| R0160 | Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | |
| R0200 | **Solvency Capital Requirement excluding capital add-on** | 132,933 |
| R0210 | Capital add-ons already set | |
| R0220 | **Solvency capital requirement** | 132,933 |

| | **Other information on SCR** | |
|---|---|---|
| R0400 | Capital requirement for duration-based equity risk sub-module | |
| R0410 | Total amount of Notional Solvency Capital Requirements for remaining part | |
| R0420 | Total amount of Notional Solvency Capital Requirements for ring fenced funds | |
| R0430 | Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | |
| R0440 | Diversification effects due to RFF nSCR aggregation for article 304 | |

**S.28.01.01**
**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

| | | C0010 |
|---|---|---|
| | **Linear formula component for non-life insurance and reinsurance obligations** | |
| R0010 | $MCR_{NL}$ Result | 38,438 |

| | | 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 | 1,687 | 0 |
| R0030 | Income protection insurance and proportional reinsurance | 0 | 0 |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | 0 |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 46,882 | 1,213 |
| R0060 | Other motor insurance and proportional reinsurance | 0 | 0 |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 563 | 382 |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 36,752 | 0 |
| R0090 | General liability insurance and proportional reinsurance | 28,478 | 3,788 |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | 0 |
| R0110 | Legal expenses insurance and proportional reinsurance | 0 | 0 |
| R0120 | Assistance and proportional reinsurance | 0 | 0 |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 39,625 | 0 |
| R0140 | Non-proportional health reinsurance | 0 | 0 |
| R0150 | Non-proportional casualty reinsurance | 98,437 | 496 |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 6,932 | 119 |
| R0170 | Non-proportional property reinsurance | 826 | 278 |

| | | C0040 |
|---|---|---|
| | **Linear formula component for life insurance and reinsurance obligations** | |
| 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 | | |

| | | C0070 |
|---|---|---|
| | **Overall MCR calculation** | |
| R0300 | Linear MCR | 38,438 |
| R0310 | SCR | 132,933 |
| R0320 | MCR cap | 59,820 |
| R0330 | MCR floor | 33,233 |
| R0340 | Combined MCR | 38,438 |
| R0350 | Absolute floor of the MCR | 3,332 |
| | | |
| R0400 | **Minimum Capital Requirement** | 38,438 |