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**Solvency and Financial Condition Report – December 2016**

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# **GRINGOLET Company Limited**

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# GRINGOLET Company Limited

## Solvency and Financial Condition Report – December 2016

### Executive Summary

This report forms part of the annual submission to the Prudential Regulatory Authority under the new annual submission requirements following the implementation of Solvency II.

This is the first of such formal submissions and outlines the financial condition of Gringolet Company Limited (“Gringolet” or the “Company”), relative to the requirements under Solvency II.

As Gringolet ceased underwriting in 1974 and completed a successful scheme of arrangement on the majority of its portfolio of risks in September 2010, there is very little inherent risk associated with the historic underwriting. Following the Solvent Scheme of arrangement the company commuted policies with notably Equitas, and various other London market cedants in 2003. The Company’s only remaining open liabilities relate to direct Employer Liability (“EL”).

The company’s current activity is driven by regulatory and administrative reporting requirements, given the lack of claims activity since its change of control. Therefore, the majority of the risk associated with Gringolet is driven as a result of the remaining duration to extinguish all remaining insurance liabilities.

As of 31<sup>st</sup> December 2016 the Solvency position can be summarised by the following table:

	Own Funds	SCR	MCR
<b>Amount</b>	£3,724,396	£1,008,602	£3,331,850
<b>Ratio to Own Funds</b>	100%	369%	112%

The company currently has own funds of £3,724,396 relative to the standard formula calculation of the Solvency Capital Requirement (“SCR”) of £1,008,602 resulting in a solvency ratio of 369%.

The European Minimum Capital Requirement (“MCR”) for insurance entities is €3.7m. At the prescribed rate of exchange for 31<sup>st</sup> December 2016 this amounts to £3,331,850.

During the period, there were no material changes in the company’s business and performance, system of governance, risk profile, valuation for solvency purposes and capital management. The company does not foresee a change in the activity in the company or any new arising risks in the following year.

# GRINGOLET Company Limited

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### A. Business and Performance

#### A.1 Business

Gringolet Company Ltd (“Gringolet”) commenced underwriting general insurance business in 1952 and underwrote business in the UK through the following different distribution channels:

- The Minster, Reliance and Iron Trades (“MRI”) stamp, which was placed by Robert Bradford, a major underwriting agency, for three insurance companies; Gringolet (formerly known as The Reliance Fire and Accident Insurance Corporation Limited), Minster and Iron Trades;
- Participation in the Cullum Underwriting Agency writing business on a subscription basis co-(re)insuring with Lloyd’s syndicates and other insurance companies; and
- Direct general insurance through insurance brokers, including Products Liability and Employers Liability.

Following discussions with the Department of Trade in 1974 the Company’s authorization to effect new business was withdrawn on 31st December 1974. As the Company only wrote annual policies the Company’s liability ceased when the final risks expired in 1975.

The remaining risks and liabilities were significantly reduced following a Scheme of Arrangement of all MRI policies and commutation of certain Cullum policies. The MRI Scheme of Arrangement had a claims submission bar date of September 2010 extinguishing all liabilities. Gringolet commuted policies with notably Equitas, and various other London market cedants in 2003. The Company’s only remaining liabilities relate to direct Products Liability (“PL”) and Employer Liability (“EL”) and a very small amount of non-MRI London market business.

In September 2014 Gringolet was acquired by ILS P&C Re. The administration has been subcontracted to Armour Risk Management Limited (“Armour Risk”) since this time. There were no material changes to the company’s business during the year.

Gringolet is a private limited company registered in the UK which is limited by shares, it has no related undertakings. The Owner of Gringolet Company Limited is ILS Property and Casualty Re Limited; a Bermuda licensed and incorporated reinsurer. The Owner is an indirect wholly owned subsidiary of ILS Property and Casualty Fund Limited, a Cayman based passive investment vehicle (“ILS Fund”). As the Fund is a passive investment vehicle, all day to day activities, including all investment decisions of the ILS Fund and of the Owner reside in the sub advisor to the Fund, ILS Investment Management Limited, a Bermuda based company (“ILS IM”). The controller of the Owner is ILS IM via a sub-advisory agreement. ILS IM is a wholly owned subsidiary of Armour Group Holdings Limited; a Bermuda incorporated company (“Armour Holdings”). Armour Holdings is the ultimate controller of licensed (re)insurers in Bermuda, the USA and the Cayman Islands. Group structure chart can be found in section B.1.

Gringolet (FRN 202792) is authorised and regulated by the Prudential Regulation Authority, which is part of the Bank of England, 20 Moorgate, London EC2R 6DA ([enquiries@bankofengland.co.uk](mailto:enquiries@bankofengland.co.uk), 020 3461 4878).

The company’s independent auditors are PricewaterhouseCoopers LLP, 7 More London Riverside London SE1 2RT.

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**A.2 Underwriting Performance**

The UK GAAP financial results for 2016 were as follows:

<b>Technical Account – General Business</b>	<b>2016</b>	<b>2015</b>
	£'000	£'000
<b>Claims incurred, net of reinsurance</b>		
Claims paid		
gross amount	3	-
reinsurers' share	-	-
	<u>3</u>	<u>-</u>
<b>Change in the provision for claims</b>		
gross amount	-3	-1
reinsurers' share	-	-
	<u>-3</u>	<u>-1</u>
<b>Claims incurred, net of reinsurance</b>		
	-	-1
	<u>-</u>	<u>-</u>
Net operating expenses	<u>-74</u>	<u>-96</u>
<b>Total Technical charges</b>	<b>-74</b>	<b>-96</b>
<b>Balance on the technical account for general business</b>	<b>-74</b>	<b>-95</b>
	<u>-74</u>	<u>-95</u>

**Non-Technical Account**

<b>Balance on the general business technical account</b>	<b>-74</b>	<b>-95</b>
Investment income	-	-
Foreign exchange on monetary assets	<u>609</u>	<u>26</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>535</b>	<b>-69</b>
Tax on profit/(loss) on ordinary activities	-	-
<b>Profit/(loss) for the financial year</b>	<b>535</b>	<b>-69</b>
<b>Profit/(loss) attributable to the owners of the parent</b>	<b>535</b>	<b>-69</b>
	<u>535</u>	<u>-69</u>

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### **A.3 Investment Performance**

As part of running off its general insurance and reinsurance business, the Company operates a cautious investment strategy and all funds are held as bank deposits, thus expected returns are minimal.

The company holds surplus assets in US dollars in order to reduce currency risk for its stakeholders. This accounts for the Foreign exchange gains seen during the period.

All investment income and expenses are recognised through the Profit and Loss Account.

### **A.4 Performance of other activities**

Responsibility for the day to day management of the Company has been outsourced to Armour Risk. The board monitors performance against the SLA and ensures costs are commensurate with the services provided and proportionate to the size of the entity. For 2016 Armour's fee was £44k. The only other material expense was audit fees of £23k.

The company did not generate any income from other activities.

### **A.5 Any other information**

None at this time.

## **B. System of governance**

### **B.1 General information on the system of governance**

Gringolet is governed by a Board of 4 Directors. There is presently a vacancy for Chairman, this position is subject to regulatory approval and the Company is in the process of preparing the relevant regulatory application.

The Company currently has no employees and does not therefore have a remuneration committee. This approach will be reviewed in the event recruitment is required.

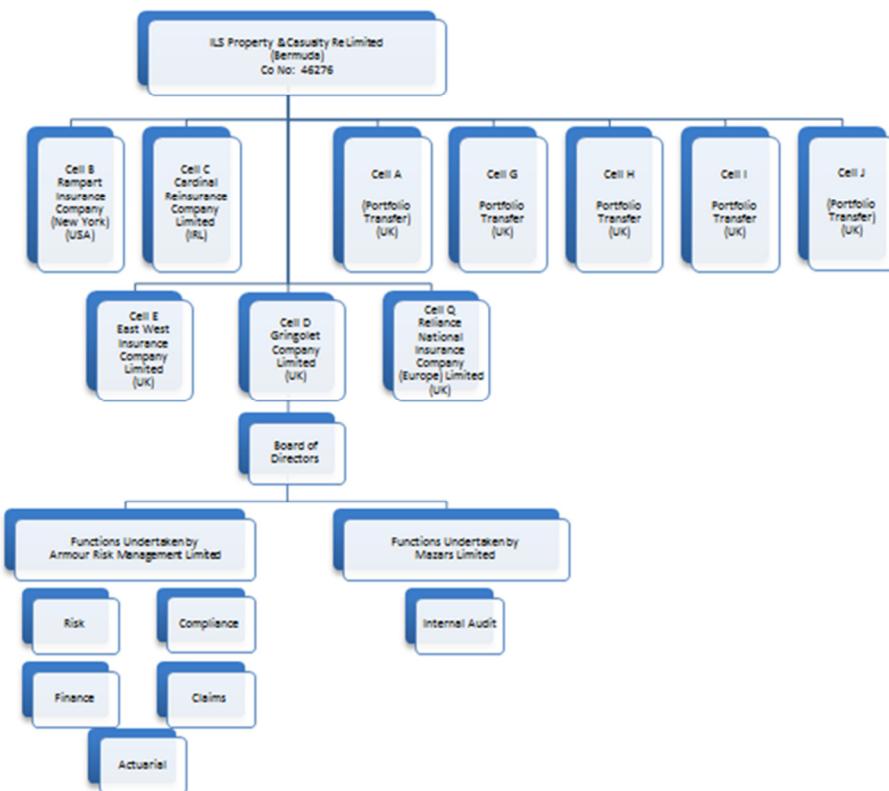
The duties and responsibilities of the Board are documented in the Company's Governance Map which is subject to quarterly review and approval by the Board.

A comprehensive review of the Company's governance is planned for quarter 1, 2017. Any changes made will, once Board approval is received, be reflected in the Company's governance document and future regulatory reports and returns.

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### Gringolet Organisation and Governance Chart



### Board of Directors

The Board consists of highly skilled individuals with significant experience in the insurance/reinsurance market. The Board meets quarterly, at minimum, to review and monitor Company performance.

The following were members of the Company's Board as at 30 June 2016

Director Mr B S Huntington	Approved Function SIMF 1 CEO SIMF 2 Head of Risk CF29 Significant Management SIMF 5 Head of internal audit SIMF 20 Chief Actuary SIMF Chief Finance Function SIMF 9 Chairman SIMF 14 Senior Independent Director
Mr J C Williams	
Mrs D P E Richards	
Vacancy	

### Key Functions

The following table contains details of the key functions of Gringolet as determined by the Board.

Key Function	Rationale
Actuarial & Claims	Gringolet is a general insurance company which has been in run-off since 1974. Actuarial reserving is considered a key function that enables both the Board and key stakeholders to effectively monitor the remaining portfolio and ensure an efficient run-off for the policyholders.

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	Being a company in run-off, a primary focus is on the accurate and timely payment of all valid claims. Therefore this is a key focus for the Board to ensure an efficient operation.
Finance	Finance is considered a key function to ensure the company effectively manages capital requirements and liquidity in line with regulatory requirements. Further, future run-off costs are a key consideration and as such the financial management, including expense cost control, is critical to the continued operation.
Risk	The management of risks facing the company is important. The ability to identify, quantify, manage and anticipate outcomes and their potential effects on the company and its remaining run-off. Given the very conservative investment policy of the Company most of the risk is derived from the claims liabilities. Therefore close monitoring of claims activity is a key function.
Internal Audit	Internal audit is considered a key control point to provide comfort to the Board and key stakeholders that statutory and regulatory operating thresholds and requirements are met and that the operation is being run in the optimum way so as to protect policyholders.
Compliance	Fit and proper, regulatory and statutory requirements are desirable and required to be met for the protection of policyholders

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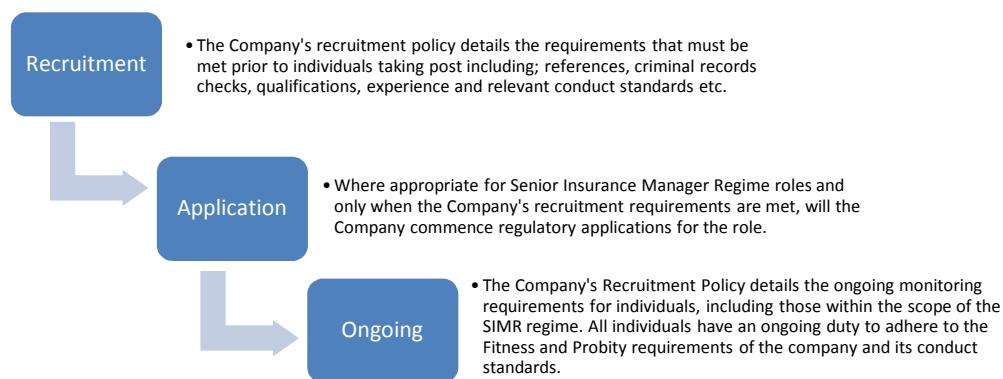
### Outsourcing

All operational activities are outsourced via robust, third party service agreements. Further details on the nature, including; requirements, management reporting and oversight of outsourced service providers is provided in section B.7 Outsourcing, below.

The only material transaction with connected party was Armour Risk's administration fees (see section A.3). The relationship between Armour Risk and the company is explained in section A.1.

### **B.2 Fit and proper requirements**

The Company is satisfied its framework for fitness and propriety is appropriate to ensure that individuals fulfilling controlled functions meet all relevant regulatory requirements



The Board's review of the continued suitability of directors to continue is evidenced by;

- Annual performance and development reviews, including training,
- Approval of directors appointments and approved persons,
- Oversight of outsource service providers.

The Outsource Service Provider, under the instruction of the governing Board, is responsible for ensuring individuals meet the regulators' fit and proper tests at the point of application. Further, approved persons are required to complete an annual attestation confirming that the fit and proper requirements for the role have been met and that they continue to adhere to the Company's conduct standards.

### **B.3 Risk Management system including the own risk and solvency assessment**

The Company is committed to a robust Risk Management Culture and seeks to ensure that every member, officer or outsource service provider, has regard for the management of risks both in the decision making process and everyday work situations.

The Company's risk management process undertakes a best practice approach and focuses on understanding the key risks and managing them within acceptable levels in the interests of the protection and safety of assets for policyholders. It is a collaborative process where risk response plans are developed in concert with the stake holders who understand the risks and are best able to manage them.

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Gringolet's Risk function is led by the Board who also act as Risk Committee. The Board/Committee should;

- Know about the most significant risks facing Gringolet;
- Ensure appropriate levels of awareness throughout the organisation;
- Know how the organisation will manage a crisis;
- Be assured that the risk management process is working effectively;
- Publish a clear risk management policy covering risk management philosophy and responsibilities.

The Terms of Reference for the Board/Risk Committee is as follows;

- Set risk tolerance/appetite for Gringolet and review, at least annually to ensure they continue to be appropriate;
- Promote good risk management practice throughout the Company by co-operation and liaison with outsource service providers and relevant external agencies and regulators;
- To assign an inherent risk rating and ownership, to new risks identified;
- To identify those risks that present the greatest risk to the business and to make proposals for reducing the potential probability or scale;
- To ensure that all actions agreed, in order to minimise risks, are completed in accordance with the agreed deadlines.

Gringolet's risk framework includes separate Risk Appetite and Management Policies and qualitative register.

### Appetite Policy

The Company maintains a Risk Appetite policy which is reviewed annually, at minimum and is set to reflect the Company strategy. The policy describes the areas under which the Company categorises its risks; including, strategic, financial, operational, reserving, market and regulatory and compliance and includes details of how risks arising are assessed for their acceptability/tolerance and likely impact.

As a company in run-off, it is considered inappropriate to measure risk tolerance against premium income or market reputation and therefore the Company has chosen to measure risk tolerance against impact on capital.

### Management Policy

The Risk Management Policy describes the way the Company oversees risk management and the method by which risks are reviewed; including their mitigation, escalation and testing.

### Register

Key data contained in the register is;

- Risk Area; e.g. Strategic, market, operational
- Risk Description
- Gross Risk, Potential Impact
- Inherent Risk; based on assessment criteria
- Mitigation; Strategic, Management and Governance, Controls, Financial Mitigation
- Residual Risk; based on assessment criteria having applied mitigation
- Action Plan
- Risk Owner

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### Outsource Service Provider Prescribed Responsibilities for Company Risk Management

- To support the provision of staff training in, and raise the level of, risk awareness;
- New Risks – Supply details of the risk to the Board/Risk Committee such that they may evaluate it and determine whether it should be incorporated in the Risk Register;
- Inherent Risk Rating – Submit information regarding the likelihood and potential impact of the risk to the Board/Committee such that they may assign an appropriate inherent risk rating based upon the Risk Matrix;
- Risk Mitigation Procedures/Controls in Place – Supply information to the Board/Risk Committee on new work practices/changes made to existing work practices;
- Residual Risk Rating – Submit information to the Board/Risk Committee such that they may assign an appropriate residual risk rating based upon the Risk Matrix;
- Exposures/Opportunities Identified – Provide the Board/Risk Committee with details of proposed enhancements to existing/new practices such that they may consider the proposed course of action: This should include:
  - Details of benefits
  - Details of costs both financial and non-financial.
  - Estimates of timescales for implementation.
- Actions Planned By When/Who – As a result of the Board/Committee's discussions, appropriate information including agreed actions and subsequent progress will be recorded in the Risk Register (Appendix B).

### Own Risk and Solvency Assessment

The Company's ORSA Policy outlines the processes, procedures, timing and approval requirements for the production of the Company's ORSA.

### ORSA Policy

This ORSA Policy provides the purpose of the ORSA and guidelines for the Company to develop the ORSA Report, outlining a comprehensive risk management framework that will enable the Company to:

- Manage risks and capital with forward-looking perspectives;
- Implement risk management and control processes appropriate for the Company's business nature, objectives and complexity;
- Integrate risk management with capital actions to support the business strategy and planning; and
- Coordinate company-level risk management with group-level considerations.

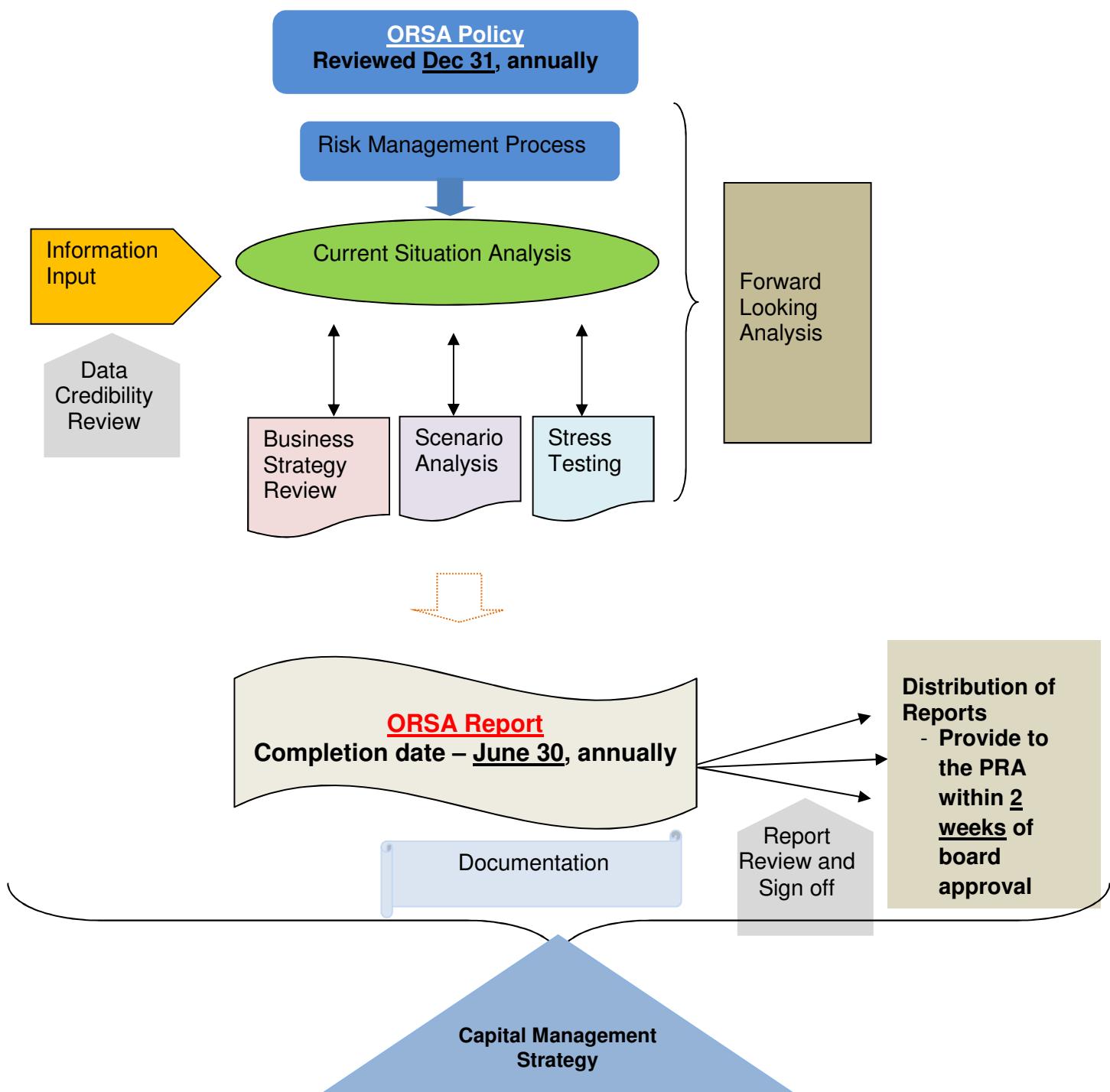
### ORSA Process

The ORSA process encourages the Company to develop continuous, forward-looking assessments of Company-level risks, as well as an assessment of potential risks the Company can face based on the Company's business plan under either normal or stress scenarios. It also links the Company's risk assessment and capital views to the Company's financial solvency.

Gringolet has adopted a module approach for the conducting of an ORSA process. The diagram on page 12 provides an overview of the processes conducted.

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### ORSA Report

The ORSA policy directs that the ORSA report include, at a minimum, the following components:

- Executive Summary
- Confirmation Statements
- Strategy and Business Plan
- Risk Management Overview
- Risk Profile (including any breaches in appetite/tolerance)
- Capital Requirement and Solvency Assessment
- Stress and Scenario Analysis
- Forward Looking Assessment
- Governance
- Appendices

### Audience

The final ORSA Report will be distributed to various parties and stakeholders of the Company including; regulators, shareholders, board of directors, management and service providers.

The report distribution criteria depend on the requirements of different parties/stakeholders (such requirements are usage of reports for decision making process and/or monitoring of solvency capital requirements).

### Timing

Given the scale and complexity of the Company the main ORSA process will be performed at least once a year. However the process will be triggered in the event of a material change in the Company's risk profile.

Whilst the ORSA process will be completed once a year, the goal for the ORSA is continuous use within the Company. It is meant to become an integral piece of the operations in an effort to decrease risk.

The ORSA inputs are produced and monitored on an on-going basis by the outsource service provider, throughout the year.

In accordance with the ORSA Policy the Company is scheduled to conduct the process with a view to production of the 2017 ORSA report by 30 June 2017. Following Board approval, the report will be circulated to regulators and other key stakeholders within 2 weeks.

### **B.4 Internal control system**

The Company operates a robust system of controls over the recognition and reporting of transactions.

### Claim Services

Subject to delegation authorities and/or limits specified by ILS P&C Re, Armour Risk will negotiate, accept, reject, and settle any and all claims made in respect of insurance /reinsurance business of the Company.

### Compliance Services

Armour Risk supplies compliance services to the company. This document provides an overview of the services provided.

### Financial Services

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Subject to delegation authorities and/or limits specified by ILS P&C Re, Armour Risk administers bank accounts, cash management, processing of cash receipts and disbursements, and any related to treasury services on behalf of the company. Dual signatures are the minimum requirement on all payments.

Bank account reconciliations are undertaken on a monthly basis. Other control accounts are reconciled quarterly. All reconciliations are subject to review by management.

Financial reports are prepared on a quarterly basis, with explanatory statements for key movements in the period for management review. Regulatory and statutory reporting will be subject to the review and approval of the board.

### **IT Services**

As part of the services provided by Armour Risk, the company has in place disaster recovery plans and systems as required by the regulator or the board.

### **B.5 Internal audit function**

Internal audit is vital to determining whether the risk program for the Company is operating the way it is intended and documented. A strong, independent internal audit function is the hallmark of the “third line of defence” for ERM, designed to enhance the Company’s risk governance framework by providing independent verification of risk management.

Key features have to be respected in order to ensure an appropriate working of the function within the framework of Solvency II and in compliance with the Institute of Internal Auditing (IIA) standards. These key features are the following:

#### **Independence and objectivity**

Internal audit will be, at all times, independent of the activities it audits. Such independence will allow the internal audit function to perform its work freely and objectively. It will also allow the function to render impartial and unbiased judgments essential to the proper conduct of its activities objectively.

#### **Proficiency and due professional care**

In parallel, all internal audit engagements must be performed with proficiency and due professional care. This means that internal auditors must have or must acquire, where necessary, skills and any other competencies needed to perform their individual responsibilities.

#### **Professional ethics**

In order to comply with professional ethics, the internal audit function must adhere to the IIA’s mandatory guidance including the IIA’s Definition of Internal Auditing, Code of Ethics and its Standards. This mandatory guidance constitutes the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal auditing function’s performance.

#### **Current year**

The Company outsources the internal audit function to Mazars, Ireland. The audit scope and plan for 2016/2017 will be reviewed and approved by the Board/Audit Committee and will take a risk based approach, using the Company’s Risk Appetite Policy and Register as point of reference.

It is anticipated that initial audits will focus on the Company’s Use of Service Provider Policy to ensure the effective operations of all outsourced activities.

All audit reports will be reviewed by the Board/Audit Committee and any required actions will be advised to other outsource service providers as required. Any action plans, required

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in response to internal audit findings, will be reviewed and approved by the Board/Audit Committee and subject to strict oversight to ensure these are fulfilled to the satisfaction of the Company, and in accordance with recommendations.

### **B.6 Actuarial function**

The Actuarial function is outsourced to Armour Risk and subsequently carried out by Babak Termeh Baf Shirazi, FIA or other qualified member where required and subsequently peer reviewed by Stuart Wrenn, FIA.

The work carried out includes:

- Quarterly and annual Solvency calculations
- Annual Reserve review
- Quarterly reserve monitoring process
- Production of the Actuarial Function Report

### **B.7 Outsourcing**

Oversight of the Company's service providers is overseen and managed by the Company's Third Party Service Agreement and Use of Service Provider Policy ("USP"). The USP contains detailed requirements regarding;

- Relationship management
- Due diligence and third party selection
- Contract negotiation
- Ongoing monitoring
- Termination
- Oversight and accountability
- Documentation and reporting
- Independent review requirements

The USP is subject to regular review and approval by the Company's Board.

The Service Provider shall provide a quarterly report providing the following:

- Statutory management accounts, prepared in accordance with Solvency II regulation;
- A written management report, benchmarked against the strategy and service agreement as determined and agreed by the Board of Directors of Gringolet and the Service Provider;
- Any movement in assets or liabilities that negatively affects the statutory capital of Gringolet by more than 5% is to be reported to the Board of Directors of the Company immediately;
- The Service Provider will be available to attend the quarterly Board meetings to provide a verbal report and answer any question the Board of Directors may have;
- At all time the Service Provider will co-operate with the internal audit team and implement all reasonable requests immediately.

### **B8. Any other information**

None at this time.

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### C. Risk Profile

The following section outlines the areas of risk as calculated under the EIOPA guidance around the standard formula model as well as providing narrative around the specific application to Gringolet Company Limited.

The principle risk that the company is exposed to is Currency Risk. This is due to a mismatch between the company's reporting currency and the reporting currency of the fund that owns the company. From the stakeholders' perspective this is not a material risk.

Assets have been invested in accordance with the prudent person principle.

Stress testing is not performed as the risks are all small, relative to the company's MCR. The companies SCR would not exceed its MCR in any reasonably foreseeable circumstances.

#### C.1 Underwriting risk

Underwriting risk under Solvency II is derived through a combination of risk associated with the unearned and earned business. The company has not accepted any new business since 1974 therefore there is no future event risk associated with unearned premium.

The company has had 3 or fewer claims reported annually since 2012 and the current outstanding loss reserves are £12,555.

The current Underwriting Risk BSCR values are as follows:

	Standalone	Diversified
Underwriting Risk BSCR	£105,370	£92,333

Underwriting risk is mitigated by claims management controls. The risk is small relative to the company's MCR, so there would be no capital benefit from using reinsurance to mitigate this risk.

#### C.2 Market risk

The company holds all its assets in cash where possible in particular the board has elected to hold any excess asset above the expected liabilities in USD. As a result the Market risk is driven by currency risk associated with having a UK entity holding excess assets in USD in the event of devaluation of the USD in respect to GBP.

There is a small interest rate risk associated with the timing mismatch associated with cash and the future liabilities however this is immaterial in the overall Market risk calculation.

The current Market Risk BSCR values are as follows:

	Standalone	Diversified
Market Risk BSCR	£931,992	£816,687

The investment strategy is considered prudent. Interest Rate Risk is immaterial, so cash is a suitable investment. Although holding US dollar assets exposes the company to Currency Risk on a regulatory basis, it reduces Currency Risk for the company's stakeholders.

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### C.3 Counterparty default risk

The company holds 91% of its cash assets in 2 bank accounts; as a result there is an element of counterparty default risk should one of these companies become bankrupt. This risk is mitigated by holding deposits with large 'A' rated banks. There are no other assets.

The current counterparty Risk BSCR values are as follows:

	Standalone	Diversified
Market Risk BSCR	£102,710	£90,003

### C.4 Liquidity risk

As the company holds all its cash there is no liquidity risk.

### C.5 Operational risk

As the company no longer writes ongoing business the operational risk associated with the company is in relation to any fraudulent activity where cash may be stolen from the company and or any risk of regulatory fines associated as a result of any potential non-compliance.

There are a number of processes in place to ensure that no one person may access funds without a second signatory and therefore we believe there is limited risk associated with fraudulent cash payments.

The current operational Risk BSCR values are as follows:

	Standalone
Operational Risk BSCR	£9,579

### C.6 Other material risks

There is a risk that the company will not be able to settle its known losses in the expected time frames and therefore would need to increase its expense reserves.

In order to reduce this risk, the board have put in place a plan to combine these liabilities with another group owned portfolio through a Part VII transfer. This would ensure the provision of future expenses going forward.

### C.7 Any other information

No further information at this time.

## D. Valuation for Solvency Purposes

This section outlines the methodology used to calculate the Solvency II balance sheet items relative to the local accounting methods.

### D.1 Assets

The only assets in the company are cash balances therefore valuation of these amounts under Solvency II has been taken to be the values under the local reporting requirements, i.e. their nominal value. Note that the Solvency II valuation of cash is in fact £8k higher than the UK GAAP valuation. This is due to slightly different exchange rates being used.

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There are no receivables. At present the cash balances are:

Issuer Name	LEI Code	Currency	Total Solvency II amount
HSBC BANK PLC	MP6I5YZBECU3UXPYFY54	USD	£1,783,872
BARCLAYS BANK PLC	G5GSEF7VJP5I7OUK5573	USD	£1,941,664
HSBC BANK PLC	MP6I5YZBECU3UXPYFY54	GBP	£345,896
BARCLAYS BANK PLC	G5GSEF7VJP5I7OUK5573	GBP	£19,368

Due to their nature, so judgement is required in their valuation and no changes have been made during the period to their recognition and valuation basis.

### D.2 Technical Provisions

The company has determined the technical provisions as per the EIOPA guidance as the discounted best estimate of reserves plus the risk margin. The company has elected to use method 2 for the calculation of the risk margin.

Technical Provisions consist of Direct UK General Liability business. Their value as at 31/12/2016 was:

Best Estimate	£319,302
Risk margin	£18,123

The Best Estimate has been calculated based on Reported But Not Settled claims and Incurred But Not Reported claims using a frequency severity approach, based on previous experience.

By comparison to the GAAP reserves the Solvency II reserves allow for additional Loss Adjustment Expenses (+£285k) and discounting for the time value of money (-£5k).

The company has not taken advantage of any of the transitional provisions under Solvency II or for a Matching or Volatility Adjustment.

The valuation basis is consistent with the prior year.

Technical Provisions are based on forecasts of future claims, which are inherently uncertain. Ultimate claims could be either higher or lower than the amounts assumed. Section C.1 provides a quantification of the risk of Technical Provisions being understated.

There are no recoverables from reinsurance or Special Purpose Vehicles ("SPVs"). No transitional provisions have been used. No Simplifications have been used except for calculation of the Risk Margin.

### D.3 Other liabilities

Other liabilities consist of Expense Accruals of £26k and Sundry Creditors of £3k. These liabilities have been valued on an identical basis for both UK GAAP accounts and for Solvency II.

Expense Accruals have been valued on a historic cost basis. Sundry creditors are held at their nominal value. Sundry Creditors are recognised when they fall due. Expense Accruals are recognised when the expense is incurred and amortised over the period during which the associated good or services are received. There has been no change to the recognition and valuation bases during the period.

# GRINGOLET Company Limited

## Solvency and Financial Condition Report – December 2016

### D.4 Alternative methods for valuation

Not applicable.

### D.5 Any other information

None at this time.

## E. Capital Management

### E.1 Own funds

This section describes the solvency requirements of Gringolet and the level of own funds in relation to the indicated required solvency requirements.

Under the Solvency II guidance, the indicated eligible own funds of Gringolet are currently £3,724,396; there are no ineligible own funds. The SCR based on the expected liabilities is currently £1,008,602.

The EIOPA guidelines indicate that all insurance entities must operate with a minimum capital of €3.7m. The prescribed rate of exchange is as at 31<sup>st</sup> October 2016 and is applicable with effect from 31<sup>st</sup> December 2016. Hence the Minimum Capital Requirement equates to £3,331,850.

The company's objective is to hold the minimum Own Funds consistent with its Risk Appetite. Own Funds are monitored on a quarterly basis.

Own Funds consist of Tier 1 Share Capital of £1.6m plus a Tier 1 Reconciliation Reserve of £2.1m. This compares to £2.3m of capital contributions and accumulated profits and losses in the UK GAAP accounts. The difference is primarily caused by the higher expense provisions in the Solvency II Technical Provisions.

There have been no major changes to Own Funds during the period other than income disclosed on the Profit and Loss Account (see Section A.2).

### E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR is £1,078,043, which is below the Absolute Minimum Capital Requirement ("AMCR") of £3,331,850. Hence the MCR is equal to the AMCR, which is €3.7m multiplied by the exchange rate specified by the Bank of England (0.90050).

The table shows the components of the SCR:

Analysis of SCR	£
Market risk	£988,540
Counterparty default risk	£148,531
Non-life underwriting risk	£95,829
Diversification	-£163,569
<b>Basic Solvency Capital Requirement</b>	<b>£1,069,331</b>
Operational risk	£8,712
<b>Solvency Capital Requirement</b>	<b>£1,078,043</b>

No simplifications or Undertaking Specific Parameters ("USPs") have been used in the calculation of the SCR.

# GRINGOLET Company Limited

## Solvency and Financial Condition Report – December 2016

### **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

Not applicable.

### **E.4 Differences between the standard formula and any internal modules used**

Not applicable.

### **E.5 Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement**

Not applicable.

### **E.6 Any other information**

Not applicable.

**GRINGOLET Company Limited**  
**Solvency and Financial Condition Report – December 2016**

**Director's statement**

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

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

  
\_\_\_\_\_  
Director

# GRINGOLET Company Limited

## Solvency and Financial Condition Report – December 2016

**Report of the external independent auditors to the Directors of Gringolet Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

### **Opinion**

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

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

### **Basis for opinion**

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

### **Emphasis of Matter - Basis of Accounting**

We draw attention to the Valuation for solvency purposes of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Responsibilities of Directors for the Solvency and Financial Condition Report**

# GRINGOLET Company Limited

## Solvency and Financial Condition Report – December 2016

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

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors

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

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Solvency and Financial Condition Report and of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



PricewaterhouseCoopers LLP  
Chartered Accountants  
7 More London Riverside  
19 May 2017

**GRINGOLET Company Limited**  
**Solvency and Financial Condition Report – December 2016**

- The maintenance and integrity of the Gringolet Company Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

# **GRINGOLET Company Limited**

## **Solvency and Financial Condition Report – December 2016**

### **Annex 1 – Quantitative Reporting Templates**

We have not provided the S.19.01 series of templates as there is limited information available to produce accurate or useful triangles. The company was purchased by the new shareholders in 2015 and there was no data in regards to the historic paid and outstanding loss reserves at that time. The review of ultimate reserves is currently carried out on an individual loss basis and therefore has not relied on development triangles. We are in a position to produce triangles as of June 2015 however, we would note that there has been little to no data/movement since this date.

The following templates are provided on pages 26 onward.

S.02.01.02 – Balance Sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.17.01.02 – Non-life technical provisions

S.23.01.01 – Own funds

S.25.01.21 – Solvency Capital Requirement – for undertakings on standard formula

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

**Annex I**

**S.02.01.02**

**Balance sheet**

**Assets**

Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	R0280
Non-life excluding health	R0290
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
Own shares (held directly)	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410
Any other assets, not elsewhere shown	R0420
<b>Total assets</b>	<b>R0500</b>

	<b>Solvency II value</b>
	<b>C0010</b>
R0030	
R0040	
R0050	
R0060	
R0070	
R0080	
R0090	
R0100	
R0110	
R0120	
R0130	
R0140	
R0150	
R0160	
R0170	
R0180	
R0190	
R0200	
R0210	
R0220	
R0230	
R0240	
R0250	
R0260	
R0270	
R0280	
R0290	
R0300	
R0310	
R0320	
R0330	
R0340	
R0350	
R0360	
R0370	
R0380	
R0390	
R0400	
R0410	4091
R0420	
<b>R0500</b>	<b>4091</b>

**Annex I**

**S.02.01.02**

**Balance sheet**

**Liabilities**

Technical provisions – non-life

    Technical provisions – non-life (excluding health)

        TP calculated as a whole

        Best Estimate

        Risk margin

    Technical provisions - health (similar to non-life)

        TP calculated as a whole

        Best Estimate

        Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

    Technical provisions - health (similar to life)

        TP calculated as a whole

        Best Estimate

        Risk margin

    Technical provisions – life (excluding health and index-linked and unit-linked)

        TP calculated as a whole

        Best Estimate

        Risk margin

Technical provisions – index-linked and unit-linked

    TP calculated as a whole

    Best Estimate

    Risk margin

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

    Subordinated liabilities not in BOF

    Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

**Total liabilities**

**Excess of assets over liabilities**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>R0510</b>	337
<b>R0520</b>	337
<b>R0530</b>	
<b>R0540</b>	319
<b>R0550</b>	18
<b>R0560</b>	
<b>R0570</b>	
<b>R0580</b>	
<b>R0590</b>	
<b>R0600</b>	
<b>R0610</b>	
<b>R0620</b>	
<b>R0630</b>	
<b>R0640</b>	
<b>R0650</b>	
<b>R0660</b>	
<b>R0670</b>	
<b>R0680</b>	
<b>R0690</b>	
<b>R0700</b>	
<b>R0710</b>	
<b>R0720</b>	
<b>R0740</b>	
<b>R0750</b>	
<b>R0760</b>	
<b>R0770</b>	
<b>R0780</b>	
<b>R0790</b>	
<b>R0800</b>	
<b>R0810</b>	
<b>R0820</b>	
<b>R0830</b>	
<b>R0840</b>	3
<b>R0850</b>	
<b>R0860</b>	
<b>R0870</b>	
<b>R0880</b>	27
<b>R0900</b>	367
<b>R1000</b>	3724

**Annex I****S.05.01.02****Premiums, claims and expenses by line of business**

Line of Business for: <b>non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)</b>									
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
	<b>C0010</b>	<b>C0020</b>	<b>C0030</b>	<b>C0040</b>	<b>C0050</b>	<b>C0060</b>	<b>C0070</b>	<b>C0080</b>	<b>C0090</b>
<b>Premiums written</b>									
Gross - Direct Business	<b>R0110</b>								
Gross - Proportional reinsurance accepted	<b>R0120</b>								
Gross - Non-proportional reinsurance accepted	<b>R0130</b>	X	X	X	X	X	X	X	X
Reinsurers' share	<b>R0140</b>								
Net	<b>R0200</b>								
<b>Premiums earned</b>									
Gross - Direct Business	<b>R0210</b>								
Gross - Proportional reinsurance accepted	<b>R0220</b>								
Gross - Non-proportional reinsurance accepted	<b>R0230</b>	X	X	X	X	X	X	X	X
Reinsurers' share	<b>R0240</b>								
Net	<b>R0300</b>								
<b>Claims incurred</b>									
Gross - Direct Business	<b>R0310</b>								
Gross - Proportional reinsurance accepted	<b>R0320</b>								
Gross - Non-proportional reinsurance accepted	<b>R0330</b>	X	X	X	X	X	X	X	X
Reinsurers' share	<b>R0340</b>								
Net	<b>R0400</b>								
<b>Changes in other technical provisions</b>									
Gross - Direct Business	<b>R0410</b>								
Gross - Proportional reinsurance accepted	<b>R0420</b>								
Gross - Non- proportional reinsurance accepted	<b>R0430</b>	X	X	X	X	X	X	X	X
Reinsurers'share	<b>R0440</b>								
Net	<b>R0500</b>								
<b>Expenses incurred</b>	<b>R0550</b>								
<b>Other expenses</b>	<b>R1200</b>	X	X	X	X	X	X	X	X
<b>Total expenses</b>	<b>R1300</b>	X	X	X	X	X	X	X	X

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**Annex I****S.05.01.02****Premiums, claims and expenses by line of business**

	Line of Business for: <b>non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)</b>			Line of business for: <b>accepted non-proportional reinsurance</b>				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
	<b>C0100</b>	<b>C0110</b>	<b>C0120</b>	<b>C0130</b>	<b>C0140</b>	<b>C0150</b>	<b>C0160</b>	<b>C0200</b>
<b>Premiums written</b>								
Gross - Direct Business	<b>R0110</b>			X	X	X	X	
Gross - Proportional reinsurance accepted	<b>R0120</b>			X	X	X	X	
Gross - Non-proportional reinsurance accepted	<b>R0130</b>	X	X	X				
Reinsurers' share	<b>R0140</b>							
Net	<b>R0200</b>							
<b>Premiums earned</b>								
Gross - Direct Business	<b>R0210</b>			X	X	X	X	
Gross - Proportional reinsurance accepted	<b>R0220</b>			X	X	X	X	
Gross - Non-proportional reinsurance accepted	<b>R0230</b>	X	X	X				
Reinsurers' share	<b>R0240</b>							
Net	<b>R0300</b>							
<b>Claims incurred</b>								
Gross - Direct Business	<b>R0310</b>			X	X	X	X	
Gross - Proportional reinsurance accepted	<b>R0320</b>			X	X	X	X	
Gross - Non-proportional reinsurance accepted	<b>R0330</b>	X	X	X				
Reinsurers' share	<b>R0340</b>							
Net	<b>R0400</b>							
<b>Changes in other technical provisions</b>								
Gross - Direct Business	<b>R0410</b>			X	X	X	X	
Gross - Proportional reinsurance accepted	<b>R0420</b>			X	X	X	X	
Gross - Non- proportional reinsurance accepted	<b>R0430</b>	X	X	X				
Reinsurers'share	<b>R0440</b>							
Net	<b>R0500</b>							
<b>Expenses incurred</b>	<b>R0550</b>							74
<b>Other expenses</b>	<b>R1200</b>	X	X	X	X	X	X	
<b>Total expenses</b>	<b>R1300</b>	X	X	X	X	X	X	74

**Annex I****S.05.01.02****Premiums, claims and expenses by line of business**

	Line of Business for: <b>life insurance obligations</b>						<b>Life reinsurance obligations</b>		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
<b>Premiums written</b>									
Gross	<b>R1410</b>								
Reinsurers' share	<b>R1420</b>								
Net	<b>R1500</b>								
<b>Premiums earned</b>									
Gross	<b>R1510</b>								
Reinsurers' share	<b>R1520</b>								
Net	<b>R1600</b>								
<b>Claims incurred</b>									
Gross	<b>R1610</b>								
Reinsurers' share	<b>R1620</b>								
Net	<b>R1700</b>								
<b>Changes in other technical provisions</b>									
Gross	<b>R1710</b>								
Reinsurers' share	<b>R1720</b>								
Net	<b>R1800</b>								
<b>Expenses incurred</b>	<b>R1900</b>								
<b>Other expenses</b>	<b>R2500</b>	X	X	X	X	X	X	X	
<b>Total expenses</b>	<b>R2600</b>	X	X	X	X	X	X	X	

## Annex 1

## S.05.02.01

## Premiums, claims and expenses by country

Country		R0010A		
		Home Country	Top 5 countries (by amount of)	Total Top 5 and home country
		C0080	C0090	C0140
<b>Premiums written</b>				
Gross - Direct Business	R0110			0.00
Gross - Proportional	R0120			0.00
Gross - Non-proportional	R0130			0.00
Reinsurers' share	R0140			0.00
<i>Net</i>	<i>R0200</i>			0.00
<b>Premiums earned</b>				
Gross - Direct Business	R0210			0.00
Gross - Proportional	R0220			0.00
Gross - Non-proportional	R0230			0.00
Reinsurers' share	R0240			0.00
<i>Net</i>	<i>R0300</i>			0.00
<b>Claims incurred</b>				
Gross - Direct Business	R0310	0.00		0.00
Gross - Proportional	R0320			0.00
Gross - Non-proportional	R0330			0.00
Reinsurers' share	R0340			0.00
<i>Net</i>	<i>R0400</i>	0.00		0.00
<b>Changes in other technical</b>				
Gross - Direct Business	R0410			0.00
Gross - Proportional	R0420			0.00
Gross - Non- proportional	R0430			0.00
Reinsurers' share	R0440			0.00
<i>Net</i>	<i>R0500</i>			0.00
<b>Expenses incurred</b>	R0550	74		74
<b>Other expenses</b>	R1200			
<i>Total expenses</i>	<i>R1300</i>			74
Country		R0010B		
		Home Country	Top 5 countries (by amount of)	Total Top 5 and home country
		C0220	C0230	C0280
<b>Premiums written</b>				
Gross	R1410			0.00
Reinsurers' share	R1420			0.00
<i>Net</i>	<i>R1500</i>			0.00
<b>Premiums earned</b>				
Gross	R1510			0.00
Reinsurers' share	R1520			0.00
<i>Net</i>	<i>R1600</i>			0.00
<b>Claims incurred</b>				
Gross	R1610			0.00
Reinsurers' share	R1620			0.00
<i>Net</i>	<i>R1700</i>			0.00
<b>Changes in other technical</b>				
Gross	R1710			0.00
Reinsurers' share	R1720			0.00
<i>Net</i>	<i>R1800</i>			0.00
<b>Expenses incurred</b>	R1900			0.00
<b>Other expenses</b>	R2500			
<i>Total expenses</i>	<i>R2600</i>			0.00

**Annex I****S.17.01.02****Non-life Technical Provisions****Technical provisions calculated as a whole**

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

**Technical provisions calculated as a sum of BE and RM****Best estimate**

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

**Claims provisions**

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

**Total Best estimate - gross****Total Best estimate - net**

Risk margin

**Amount of the transitional on Technical Provisions**

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance									
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
R0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0050									
R0060	X	X	X	X	X	X	X	X	X
R0140									
R0150									
R0160	X	X	X	X	X	X	X	X	319
R0240									
R0250								319	
R0260								319	
R0270								319	
R0280								18	
R0290	X	X	X	X	X	X	X	X	X
R0300									
R0310									

**Annex I****S.17.01.02****Non-life Technical Provisions****Technical provisions - total**

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re  
after the adjustment for expected losses due to counterparty  
default - totalTechnical provisions minus recoverables from  
reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance									
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0320	X	X	X	X	X	X	X	X	337
R0330									
R0340								337	

**Annex I****S.17.01.02****Non-life Technical Provisions****Technical provisions calculated as a whole**

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

**Technical provisions calculated as a sum of BE and RM****Best estimate**

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

**Claims provisions**

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

**Total Best estimate - gross****Total Best estimate - net****Risk margin****Amount of the transitional on Technical Provisions**

Technical Provisions calculated as a whole

Best estimate

Risk margin

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
R0010	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0050								
	X	X	X	X	X	X	X	X
R0060	X	X	X	X	X	X	X	X
R0140								
R0150								
R0160	X	X	X	X	X	X	X	319
R0240								
R0250								319
R0260								319
R0270								319
R0280								18
R0290	X	X	X	X	X	X	X	
R0300								
R0310								

**Annex I****S.17.01.02****Non-life Technical Provisions****Technical provisions - total**

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re  
after the adjustment for expected losses due to counterparty  
default - totalTechnical provisions minus recoverables from  
reinsurance/SPV and Finite Re - total

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0320	X	X	X	X	X	X	X	337
R0330								
R0340								337

## Annex 1

## S.23.01.01

## Own Funds

	Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
<b>Basic own funds before</b>					
Ordinary share capital (gross) <b>R0010</b>	1,600	1,600			
Share premium account <b>R0030</b>					
Initial funds, members' <b>R0040</b>					
Subordinated mutual member <b>R0050</b>					
Surplus funds <b>R0070</b>					
Preference shares <b>R0090</b>					
Share premium account <b>R0110</b>					
Reconciliation reserve <b>R0130</b>	2,124	2,124			
Subordinated liabilities <b>R0140</b>					
An amount equal to the value <b>R0160</b>					
Other own fund items <b>R0180</b>					
<b>Own funds from the financial</b>					
Own funds from the financial <b>R0220</b>					
<b>Deductions</b>					
Deductions for participations <b>R0230</b>					
<b>Total basic own funds after R0290</b>	3,724	3,724			
<b>Ancillary own funds</b>					
Unpaid and uncalled ordinary <b>R0300</b>					
Unpaid and uncalled initial <b>R0310</b>					
Unpaid and uncalled <b>R0320</b>					
A legally binding commitment <b>R0330</b>					
Letters of credit and <b>R0340</b>					
Letters of credit and <b>R0350</b>					
Supplementary members calls <b>R0360</b>					
Supplementary members calls <b>R0370</b>					
Other ancillary own funds <b>R0390</b>					
<b>Total ancillary own funds R0400</b>					
<b>Available and eligible own</b>					
<b>Total available own funds to R0500</b>	3,724	3,724			
<b>Total available own funds to R0510</b>	3,724	3,724			
<b>Total eligible own funds to R0540</b>	3,724	3,724	0.00		
<b>Total eligible own funds to R0550</b>	3,724	3,724	0.00		
SCR <b>R0580</b>	1,009				
MCR <b>R0600</b>	3,332				
Ratio of Eligible own funds to <b>R0620</b>	369.2631%				
Ratio of Eligible own funds to <b>R0640</b>	111.7816%				
	C0060				
<b>Reconciliation reserve</b>					
Excess of assets over liabilities <b>R0700</b>	3,724				
Own shares (held directly and <b>R0710</b>					
Foreseeable dividends, <b>R0720</b>					
Other basic own fund items <b>R0730</b>	1,600				
Adjustment for restricted own <b>R0740</b>					
<b>Reconciliation reserve R0760</b>	2,124				
<b>Expected profits</b>					
Expected profits included in <b>R0770</b>					
Expected profits included in <b>R0780</b>					
<b>Total Expected profits R0790</b>					

**Annex I**

S.25.01.21

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

Market risk  
 Counterparty default risk  
 Life underwriting risk  
 Health underwriting risk  
 Non-life underwriting risk  
 Diversification  
 Intangible asset risk  
**Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

Operational risk  
 Loss-absorbing capacity of technical provisions  
 Loss-absorbing capacity of deferred taxes  
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

**Solvency capital requirement excluding capital add-on**

Capital add-on already set

**Solvency capital requirement**

**Other information on SCR**

Capital requirement for duration-based equity risk sub-module  
 Total amount of Notional Solvency Capital Requirement for remaining part  
 Total amount of Notional Solvency Capital Requirements for ring fenced funds  
 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios  
 Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0080	C0090
R0010	932		
R0020	103		
R0030			
R0040			
R0050	105		
R0060	-141		
R0070			
R0100	999		
		C0100	
R0130	10		
R0140			
R0150			
R0160			
R0200	1009		
R0210			
R0220	1009		
R0400			
R0410			
R0420			
R0430			
R0440			

Annex 1

S.28.01.01

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

		C0010
<b>Linear formula component</b>		
<i>MCRL Result</i>	<b>R0010</b>	33
		Net (of reinsurance/SPV) best
		C0020
		Net (of reinsurance) written
		C0030
Medical expense insurance	<b>R0020</b>	
Income protection insurance	<b>R0030</b>	
Workers' compensation	<b>R0040</b>	
Motor vehicle liability	<b>R0050</b>	
Other motor insurance and	<b>R0060</b>	
Marine, aviation and transport	<b>R0070</b>	
Fire and other damage to	<b>R0080</b>	
General liability insurance and	<b>R0090</b>	319
Credit and suretyship	<b>R0100</b>	
Legal expenses insurance and	<b>R0110</b>	
Assistance and proportional	<b>R0120</b>	
Miscellaneous financial loss	<b>R0130</b>	
Non-proportional health	<b>R0140</b>	
Non-proportional casualty	<b>R0150</b>	
Non-proportional marine,	<b>R0160</b>	
Non-proportional property	<b>R0170</b>	
		C0040
<b>Linear formula component</b>		
<i>MCRL Result</i>	<b>R0200</b>	
		Net (of reinsurance/SPV) best
		C0050
		Net (of reinsurance/SPV) total
Obligations with profit	<b>R0210</b>	C0060
Obligations with profit	<b>R0220</b>	
Index-linked and unit-linked	<b>R0230</b>	
Other life (re)insurance and	<b>R0240</b>	
<i>Total capital at risk for all</i>	<b>R0250</b>	
		C0070
<b>Overall MCR calculation</b>		
<i>Linear MCR</i>	<b>R0300</b>	33
SCR	<b>R0310</b>	1,009
MCR cap	<b>R0320</b>	454
MCR floor	<b>R0330</b>	252
<i>Combined MCR</i>	<b>R0340</b>	252
Absolute floor of the MCR	<b>R0350</b>	3,332
		C0070
<i>Minimum Capital</i>	<b>R0400</b>	3,332