SOUTHERN ROCK INSURANCE COMPANY LTD

Solvency and Financial Condition Report

Year End: 31 December 2016

DEFINITIONS

AF	Actuarial Function	**MCR**	Minimum Capital Requirement
AFR	Actuarial Function Report	**MCRL**	Minimum Capital Requirement Life
ARC	Audit and Remuneration Committee	**MCRNL**	Minimum Capital Requirement Non-Life
BCD	Business Choice Direct	**MGA**	Managing General Agent
BE	Best Estimate	**MIB**	Motor Insurance Bureau
Committee	Committee of the Board	**nSCR**	Notional Solvency Capital Ratio
COR	Combined Operating Ratio	**ORSA**	Own Risk and Solvency Assessment
CPD	Continuing Professional Development	**QA**	Quality Assurance
CV	Curriculum Vitae	**QRTs**	Quantitative Reporting Templates
EEA	European Economic Area	**RCIC**	Risk, Compliance, and Investment
EIOPA	European Insurance and Occupational Pensions Authority	**RFF**	Ring-Fenced Fund
EPIFP	Expected Profits Included in Future Premiums	**RM**	Risk Margin
ERM	Enterprise Risk Management	**RMF**	Risk Management Framework
EU	European Union	**RMR**	Risk Management Report
FLAOR	Forward Looking Assessment of Own Risks	**RMSM**	Required Minimum Solvency Margin
FV	Fair Value	**RPT**	Related Party Transaction
GAAP	Generally Accepted Accounting Principles	**SCR**	Solvency Capital Requirement
GBP	Pounds Sterling	**SFCR**	Solvency and Financial Condition Report
GFSC	Gibraltar Financial Services Commission	**SII**	Solvency II
Group	Southern Rock Holdings Limited, and its subsidiaries	**SoG**	System of Governance
GVW	Gross Vehicle Weight	**SPV**	Special Purpose Vehicle
IAF	Internal Audit Function	**SRHL**	Southern Rock Holdings Limited
IBNR	Incurred But Not Reported	**SRICL**	Southern Rock Insurance Company Ltd
IPR	Intellectual Property Rights	**TPFT**	Third Party Fire and Theft
KPI	Key Performance Indicator	**TPs**	Technical Provisions
KRI	Key Risk Indicator	**UK**	United Kingdom
LCP	Lane Clarke and Peacock	**ULR**	Ultimate Loss Ratio
LGD	Loss Given Default	**URC**	Underwriting and Reserving Committee
LPT	Loss Portfolio Transfer	**VAR**	Value at Risk
LR	Loss Ratio	**XOL**	Excess of Loss
MAP	Matching Adjustment Portfolio		

EXECUTIVE SUMMARY

This report is the Solvency and Financial Condition Report (SFCR) for Southern Rock Insurance Company Ltd (SRICL, the Company) on a solo basis. The purpose of the SFCR is to provide information on the capital position of SRICL at the reporting year end, as required by the Solvency II delegated regulations.

This report covers the Company's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Unless stated otherwise, all amounts in this report are in GBP (Pounds Sterling).

BUSINESS AND PERFORMANCE

SRICL is a trading subsidiary of Southern Rock Holdings Ltd (SRHL). Both entities are registered in Gibraltar. The principal activity of SRICL is the underwriting of UK motor insurance risks; SRHL is the holding company of SRICL and does not trade in its own right.

Throughout the reporting period SRICL has continued to develop its current infrastructure and underwriting expertise, which has resulted in continually improving loss ratios. Gross written premium increased substantially in 2016 compared to the previous year. SRICL benefits from the hardening of rates but the burden of increasing relative costs associated with Solvency II, local regulators and compliance. Against this backdrop SRICL is exploring options to reduce its capital requirements even further, whilst maintaining the current business model and first class service to its policyholders.

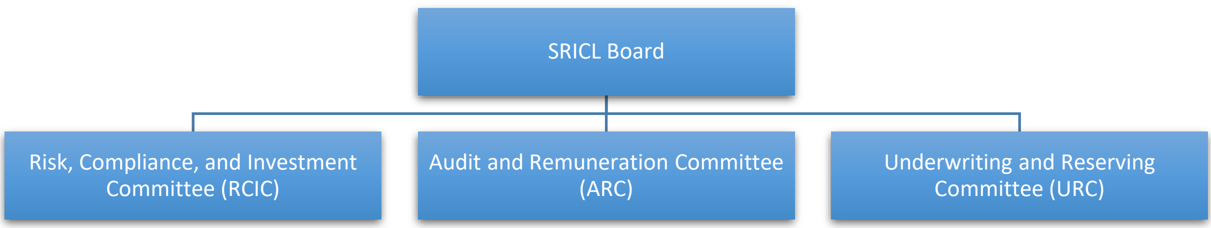
For the year ended 31 December 2016, SRICL reported a loss after taxation in its financial statements of £31.9m, due largely to the impact of loss portfolio transfer (LPT) arrangements, relating to prior underwriting years, all being reported in the 2016 underwriting year. These arrangements, together with co-insurance and reinsurance effectively reduced SRICL's exposure to claims in the 2012 to 2016 underwriting years to just 3% of written premium.

Further details on the Company's structure, underwriting performance and investment performance are provided in Section A of this report.

SYSTEM OF GOVERNANCE

SRICL has established a robust governance framework, with the SRICL Board having ultimate responsibility for oversight of the business, its strategy and risk appetite. The Board ensures that the financial controls and risk management systems are robust, whilst also ensuring that the Company is adequately resourced. A number of key changes have been made to strengthen the knowledge and expertise within the Board and further improve the governance function.

The Board is supported by three sub-committees that operate under formal terms of reference and report up to the Board.



SRICL operates a three lines of defence system of governance.

First line of defence

Primary responsibility for risk identification and management lies with business management

Second line of defence

Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions e.g. compliance

Third line of defence

Independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal control is provided by Internal Audit

Section B of this report describes the system of governance in place and explains the compliance with the requirements of the Solvency II legislation.

RISK PROFILE

SRICL has developed a Risk Management Framework (RMF) to ensure risks are appropriately identified, monitored and managed in line with the Company's objectives in the short, medium and long term, whilst also ensuring the business is aligned with the regulatory requirement of Solvency II. An integral part of this framework is the Own Risk and Solvency Assessment (ORSA), which provides the Company with a key tool to assess and evaluate the risks it faces.

As part of the risk management strategy, SRICL has entered into a number of substantive reinsurance programmes with a panel of robust reinsurance partners, which has effectively reduced its exposure to claims in the 2012 to 2016 underwriting years to just 3% of written premium.

Section C of this report describes the risks to which the Company is exposed and how they are measured, monitored and managed, including any specific risk mitigation actions that have been taken during the reporting period.

VALUATION FOR SOLVENCY PURPOSES

Under SII assets and liabilities are required to be valued at fair value, which is the amount for which they could be exchanged with a third party in an arm's length transaction. The valuation principles are broadly the same as those applied under IFRS, with some notable exceptions such as the valuation of deferred acquisition costs, prepayments and technical provisions.

At the reporting period end, SRICL had SII net assets of £23.7m, compared with £37.9m on a statutory accounting (GAAP) basis. This is primarily due to the difference in valuation of deferred acquisition costs, which were valued at £12.1m on a GAAP basis; valued at nil for SII as this asset does not meet the SII valuation principles.

The differences in valuation of assets and liabilities are discussed in more detail in Section D of this report.

CAPITAL MANAGEMENT

The SRICL Board considers the Company's capital requirements and future strategic direction over a three-year planning horizon. The target capital coverage of its SCR over this planning horizon is 120-150%. The Board are confident that this target will be achieved given the strategic actions already implemented, coupled with future changes that will be made to the structure of the business.

A summary of SRICL's capital position as at 31 December 2016 is shown in the table below:

£m	2016
Tier 1 capital	20.5
Tier 2 capital	-
Tier 3 capital	3.1
Total Eligible Own Funds	23.6
SCR	23.0
SCR ratio	103%
MCR	7.3
MCR ratio*	280%

**Tier 3 capital is not eligible to cover the MCR*

Further details of the Company's capital management process are provided in Section E of this report.

APPROVAL BY THE BOARD OF DIRECTORS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

FINANCIAL PERIOD 31ST DECEMBER 2016

We certify that:

1. the Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the Gibraltar Financial Services Commission (GFSC) rules and Solvency II Regulations; and

2. we are satisfied that:
    a. throughout the financial year in question, the Company has complied in all material respects with the requirements of the GFSC rules and Solvency II Regulations as applicable to the insurer; and
    b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

C Gilligham

DIRECTOR

Date: 3/5/17

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 GENERAL BUSINESS INFORMATION

Name of the undertaking:	Southern Rock Insurance Company Ltd
Address of its registered office:	Unit 3A-C, Leisure Island Business Centre Ocean Village Promenade Gibraltar, GX11 1AA +44 (0) 344 7765670 +350 200 02396 info@sricl.com
Legal Status:	Private Company Limited by Shares
Name of the financial supervisory authority:	Gibraltar Financial Services Commission
Contact details:	PO Box 940 Atlantic Suites Europort Avenue Gibraltar, GX11 1AA +350 20040283 information@fsc.gi
Name of external auditor:	BDO Gibraltar
Contact details:	5.20 World Trade Centre 6 Bayside Road Gibraltar, GX11 1AA +350 200 47300

A.1.2 MATERIAL LINES OF BUSINESS

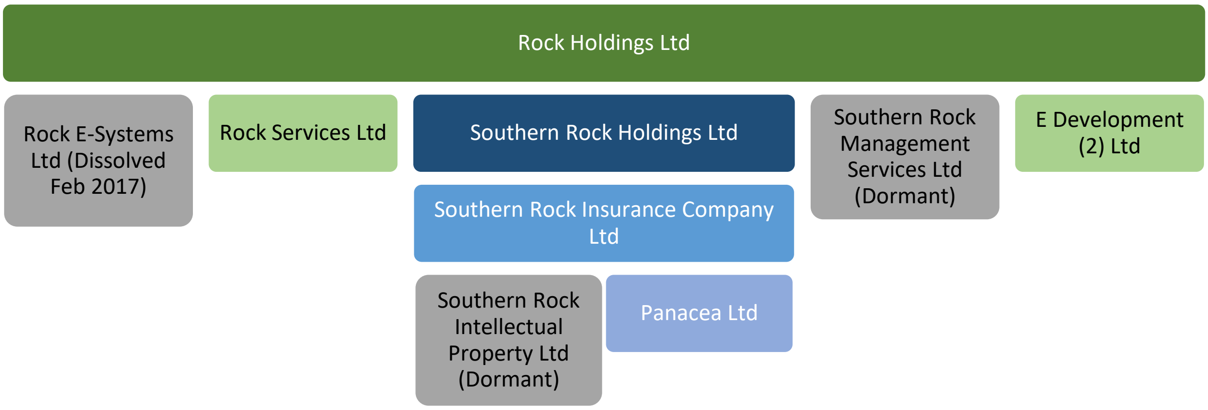
The principal activity of SRICL is the underwriting of UK motor insurance risks. For Solvency II reporting purposes, the material lines of business are:

- Motor vehicle liability insurance; and
- Other motor insurance.

SRICL is licensed and regulated by the Gibraltar Financial Services Commission ("GFSC") under the Financial Services (Insurance Companies) Act and authorised to carry out services in the United Kingdom.

SRICL sold 100% into the UK market and did not operate any branches in the year ended 31 December 2016.

A.1.3 COMPANY STRUCTURE



Rock Holdings Ltd (RHL), a company registered in the Isle of Man, owns 100% of the issued share capital of Southern Rock Holdings Ltd (SRHL), a company registered in Gibraltar. SRHL owns 93.6% of the issued ordinary share capital and 89.3% of the issued preference share capital of Southern Rock Insurance Company Ltd (SRICL). The minority holding in issued share capital is held by key management and the ultimate beneficial owner of the Group.

Rock Holdings Ltd also owns 100% of the issued share capital in Rock Services Ltd and E Development (2) Ltd, which are both registered in England and Wales.

SRICL owns 100% of the issued share capital in Panacea Limited, a company registered in Gibraltar.

Rock E-Systems Ltd was dissolved on 21 February 2017. Southern Rock Management Services Ltd and Southern Rock Intellectual Property Ltd are both dormant companies.

A.1.4 QUALIFYING HOLDINGS IN THE UNDERTAKING

During the reporting and at the end of the reporting period SRICL was 93.6% owned by Southern Rock Holdings Ltd, with the minority holding held by key management and the ultimate beneficial owner of the Group.

A.2 UNDERWRITING PERFORMANCE

SRICL is a Gibraltar-based Insurance Company providing motor insurance products to the UK market. Currently, 85% of the business written is distributed directly via comparison websites under the brands 'Go Skippy' and 'Debenhams', with the remainder using well established third party brokers. A small element of business is written under short term cover, niche risks and telematics.

During the year, SRICL made significant progress in challenging market conditions amidst global political uncertainty. Gross written premiums including co-insurance increased by 53% to £197.4m (2015: £128.7m), with in-force policies at year end of over 270,000, an increase of 40% compared to the previous year (2015: 197,000). Agile pricing and data enrichment contributed to this strong increase.

SRICL's underlying operating model is profitable having continually developed its risk rating model and pricing techniques. Its earned loss ratio for the 2016 underwriting year, as calculated by its independent external actuary, reflects an improved loss ratio of 17% over 2014 and 11% on the 2015 underwriting year when compared to the original earned ratios. The Board of directors are confident that this loss ratio will further improve with future development.

Furthermore, the strategy to write more comprehensive business in both 2015 and 2016 reaped rewards in 2016 and 2017 with improvements to cancellation rates, customer defaults and loss ratios. We expect incurred claims ratios to initially accelerate from quicker claim notifications, but these are typically lower in value and allow for the opportunity of pro-active intervention on any Third-Party claim, thus mitigating the overall claims cost.

Despite a significantly improved underwriting model for 2015 and 2016, and increased premium volumes year on year, the impact of the LPT reinsurance contracts and the increased levels of reinsurance meant that on a statutory accounting basis SRICL reported a loss on its Technical account of £34.9m for 2016. The Board planned for this loss, which is in line with its overall strategy to de-risk the business going forward.

However, the Board believe that the statutory accounting basis presentation is not reflective of the true underlying performance of the business, which has strengthened year on year. As a result, the table below is included in this report to better illustrate the 'true' underwriting performance of the business.

Illustration of SRICL's underlying profitability (excluding deferrals)	**2016**
	£'000s
Gross written premium (100%)	197,429
Gross written premium (30%)	**57,959**
Claims Incurred (@78.8% LCP Best)	**(45,672)**
Claims Handling Costs	(8,725)
XOL cover	(20,321)
Levies	(4,343)
Acquisition costs	(17,280)
Commissions Income (co- and reinsurance)	25,384
Adjustments:	
(1) Impact of change in commissions structure to net rate basis (8% of GWP) on acquisition costs – illustrative	15,794
(2) Impact of reserve and release policy on 2016 UW year (estimated at 4% of GWP)* on 2016 underwriting result - illustrative	7,897
Underwriting profits	**10,693**

Other technical income	407
Operating costs	(5,211)
Other income	4,856
Investments income	322
Profit before tax – underlying profitability	**11,067**

*based on previous underwriting years' experience

The table above removes the impact of accounting deferrals on the balance sheet (for example deferred acquisition costs) and the statutory reporting requirements for the LPT deals; as such this reflects the underlying profitability for the 2016 underwriting year more accurately than the reported GAAP basis.

The "gross basis" results are the primary driver for the movement in Own Funds for Solvency II purposes, and therefore are a better indication of the solvency margin. The illustration also includes two key adjustments:

1) As part of the SRICL Board making the business model less volatile, there has been a fundamental change to the business operating model in 2017 which sees SRICL offering a net rate to its most significant broking partners rather than a commission based model. As expected, this has seen acquisition costs reduce substantially in 2017. Presenting the 2016 underwriting year on the same basis would result in a £15.8m addition to profit.

2) SRICL's reserving policy, and that of its external actuary, Lane Clarke and Peacock (LCP), is to 'reserve and release' to ensure a prudent position. This was recently evidenced by the 2016 actuarial review which has seen releases in reserves, following lower loss ratio reviews, for both 2014 and 2015 underwriting years at 4.12 percentage points and 6.66 percentage points respectively. Applying a similar (prudent) reduction of 4% to the 2016 loss ratio would equate to a positive impact on the release of claims provisions and increased commission income of some £7.9m.

Loss Ratios, using externally calculated best estimates, have continued a downward trajectory since 2014, with 2016 booked at 78.81%. This includes the impact of the recent change to the Ogden Discount Rate. This improvement is set to continue through 2017, with further plans in place for improved risk selection and enhanced rating methodology.

A.3 INVESTMENT PERFORMANCE

A.3.1 INVESTMENTS HELD

SRICL's investment policy is conservative, retaining a large proportion of assets as cash or cash equivalents to minimise risk. SRICL significantly reduced its exposure to equities in 2016 and will continue to do so over the course of 2017.

Importantly, SRICL's liquidity risk reduced year on year with available cash increasing by £40m to £45.7m at year end. Core to SRICL's investment strategy is the focus on capital preservation.

A.3.2 OVERALL INVESTMENT PERFORMANCE

Investments	**Income / (expenses) 2016**	**Investments as at 31/12/2016**	**Income / (expenses) 2015**	**Investments as at 31.12.2015**
	£000's	**£000's**	**£000's**	**£000's**
Property (other than for own use)		820		820
Holdings in related undertakings, including participations		12,274		10,256
Equities - listed	6	4,236	1,308	4,823
Equities - unlisted				613
Government Bonds			263	7,500
Structured notes	30	460	32	460
Collective Investments Undertakings	322	1,016	35	847
Derivatives		754		754
Other investments			0.274	2
Investments (other than assets held for index-linked and unit-linked contracts)	**358**	**19,559**	**1,638**	**26,076**
Cash at bank and in hand	**220**	**45,746**	**0.223**	**5,798**
Total	**578**	**65,305**	**1,638**	**31,874**
Return on Investment		**1%**		**5%**

During the reported period, SRICL held no securitised investments.

A.4 PERFORMANCE OF OTHER ACTIVITIES

SRICL has no other income or expenses other than that attributable to underwriting and investments.

A.5 ANY OTHER INFORMATION

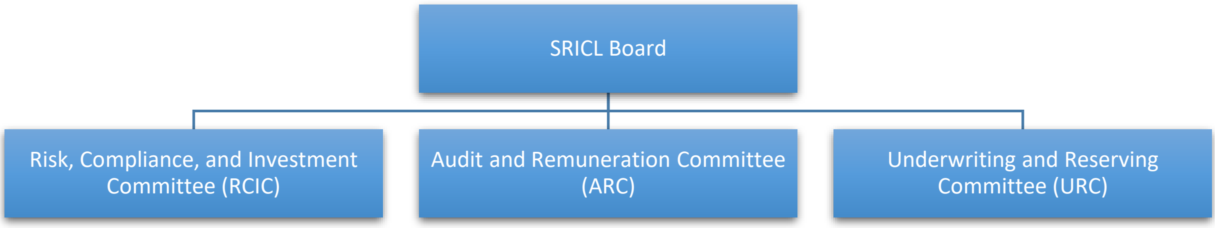
No significant business or other events have occurred during the reporting period that have had a material impact on the undertaking.

However, subsequent to the end of the reporting period, the reduction announced on 27th February 2017 to the discount rate on which personal injury claims are based (known as the Ogden Discount Rate), did have an impact and is therefore reflected in the year end results. The Solvency II net impact of the discount rates was minimal due to the nature of SRICL's reinsurance programme.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 BOARD AND SENIOR COMMITTEES STRUCTURES



The SRICL Board has established three sub-committees as shown above. At least annually, the Board reviews and approves the terms of reference for each sub-committee. Each sub-committee's terms of reference set out the matters the Board has delegated for approval or review to that sub-committee.

B.1.2 THE BOARD

The Board have responsibility for the oversight of the business and sets its strategy and risk appetite. The composition and responsibilities of the Board satisfy the requirements outlined by the GFSC, and the governance of the Board has been modelled on the UK and GFSC Corporate Governance Code.

Name	**Role**	**Executive/Non-Executive**	**Date Appointed**
Nigel Birrell	Chairman	Non-Executive	01/07/14
Christopher Gillighan	Managing Director	Executive	16/02/12
Trudy McGiffen	Underwriting and Risk Director	Executive	01/01/13
John Banks	Director	Non-Executive	01/05/13
Martin Robinson	Director	Non-Executive	01/01/16

SRICL have made several changes to the Board with Martin Robinson joining and strengthening the Board, earlier in the year, having over 30 years of claims management, reinsurance and reserving experience. Nigel Birrell succeeded Michael Clayden (resigned 16 February 2017) as our Chairman, and Trudy McGiffen took on the role of Risk Director, reflecting our increased focus on mitigating risk and exceeding compliance. SRICL continue to review and improve Board composition, with non-executive tenures requiring renewal every three years; this ensures the Board maintains the highest of standards of corporate governance.

The Board retains ultimate responsibility for the governance of itself and its subsidiaries, however it is not prescriptive in how any subsidiary should meet its obligations. SRICL takes a risk-based approach to the system of governance it expects to be implemented, depending on the complexity, nature, size of the business, whether it is subject to regulation, and the level of risk it presents to SRICL. The level of reporting required is also proportional to these factors.

The Board discharges its responsibility for overseeing the management of the Company's business by delegating to the Company's executive and senior management, generally through the Managing Director, the responsibility for day-to-day management of the Company. The Board discharges its responsibilities both directly and through its sub committees and other decision making groups. In addition, the Board may appoint ad-hoc committees or working parties periodically to address issues of a more specific and/or short-term nature.

B.1.3 RISK, COMPLIANCE, AND INVESTMENT COMMITTEE

The role of the Risk, Compliance, and Investment Committee (RCIC) is to implement and maintain effective investment methods and to formulate and oversee the policies, effectively managing the risks associated with all risk and investment proposals or projects. The committee oversees SRICL's corporate and commercial operations, and provides advice to the Board in relation to current and future exposures.

The RCIC comprises of three Directors appointed by the Board. The RCIC Chairman is also appointed by the Board.

Committee members have investment, business, and/or risk management expertise sufficient to evaluate the risks associated with the committee's purpose.

The RCIC's primary responsibilities are to:

- understand and ensure that all recommendations are aligned to the overall risk strategy and appetite;
- ensure that SRICL has an ongoing process for identifying and evaluating risk and that any significant areas of risk are brought to the attention of the Board;
- develop a comprehensive understanding of the relationship between the operating budget and the investment policy;
- establish an Investment Policy for approval by the Board;
- implement and oversee the appropriate risk management policies and procedures to manage risks associated with:
    - market;
    - liquidity;
    - operations;
    - credit;
    - company assets;
    - other investments.
- review overall performance, where tasks have been delegated;
- conduct ongoing due diligence;
- where investment consultants are engaged, review of its performance takes place at least annually.

B.1.4 UNDERWRITING AND RESERVING COMMITTEE

The role of the Underwriting and Reserving Committee (URC) is to implement and maintain effective practices for underwriting and reserving strategies, setting tolerance levels and reviewing the performance of the internal and external actuarial functions. It also makes proposals to the Board regarding the acquisition and removal of relevant lines of business and the use of external actuarial services.

The URC currently comprises of two Directors with a third due to be appointed by the Board. The Chairman of the URC is appointed by the Board.

The URC's primary responsibilities are to:

- review and monitor underwriting strategy for SRICL and by lines of business;
- approve, review and monitor overall risk tolerances, including limits, and possible losses;
- approve and review Group-level underwriting policies and procedures;
- review and monitor underwriting performance and performance targets, which includes but is not limited to:
  - loss ratio targets;
  - return on equity targets;
  - claims handlers;
  - brokers.
- review reinsurance programs and practices;
- review and propose new lines of business to the Board;
- review and propose joint ventures and strategic equity investments;
- assess whether there is need for external evaluation of reserving mechanism, and make recommendations to the Board regarding such appointments;
- where an external actuary is appointed, monitor and review the effectiveness and quality of data sources in such a manner that the committee can either challenge or rely on reports issued;
- ensure that the Board receives sufficient information regarding underwriting and reserving, in a timely manner;
- provide explanations to the Board, where requested, regarding the logic behind decisions relating to parameters and any assumptions made by the committee.

B.1.5 AUDIT AND REMUNERATION COMMITTEE

The role of the Audit and Remuneration Committee (ARC) is to implement and maintain effective practices for conducting internal audits and making recommendations for remuneration for the Board and staff, and external fees. It also makes proposals to the Board regarding the use of external auditing services.

The ARC currently comprises of two Directors with a third due to be appointed by the Board. The Chairman of the ARC is appointed by the Board.

AUDIT

- The Board ensures that at least one member of the ARC has recent and relevant financial experience.
- The main role and responsibilities of the ARC is set out in written terms of reference, these include:
    - monitoring of the integrity of the financial statements of SRICL and any formal announcements relating to SRICL's financial performance, reviewing significant financial reporting judgements contained in them;
    - review SRICL's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of independent Directors, or by the Board itself, to review SRICL's internal control and risk management systems;
    - monitoring and review of the effectiveness of SRICL's Internal Audit Function;
    - making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
    - review and monitoring of the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
    - development and implementing of policies on the engagement of the external auditor to supply non-audit services, considering relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
    - reporting to the Board any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken
    - reporting to the Board on how it has discharged its responsibilities
- Where requested by the Board, the ARC provides advice on whether the annual report and accounts, are fair, balanced and understandable and provides the information necessary for shareholders to assess SRICL's position and performance, business model and strategy.
- The ARC reviews arrangements by which staff of SRICL may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- The ARC's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- The ARC monitors and reviews the effectiveness of the internal audit activities.

REMUNERATION

The remuneration of executive Directors is designed to promote the long-term success of SRICL.

The formal procedure for developing executive remuneration and for fixing the remuneration packages of individual Directors is established by the ARC. No Director is involved in deciding his or her own remuneration.

The ARC makes available its terms of reference, explaining its role and the authority delegated to it by the Board. Where remuneration consultants are appointed, they are identified in the annual report and a statement made as to whether they have any other connection with SRICL.

The ARC determines the appropriate balance between fixed and performance-related, immediate and deferred remuneration.

- Remuneration incentives are designed to be compatible with risk policies and systems.
- If SRICL releases an executive Director to serve as a non-executive Director elsewhere, the remuneration report includes a statement as to whether the Director retains such earnings and, if so, what the remuneration is.
- Levels of remuneration for non-executive Directors reflect the time commitment and responsibilities of the individual’s role.
- The Committee considers what compensation commitments (including pension contributions and all other elements) their Directors’ terms of appointment would entail in the event of early termination.

PENSIONS

The Committee considers the pension consequences and associated costs to SRICL of basic salary increases and any other changes in pensionable remuneration.

Although there is no requirement to do so, SRICL mirrors the terms and conditions of the UK workplace pension, having set up a stakeholder pension scheme for all employees.

B1.6 MATERIAL TRANSACTIONS

During the reporting period SRICL had transactions with Group undertakings:

- Rock Services Limited - in respect of expenses incurred on behalf of SRICL and recharged back to the Company to the value of £7.2m.

The Company also had transactions with entities sharing key management:

- Eldon Insurance Services Limited – in respect of claims handling and commission expenses to the value of £22.2m.

As at 31 December 2016 SRICL had balances receivable from Group undertakings as follows:

- E Development 2 Limited – in respect of premiums collected of £37.6m
- Rock Services Limited – in respect of inter-company recharges of £21.6m

The Company also had balances receivable from entities sharing key management as follows:

- Eldon Insurance Services Limited – in respect of amounts held in trust for claims of £0.7m
- Panacea Gibraltar - in respect of assignment of rights to other customer income of £45.1m

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 FIT AND PROPER POLICY

The SRICL Fit and Proper Policy provides a framework ensuring that individuals running the business or fulfilling key functions have the necessary skills, appropriate knowledge and experience and are of good repute and integrity. SRICL meets these requirements by ensuring individuals are both fit and proper in line with the Policy and in accordance with the European Insurance and Occupational Pensions Authority (EIOPA) guidelines.

The Company assesses an individual's fitness and propriety in several ways, including:

- Adopting a robust and rigorous selection process to assess the individual's professional competence, in terms of technical and management skills, relative to the role;
- Carrying out background checks to confirm employment history, validation of professional and educational qualifications, financial soundness and identity checks. The level of background checks is commensurate to the role and level of potential risk associated with it.
- On an annual basis, carrying out a review of each key function holder's fitness and propriety and requiring key function holders notify the Company of any changes which may impact their compliance with the Fit & Proper policy.

Members of the Board and sub-committees are required to ensure the skills and knowledge required to properly discharge their duties are kept up to date, including compliance with any professional Continuing Professional Development (CPD) requirements.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

SRICL's Risk Management Framework (RMF) and ORSA process have been designed to ensure the Risk Committee and Board receives timely and appropriate reporting to understand, appropriately manage and mitigate the risks associated with SRICL's objectives over the short, medium and longer term together with the overall level of risk embedded within functional and operational processes and activities, including those which are the subject of outsourcing arrangements. Risk strategy, appetite and framework is laid out in a Policy which is subject to annual review.

SRICL operates a 'three lines of defence' system of governance:

First line of defence

Primary responsibility for risk identification and management lies with business management

Second line of defence

Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions e.g. compliance

Third line of defence

Independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal control is provided by Internal Audit

The Risk function captures details of significant risks facing the business, their potential impact and mitigating controls, following the below framework.

Underwriting

- Premium Risk
- Insurance Risk
- Underwriting Risk
- Reserving Risk
- External Influences / Market / Industry Risk
- Intermediary Risk
- Anti-Selection Risk
- Fraud Risk
- Volume / GWP Risk
- Claims Inflation Risk

Assets/ Liabilities

- Investment Risk
- Liquidity Risk
- Funding Risk
- Credit & Counterparty Risk
- Capital Risk
- Buffer Risk
- Expenses / Operating Costs Risk
- Claims Fund / Reserves Risk
- Market Risk
- Economic Risk
- Property Risk

Technical Liabilities

- Reserve Risk
- Premium Risk
- Model Risk (SF)
- PPOs
- ENID
- Claims Handling - Leakage / Costs
- Reinsurance Risk
- Default Risk
- Technical Provisions (SII)
- Market Risk
- Concentration Risk
- Lapse Risk
- Risk Margin
- Discounting Risk
- CAT Risk

Operational

- Outsourcing Risk
- Intermediary Risk
- IT Risk
- Information Security System Risk
- Business Continuity
- Disaster Recovery
- Key Personnel
- Regulatory Risk
- Legal Risk
- Conduct Risk
- Brand and Reputation Risk
- Group Risk
- Contagion Risk
- HR
- Finance Function

The Risk register sets out the key risks to the business that are identified by management. Each risk is assigned a weighting, and risk mitigation techniques are applied to this gross risk. High level risks, either those that are retained as no mitigation can be taken, or those of significant impact are identified and tracked as part of a monthly Risk Mitigation Report (RMR) report. On a bi-monthly basis both the RCIC and Board give due consideration to report findings.

On a monthly basis, the Risk Function provides a report for committee and Board consumption that allows for the understanding of risks, strategy, management and mitigation.

Risk appetite is at the heart of effective risk management for SRICL. SRICL expects that setting the right risk appetite will support strategy setting, risk management, stakeholder value optimisation, and sets the boundaries for risk taking.

There are three primary concepts to note:

- The level and nature of risk SRICL is willing to take.
- The level of risk that SRICL can take - there could be risks that, while not desirable or sought, would be acceptable, at least temporarily, under certain scenarios.
- The maximum level of downside risk that SRICL can absorb before putting SRICL into financial distress or regulatory breach.

SRICL seeks to take action as soon as it becomes evident that a risk may breach risk tolerance and does not wait until the tolerance is exceeded. This is supported by regular and complete risk modelling to verify consistency between risk strategies and specific SRICL activities. Should identified risks materialise that breach the risk appetite, these will be mitigated, wherever possible, by those actions listed in the risk register. For risks materialising that were previously unknown, then these will be addressed in the first instance by the Risk Function Holder, escalated to the RCIC, who will refer the matter to the Board if deemed appropriate. Risk appetite can and should change over time.

More granular risk appetites and tolerance are set out, by each risk class, through high-level qualitative and quantitative statements as an expression of the level of risk the organisation will accept. The Risk Management System measures the performance of, and exposure to, each risk through the Risk Register. This information is then reported via the monthly RMR.

The RMR supports the monitoring of risk against the qualitative and quantitative risk appetites.
KRIs for reporting purposes will follow the approval of such risk appetite levels.
Any change to Metric will require Board approval

Core Risk Categories

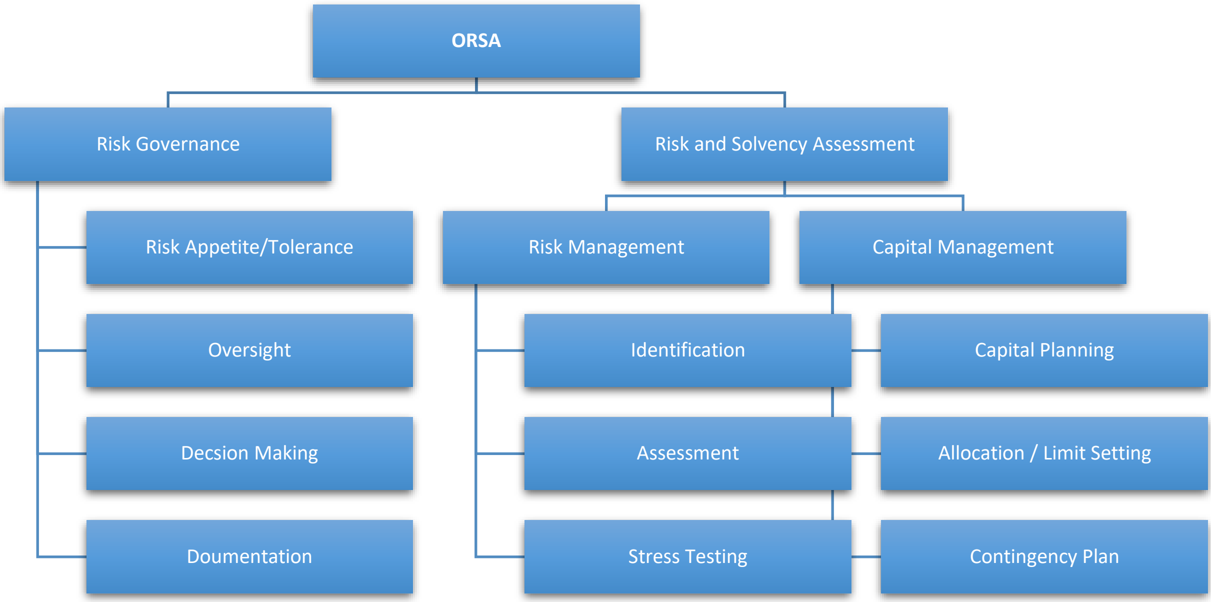
- Underwriting Risk
- Premium / Reserve Risk
- Counterparty / Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Outsourcing Risk
- Regulatory / Legal Risk
- Strategic Risk

On an annual basis, as a minimum, SRICL conducts an ORSA with a formal report being made available to the Board and stakeholders. In addition to this annual report, SRICL believes the ORSA is a continuous process conducted throughout the year with consideration being given to any material changes in business strategy, market or legislative changes, events or similar that may impact SRICL.

The SRHL Board own the ORSA and both Boards are involved at every stage, as evidenced by:

- The SRICL Board members have all provided input to all SRICL's corporate governance documentation, including the ORSA, both outside the SRICL Board meetings, as well as formal challenge during the approval processes integral to the SRICL Board meetings. Following the SRICL Board input, some significant changes were made to the original FLAOR and are now included in the ORSA.
- The Group Finance Director is part of the programme structure.
- This Group ORSA has been reviewed by the entire SRHL Board.
- The non-Executive Directors have all made inputs to other documents including the FLAOR and policies outside the Board meetings, as well as formal challenge and approval process at the Board meetings.

ORSA Framework



B.4 INTERNAL CONTROL SYSTEM

INTERNAL CONTROL SYSTEM

The Company has embedded a robust internal control system that includes:

- the corporate governance framework, processes and controls;
- a financial control framework to ensure complete and accurate financial reporting;
- the appointment of key function holders to Actuarial, Compliance, Internal Audit and Risk Management; and
- independent assurance provided by the Internal Audit function.

The Company's Audit & Remuneration Committee (ARC) review all internal and external audit reports, ensuring any risks identified are properly recorded, and that any action required is implemented and followed up to completion to ensure the risk is appropriately mitigated.

The internal control system is supported by a range of policies that SRICL has developed to ensure all relevant staff and service providers are aware of the procedures, controls and standards that the Company adhere to. In addition, the Company has implemented a financial control framework designed to ensure that outputs from financial reporting are free from material misstatement, error or omission, and are prepared in accordance with all relevant laws and financial reporting standards. Monthly management accounts are subject to rigorous internal review, whilst SRICL's annual report and accounts are subject to external audit and signed off by the Board prior to publication.

B.5 INTERNAL AUDIT FUNCTION

INDEPENDENCE

The IAF is performed by an individual who does not perform any operational functions and is free from undue influence by any other functions including key functions. The IAF is also free from influence from SRICL and the Group that can impair its operational independence and impartiality.

CONFLICTS OF INTEREST

The IAF declares all conflicts of interest to the ARC, as they arise. The IAF ensures that internally recruited auditors do not audit activities or functions they previously performed during the timeframe covered by the external audit.

INTERNAL AUDIT POLICY

SRICL operates an internal audit policy covering the following areas:

- the terms and conditions according to which the IAF can be called upon to give its opinion or assistance or to carry out other special tasks;
- internal rules setting out the procedures the IAF needs to follow before communication with the regulatory authority;
- where appropriate, the criteria for the rotation of staff assignments;
- describes how the internal audit functions;
- coordinates the internal audit activity;
- ensures compliance with the internal audit requirements.

INTERNAL AUDIT PLAN

The IAF ensures that the internal audit plan:

- is based on a methodical risk analysis, taking into account all the activities and the complete SoG, as well as expected developments of activities and innovations;
- covers all significant activities that are to be reviewed within a reasonable period of time.

The IAF keeps a record of its work to allow for an assessment of the effectiveness of the work, and to document the audits in a way that allows for retracing the audits undertaken and the findings they produced.

The IAF, in its reports to the ARC and the Board, clearly identifies any shortcomings or failings, includes recommendations as to how those are remedied and the envisaged period in which such remedies are to be implemented, as well as information on the implementation of remedies in respect of previous audit recommendations/requirements.

The Risk Management Function Holder will ensure, where any remedies have been instructed, that they are expedited in a timely manner.

The IAF is responsible to the ARC for producing the internal audit plan, providing audit reports, and making the relevant declarations. The ARC will review the effectiveness of the IAF's work and consider recommendations put forward, and subsequently report to the Board.

B.6 ACTUARIAL FUNCTION

The role of the AF is to assist with pricing and reserving where required and/or where actuarial skills are relevant, with assistance from external consultants, data providers, and business partners.

Specific functions include:

- Developing/updating rating structures for new/existing products
- Monitoring business levels and sales mix
- Predicting and monitoring future performance
- Predicting and monitoring impact of proposed rate changes
- Identifying sales/pricing opportunities and making recommendations where appropriate
- Calculations of provisions, reinsurance recoveries

Direct contact with external service providers such as reinsurers, co-insurers, actuarial consultants, data providers, etc. (e.g. Insurance Initiatives Limited, Lane Clark & Peacock, Debenhams, Thatcham's) includes:

- Provision of data for assessment/analysis/modelling purposes
- Analysis of provided data/services (e.g. modelling)
- Calculations of provisions, reinsurance recoveries
- Prediction and monitoring of future Ultimate Loss Ratio

B.6.1 THE MODEL SCOPE OF THE ACTUARIAL FUNCTION

The AF, as defined by Article 48 of the Directive 2009/138/EC, is required to be involved in four AF areas:

- TPs;
- Reinsurance arrangements;
- Underwriting Policy; and
- The risk management system.

The involvement in each area differs depending whether an opinion is being expressed or deeper contribution takes place. The nature of that involvement is described in the remaining sections.

B.6.2 ACTUARIAL FUNCTION REPORT

As the AFR is targeted at the Board and relevant Committees, it reflects a technical complexity expected to be understood by the recipients. The report will include but not be limited to:

- Executive Summary;
- Introduction;
- TPs;
- Underwriting;
- Reinsurance;
- Risk Management;
- Conclusions and recommendations.

B.7 OUTSOURCING

Prior to engaging with any service provider, SRICL will:

- evaluate the risks associated with all existing and proposed outsourcing arrangements;
- develop a process for determining the materiality of arrangements;
- implement a program for managing and monitoring risks;
- ensure that the Board receives sufficient information to enable them to discharge their duties.

All outsourcing arrangements, whether intra-group or third party, are subjected to a materiality assessment. SRICL recognises that outsourcing and intra-group arrangements will exhibit varying degrees of risk, and as such, the robustness of the management of outsourced risks is aligned to the materiality of that particular arrangement.

With respect to outsourcing arrangements that are deemed material, both the Risk Management Policy and the Outsourcing Policy will apply.

B.7.1 MATERIAL INTRA-GROUP OUTSOURCING ARRANGEMENTS

When entering into a material outsourcing arrangement with related parties or intra-group arrangement with another entity that is a member of the same Group as the regulated entity, a general contract or outsourcing agreement must be in place. This will outline, among other things:

- the scope of the arrangement;
- the services to be supplied;
- the nature of the relationship between SRICL and the service provider;
- procedures governing the subcontracting of services.

SRICL addresses these expectations within company-wide processes and plans, as appropriate, dealing with any specific risks to each subsidiary, and ensuring that the Board of Directors is satisfied that the business can fulfil its responsibilities. SRICL establishes the processes, approve the policies, and develops and maintains the reporting on behalf of its subsidiaries.

Consistent with the risk-based supervisory role of SRICL, there may be additional expectations for arrangements, depending on the risks related to the outsourcing arrangement and the conclusions of the regulated entity's supervisory review.

SRICL is responsible for implementing a due diligence process that addresses the qualitative aspects of the arrangement, particularly those pertaining to the unique operational requirements of the business, this includes but is not limited to:

- procedures governing the subcontracting of services;
- an appropriate business continuity plan covering the outsourced service;
- a process for monitoring and oversight;
- legislative requirements relating to conduct and governance.

B.7.2 DUE DILIGENCE PROCESSES

Internal due diligence is conducted to determine: the nature and scope of the business activity to be outsourced; its relationship to the rest of SRICL's activities; the management of the activity both currently and going forward.

When entering or substantially amending or renewing, an outsourcing arrangement with a service provider that is a part of the same Group or related party, the due diligence procedure will fully assess the risks associated with the outsourcing arrangement, and address all relevant aspects of requirements from the service provider.

Due diligence processes will vary depending on the circumstances, such as in the case of renewals where no material change has occurred that would affect the viability of the outsourcing or intra-group relationship, in such circumstances a more streamlined due diligence process is appropriate.

B.7.3 MONITORING AND OVERSIGHT

The Risk Oversight Officer is responsible for implementing and overseeing procedures to monitor and control outsourcing risks in accordance with SRICL's Outsourcing and Risk Management Policies.

Reports based on the monitoring and oversight activities, and the effectiveness of the risk management program, are delivered to SRICL's Board in periodical reports.

SRICL maintains a centralised list of all its material outsourcing arrangements. This list is updated on an ongoing basis and forms part of the documentation delivered to the Board.

Current material Outsourced Functions

Company Name	Relationship/Arrangements	Country
Eldon Insurance Services Ltd	Provides services to SRICL related to claims handling and brokerage services.	UK
ICS Risk Solutions Ltd	Parent company of Eldon Insurance Services Ltd. Purchased the rights to ancillary income from SRICL in 2015.	Isle of Man
Edevelopment2 Ltd	Provides services related to all financial elements of payments and refunds to SRICL's brokers including credit control, banking and premium finance arrangements.	UK
Rock Services Ltd	Provides shared service functions to manage accounts payable and payroll for the UK based staff.	UK
Rock Holdings Ltd	Rock Holdings owns the IPR related to the Go Skippy brand.	Isle of Man
STM Fidecs Ltd	Insurance management company including company secretarial and local payroll functions.	Gibraltar

B.8 ANY OTHER INFORMATION

On 23 June 2016, the UK voted to leave the EU. On 29th March 2017 Article 50 of the Lisbon Treaty was triggered, initiating the UK's withdrawal from EU membership.

SRICL underwrites policies in the UK, but is based in Gibraltar. Gibraltar is part of the EU by virtue of the UK's membership and is not a separate member state. At present, pursuant to the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 (the 'Gibraltar Order'), the UK treats Gibraltar-based insurers as EEA insurers allowing them to underwrite UK business. When the UK leaves the EU, it is expected that Gibraltar-based insurers will continue to be afforded passporting rights into the UK.

C. RISK PROFILE

C.1 UNDERWRITING RISK AND RESERVE RISK

DEFINITION

The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, reflects the risk arising in relation to the perils covered and the processes used in the conduct of business. Underwriting risk relates to the existing insurance obligations as well as to the new business expected to be written.

It is the combination of:

- risk arising from risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (premium and reserve risk); and
- risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (catastrophe risk).

SRICL mitigates underwriting risks through the following:

1) Purchase of reinsurance:

   SRICL purchases Excess of Loss (XOL) and quota share reinsurance along with Loss Portfolio Transfer (LPT) from 'A' or higher rated companies.

2) Analytical pricing:

   A significant proportion of policies are sold via aggregators directly to the customer. This allows SRICL to obtain detailed data on which it bases its future pricing of policies. The availability of this information is fundamental to SRICL's strategy of reviewing and amending rates when deemed necessary including reaction to changes in market conditions.

3) Effective claims management:

   SRICL uses agreed KPI's in the management of claims. Regular audits of the claims files are completed to ensure that claims are settled promptly and fairly on behalf of customers.

4) Additional Tools:
   - Daily / Weekly / Monthly review of KPI's
   - Actuarial Pricing reviews
   - Monthly Triangulation reviews across all schemes and product lines
   - Monthly market review to determine competitive positioning / real time pricing
   - Quarterly independent actuarial reserve reviews by LCP
   - External reserve review supplemented by a second independent review of those actuarial results
   - Reserves booked based on external actuarial best estimates
   - Regular internal and external audits of claims handlers
   - Regular audits of brokers
   - Robust governance to ensure the correct application of pricing factors
   - Pricing is based on assumptions which have regard to trends and past experience, and exposures are managed by having documented underwriting limits and criteria
   - On-going review of front end fraud detection tools to reduce anti-selection
   - ORSA to assess the performance of key risks under stressed conditions

EXPOSURE TO PREMIUM AND RESERVE RISK

Material exposures for the year ended 31 December 2016:

	£000's
SCR – non-life underwriting risk	3,750
Volume measures	
Net Values	
Next Year Earned Premium	3,717
Current Year Earned Premium	4,131
Net Claims Provision	11,926
Lapse	96

STRESS TESTING

Scenarios have been run at various loss ratios from external best estimate of 78.8% for 2016 up to 80% and down to 70% to allow for movements in loss ratio between SRICL's best estimate and the independent actuarial best, which tend towards a reserve and release strategy. SRICL's extensive use of co and reinsurance means that the impact of any movement in ULR is broadly restricted to those amounts falling outside of the co/re-insurance arrangements.

Since the Loss Portfolio Transfer reinsurance transactions take 90% of the exposure out of SRICL's reserves, the impact is limited to 10% of the movement in claims reserve. Therefore, the only material impact will be on the sliding scale arrangements with SRICL's partners. The sliders kick in substantially after 75% ULR and there are floors in place which ensure that certain costs (XOL, MIB) will always be covered. At 78% the commissions received are already within the sliding scale parameters.

C.2 MARKET RISK

DEFINITION

The market risk reflects the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of SRICL. It reflects the structural mismatch between assets and liabilities, in particular with respect to the duration thereof. These can be broken down into six sub-modules:

- Spread Risk
- Equity Risk
- Property Risk
- Currency Risk
- Concentration Risk
- Interest Rate Risk.

The objective of SRICL in managing its market risk is to ensure risk is managed in line with SRICL's risk appetite. SRICL has established policies and procedures in order to manage market risk and methods to measure it.

All SRICL investment assets are aggregated and monitored by the RCIC with help from the Investment Manager. At each meeting the RCIC performs a review of the current portfolio performance comparing its performance against benchmarks and budget. Significant variances are reviewed, interrogated and compared to market indices. The portfolio risk is also compared to the stated risk appetite to confirm that it has not been exceeded. The outcomes from the RCIC committee meetings are reported to the Board.

Other monies, principally cash on deposit, are managed internally with oversight from the Board.

The RCIC is responsible for ensuring that SRICL has liquidity available to meet both immediate and foreseeable cash flow requirements (including meeting statutory and regulatory liquidity ratios).

There were no changes in SRICL's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

EXPOSURE TO MARKET RISK:

Material exposures for the year ended 31 December 2016:

	£000's
SCR	3,042

Material exposures by sub-Categories of Market Risk for the year ended 31 December 2016:

	£000's
Spread Risk	113
Equity Risk	2,700
Currency Risk	251
Concentration Risk	130
Interest Rate Risk	45

C.3 CREDIT RISK

DEFINITION

The credit, or counterparty default, risk reflects possible losses due to unexpected default, or unwillingness to make payments. The counterparty default risk will cover risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, partners, subsidiaries, related parties, as well as any other credit exposures which are not covered in the spread risk. Due to the extensive program of co and reinsurance that SRICL participates in, the largest counterparty risk lies with the panel of co/reinsurance partners. Reinsurance protection is only purchased from companies which are part of groups with specified financial strength ratings of A or above and the ratings are monitored regularly. Substantial due diligence is performed on any new partners and only strong counterparties are considered.

EXPOSURE TO CREDIT RISK

Material exposures for the year ended 31 December 2016:

	£000's
SCR	14,397
SCR-Type 1	8,481
SCR-Type 2	7,089
Volume measures	
Type 1 Risk	179,457
Cash at bank	46,514
Reinsurance arrangements	130,947
Equities Option (ICS)	1,996
Type 2 Risk	
eDevelopment2	7,522
Panacea Ltd	22,564
Other	17,168

STRESS TESTING

The ICS balance, EDev balance and all other related party balances apply a LGD of 50% to the standard formula calculations. This is in line with our interpretation of the guidance from EIOPA.

The SCR charge on the outstanding balance is approximated as:

Fair Value of debtor outstanding x LGD % x 15% x c 70% (for diversification)

An estimate of the 50% impact on the SCR and the capital adequacy is shown below at each year end. The exposure reduces annually as consideration is received by SRICL to reduce the debtors.

The below table shows the position as stressed at 100% for Q4 2016:

	31 Dec-16
	£'000s
Premium Debtors per Solvency II Balance Sheet	**17,139**
Charge at 50% x 15%	1,285
Charge at 100% x 15%	2,571
Impact of change	**(1,285)**
Total Related Party debtors	**66,734**
Charge at 50% x 15%	5,005
Charge at 100% x 15%	10,010
Impact of change	**(5,005)**
Total Impact of Increasing the LGD to 100%	**(6,290)**

C.4 LIQUIDITY RISK

DEFINITION

Liquidity risk in relation to SRICL is defined as either SRICL does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Prudent liquidity risk management includes maintaining sufficient cash to meet its foreseeable needs and to invest cash assets safely and profitably. This is measured on a monthly basis. SRICL monitors cash flow using sophisticated forecasting techniques to ensure that all liabilities are met when due. Such forecasting takes into consideration SRICL's financing plans, compliance with internal balance sheet targets and external regulatory requirements.

SRICL held cash balances of £45.7m at end of December 2016. This is held in liquid assets with no fixed term instruments. The net provision for claims was £12.3m (GAAP) at the end of December 2016 (including IBNR and the LPT deal on the 2015 and 2016 underwriting year). Therefore, cash balances are well in excess of claims outstanding meaning that SRICL, if called upon, could settle all its claim liabilities as they fall and become due. Clearly this goes beyond the 1/200 event. As such, the Board does not consider it appropriate to stress any further.

The ORSA process will assess liquidity under stressed conditions.

C.5 OPERATIONAL RISK

DEFINITION

The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

SRICL has identified the following key operational risks

1. Failure or underperformance of processes / systems or people
2. Reliance on key personnel
3. Failure or underperformance of outsourced functions
4. Legal or regulatory events
5. Information systems – disaster recovery / security

SRICL sees operational risk as an ongoing area that is monitored and assessed both formally and informally utilizing the following measures

1. Bi-monthly review of the risk register
2. Regulator reviews of identified areas of high risk
3. Monthly compliance and QA reporting
4. Regular cycle of Internal Audit in place for key areas and functions
5. Regular audits of external service providers
6. Regular testing of disaster and business continuity plans
7. Bi-annual / Annual Review of risk appetite and associated policies
8. ORSA process to assess operational risk under stressed conditions

EXPOSURE TO OPERATIONAL RISK

Material exposures for the year ended 31 December 2016:

	£000's
SCR	5,301

C.6 OTHER MATERIAL RISKS

C.6.1 RE-INSURANCE RISK

Loss of Capacity

All the co and reinsurance arrangements are agreed in advance for 12 months at any time. Therefore, any loss in capacity would only effect future premium written. In the event of loss of capacity, SRICL would limit the business underwritten for the next year such that capital be effectively managed.

In addition, SRICL has a diversified panel of co and reinsurance partners, all of which are A rated or above, and who take a maximum of 10% share each. This further limits the likelihood of a loss of capacity overall, as typically if one partner takes a lower share then that would be taken up by an alternative partner.

The Board of SRICL and SRHL have developed strong and long standing relationships with reinsurance partners, with some having been in place for 10 years. This should add some context as to the strength of the relationships and the risk of loss.

Sliding Scale Commissions

The sliding scales related to the co and reinsurers' commission move depending on the loss ratios achieved. The impact of movements in the 2016 loss ratio and their impact on the sliding scale income are considered in section C.1. together with the overall impact on the solvency margin.

The impact on commissions is a reduction in income of £16.1m across all insurers if ULR moved out to 85%. In practice, the movements in risk profile and loss ratios are monitored daily, weekly and monthly throughout the year so any shifts in loss ratio would be picked up and rectified as soon as movements are evident, with business being retracted substantially if needed to limit the impact.

C6.2 CLAIMS HANDLING RISK

SRICL has outsourced its claims handling function to Eldon Insurance Services Ltd (Eldon). SRICL pays for these services in advance so Eldon is obligated to handle any claims arising on policies incepted whilst the Claims Handling Agreement is in force.

SRICL intends to continue outsourcing its claims handling function to Eldon and is entirely satisfied with both the quality of service provided and the value for money of the services provided. SRICL performs ongoing due diligence on Eldon's ability to meet its obligations and has satisfied itself that there is no unmitigated risk around the ability of Eldon to continue to service SRICL's claims today or in the future.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS (EXCLUDING REINSURANCE RECOVERABLES)

A comparison of the Solvency II valuation and local GAAP valuation of material asset classes is shown below, with explanatory notes on the key differences between the valuation bases.

	Year ended 31 December 2016 (£000's)		
	Note	**Solvency II valuation**	**Statutory accounts valuation**
Deferred acquisition costs	1	-	12,070
Deferred tax assets	2	3,145	1,500
Property, plant & equipment held for own use		26	26
Investments (other than assets held for index-linked and UL contracts)		19,559	19,559
Insurance and intermediaries' receivables	3	17,139	39,706
Reinsurance receivables		8,227	8,227
Receivables (trade, not insurance)		66,757	66,757
Cash and cash equivalents		46,516	46,516
Any other assets, not elsewhere shown		772	772
Total Assets (excluding reinsurance recoverables)		**162,142**	**195,133**

Notes

1. Deferred acquisition costs (DAC): under local GAAP acquisition costs arising from insurance contracts are spread over a period equivalent to that over which the premiums on the underlying business are earned. DAC is not recognised in the SII Balance Sheet as it does not meet SII valuation principles.
2. Deferred tax assets: the level of deferred tax asset recognised is with reference to the SII balance sheet rather than the accounting basis, hence the difference in valuation of balance sheet items results in a different value in deferred tax asset.
3. Insurance and intermediaries' receivables: these balances are recognised at the amount expected to be received when due. The presentation of this balance on the SII balance sheet differs from the statutory accounting basis since receivables under the accounting basis includes premiums which are included in Technical Provisions in the SII balance sheet.

D.2 TECHNICAL PROVISIONS

	Motor vehicle liability insurance	Other motor insurance	Total Solvency II valuation	Statutory accounts valuation
Technical provisions – non-life	**254,223**	**6,198**	**260,421**	**193,239**
Best Estimate	251,045	6,118	257,163	-
Risk margin	3,178	80	3,258	-
Reinsurance recoverables	237,176	5,428	242,604	178,839
Technical provisions minus recoverables from reinsurance	17,048	769	17,817	14,399

Technical provisions under SII consist of a claims technical provision, a premium technical provision (which together form the best estimate liability) and a risk margin.

Best estimate liabilities (BEL) are the probability weighted average of future cash flows, discounted back to the balance sheet date using risk-free discount rates. The BEL is apportioned to each line of business, as shown in the table above.

The risk margin is calculated as the sum of the present values of the cost of capital in each future year (i.e. the amount calculated by applying the Cost-of-Capital rate to the SCR in each future year) until the obligations are extinguished and there is no remaining SCR. The total risk margin is then apportioned to each line of business, as shown above.

SRICL does not calculate technical provisions as a whole.

D.3 OTHER LIABILITIES

	Year ended 31 December 2016 (£000's)		
	Note	**Solvency II valuation**	**Statutory accounts valuation**
Reinsurance payables	4	110,969	134,092
Payables (trade, not insurance)		9,674	9,674
Total Liabilities (excluding Technical Provisions)		**120,643**	**143,766**

Notes:

4. Reinsurance payables are recognised at the amount expected to be paid when due. The presentation of this balance on the SII balance sheet differs from the statutory accounting basis since reinsurance payables under the accounting basis includes claims which are included in Technical Provisions in the SII balance sheet.

D.4 ALTERNATIVE METHODS FOR VALUATION

There are no other alternative methods for valuation used.

D.5 ANY OTHER INFORMATION

There is no other material information to disclose.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

OBJECTIVES, POLICIES AND PROCESSES

SRICL's objectives when managing its capital are:

- to ensure it can fully meet all its policyholder obligations in a timely manner;
- to safeguard SRICL's ability to continue operating;
- to provide an adequate return to the shareholder(s) by pricing insurance contracts commensurately with the level of risk; and
- maintain sufficient own funds to comply with the EIOPA Solvency II capital requirements as incorporated into Gibraltar law.

OWN FUNDS AS AT 31 DECEMBER 2016:

	£000's	**Tier**
Share Capital	25,502	1
Share Premium	9,052	1
Deferred Tax Asset	3,145	3
Total	**37,699**	
Reconciliation Reserve	(14,017)	1
Own Funds Total	**23,682**	

SRICL's own funds are comprised of Tier 1 share capital and share premium, a Tier 3 deferred tax asset plus the Reconciliation reserve.

Total equity in SRICL's financial statements for the year ending 31 December 2016 was £37.9m; the excess of assets over liabilities for Solvency II was £23.7m. The difference of £14.2m is analysed in the table below:

	£000's	**£000's**
Net assets reported in SRICL's financial statements		**37,902**
Adjustments:		
Difference in value of Technical Provisions vs GAAP reserves (net of reinsurance recoverables	(3,418)	
Deferred acquisition costs (valued at nil for SII)	(12,070)	
Difference in deferred tax asset	1,645	
Net difference in reinsurance receivables/payables	557	
Other net differences	(934)	
		(14,220)
Excess of assets over liabilities for SII		**23,682**

BUSINESS PLANNING

During the reporting period SRICL refreshed its rolling 3-year business plan for the period 2017 to 2019, based on the new business model described in Section A of this report. The business plan has been reviewed and approved by the Board and the relevant committees. SRICL is forecast to end 2017 at a solvency ratio of 137%.

The annual ORSA process is an integral part of this process allowing management to challenge the plan and subject it to sensitivity and scenario testing for identified or potential changes to SRICL's risk profile.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

SCR and MCR position as at 31 December 2016:

	£000's
Own Funds (Available)	23,682
SCR	22,970
Surplus	712
Ratio of Eligible Own Funds to SCR	**1.03**
MCR	7,333
Surplus	16,349
Ratio of Eligible Own Funds to MCR	**2.80**

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

The duration-based method of calculating the equity risk sub-module has not been used.

E.4 DIFFERENCE BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

None

E.5 NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

During the year ended 31 December 2016, SRICL has not experienced any non-compliance with the MCR or non-compliance with the SCR.

E.6 ANY OTHER INFORMATION

There is no other material information to disclose.

F. TEMPLATES

QUANTITATIVE REPORTING TEMPLATES (QRTS)

Balance sheet

S.02.01.02

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0.00
Deferred tax assets	R0040	3,145,115.20
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	26,391.81
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	19,559,444.99
Property (other than for own use)	R0080	820,000.00
Holdings in related undertakings, including participations	R0090	12,273,707.00
Equities	R0100	4,235,812.91
Equities - listed	R0110	4,235,812.91
Equities - unlisted	R0120	0.00
Bonds	R0130	460,000.00
Government Bonds	R0140	0.00
Corporate Bonds	R0150	0.00
Structured notes	R0160	460,000.00
Collateralised securities	R0170	0.00
Collective Investments Undertakings	R0180	1,015,758.44
Derivatives	R0190	754,166.64
Deposits other than cash equivalents	R0200	0.00
Other investments	R0210	0.00
Assets held for index-linked and unit-linked contracts	R0220	0.00
Loans and mortgages	R0230	0.00
Loans on policies	R0240	0.00
Loans and mortgages to individuals	R0250	0.00
Other loans and mortgages	R0260	0.00
Reinsurance recoverables from:	R0270	242,603,795.22
Non-life and health similar to non-life	R0280	242,603,795.22
Non-life excluding health	R0290	242,603,795.22
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0.00
Health similar to life	R0320	0.00
Life excluding health and index-linked and unit-linked	R0330	0.00
Life index-linked and unit-linked	R0340	0.00
Deposits to cedants	R0350	0.00
Insurance and intermediaries receivables	R0360	17,139,136.19
Reinsurance receivables	R0370	8,226,888.35
Receivables (trade, not insurance)	R0380	66,756,908.35

Own shares (held directly)	R0390	0.00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0.00
Cash and cash equivalents	R0410	46,515,640.07
Any other assets, not elsewhere shown	R0420	772,051.43
Total assets	R0500	404,745,371.60
Liabilities		
Technical provisions – non-life	R0510	260,421,019.00
Technical provisions – non-life (excluding health)	R0520	260,421,019.00
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	257,163,116.36
Risk margin	R0550	3,257,902.64
Technical provisions - health (similar to non-life)	R0560	0.00
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0.00
Technical provisions - health (similar to life)	R0610	0.00
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0.00
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	0.00
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	110,968,746.14
Payables (trade, not insurance)	R0840	9,674,052.55
Subordinated liabilities	R0850	0.00
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	381,063,817.69
Excess of assets over liabilities	R1000	23,681,553.91

S.05.01.02

Non-Life		Motor vehicle liability insurance	Other motor insurance	Total
		C0040	C0050	C0200
Premiums written				
Gross - Direct Business	R0110	133,680,626.52	23,590,698.80	157,271,325.32
Gross - Proportional reinsurance accepted	R0120			
Gross - Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	169,724,392.86	29,951,363.45	199,675,756.31
Net	R0200	-36,043,766.34	-6,360,664.65	-42,404,430.99
Premiums earned				
Gross - Direct Business	R0210	109,033,348.57	19,241,179.16	128,274,527.73
Gross - Proportional reinsurance accepted	R0220			
Gross - Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	123,888,795.59	21,862,728.63	145,751,524.22
Net	R0300	-14,855,447.02	-2,621,549.47	-17,476,996.49
Claims incurred				
Gross - Direct Business	R0310	94,131,534.17	16,611,447.21	110,742,981.38
Gross - Proportional reinsurance accepted	R0320			
Gross - Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	96,354,022.58	17,003,651.04	113,357,673.62
Net	R0400	-2,222,488.41	-392,203.83	-2,614,692.24
Changes in other technical provisions				
Gross - Direct Business	R0410			
Gross - Proportional reinsurance accepted	R0420			
Gross - Non- proportional reinsurance accepted	R0430			
Reinsurers 'share	R0440			
Net	R0500			
Expenses incurred	R0550	29,954,958.83	5,286,169.22	35,241,128.05
Administrative expenses				
Gross - Direct Business	R0610	2,900,254.51	511,809.62	3,412,064.13
Gross - Proportional reinsurance accepted	R0620			
Gross - Non-proportional reinsurance accepted	R0630			
Reinsurers' share	R0640			
Net	R0700	2,900,254.51	511,809.62	3,412,064.13
Investment management expenses				
Gross - Direct Business	R0710	1,153.14	203.50	1,356.64
Gross - Proportional reinsurance accepted	R0720			
Gross - Non-proportional reinsurance accepted	R0730			
Reinsurers' share	R0740			
Net	R0800	1,153.14	203.50	1,356.64
Claims management expenses				
Gross - Direct Business	R0810	7,161,502.37	1,263,794.54	8,425,296.91
Gross - Proportional reinsurance accepted	R0820			

Gross - Non-proportional reinsurance accepted	R0830			
Reinsurers' share	R0840			
Net	R0900	7,161,502.37	1,263,794.54	8,425,296.91
Acquisition expenses				
Gross - Direct Business	R0910	29,490,778.33	5,204,255.00	34,695,033.33
Gross - Proportional reinsurance accepted	R0920			
Gross - Non-proportional reinsurance accepted	R0930			
Reinsurers' share	R0940	14,027,168.58	2,475,382.69	16,502,551.27
Net	R1000	15,463,609.75	2,728,872.31	18,192,482.06
Overhead expenses				
Gross - Direct Business	R1010	4,428,439.06	781,489.25	5,209,928.31
Gross - Proportional reinsurance accepted	R1020			
Gross - Non-proportional reinsurance accepted	R1030			
Reinsurers' share	R1040			
Net	R1100	4,428,439.06	781,489.25	5,209,928.31
Other expenses	R1200			
Total expenses	R1300			35,241,128.05

Non-life obligations for home country

S.05.02.01

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total for top 5 countries and home country (by amount of gross premiums written)
		C0080		C0140
Premiums written				
Gross - Direct Business	R0110	157,271,325.32		157,271,325.32
Gross - Proportional reinsurance accepted	R0120			
Gross - Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	199,675,756.31		199,675,756.31
Net	R0200	-42,404,430.99		-42,404,430.99
Premiums earned				
Gross - Direct Business	R0210	128,274,527.73		128,274,527.73
Gross - Proportional reinsurance accepted	R0220			
Gross - Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	145,751,524.22		145,751,524.22
Net	R0300	-17,476,996.49		-17,476,996.49
Claims incurred				
Gross - Direct Business	R0310	110,742,981.38		110,742,981.38
Gross - Proportional reinsurance accepted	R0320			
Gross - Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	113,357,673.62		113,357,673.62
Net	R0400	-2,614,692.24		-2,614,692.24
Changes in other technical provisions				
Gross - Direct Business	R0410			
Gross - Proportional reinsurance accepted	R0420			
Gross - Non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440			
Net	R0500			
Expenses incurred	R0550	35,241,128.05		35,241,128.05
Other expenses	R1200			
Total expenses	R1300			35,241,128.05

Non-Life Technical Provisions

S.17.01.01

			Motor vehicle liability insurance	Other motor insurance	Total Non-Life obligation
			C0050	C0060	C0180
Technical provisions calculated as a whole		R0010	0.00	0.00	0.00
	Direct business	R0020			0.00
	Accepted proportional reinsurance business	R0030			0.00
	Accepted non-proportional reinsurance	R0040			0.00
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		R0050			0.00
Technical provisions calculated as a sum of BE and RM					
	Best estimate				
	Premium provisions	-			
	Gross - Total	R0060	43,172,289.04	5,266,964.89	48,439,253.93
	Gross - direct business	R0070	43,172,289.04	5,266,964.89	48,439,253.93
	Gross - accepted proportional reinsurance business	R0080			0.00
	Gross - accepted non-proportional reinsurance business	R0090			0.00
	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	41,032,509.62	4,885,491.00	45,918,000.62
	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	41,032,509.62	4,885,491.00	45,918,000.62
	Recoverables from SPV before adjustment for expected losses	R0120			0.00
	Recoverables from Finite Reinsurance before adjustment for expected losses	R0130			0.00
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	40,937,153.86	4,868,663.51	45,805,817.37
	Net Best Estimate of Premium Provisions	R0150	2,235,135.18	398,301.38	2,633,436.56
	Claims provisions				
	Gross - Total	R0160	207,872,758.94	851,103.49	208,723,862.44
	Gross - direct business	R0170	207,872,758.94	851,103.49	208,723,862.44
	Gross - accepted proportional reinsurance business	R0180			0.00
	Gross - accepted non-proportional reinsurance business	R0190			0.00
	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	196,533,587.98	611,644.26	197,145,232.24
	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	196,533,587.98	611,644.26	197,145,232.24
	Recoverables from SPV before adjustment for expected losses	R0220			0.00
	Recoverables from Finite Reinsurance before adjustment for expected losses	R0230			0.00
	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	196,238,421.75	559,556.10	196,797,977.85
	Net Best Estimate of Claims Provisions	R0250	11,634,337.19	291,547.40	11,925,884.59
	Total Best estimate - gross	R0260	251,045,047.98	6,118,068.38	257,163,116.36
	Total Best estimate - net	R0270	13,869,472.37	689,848.78	14,559,321.14
	Risk margin	R0280	3,178,257.98	79,644.66	3,257,902.64
Amount of the transitional on Technical Provisions					

	TP as a whole	R0290			0.00
	Best estimate	R0300			0.00
	Risk margin	R0310			0.00
Technical provisions - total					
	Technical provisions - total	R0320	254,223,305.96	6,197,713.04	260,421,019.00
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	237,175,575.61	5,428,219.61	242,603,795.22
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	17,047,730.35	769,493.44	17,817,223.78
Line of Business: further segmentation (Homogeneous Risk Groups)					
	Premium provisions - Total number of homogeneous risk groups	R0350	1	1	
	Claims provisions - Total number of homogeneous risk groups	R0360	2	1	
Cash-flows of the Best estimate of Premium Provisions (Gross)					
	Cash out-flows				
	Future benefits and claims	R0370	57,185,277.76	7,730,608.51	64,915,886.26
	Future expenses and other cash-out flows	R0380	1,469,457.57	263,602.19	1,733,059.76
	Cash in-flows				
	Future premiums	R0390	15,482,446.29	2,727,245.80	18,209,692.09
	Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400	0.00	0.00	0.00
Cash-flows of the Best estimate of Claims Provisions (Gross)					
	Cash out-flows				
	Future benefits and claims	R0410	207,872,758.94	851,103.49	208,723,862.44
	Future expenses and other cash-out flows	R0420	0.00	0.00	0.00
	Cash in-flows				
	Future premiums	R0430	0.00	0.00	0.00
	Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440	0.00	0.00	0.00
Percentage of gross Best Estimate calculated using approximations		R0450	0.0000	0.0000	
Best estimate subject to transitional of the interest rate		R0460	0.00	0.00	0.00
	Technical provisions without transitional on interest rate	R0470	0.00	0.00	0.00
Best estimate subject to volatility adjustment		R0480	0.00	0.00	0.00
	Technical provisions without volatility adjustment and without others transitional measures	R0490	0.00	0.00	0.00

Non-life insurance claims

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Gross Claims Paid (non-cumulative) - Development year (absolute amount)																	
		0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15 & +**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Prior	R0100																0.00
N-14	R0110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
N-13	R0120	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
N-12	R0130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
N-11	R0140	761,173.12	2,343,632.93	88,153.68	-19,826.09	8,640.68	15,069.40	3,391.93	-5,648.84	0.00	0.00	0.00	0.00				
N-10	R0150	2,242,981.46	4,801,703.93	281,017.52	40,773.39	-10,374.17	-2,456.45	22,171.45	-331.11	707.74	0.00	0.00					
N-9	R0160	2,580,287.77	6,174,937.30	399,614.10	7,545.81	-20,202.12	-15,344.49	4,483.59	8,486.85	-117.40	1,196.22						
N-8	R0170	2,714,191.29	5,242,475.46	-502,447.36	57,033.51	26,778.57	6,457.24	8,034.05	307.89	280.54							
N-7	R0180	2,849,995.34	4,097,296.75	193,306.22	38,440.66	32,522.51	5,225.17	-1,276.69	-409.60								
N-6	R0190	3,743,715.54	5,090,485.18	119,907.24	53,103.18	16,166.51	13,215.98	-482.32									
N-5	R0200	3,945,421.26	4,440,087.71	85,606.10	66,755.14	1,855.24	-2,925.87										
N-4	R0210	1,454,376.18	2,298,826.09	130,382.97	1,998.11	9,797.71											
N-3	R0220	922,458.64	1,133,133.27	15,611.99	1,951.55												
N-2	R0230	553,061.91	915,478.73	28,775.61													
N-1	R0240	1,196,242.67	3,431,468.84														
N	R0250	4,369,717.52															

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative)			
		In Current year	**Sum of all years (cumulative)**
		C0170	C0180
Prior	R0100	0.00	0.00
N-14	R0110	0.00	0.00
N-13	R0120	0.00	0.00
N-12	R0130	0.00	0.00
N-11	R0140	0.00	3,194,586.81
N-10	R0150	0.00	7,376,193.75
N-9	R0160	1,196.22	9,140,887.62
N-8	R0170	280.54	7,553,111.19
N-7	R0180	-409.60	7,215,100.35
N-6	R0190	-482.32	9,036,111.31
N-5	R0200	-2,925.87	8,536,799.58
N-4	R0210	9,797.71	3,895,381.05
N-3	R0220	1,951.55	2,073,155.45
N-2	R0230	28,775.61	1,497,316.25
N-1	R0240	3,431,468.84	4,627,711.51
N	R0250	4,369,717.52	4,369,717.52
Total	R0260	7,839,370.18	68,516,072.39

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)																	
		0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15 & +**
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Prior	R0100																0.00
N-14	R0110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
N-13	R0120	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
N-12	R0130	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
N-11	R0140	1,206,370.34	564,627.07	78,373.56	71,772.82	35,775.99	7,367.01	1,471.00	321.00	322.00	323.00	324.00	325.00				
N-10	R0150	2,875,933.90	2,838,756.70	-1,788,391.24	-325,019.15	-185,156.60	-45,979.47	10,159.27	1,244.05	498.55	498.55	-116.83					
N-9	R0160	3,107,063.15	2,847,195.69	-1,625,831.31	-1,034,956.45	-6,312.95	-355,053.40	-353,609.96	-325,796.33	-356,915.35	-311,085.42						
N-8	R0170	3,268,210.59	2,561,907.58	49,491.00	1,572,099.86	-5,667.89	5,554.84	-102,969.66	-120,552.89	173,048.56							
N-7	R0180	4,044,491.25	-816,814.88	-1,489,468.53	-265,573.01	169,053.15	-24,586.88	-13,315.21	591,707.02								
N-6	R0190	2,115,236.40	2,512,649.04	498,394.56	708,028.39	170,698.66	-43,201.37	1,428,093.85									
N-5	R0200	4,860,564.05	1,119,393.81	922,560.57	636,773.96	292,127.00	305,750.75										
N-4	R0210	7,755,119.47	1,329,252.12	814,578.74	622,763.90	155,196.91											
N-3	R0220	6,053,650.51	388,187.33	313,813.36	458,049.75												
N-2	R0230	6,159,321.43	1,305,878.03	904,563.07													
N-1	R0240	6,398,589.52	1,728,941.51														
N	R0250	10,144,140.24															

Gross discounted Best Estimate Claims Provisions - Current year, sum of years		
		Year end (discounted data)
		C0360
Prior	R0100	0.00
N-14	R0110	0.00
N-13	R0120	0.00
N-12	R0130	0.00
N-11	R0140	325.00
N-10	R0150	-116.83
N-9	R0160	-311,085.42
N-8	R0170	173,048.56
N-7	R0180	591,707.02
N-6	R0190	1,428,093.85
N-5	R0200	305,750.75
N-4	R0210	155,196.91
N-3	R0220	458,049.75
N-2	R0230	904,563.07
N-1	R0240	1,728,941.51
N	R0250	10,144,140.24
Total	R0260	15,578,614.40

Own funds

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		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	20,844,790.00	20,844,790.00		0.00	
Share premium account related to ordinary share capital	R0030	9,051,588.00	9,051,588.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00	0.00		0.00	
Subordinated mutual member accounts	R0050	0.00		0.00	0.00	0.00
Surplus funds	R0070	0.00	0.00			
Preference shares	R0090	4,657,162.00		4,657,162.00	0.00	0.00
Share premium account related to preference shares	R0110	0.00		0.00	0.00	0.00
Reconciliation reserve	R0130	-14,017,101.29	-14,017,101.29			
Subordinated liabilities	R0140	0.00		0.00	0.00	0.00
An amount equal to the value of net deferred tax assets	R0160	3,145,115.20				3,145,115.20
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00	0.00	0.00	0.00	0.00
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						
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	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	0.00
Total basic own funds after deductions	R0290	23,681,553.91	15,879,276.71	4,657,162.00	0.00	3,145,115.20
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00			0.00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00			0.00	
Unpaid and uncalled preference shares callable on demand	R0320	0.00			0.00	0.00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00			0.00	0.00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00			0.00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00			0.00	0.00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00			0.00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00			0.00	0.00
Other ancillary own funds	R0390	0.00			0.00	0.00
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	23,681,553.91	15,879,276.71	4,657,162.00	0.00	3,145,115.20
Total available own funds to meet the MCR	R0510	20,536,438.71	15,879,276.71	4,657,162.00	0.00	
Total eligible own funds to meet the SCR	R0540	23,681,553.91	15,879,276.71	3,969,819.18	687,342.82	3,145,115.20
Total eligible own funds to meet the MCR	R0550	20,536,438.71	15,879,276.71	3,969,819.18	687,342.82	
SCR	R0580	22,969,598.29				
MCR	R0600	7,332,602.98				
Ratio of Eligible own funds to SCR	R0620	1.030995563				
Ratio of Eligible own funds to MCR	R0640	2.800702393				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	23,681,553.91
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	37,698,655.20
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	-14,017,101.29
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	0.00

Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01

(*) Closed list:
1: Article 112(7) reporting
2: Regular reporting

Article 112 (*)	Z0010	2

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	3,042,328.31	3,042,328.31	0.00
Counterparty default risk	R0020	14,396,832.08	14,396,832.08	0.00
Life underwriting risk	R0030	0.00	0.00	0.00
Health underwriting risk	R0040	0.00	0.00	0.00
Non-life underwriting risk	R0050	3,750,483.81	3,750,483.81	0.00
Diversification	R0060	-3,520,722.43	-3,520,722.43	
Intangible asset risk	R0070	0.00	0.00	
Basic Solvency Capital Requirement	R0100	17,668,921.77	17,668,921.77	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00
Operational risk	R0130	5,300,676.53
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency Capital Requirement excluding capital add-on	R0200	22,969,598.30
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	22,969,598.30
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.00
Total amount of nSCR for remaining part	R0410	0.00
Total amount of nSCR for ring fenced funds	R0420	0.00
Total amount of nSCR for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	R0450	4
Net future discretionary benefits	R0460	0.00

(*) Closed list of values:
1 (Full recalculation),
2 (Simplification at risk sub-module level)
3 (Simplification at risk module level)
4 (No adjustment)

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

S.28.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	7,332,602.98

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	22,302,598.92	46,748,001.32
Other motor insurance and proportional reinsurance	R0060	2,213,932.31	11,687,000.33
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0.00

Total capital at risk for all life (re)insurance obligations

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

Overall MCR calculation

		C0070
Linear MCR	R0300	7,332,602.98
SCR	R0310	22,969,598.29
MCR cap	R0320	10,336,319.23
MCR floor	R0330	5,742,399.57
Combined MCR	R0340	7,332,602.98
Absolute floor of the MCR	R0350	5,742,399.57
Minimum Capital Requirement	R0400	7,332,602.98