SOMPO INTERNATIONAL

Endurance Worldwide Insurance Limited

Solvency and Financial Condition Report

For the year ended 31 December 2018

Contents

Summary

Solvency II introduction

The prudential regulatory framework, known as Solvency II, came into force on 1 January 2016. Solvency II, represents a fundamental modernisation of European insurance regulation. The main purpose of Solvency II is to enhance the level of policyholder protection across Europe. The regime also aims to harmonise the regulatory framework and is intended to improve the resilience of the insurance sector to shocks and so reduce the probability of insurers failing.

Solvency II requires firms to identify, quantify and manage their risks on a forward-looking basis, while providing greater transparency to markets and supervisors through the provision of higher quality and more consistent information.

The Solvency and Financial Condition Report ("SFCR") is an element of the improved disclosure and reporting introduced under Solvency II, intended to strengthen market discipline.

Basis of preparation

The SFCR has been prepared in compliance with Commission delegated regulation (EU) 2015/35 ("the Delegated Regulation"), being the applicable European Union regulation, using the structure set out in annex XX of that document, and in accordance with the Guidelines on reporting and public disclosure (BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority ("EIOPA").

Quantitative information is prepared in Sterling, which is the presentational and functional currency of the Company, and rounded to the nearest £000.

Business and performance

On 28 March 2017, Sompo Holdings, Inc., a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange ("Sompo Holdings"), completed its acquisition of 100% of the outstanding ordinary shares of Endurance Specialty Holdings Limited ("ESHL"), which at that time was the Company's ultimate holding Company. A Group structure chart is presented in Section A.

Amounts in GBP'000 unless stated	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Gross written premium	293,856	269,543	24,313
Net Earned Premiums	68,896	57,606	11,290
Underwriting result	17,334	(2,112)	19,446
Underwriting ratio	74.8%	103.7%	(29.2%)

The Company has a diversified product offering across multiple lines of business. The most material lines include general liability and fire and other damage to property representing 49% of total gross written premium. The Company operates on a global basis; the most material geographical areas using the Solvency II criteria for classification to country include United Kingdom and United States of America representing 64% of total gross written premium.

The Company's success is dependent on the proper selection, pricing and ongoing management of the risks it accepts. The Company will continue to consolidate its position and concentrate its efforts on achieving targeted growth by focusing on its insurance portfolio whilst maintaining a relatively stable portfolio of risks from its reinsurance operations. During 2018, the Company continued to invest in its operations through expanded underwriting talent. The Company aims to use this underwriting expertise to grow organically.

Gross written premium for the year has exceeded 2017 by 9%, increasing to £293.9M in 2018. The majority of growth is in the Fire and other damage property insurance solvency II line of business. The growth of the book has been equally split between direct and treaty business but is predominately is within the professional indemnity insurance, political risk insurance and motor reinsurance.

Net earned premiums have increased by 19% from £57.6M in 2017 to £68.9M in 2018 as the growth in written premiums in prior periods earns through. The Company continues to mitigate insurance risk via reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers.

The Company recorded an overall underwriting profit (being technical result before administrative expenses) of £17.3M, an improvement of £19.4M from a loss of £2.1M in the prior year. The Company's underwriting ratio (calculated as net claims incurred plus net acquisition costs plus change in net deferred acquisition costs, as a percentage of net earned premium) decreased by 29.2%.

Further detail on the performance of the Company, including technical performance by Solvency II line of business and region and the investment performance, is reported in section A.

System of governance

The Board of directors is the governing body of the Company. The Board is responsible for the strategic oversight of the Company and, inter alia, for the establishment and maintenance of a governance environment. The Board is supported by four oversight committees; the Audit Committee, the Risk & Compliance Committee, The Remuneration Committee and Nomination Committee.

The following four Key Functions have been identified as those that support the governance of the firm:

- An Actuarial Function, which is responsible, inter alia, for the calculation of technical provisions, the appropriateness of the methodologies and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- An Internal Audit Function, which is responsible, inter alia, for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.
- A Compliance Function, which is responsible, inter alia, for advising the Board of the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.
- A Risk Management Function, which is responsible, inter alia, for the implementation of the Company's system of risk management, as well as designing and developing the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.

No material changes to the system of governance took place over the course of the reporting period. Further detail on the system of governance of the Company, including the risk management system and Own Risk and Solvency Assessment ("ORSA"), is reported in section B.

Risk profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. As determined by the Standard Formula, market risk is the most material risk to the Company, with currency risk (being the risk resulting from currency exchange rate fluctuations) identified as the predominant market risk. Pricing, accumulation and reserving risk have been identified as the main risks assumed through underwriting activity.

There has been no material change to the risk profile of the Company during the reporting period. Further detail on the current risk profile of the Company, and related risk management techniques, is reported in section C.

Valuation for solvency purposes

Solvency II is a new basis of preparation for an insurance company's balance sheet which is based on the principle of market-consistent valuations. Essentially, this means that the value of assets and liabilities reflect the current value at which they could be traded in financial markets, rather than their UK GAAP accounting value.

Different approaches are required to determine market-consistent values of an insurance company's assets and liabilities. Some investment assets are traded in sufficiently deep and liquid markets that provide readily available prices, which are generally taken to be market values. Assets not actively traded are fair valued using a Solvency II compliant model.

No such market generally exists for insurance liabilities, which are specific to the contract between the firm and the policyholder. Solvency II's interpretation of the market value of insurance liabilities requires insurers to forecast expected future liability cash flows and then discount them using risk-free interest rates of an appropriate maturity, to arrive at a 'best estimate'. A 'risk margin' is added to this best estimate in order to produce a market-consistent value.

The transitional arrangements related to risk-free interest rate-term structure and deductions referred to in Article 308c of Directive 2009/138/EC are not applied in the calculation of technical provisions.

Further detail on Solvency II valuation methods is reported in section D.

Capital management

The Company applies the Standard Formula, a standardised calculation method prescribed in the Delegated Regulation, to calculate its Solvency Capital Requirement ("SCR"), which is a quantity of capital that is intended to provide protection against unexpected losses over the following year up to a 99.5% confidence level. The Standard Formula follows a modular approach where the overall risk which the Company is exposed to is divided into risk modules, and for each module a capital requirement is determined.

The Company has complied continuously with both the Minimum Capital Requirement ("MCR") and SCR throughout the reporting period.

Amounts in GBP'000 unless stated	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Eligible own funds to meet SCR	370,107	359,315	10,792
Eligible own funds to meet MCR	360,779	354,178	6,601
Solvency Capital Requirement	170,433	132,730	37,703
Minimum Capital Requirement	42,608	33,183	9,425
Ratio of own funds to SCR	217.2%	270.7%	(53.5%)
Ratio of own funds to MCR	846.7%	1,067.3%	(220.6%)

Eligible own funds and the SCR have increased during the period by 3.1% and 28.4% respectively, resulting in a decrease in the Solvency ratio from 270.7% in 2017 to 217.3% in 2018. The primary driver of the increase in the SCR was the growth in the Company's book.

Own funds classified by tiers are as follows:

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Tier 1	360,779	354,178	6,601
Tier 2	-	-	-
Tier 3	9,328	5,137	4,191
	370,107	**359,315**	10,792

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of £216.0M and £162.0M respectively (2017: £216.0M and £162.0M), and a reconciliation reserve of £(17.2M) (2017: £(23.8M)). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the Minimum Capital Requirement and all own funds are eligible to cover the Solvency Capital Requirement.

Further detail on capital management is reported in section E.

A. Business and Performance

A.1 Business

Endurance Worldwide Insurance Limited ("the Company") is a limited liability company incorporated in England.

The Company is fully owned by its immediate parent company, Endurance Worldwide Holdings Limited ("EWHL") incorporated in London, England. As at 31 December 2016, Endurance Specialty Holdings Limited ("ESHL"), incorporated in Hamilton, Bermuda, was the parent company for the Endurance group of companies ("the Group") and publicly traded on the New York Stock Exchange under the symbol ENH.

On 28 March 2017, Sompo Holdings, Inc., a holding company headquartered in Japan and publicly traded on the Tokyo Stock Exchange ("Sompo Holdings"), completed its acquisition of 100% of the outstanding ordinary shares of ESHL ("the Merger"). As a result of the Merger, ESHL was merged with and into a wholly-owned subsidiary of Sompo Holdings and Sompo Holdings became the Company's ultimate parent undertaking.

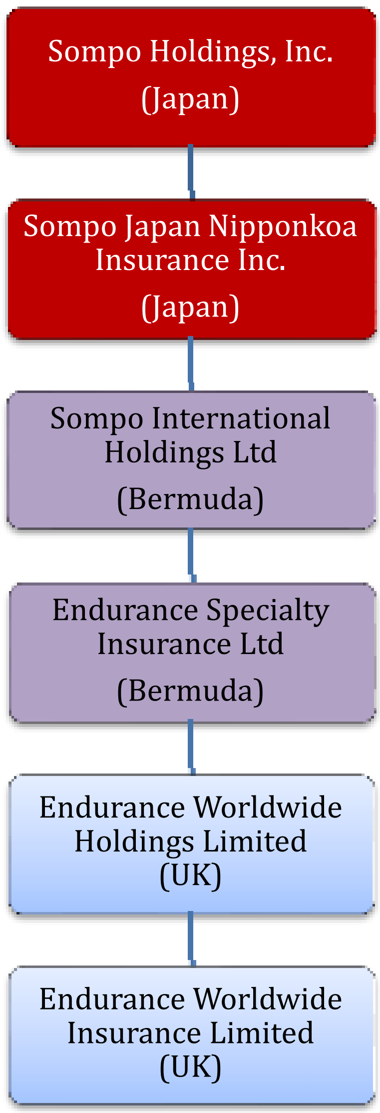
Solo supervisor:	The Prudential Regulation Authority 20 Moorgate London EC2R 6DA United Kingdom +44 20 3461 7000 PRA.FirmEnquiries@bankofengland.co.uk
Sompo International Holdings Group supervisor:	The Bermuda Monetary Authority BMA House 43 Victoria Street Hamilton HMJX Bermuda + 441 295 5278 insuranceinfo@bma.bm

External auditor: Ernst & Young LLP
25 Churchill Place
London E14 5EY
United Kingdom

A.1.1 Group structure

Sompo Holdings, Inc. operates worldwide and is publicly traded on the Tokyo Stock Exchange. The Company is a fully owned member of a sub-group which operates internationally, including the UK, Bermuda, the United States, Switzerland and Singapore. Figure A.1.1 below depicts an abridged structure chart for the relevant UK legal entities and their position within the wider Group.

Fig. A.1.1



A.1.2 Material lines of business and material geographical areas

The Company has a diversified product offering, across multiple lines of business. The following table sets out the gross premiums written by material Solvency II line of business.

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Fire and other damage to property insurance	83,590	62,358	21,232
General liability insurance	60,434	68,397	(7,963)
Credit and suretyship insurance	53,930	55,398	(1,468)
Marine, aviation and transport insurance	46,674	43,161	3,513
Income protection insurance	24	-	24
Non-proportional reinsurance	49,205	40,229	8,976
	293,856	269,543	24,313

The Company operates on a global basis; the following table sets out the gross premiums written by material geographical area using the Solvency II criteria for classification to country.

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
United Kingdom	111,257	99,832	11,425
United States of America	76,829	70,801	6,028
France	15,086	11,276	3,810
Belgium	12,610	5,551	7,059
India	6,419	5,289	1,130
Switzerland	4,816	8,315	(3,499)
Brazil	1,469	9,227	(7,758)
Mexico	2,111	5,719	(3,608)
Venezuela	2,013	3,151	(1,138)
Other	62,315	50,382	11,933
	293,856	269,543	25,382

A.1.3 Significant post balance sheet events

With effect from 1 January 2019, all of the EEA liabilities and associated assets were transferred to SI Insurance (Europe), SA ("SIIE") in accordance with the terms of a scheme pursuant to Part VII of the Financial Services and Markets Act 2000 ("the Scheme") approved by the High Court of Justice of England and Wales on 10 December 2018. This ensures that the Sompo Group can continue to write the EEA-exposed business post-Brexit as described in the Strategic Report. In addition, with effect from 1 January 2019, Sompo Japan Nipponkoa Insurance Company of Europe Limited ("SJNKE") a related company transferred all of its risks with no EEA exposure to EWIL in accordance with the same terms of the scheme.

The Company changed its functional currency from Great British Pounds to United States Dollars effective 1 January 2019 following an analysis of the criteria used to determine functional currency under UK GAAP. This has had no effect on the Company's net assets.

The table below shows the impact of the Part VII and the function currency change on the 2018 Solvency Capital Ratio ("SCR") and the own funds.

Amounts in GBP'000	**Pre Part VII**	**Post Part VII and Function Currency Change**	**Movement**
Solvency II Own Funds	370,107	368,911	(1,194)
Standard Formula SCR	170,433	124,157	(46,275)
Excess of own funds over the SCR	199,674	244,754	45.080

A.2 Underwriting Performance

During 2018, the Company continued to invest in its operations through expanded underwriting talent.

Reinsurance business is conducted mainly through the Zurich branch ("EWIZ") which offers reinsurance contracts to clients in Switzerland and abroad, with a focus on European business and clients within specialty lines, including Marine and Trade Credit and Surety reinsurance. Reinsurance business is also conducted in the London operation with a focus on General Liability.

The Company is continuing to build out its insurance operations in the professional lines, marine and energy, property, aviation and financial & political risks lines of business. The reinsurance operations in London and in the Zurich branch ("EWIZ ") will focus on strategic opportunities with certain clients and markets within global specialty lines, including marine and trade credit and surety reinsurance, and casualty reinsurance business. The Company aims to grow net premiums written by continuing to attract and retain high quality underwriting talent in this segment in 2019 and beyond.

Gross written premium for the year has exceeded 2017 by 9%, increasing to £293.9M in 2018. The majority of growth is in the Fire and other damage property insurance solvency II line of business. The growth of the book has been equally split between direct and treaty business but is predominately is within the professional indemnity insurance, political risk insurance and motor reinsurance.

Net earned premiums have increased by 19%. The Company continues to mitigate insurance risk via reinsurance arrangements, both internal and external, through a combination of facultative, excess of loss and quota share covers. This approach provides additional capacity for growth, contributes towards the direct expenses associated with growing an insurance franchise, and supports expansion into profitable lines of business whilst retaining a reduced share of start-up underwriting risk.

The Company recorded an overall underwriting profit (being technical result before administrative expenses) of £17.3M, an improvement of £19.4M from a loss of £2.1M in the prior year. The Company's underwriting ratio (calculated as net claims incurred plus net acquisition costs plus change in net deferred acquisition costs, as a percentage of net earned premium) decreased by 29.2%.

Amounts in GBP'000	**Direct and proportional**					**31 Dec 2018**
	Fire and other damage to property	**General liability**	**Marine, aviation and transport**	**Other**	**Non-proportional reinsurance**	**Total**
Gross earned premium	77,827	63,255	43,740	25,327	43,359	253,508
Reinsurers' share	(59,134)	(44,375)	(33,964)	(19,884)	(27,255)	(184,612)
Net earned premium	18,693	18,879	9,777	5,443	16,104	68,896
Gross claims incurred	25,642	49,530	20,962	11,414	34,542	142,090
Reinsurers' share	(8,248)	(42,406)	(17,661)	(5,939)	(21,548)	(95,801)
Net claims incurred*	17,395	7,124	3,301	5,475	12,994	46,289
Acq. expenses	1,048	1,521	1,309	799	597	5,274
Admin. expenses	4,581	4,083	1,725	762	2,563	13,713
Technical result	(4,006)	6,151	3,442	(1,593)	(50)	3,621

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

Amounts in GBP'000	Direct and proportional					31 Dec 2017
	Fire and other damage to property	**General liability**	**Marine, aviation and transport**	**Other**	**Non-proportional reinsurance**	**Total**
Gross earned premium	63,309	64,303	43,277	20,218	42,177	**233,284**
Reinsurers' share	(52,397)	(46,908)	(29,695)	(13,511)	(33,167)	**(175,678)**
Net earned premium	10,912	17,395	13,582	6,707	9,010	**57,606**
Gross claims incurred	85,867	38,185	19,222	11,263	34,458	**188,995**
Reinsurers' share	(69,458)	(23,620)	(4,530)	(8,141)	(29,206)	**(134,955)**
Net claims incurred*	16,409	14,565	14,692	3,122	5,252	**54,040**
Acq. expenses	913	651	2,221	2,190	(297)	**5,678**
Admin. expenses	5,598	6,045	4,176	1,971	3,829	**21,619**
Technical result	(12,008)	(3,866)	(7,507)	(576)	226	**(23,731)**

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

The gross loss ratio has decreased by 24% to 55% due to the impacts of hurricanes Harvey, Irma and Maria on the 2017 results, notably in the Insurance Energy and Property classes and Reinsurance Specialty. This was also the driver of the higher net loss ratio in 2017 at 93.8% compared to 2018 at 66.9%. The gross acquisition ratio at 12% is marginally lower than prior year. The net acquisition ratio has reduced marginally from 10% in 2017 to 8% in 2018 following the benefit of ceding commissions growth against prior year.

General and administrative expenses decreased by 53% year on year predominantly due to a decrease in staff costs and group allocated expenses.

Amounts in GBP'000	United Kingdom	USA	France	Belgium	India	Switzerland	Other	31 Dec 2018 Total
Gross earned premium	101,900	64,235	6,067	7,456	6,165	6,321	61,365	**253,508**
Reinsurers' share	(68,654)	(48,615)	(5,510)	(6,097)	(4,881)	(4,483)	(46,371)	**(184,612)**
Net earned premium	33,246	15,620	556	1,359	1,284	1,838	14,994	**68,896**
Gross claims incurred	68,026	49,267	(290)	748	681	11,962	11,696	**142,090**
Reinsurers' share	(46,733)	(38,061)	2,009	(204)	(840)	(12,019)	47	**(95,801)**
Net claims incurred*	21,293	11,206	1,719	543	(159)	(56)	11,743	**46,289**
Operating expenses	9,886	4,736	151	416	352	401	3043	**18,987**
Technical result	2,066	(322)	(1,314)	399	1,090	1,493	208	3,621

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

Amounts in GBP’000	United Kingdom	USA	France	Brazil	Switzerland	Mexico	Other	31 Dec 2017 Total
Gross earned premium	81,101	65,297	7,863	5,327	6,917	4,902	61,877	**233,284**
Reinsurers' share	(58,960)	(50,655)	(6,324)	(3,201)	(4,270)	(3,684)	(48,584)	**(175,678)**
Net earned premium	22,141	14,642	1,539	2,126	2,647	1,218	13,293	**57,606**
Gross claims incurred	29,789	85,092	4,113	5,468	4,015	(9,909)	70,427	**188,995**
Reinsurers' share	(26,157)	(63,122)	(3,352)	(3,673)	(2,837)	14,258	(50,072)	**(134,955)**
Net claims incurred*	3,632	21,970	761	1,795	1,178	4,349	20,355	**54,040**
Operating expenses	9,645	10,595	240	1,383	1,346	(8)	4,096	**27,297**
Technical result	8,864	(17,923)	538	(1,052)	123	(3,123)	(11,158)	**(23,731)**

**Claims management expenses are included within net claims incurred as per UK GAAP presentation.*

The largest increases were seen in the United Kingdom, as the Company benefits from the increased Group focus on the London market.

A.3 Investment Performance

Net Investment Income increased by £1.8m versus the prior year. Changing market yields, significant cash flows to/from the investment portfolio and large exchange rate movements are factors that impact differentials in net investment income versus the prior year.

Amounts in GBP'000 unless stated	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Interest income – cash and deposits	0	0	0
Interest income – collateralised securities	5,391	4,926	465
Interest income – corporate bonds	5,423	5,812	(389)
Interest income – government bonds	2,572	1,964	608
Amortisation	(1,521)	(2,651)	1,130
Investment expenses	(1,023)	(973)	(50)
Net investment income	10,841	9,078	1,763
Ending portfolio market value	509,624	453,408	85,453
Ending portfolio market yield	2.04%	2.11%	-0.10%

Realised and unrealized investment gains and losses on a Solvency II basis, which include also foreign exchange gains and losses, have increased in the current year as follows:

Amounts in GBP'000		**31 Dec 2018**		**31 Dec 2017**
	Realised	Unrealised	Realised	Unrealised
Gains/(losses) - cash and deposits	65	0.00	47	-
Gains/(losses) – collateralised securities	(126)	6,485	(15,833)	1,615
Gains/(losses) – corporate bonds	(523)	3,523	(21,260)	7,614
Gains/(losses) – government bonds	1,083	3,206	(3,550)	(3,386)
	499	13,214	(40,596)	5,843

The 2018 realised and unrealised gains have predominantly arisen on the USD investment portfolio.

The aggregate portfolio, comprising only fixed income investments, returned +4.66% (in GBP) in the year 2018, which was 0.15% lower than the composite benchmark (consisting of EUR, GBP and USD fixed income components). More than 75% of the portfolio is USD-denominated, and the USD strengthened versus GBP during the year.

There are no investment gains or losses recognised directly in equity.

A.3.1 Investments in securitisation

The Company held £181.7M of securitised assets as at the year end (36% of the total investment portfolio). Total return on securitisations for the year 2018 was 3.15% in GBP.

A.4 Performance of other activities

Following is a summary of unrealized and realized gains and losses of the Company under UK GAAP:

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Unrealised (losses)/gains on investments	(6,544)	1,015	7,559
Realised gains/(losses) on investments	14	(44)	(58)
Unrealised foreign exchange gains/(losses)	13,449	(31,209)	(44,658)
Realised foreign exchange gains	5,045	2,261	(2,784)

Unrealised foreign exchange gains have increased by £44.7M year on year. The 2018 gains have predominantly arisen on the USD investment portfolio and cash balances, driven by the USD strengthening against GBP (6.2% versus GBP at year-end compared to weakening of 9.5% versus GBP at year-end 2017).

A.4.1 Leasing arrangements

The Company is party to a 10 year operating lease entered into on 27 January 2015 for Land and buildings. The Company has the option to terminate the lease agreement from the break date which is the 16 February 2023.

The Company is party to a 10 year operating lease entered into on 16 February 2018 for Land and buildings. The Company has the option to terminate the lease agreement from the break date which is the 5th anniversary of the Term Commencement Date.

The Company is not party to any material financial lease arrangements.

A.5 Any other information

There is nothing further to report regarding the business and performance of the Company.

B. System of Governance

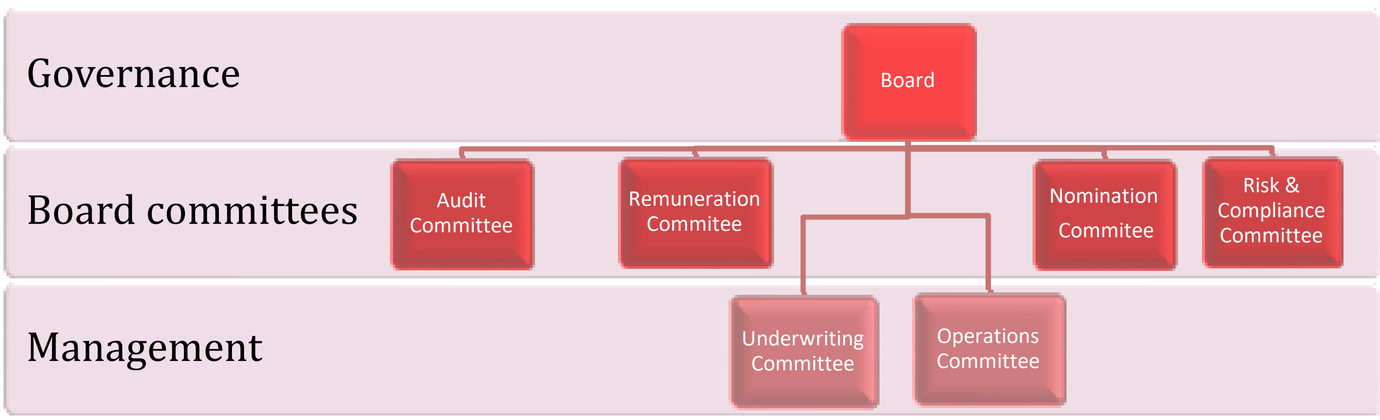
B.1 General information on the system of governance

The Board of Directors, which consists of both executive and non-executive directors, is the Company's governing body and has ultimate responsibility for the sound and prudent management of the Company. The Board is required to perform this role with integrity, due care, and professional skill. In addition to having responsibility for strategic oversight, the Board is responsible, inter alia, for the establishment and maintenance of a governance environment which meets the requirements and obligations of the Company's regulators and the legal framework in which the Company operates.

The Board has documented terms of reference in place, which includes a list of matters reserved to the Board. In addition, the Board is supported by four Board Committees:

- An Audit Committee, which is chaired by and includes non-executive directors and is responsible, inter alia, for oversight and challenge of the financial and internal controls of the Company and the integrity of statutory reporting and financial statements.
- A Risk & Compliance Committee, which is chaired by and includes non-executive directors and is responsible, inter alia, for the oversight of the Company's framework of risk management and compliance with regulatory requirements and expectations.
- The Remuneration Committee is responsible for oversight of the firm's remuneration arrangements including the adherence to regulatory requirements.
- The Nomination Committee is responsible for oversight of the firm's process for succession planning and the appointment of senior staff.

The Company has also established certain management committees, made up of executive management, which provide more granular oversight and review of the business and operations of the Company as shown below.



B.1.1 Key Functions

As required by articles 268 to 272 of the Delegated Regulation, the following four Key Functions and associated reporting lines, are incorporated into the Company's organisational structure. These Key Functions are provided with the necessary authority and resources to carry out their role by the Board of the Company and each are operationally independent.

- An Actuarial Function, which is responsible, inter alia, for the calculation of technical provisions, the appropriateness of the methodologies and assumptions used in the calculation of technical provisions, for the assessment of the data used in the calculation of technical provisions, for expressing various opinions as required by the Solvency II Directive, and for contributing to the effective implementation and operation of the Company's system of risk management. The Actuarial Function reports to the Audit Committee and the Board of the Company on a regular basis.
- An Internal Audit Function, which is responsible, inter alia, for the evaluation of the adequacy and effectiveness of the Company's internal control system. The Internal Audit Function reports to the Audit Committee and the Board of the Company on a regular basis.
- A Compliance Function, which is responsible, inter alia, for advising the Board of the Company on compliance with all relevant regulations and legislation to which the Company is subject; as well as for assessing and advising on the impact of any changes in such provisions on the operations of the Company, and for the identification and assessment of compliance and regulatory risk. The Compliance Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.
- A Risk Management Function, which is responsible, inter alia, for the implementation of the Company's system of risk management, as well as designing and developing the Company's risk register. The Risk Management Function reports to the Risk & Compliance Committee and the Board of the Company on a regular basis.

Key Function Holders are required to adhere to the Fit and Proper policy, the details of which are described in section B.2.

B.1.2 Remuneration policy

B.1.2.1 Remuneration Policies and Performance-based Criteria

The compensation and performance based criteria currently in place for employees consists of four principal elements of compensation: base salary, annual incentive compensation, long-term incentive compensation, and employee benefits/other compensation.

Base salary is the guaranteed element of the employee's compensation structure and is paid to employees for ongoing performance throughout the year.

Non-Executive Directors of the Company's Board of Directors are paid a fixed monthly fee for their services plus agreed expenses.

The annual incentive compensation program supports both the Group's and the Company's strategy by linking a significant portion of its employees' total compensation to the achievement of critical business goals on an annual basis. All employees are eligible to earn annual incentive compensation. In London, the annual incentive program targets range from 10 – 80% of base salary in each performance year, dependent on the employee's level within the organisation. The EWIL Remuneration Policy also makes provision for variable remuneration payable to senior members of staff to comply with the expectations set down in Article 275 of the Solvency II Directive.

Employees are offered a core set of employee benefits in order to provide a reasonable level of financial support in the event of an employees' illness or injury and enhance productivity and job satisfaction through programs that focus on employees' health and well-being. In London, employees' basic benefits include private medical, private dental, private GP coverage, disability insurance, critical illness insurance and life insurance. All employees are enrolled in the defined contribution Group Personnel Pension plan. The employer contributes 9% of employee base salary into the pension plan in addition to a year-end discretionary profit sharing contribution of up to 3% of base salary.

Annual incentive and Long Term Incentive awards are discretionary and any payment / awards are based upon a combination of Company and employee performance. The incentive pools are set based on achieved Company performance against agreed objectives at the beginning of the performance year. The individual award is then reached based on individual performance.

B.1.2.2 Supplementary Pension and/or Early Retirement Schemes

The Company does not have any supplementary pension programs or early retirement schemes for any of the members of its Board of Directors nor any of the senior executives.

B.1.3 Material transactions during the reporting period with related parties

The Company did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

The Company was party to three quota share reinsurance arrangements with its interim parent company, Endurance Specialty Insurance Ltd ("ESIL") in 2018, as follows:

1. a quota share arrangement covering 100% of Catastrophe reinsurance business and a 40% whole account quota share, where the total cession including that of the Catastrophe Reinsurance business shall not exceed 40% of the Company's net earned premium;
2. a quota share arrangement covering 85% of business written by the Company's Zurich branch (50% in the prior year); and
3. a quota share agreement which ceded 80% of aircraft non-payment insurance (ANPI) written in the year.

The Company purchases a stop loss contract with ESIL, ceding 3% of net earned premium. Losses ceded under the contract attach at the excess of the greater of £50M net ultimate loss or 77.5% of the Company's net earned premium with a limit of 100% of net earned premium or £70M, whichever is greater. In addition, this contract covers the Company's ultimate net loss for £10M xs £10M for each and every loss.

The Company was also party to two additional quota share arrangements with Blue Water Re Limited affiliates which provided cover for 13% of the Property Treaty catastrophe book.

The Company also purchases an Earthquake occurrence excess of loss reinsurance from ESIL for $145m xs $150m on a losses occurring basis.

The Company has a Net Worth Agreement with ESIL which will enable EWIL to maintain capital resources in an amount equal to the higher of:

(a) 100% of EWIL's Minimum Capital Requirement; or

(b) 150% of EWIL's Solvency Capital Requirement.

This contract also has a liquidity provision should the Company have insufficient funds to make a required payment for any valid claims under the policies issued by EWIL and valid claims of financial creditors as they fall due for payment.

B.2 Fit and proper requirements

There is a Fit and Proper policy to which all members of the Board, Key Function Holders, and persons within and working on behalf of the Company who might from time to time be captured by the Fit and Proper requirements set out in the Directive must adhere. Additionally, certain members of staff are required to comply with the Conduct Standards and Conduct Rules set forth by the PRA and FCA respectively. At present these rules apply to individuals identified being either Senior Managers or Certified Persons under the Senior Managers and Certification Regime (which came into force on 10 December 2018). From next December a much wider cohort of our staff will have to comply with these rules.

The Fit and Proper policy requires that where a person is captured by the Fit and Proper requirements that person must be assessed against the relevant fit and proper criteria applicable to the role including but not limited to honesty, integrity, reputation, competence, capability, and financial soundness.

The Fit and Proper policy requires that an annual assessment of a person's fitness and propriety (where such person is subject to the relevant requirements) should be carried out at the time of first recruitment and on a regular (at least annual) basis thereafter. The policy states, inter alia, that:

- Persons (who are subject to the fit and proper requirements) should be assessed for the ability to carry out their role in compliance with relevant regulatory requirements, principles, and rules;
- Persons should be assessed for their competence, both in terms of management and technical ability;
- Persons should be subject to annual appraisal to ensure that all the key skills relating to the role remain at a suitable level;
- Persons should be subject to a documented programme of professional development to ensure that they remain technically and professionally competent.

This annual assessment of an individual's Fitness and Propriety will form part of the ongoing annualised assessment of Senior Managers and Certified Persons that we will be required to undertake as part of the Senior Managers and Certification Regime.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk management strategy

The Company's risk strategy is aligned to the business objectives of the Company. As a specialty (re)insurer operating in the international insurance and reinsurance marketplace it is central to the achievement of the Company's business objectives that it seeks insurance and investment risk through the specialty products that it underwrites and the investments made with the assets of the business. In undertaking this activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded.

The principles underpinning the Company's risk management strategy include:

- The Company sees risk as more than just a potential for loss, but also as a potential for opportunity;
- The Company only seeks risks that it has the capabilities and expertise to understand and to manage;
- The Company only accepts risks it seeks that provide a level of reward commensurate with the risk assumed;
- The Company uses its people, systems, processes and controls to minimise its exposure to risks that it does not seek and for which it is not rewarded, subject to cost benefit considerations; and
- The Company defines the risk preferences and tolerances within which it will normally operate to achieve its business objectives.

The Company's approach to risk management is based upon the belief that risk management activity should be embedded across the business, leverage a diversity of skills, tools and people whilst being supported by a strong culture of risk awareness and engagement. In particular, the risk management system is designed to support the successful execution of the Company's business strategy by aligning the risk appetite to business objectives and inculcating a risk management culture that influences decisions from board level through to individual employees.

The Board has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The Board has delegated responsibility for overseeing the risk management framework to the Risk & Compliance Committee which meets quarterly to receive reports and management information from the UK Chief Risk Officer who is responsible for the UK risk function.

B.3.2 Risk management system

The risk management system is designed to support the successful execution of the Company's business strategy by aligning the risk appetite to business objectives and influencing decisions from board level through to individual employees. The risk management system of the Company encompasses the following key components: risk identification and assessment; interaction with the decision making process; risk reporting; and the risk governance structure. The risk management system supports the business in monitoring strategy execution and also in informing decisions around the evolution of the strategy over time.

The risk management system operates in the following ways:

a) Identify: The Company has a strong risk culture promoted by business leadership and supported by the remuneration structure. Risk is seen as more than just a potential for loss, but also as a potential for opportunity. A proactive approach to developing and maintaining risk awareness is built into the Company's processes and is an important consideration spanning the management of both the asset and liability sides of the balance sheet.

b) Assess: The Company maintains a collaborative approach to assessing risk and performance, generating insight and preserving consistency by bringing an appropriate mix of disciplines, perspectives and tools together to address the challenges of quantifying risk and of understanding uncertainty. Underpinning this, the Company has established a robust framework for the development of risk intelligence internally, the acceptance of externally developed risk intelligence, and the on-going review and independent validation of utilised intelligence.

c) Respond: The Company has established processes, systems and management information to embed risk and performance analytics in the decision making framework across the business. Systems have been established to synthesize and deliver risk insight to the point of decision making whilst processes are maintained to ensure continued engagement between decision makers and analytics teams.

d) Monitor: The Board approves the company's risk management policy and its risk appetite and limit framework. The business implements a control environment which is designed to operate within defined risk appetites and assigns individual accountability for identified risks and key business controls, documented in the risk register.

The Company's internal audit function considers the risk management framework in the development of its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register.

Training on the risk management framework and specifically risk appetites is provided to the Board, management and all staff regularly.

B.3.3 Risk appetite framework

The Company's operations are subject to risk appetite statements defining the boundaries within which the Company is expected to operate when pursuing its strategy and that enable management and the Board to focus on meaningful high-level targets at the intersection of strategy, risk and performance.

Risk appetite statements are articulated at two different levels. The highest level statements, Tier 1, describe the Company's risk preference and overarching risk objective. Associated with each of these statements is a series of Tier 2 statements which reference specific key risk or performance indicators and for each define risk tolerances within which the risk profile would normally be expected to operate. Together these provide an objective basis for the ongoing assessment and monitoring of the risk profile that is linked to the objectives of the business.

Supplementing both the Tier 1 and 2 risk appetite statements are a series of risk monitoring statements. These refer to specific metrics and associated tolerances/targets that business risk management (1st line) operate the business with reference to. These risk profile characteristics are overseen by the 2nd line, risk management, and deviations from specified tolerances/targets at this operational level are reported to the Board for discussion on an exception basis. The lines of defence are explained further in section B.4.

B.3.4 Risk management responsibilities

The Board of Directors holds ultimate responsibility for the risk governance of the Company. The Company's Board Committees review and evaluate risk management processes and procedures, as well as monitor and oversee the guidelines and policies that govern the process by which the Company assesses and manages its exposure to risk. The Board Committees hold meetings at least quarterly, and more frequently as required, with members of senior management.

The Company's Board and Management Committees include:

- The Risk & Compliance Committee of the Board;
- The Audit Committee;
- The Underwriting Committee; and
- The Operations Committee.

To oversee risk management within the Company, the Board has formed the Risk & Compliance Committee. The objective of the Risk & Compliance Committee is to develop and implement an organisation-wide approach to the identification, assessment, communication, and management of risk in a cost-effective manner.

The Audit Committee's overarching responsibility is to oversee and challenge the effectiveness and appropriateness of the financial and internal controls of the Company (or carried out on behalf of the Company by the Group), the integrity of the statutory reporting arising out of the business of the Company, and to provide assistance to the Board of the Company in fulfilling its legal and fiduciary obligations relating to matters involving the accounting, auditing, financial reporting, and internal control functions of the Company.

The Underwriting Committee is a management committee which is responsible, for among other things, oversight of the Company's underwriting processes, procedures and controls, approval of any amendments to underwriting policy and guidelines, and monitoring of the Company's risk exposures. The Operations Committee which is also a management committee is responsible, for among other things, oversight of the day-to-day operations of the Company (e.g. claims handling, human resources, facilities), including the assessment and monitoring of operational risk.

B.3.5 Own risk and solvency assessment process

The Company operates under the jurisdiction of the Prudential Regulation Authority ("PRA") which under Solvency II Pillar 2, sets out the ORSA. The ORSA requires the firm to assess all of the current and possible future risks it has within its business to determine the level of capital needed to mitigate these risks.

The Company conducts its ORSA each quarter to assist the Board in making strategic decisions. The reports are presented to the Risk & Compliance Committee and the Board of Directors quarterly, and approved for regulatory submission annually. The ORSA process allows the Board to assess the current and potential future risks facing the Company to better understand the risk profile and to ensure that the Company is operating within its risk profile. The ORSA also informs the Executive Team and the Board on the level of capital resources needed to support the business plan. The information provided within the ORSA guides any risk mitigation actions, reassessment of risk profile and strategy, and decisions with regards to capital management.

The Company has determined that the Solvency II Standard Formula, which encompasses the primary drivers of risk exposure, is appropriate to use to calculate the required solvency capital needs. The Standard Formula employs a mathematical model that provides a risk-based framework to determine appropriate levels of capitalisation.

The Risk Management Function is responsible for conducting the quarterly ORSA process. The key business processes supporting the ORSA include: strategy reviews; business planning; the risk management framework; the stress and scenario testing framework and the technical provisioning process.

B.4 Internal control system

Risk management responsibilities are clearly defined across the Company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organisation, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team and subject to quarterly self-assessment.

- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the Board approved appetite statements regarding risk preference and tolerance. The risk function will intervene directly in modifying and developing the internal control and risk systems utilised in the first line, as such the second line of defence cannot offer truly independent risk assurance to the Board.

- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Actuarial Function operates within the first line of defence and is responsible for the provision of data from the Internal Model to support the monitoring of actual risk exposure against risk appetite statements and tolerances.

The Risk Management Function operates within the second line of defence and is responsible for the following activities:

a) To preserve financial soundness by
    i. Assessing and monitoring on-going capital and reinsurance adequacy
    ii. Advising the business on key risks and risk management strategies
    iii. Maintaining compliance with prevailing risk management standards / requirements and to support the business in minimising the otherwise avoidable costs of compliance

b) To maintain strategic focus and alignment by
   i. Embedding a clear and specific statement of business strategy and objectives
   ii. Maintaining a proactive and creative approach to understanding and responding to threats and opportunities over the strategic planning time horizon
   iii. Maintaining statements of the business' risk preferences and embedding these across the decision making system

c) To provide performance optimisation insight by
   i. Advising on the allocation of capital resources to maximise risk adjusted return in light of risk appetite preferences
   ii. Providing targeted and timely risk analytics to inform specific risk taking or risk mitigation decision making
   iii. Monitoring control effectiveness and facilitate optimisation of risk mitigation strategies and processes

The Compliance Function operates within the second line of defence and is responsible for ensuring business activities remain in accordance with prevailing regulatory requirements and minimum standard expectations. The activities of the Compliance Function are divided into the following strands of activity:

- Business advisory: ensuring that the Board, senior management, and staff of the Company are aware of the obligations and requirements imposed on them by the applicable regulatory regimes.
- Compliance monitoring: providing regular and prompt identification and assessment of compliance risk and the day-to-day operation of compliance tools, policies and procedures.
- Regulatory affairs: managing the relationship of the Company with its regulators.
- Complaints handling: administering and operating the complaints handling process for the Company on a day-to-day basis.
- Reporting on all of the above strands of activity to the Company's Board.

The Internal Audit Function acts as the third line of defence and conducts regular reviews of the Company's operations. Part of the scope of each audit is to review the relevant risks associated with the activities under audit, to test the controls as recorded in the risk register and to provide findings to senior management, risk management and the Audit Committee. The feedback may include recommendations for changes to be made to the risk register, controls or processes.

B.5 Internal audit function

The Internal Audit function's purpose is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Company by challenging the effectiveness of the framework of controls which enable risk to be assessed and managed. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control. Internal Audit has a direct reporting line to the Audit Committee as part of their oversight role.

Internal Audit undertakes, objectively and independent from management, three principal activities:

- Assessing and reporting (to Group and business unit audit and risk committees and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten Internal Audit's actual or perceived independence from management.

At least annually, an internal audit plan will be submitted to senior management and the Audit Committee for review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology including the input of senior management and the Audit Committee. The plan is reviewed and adjusted, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee through periodic activity reports.

A written report will be prepared and issued by the Audit Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit report will include management's response and corrective action to be taken along with a timetable for anticipated completion. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All findings will remain in an open issues file until cleared.

The Audit Director will periodically report to senior management and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

B.5.1 Independence

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Audit Director will confirm to the Board, at least annually, the organisational independence of the internal audit activity.

B.6 Actuarial function

The Company provides for an Actuarial Function as specified under Article 48 of the Solvency II Directive.

The roles and responsibilities of various stakeholders in terms of completing, reviewing and validating the tasks of the Actuarial Function are detailed below:

- Responsibility for coordinating the calculation of the technical provisions and all supporting analysis surrounding this process lies with the Actuarial Function Holder.
- The UK Chief Risk Officer has oversight of risk management system, with contributions from the Actuarial Function.
- The Actuarial Function provides its independent opinion on the underwriting policy. The Chief Pricing Actuary is heavily involved in providing the input for review into this process.
- The Actuarial Function provides its independent opinion on the reinsurance policy. The Ceded Reinsurance Officer is heavily involved in providing the input for review into this process.

The Actuarial Function is made up of qualified individuals who have knowledge of actuarial and financial mathematics and who demonstrate their relevant experience with applicable professional and other standards. It operates in conjunction with multiple functions of the organization, in particular Risk, Underwriting, Finance, and Claims. The Actuarial Function is provided with the necessary authority to carry out its role by the Board and is operationally independent of the Company's other Key Functions. Additionally, the Actuarial Function has access to the necessary information systems and data sources to enable it to undertake the work required.

B.7 Outsourcing

The Company has established standards, processes, roles and responsibilities for its arrangement of services to be provided by unaffiliated third parties ("outsourcer providers"). Outsourcing arrangements are supported by individual contracts and/or service level agreements ("SLA's"). Before an outsourcing arrangement is entered into, the Company assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Company applies the following due diligence and selection criteria:

- Formal reviews of the proposed outsourcing arrangements by the appropriate internal departments, including Legal;
- Request For Proposal ("RFP") requirements provide that single source procurement may be permitted with the approval of Legal; and
- Reviews by requester and the key management personnel to ensure that no conflicts of interest exist in engaging the outsourcer.

The selection criteria process should be agreed in advance by the requester and other reviewing parties and should consider the following factors, among others:

- demonstrated quality (financial and technical abilities);
- specialised knowledge and resources;
- control framework;
- conflicts of interest;
- value-add services as differentiators;
- long-term viability and pricing;
- availability of an adequate Business Continuity Plan; and
- risks from outsourcing and mitigation.

Outsourcing arrangements that have cleared due diligence and met the appropriate selection criteria are reviewed to determine if an RFP is applicable. Where an RFP process is deemed appropriate, a reasonable number of competitive bids should be obtained to ensure quality services are being received at an appropriate price.

For any proposed outsourcing arrangement not subject to an RFP process, the requester must provide formal justification for single source procurement and obtain approval from Legal.

In all outsourcing situations where outsourcers will access the Company's non-public information and/or systems, outsourcers will be required to sign a non-disclosure agreement.

The Company has defined key management personnel that are authorised to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are recorded in the Group's "Authorised Approvers" policy document and includes the requirements for adequate specifications for the services to be entered into.

A summary of critical functions/activities outsourced, and the jurisdiction in which the service providers are located, is below.

Service	Description	Jurisdiction
Policy administration*	Data Capture & Data Quality Control, for bound Policies. Services also include report generation, audit support, file management and contract certainty checking.	UK and India
Credit control*	Cash management and chasing, including reconciliation and ongoing reporting of aged debt and unallocated cash.	UK
Claims and claims administration*	Claims review and settlement (within authority) or referral, including regular reporting and update, based on lead / follow terms.	UK
Delegated underwriting services	Chasing, upload and storage of all Delegated Underwriting Bordereaux (premiums and claims) and reporting services. Also includes the utilisation of 'BinderCloud' third party software, from the outsourced service provider.	UK and India
Investment management and accounting	Portfolio management in line with Board approved investment strategy, report generation and creation of accounting entries.	USA
Payroll	Payroll processing and payment, report generation and payslip production.	Spain and India
IT helpdesk	Telephone support covering desktop and mobile devices.	USA

**Direct insurance and facultative reinsurance only*

B.8 Any other information / summary

To effectively manage the risks inherent in the business, a set of risk policies have been developed to outline the policies, processes and procedures in place at the Company by risk type and functional area.

The corporate risk governance and the supporting risk management standards are intended to represent best practices based on the nature, scale, and complexity of the Company's operations, the relevant governing regulatory requirements as well as the composition and experience of the Company's management team and the Board of Directors.

Below are policies of the Company considered as part of the Solvency II framework and their dates of formal adoption.

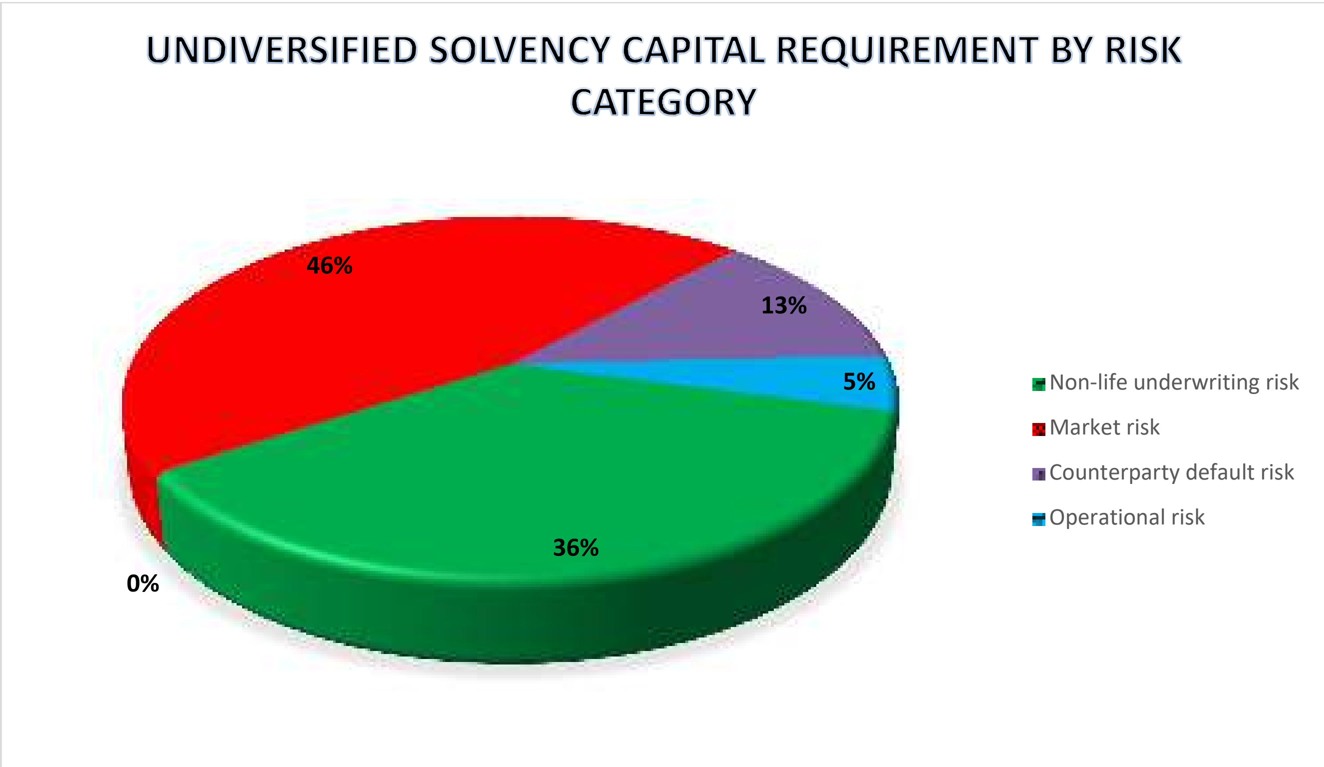
Policy	**Date policy most recently approved by the Board**
Data Quality Policy	28/11/2018
Reserving Policy	28/11/2018
Internal Control Policy	updated 2/03/2018
Corporate Governance Policy	28/11/2018
Fit & Proper Policy	28/11/2018
Supervisory Reporting and Disclosure Policy (Reporting Policy)	28/11/2018
Risk Management Policy	updated 8/3/2018
Compliance Policy and Procedures	07/06/2018

Management believe that the system of governance in place is suitable given the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile

The Company is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. This section summarises the current risk profile of the business, and how the Company manages these risks.

The undiversified risk profile of the Company, as determined by the Standard Formula.



C.1 Underwriting Risk

The Company seeks risk through its (re)insurance underwriting activities to generate financial earnings. The main risks assumed through underwriting activity can be sub-divided into: pricing risk; accumulation risk; and reserve risk.

- Pricing risk describes the potential for systematic errors in the determination of the appropriate premium to charge for policies underwritten by the Company. This could arise due to changes in the legal or external environment, changes to the supply and demand of capital, and companies using inadequate information to make decisions. This risk could affect multiple classes across a number of underwriting years.

- Accumulation risk describes the potential for loss associated with any event or cause which has the capacity to result in more than one policy responding. This definition encompasses all classes of business written by the Company in all territories and includes both natural and man-made causes. Specific causes of accumulation risk include for example: earthquakes, hurricanes, acts of terrorism or systemic malpractice in an industry.

- Reserve risk describes the potential that provisions set aside to meet claims payments in respect of events that have occurred turn out to be inadequate. This risk is most pronounced for medium and long tailed business where the typical period between loss occurrence and ultimate claim settlement can be very long, in these cases unanticipated changes in the legal landscape (e.g. tort reform) or external conditions (e.g. inflation) can have a material impact on the adequacy of claims provisions. For short tailed business reserve uncertainty can be significant immediately following a major event, however the typically shorter reporting and settlement periods mean this risk is unlikely to persist and compound over time.

The Company's approach to risk management for each of these is set out below.

C.1.1 Approach to Risk Management

C.1.1.1 Pricing Risk

The Company uses a range of techniques to manage this risk as set out below:

- The Company recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority ("LOA") are the primary tool for promulgating and implementing underwriting risk preferences and limits. As detailed in the underwriting policy, LOAs are issued to individual underwriters with concurrence from the respective CEOs of the Insurance and Reinsurance segments, being the segments the Company uses to manage the business. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters' responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter's ability to legally bind contracts on behalf of the Company. LOAs contain effective and expiration dates and are reviewed periodically, at a minimum biannually, on an individual underwriter basis by the Underwriting Committee. The underwriting process is supported by pre and post-bind peer reviews, as well as regular independent reviews, the framework and reporting of which is overseen by the Underwriting Committee.

- Underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered.

- The Company has fully integrated its internal actuarial and modelling staff into the underwriting and decision making process. The Company uses in-depth actuarial and risk analyses to evaluate transactions prior to authorisation, assessing and charting pricing changes and rate adequacy. In addition to internal actuaries and risk professionals, external specialists will be used to provide support in developing and utilising robust risk intelligence to inform underwriting decisions.

- The Company has established a framework to enable the business to regularly assess and monitor performance drivers on a portfolio basis. The approach generates insight by integrating the analytics across a number of disciplines (including: actuarial, claims and risk) and engaging with underwriting teams quarterly to pro-actively monitor and respond to underwriting performance trends on both an absolute and risk adjusted basis.

- The claims team performs regular reviews of emerging claims trends and monitor changes in the legal landscape. The claims team meets with underwriting teams regularly to provide feedback on specific losses and identified trends to inform risk selection and coverage considerations.

- New business proposals, and/or opportunities that have a significant impact on the risk profile are subject to review and approval by the Underwriting Committee, including consideration of the fit of the proposal with business objectives, risk appetite and operational expertise and capabilities. Annually business plans for the Company are reported to the Board for discussion and approval.

- Annually the actuarial function provides an opinion to the Board on the adequacy of pricing levels reflected in the plan with due consideration to changes in the composition of the Company's portfolio, external influences, and the risks of anti-selection across the portfolio.

- Where the Company delegates underwriting authority either partially or fully to a third-party it is exposed to the risk that the related party fails to operate within agreed guidelines or to adequately price and/or reserve for the business. The Underwriting Committee is responsible for oversight of all delegated underwriting arrangements; the Committee is supported by a delegated underwriting group that meets quarterly to oversee delegated underwriting arrangement administration, processing and performance. Independent audits of delegated underwriting partners are performed regularly with findings reported to the Underwriting Committee.

C.1.1.2 Accumulation Risk

The Company uses a range of techniques to manage this risk as set out below:

- Underwriting guidelines are documented for each underwriter across all classes of business including maximum line sizes, accumulation limits for single events and risk preferences. The risk profile of each class is monitored against these guidelines by exposure management analysts and modellers embedded within the underwriting team. Material variations to documented guidelines are reported to the Chief Underwriting Officer and UK Chief Risk Officer ("CRO") at which time remediation actions will be considered.

- At least annually the Group will complete a review of its ceded reinsurance strategy, with reference to the objectives of the Group business, its risk appetite and prevailing market conditions / trading opportunities. Any changes to the reinsurance strategy, including inter-company arrangements, are reported to the Underwriting Committee prior to implementation.

- Annually the actuarial function provides an opinion to the Board on the adequacy of reinsurance arrangements anticipated in the plan with due consideration of: the consistency with the Company's risk appetite and business plan; the ability to support solvency under stressed scenarios; and the standing and repute of counterparties.

- The Company utilises a variety of proprietary and commercially available tools to quantify and rank the hazard (i.e. exposure and vulnerability to specific loss drivers) accepted by the Company through underwriting individual contracts of (re)insurance. This information, where available, is used to inform the underwriting risk selection. Proprietary tools include a variety of natural catastrophe, weather, casualty, aviation, credit, economic and other specialty risk models as well as a suite of deterministic scenarios.

- The Company has established a robust system for the identification, quantification, reporting and monitoring of accumulation risk exposures (both natural and man-made) across the business. As part of the exposure management framework, the risk function: Identifies, at least annually, all realistic foreseeable accumulation risk sources and performs sufficient work to quantify each with regard to the potential downside exposure to the Company; Provides regular reporting of the Company's accumulation risk exposures to the Company's relevant oversight committees; Assists management to ensure adequate reinsurance and capitalisation with respect to accumulation risk; Assists management and the underwriting function to maintain accumulation risk levels within risk appetite, and; identifies opportunities and advises on tactical business decisions.

- The Company maintains an economic capital model and a number of supporting processes, to explicitly quantify the key drivers of risk, their associated financial consequences across the business and their interdependencies for a wide range of scenarios of differing severities. The economic capital model leverages the assessments of accumulation risk provided by the exposure management framework and additionally incorporates a suite of both proprietary and external risk models. The risk drivers modelled in the economic capital model are reviewed at least annually for completeness with reference to: the identified universe of realistic foreseeable accumulation risks; historical events; expert judgements; and, the risk universe identified in the risk register. The economic capital model output is used to assess the appropriateness of the Solvency II Standard Formula regulatory capital requirement.

- Oversight of underwriting accumulation risk management is provided by the Risk & Compliance Committee with day-to-day management responsibility delegated to the Underwriting Committee. The Underwriting Committee meets quarterly to receive management information and discharge its delegated oversight duties, including monitoring accumulation risk levels relative to approved risk limits.

C.1.1.3 Reserving Risk
The Company uses a range of techniques to manage this risk as set out below:

- At least annually each class of business (including delegated business) is subject to a detailed reserve review where actuarial and statistical techniques are used to derive loss reserve estimates from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors. In respect of individual claims and/or events where the potential for reserve development is material, reserve selections will be informed by an update of the loss circumstances provided by the claims team.

- Oversight of loss provisions is provided by the Audit Committee, which meets quarterly to monitor reserve adequacy. Annually the actuarial function reports on the adequacy of loss provisions established both on a GAAP and economic basis through the Actuarial Function Holder Report provided to the Board.

C.1.2 Assessment of Risk

As determined by the Standard Formula, underwriting risk comprises 36% (2017: 31%) of the undiversified total SCR. Whilst the primary activity of the Company is to underwrite (re)insurance business, significant levels of outwards reinsurance protection serve to materially limit the contribution of this risk to the overall risk profile of the Company.

C.1.2.1 Material Risk
The Company's exposure to accumulation risk is managed by comprehensive outwards reinsurance protections, including intra-group stop loss reinsurance. Retained underwriting risk primarily reflects exposure to pricing and reserve risk. The lines of business that are most exposed to these risks are reflected in the capital needs of the Company as defined by the Standard Formula. For the Company, these lines of business are:

- General liability insurance and proportional reinsurance;
- Marine, aviation and transport insurance and proportional reinsurance;
- Non-proportional casualty reinsurance; and
- Fire and other damage to property insurance and proportional reinsurance.

C.1.2.2 Concentration Risk
Concentration risk arises out of accumulation of exposures to geo-physical, geo-political, economic, technological, societal and environmental threats. The Company conducts annual risk assessments which review the current strategies for identifying and managing these risks. An objective of the risk assessment process is to highlight any increases in risk exposures as well as any deficiencies in the Company's strategies to address these risks.

C.1.3 Sensitivity of Risk

The Company carries out various sensitivity testing as part of its risk management process, and one such test involves gross and net impact to profit with increases to loss ratios of 10%, with all other assumptions held constant, to test the sensitivity of the loss ratio assumptions to the overall Company strategy.

Amounts in GBP'000	Change in assumption	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on capital and reserves	% of Solvency II surplus
2018 Loss ratio	+ 10%	14,209	4,629	(4,629)	(4,629)	(2.3%)
2017 Loss ratio	+10%	18,900	5,404	(5,404)	(5,404)	(2.3%)

When considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), this sensitivity test shows that the Company's capital base can withstand some level of systemic mispricing, but the tests highlight the importance of vigilant oversight of our underwriting controls. Nevertheless, the potential for loss ratio deterioration is limited by the intra-group stop-loss agreement with Endurance Specialty Insurance Limited, an indirect subsidiary of the Company's ultimate parent undertaking.

Reserve risk sensitivity tests have been performed by the Company to assess the profit/loss impact of misestimation of reserve liabilities. These tests assess how the variability in the initial expected loss ratio ("IELR") and the variability in how quickly claims are reported impact the reserve estimation. Each variable was increased and decreased by 10%.

The results of these tests are as follows:

Potential Percentage Change in Total Loss and Loss Expense Provisions

	Initial Expected Loss Ratio		
2018 Reporting Pattern	**10% Lower**	**Unchanged**	**10% Higher**
10% Faster	(6.6%)	(4.2%)	(1.7%)
Unchanged	(2.7%)	0.0%	2.7%
10% Slower	2.7%	5.7%	8.7%
2017 Reporting Pattern	**10% Lower**	**Unchanged**	**10% Higher**
10% Faster	(7.9%)	(5.2%)	(2.5%)
Unchanged	(3.0%)	0.0%	1.3%
10% Slower	1.7%	2.6%	3.6%

The results show that in the most severe scenario above (10% higher IELR with 10% slower reporting of losses), the Company expects an 8.7%, or £13.7M, reserve increase. These tests are meant to show the sensitivity of the assumptions in the reserving methodology and, when considered alongside the Company's own funds (section E.1) and capital requirements (section E.2), the results show that the Company can withstand such fluctuation in the held reserves. However, it does highlight the consistent need to be regimented with regards to reserve control processes.

In the above table the reduced impact of the two most severe scenarios, between years-end 2017 and 2018, is primarily due to lower expected recoveries from the internal stop loss reinsurance at year-end 2018. Due to the 2017 cat events, the current accident year base loss ratio at year-end 2017 nearly breached the stop loss trigger and applying the assumptions under the two most severe scenarios triggered stop loss recoveries. As at 31 December 2018, none of the scenarios trigger stop loss recoveries in the current accident year due to a base case loss ratio that is well below the stop loss trigger. At year-end 2018, significant deterioration in the reserves for the current accident year is required before the stop loss trigger is breached. Accident year 2017 continues to attract stop loss recoveries under all scenarios.

We have also assessed the impact of a change in IELRs on the future claims (and associated expenses) within the premium provisions component of the Solvency II technical provisions. We applied a +/-10% stress to the assumed IELR's, and this resulted in a £3.5m (4.4%) movement in the Solvency II technical Provisions.

C.2 Market Risk

Market risk describes the Company's exposure to external influences on its assets resulting in financial losses or gains from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, currency exchange rates and market prices.

C.2.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- To ensure diversification of the investment portfolio and avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Company's investment portfolio and monitored on an ongoing basis.

- Any changes to the Company's investment policy is reviewed and approved by the Audit Committee. The risk profile of the Company's investment portfolio is monitored against approved risk limits and targets quarterly by the Risk & Compliance Committee.

- The Company uses a number of capital-at-risk models, which include scenario based measures, value-at-risk and credit impairment calculations to evaluate its investment portfolio risk. The Company regularly evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.

- The Company maintains an asset liability management strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities and the anticipated interest rate environment. Foreign currency risk is managed by seeking to match liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets such as cash and investments that are denominated in such currencies.

C.2.1.1 Prudent Persons Principle

The investment strategy is reviewed by the Board, and implemented by the Investment Function, which hires third-party investment managers to invest the assets under the direction of the 'prudent person principle' aligned Investment Policy, and specific guidelines for each manager. A small percentage of assets are managed internally.

Prior to hiring an investment manager, a rigorous due diligence process is followed to ensure that the manager has the adequate skills, qualifications, experience and resources to carry out the duties that they have been delegated. The investment manager guidelines prescribe the types of securities that the manager may invest in and those that are prohibited. The guidelines also set individual issuer limits based on credit quality, as well as aggregate sector and credit quality limits, ensuring adequate portfolio diversification. The investment manager is given a performance benchmark with appropriate sector exposures and duration to meet the needs of the Company.

C.2.2 Assessment of Risk

As determined by the Standard Formula, market risk comprises 46% (2017: 50%) of the undiversified total SCR.

C.2.2.1 Material Risk

The market risk charge is driven in majority by a currency risk charge. The Company has a GBP functional currency but holds a significant capital surplus in USD, resulting in exposure to material foreign exchange gains/losses in the reported financial statements.

C.2.2.2 Concentration Risk

The Company is subject to concentration risk in its investments. In order to minimise its exposure to investment concentration risk, the Company has designed its investment portfolio to diversify risks to the extent practical, particularly with regard to interest rate, credit, structure and equity risks. To ensure diversification and to avoid excessive aggregation of risks, the Company has placed limits on asset types, economic sector exposure, industry exposure and individual security exposure which are monitored on an ongoing basis.

The table below shows the exposure of the Company's investment portfolio to asset types and currency.

Amounts in GBP'000	GBP	USD	EUR	2018 Total	GBP	USD	EUR	2017 Total
Collateralised securities	6,308	173,130	2,247	181,685	5,636	130,846	2,180	138,662
Government bonds	68,102	81,034	11,394	160,530	51,454	82,173	9,579	143,206
Corporate bonds	27,736	133,853	3,787	165,377	23,969	120,277	5,532	149,778
Other investments	-	-	-	-	-	-	-	-
Investment portfolio cash	508	1,005	520	2,032	20,398	897	467	21,762
Total	102,654	389,022	17,948	509,624	101,457	334,193	17,758	453,408

C.2.3 Sensitivity of Risk

The majority of the Company's investments comprise cash and fixed income securities. The fair value of the Company's investments is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Company's fixed income securities tends to rise and vice versa.

The table below shows the potential impact on investment portfolio valuation resulting from fluctuations in interest rates, based on the portfolio duration, as follows:

Amounts in GBP'000 Change in interest rates (basis points)	**2018 Impact on valuation**	**% of Solvency II surplus**	**2017 Impact on valuation**	**% of Solvency II surplus**
+100 bps	(16,852)	(8.4%)	(12,472)	(5.4%)
+50 bps	(8,206)	(4.1%)	(4,848)	(2.1%)
-50 bps	7,312	3.7%	9,248	4.0%
-100 bps	13,483	6.7%	14,661	6.3%

The Company manages interest rate risk by regularly monitoring the average duration of financial investments.

The Company operates internationally and therefore has exposure to foreign exchange risk. The Company endeavours to mitigate this risk by maintaining a match of assets and liabilities in their respective currencies. However, the Company's major exposure to foreign exchange is through its US Dollar investment portfolio where all excess capital is held.

The table below shows the potential impact, by currency, on the income statement and equity resulting from fluctuations in foreign exchange rates:

Amounts in GBP'000 Change in GBP versus foreign currency **2018**	**USD**	**EUR**	**AUD**	**JPY**	**Total**
+10%	(25,168)	3,537	(472)	210	(21,892)
+5%	(13,183)	1,853	(247)	110	(11,466)
-5%	14,570	(2,049)	273	(122)	12,673
-10%	30,760	(4,324)	577	(258)	26,756
2017	**USD**	**EUR**	**AUD**	**JPY**	**Total**
+10%	(22,816)	(960)	(611)	274	(24,113)
+5%	(11,952)	(503)	(320)	144	(12,621)
-5%	13,209	557	353	(158)	13,961
-10%	27,884	1,174	746	(334)	29,470

The Company manages foreign exchange risk by buying or selling currency to rebalance its monetary assets and liabilities following each quarter end.

The Company is exposed to spread risk relating to its fixed income assets. The following table shows the potential impact on the income statement resulting in widening of yield spread.

Amounts in GBP'000	**Fixed Income Market Value**	**2018 Loss**	**% of Solvency II surplus**	**Fixed Income Market Value**	**2017 Loss**	**% of Solvency II surplus**
Base	509,624			453,408		
10 bps widening		(1,452)	(0.7%)		(1,315)	(0.6%)
50 bps widening		(7,262)	(3.6%)		(6,574)	(2.8%)

While the Company does not place any limits on spread duration exposure, it does place limits on individual issuers and on industry sectors as a whole in order to manage its spread risk. The investment portfolio is monitored regularly for adherence to these limits.

C.3 Credit Risk

Credit Risk arises from exposure to default by a third party to whom the Company has exposure. Primarily these parties would comprise reinsurers to whom the Company has ceded or retroceded business, parties holding premiums due to the Company and banks providing letters of credit to its benefit.

C.3.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The purchase of ceded reinsurance is coordinated by the Ceded Reinsurance Officer who works with the business and various functional areas to determine coverage needs, develop an appropriate reinsurance structure and build the submission to present to market. The Ceded Reinsurance Officer ensures that the data contained within the submission is both accurate and that the narrative outlining the business' strategy is relevant. All draft contracts undergo a legal review prior to binding.

- The Company avoids excessive and non-diversified use of reinsurance by doing business only with reinsurers of sufficient credit or financial strength. All reinsurance purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating (minimum A- rating required) and other background criteria. In the event of credit downgrades below the minimum required, approved counterparties may be removed from the panel.

- The Company additionally maintains intra-group reinsurance agreements with Endurance Specialty Insurance Ltd and Sompo Japan Nipponkoa Insurance Inc, which includes quota-share, stop-loss reinsurance and excess of loss reinsurance. The company was also party to two additional quota-share arrangements with Blue Water Re Ltd affiliates. The Company regularly monitors the credit risk assumed through these intra-group transactions assessing what impact cessation of this protection would have on the capital and/or liquidity position of the Company under both normal and stressed conditions. This is reviewed by the Board at least annually.

- Outwards reinsurance and other counterparty risk levels are monitored by the Risk & Compliance Committee quarterly through a series of quantitative and qualitative risk metrics. Material deviations in the risk levels from pre-determined risk tolerances are notified to the Board and remedial action to bring risk levels within appetite are considered.

C.3.2 Assessment of Risk

As determined by the Standard Formula, credit risk comprises 12% (2017: 13%) of the undiversified total SCR.

C.3.2.1 Material Risk

The Company is subject to credit risk primarily with respect to its reinsurers because the transfer of risk to a reinsurer does not relieve the Company of its liability to its clients. If reinsurers experience financial difficulties, the Company may not be able to recover losses. In addition, reinsurers may be unwilling to pay, even if they are able to do so. The failure of one or more of reinsurers to honour their obligations in a timely fashion would impact cash flow and reduce net income. Depending upon the amount of reinsurance purchased, such a scenario could cause a significant loss to the Company.

C.3.2.2 Concentration Risk

When reinsurance or retrocessional reinsurance is purchased, the Company requires its reinsurers to have strong financial strength ratings. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, may hold collateral in the form of cash, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

The Company identifies and accumulates credit risk exposure by entity and by credit rating to provide assurance that it is not overweight to any particular entity or to credit ratings of A- and below. The following table summarizes the major counterparty exposure, on a UK GAAP basis, by Standard & Poor's or equivalent credit rating:

Amounts in GBP'000						
2018	**AAA**	**AA**	**A**	**BBB and below**	**Other/not rated**	**Total**
RI share of claims outstanding	580	184,573	22,046	12,515	9,512	229,226
Cash and cash equivalents	-	-	63,124	-	-	63,124
Other assets	-	-	8,762	-	3,030	11,792
Total	580	184,573	93,932	12,515	12,542	304,142

2017	AAA	AA	A	BBB and below	Other/not rated	Total
RI share of claims outstanding	-	-	201,704	12	4,743	206,459
Cash and cash equivalents	-	-	53,634	-	-	53,634
Other assets	-	-	11,901	-	5,926	17,827
Total	-	-	267,239	12	10,669	277,920

The financial assets included in the 'other/not rated' column relate to reinsurers' share of claims outstanding with unrated counterparties which are either not rated or cannot be readily allocated a credit rating.

C.3.3 Sensitivity of Risk

The Company has analysed the impact of potential credit rating transitions and concluded that a downgrade of its largest reinsurer would not have a significant impact on its solvency.

C.4 Liquidity Risk

Liquidity Risk represents the risks where the short term liability obligations cannot be met by the Company due to the inability to convert assets into cash. Such a scenario can be driven by a lack of buyers in an inefficient market.

C.4.1 Approach to Risk Management

The Company uses a range of techniques to manage this risk as set out below:

- The Company is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. The Company's policy is to manage its liquidity position, allowing for encumbered assets and restricted fungibility of assets, so that it can reasonably meet a significant individual or market loss event. At least annually, the risk team performs a liquidity stress analysis, which considers the availability and fungability of Group funds to support legal entity capital needs in the event of a major market or economic shock.

- The Company maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Company's investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash is generally bank deposits and money market funds.

- Contingent liquidity funding is provided by the Net Worth Agreement with ESIL which has a liquidity provision should the Company have insufficient funds to make a required payment for any valid claims under the policies issued by EWIL and valid claims of financial creditors as they fall due for payment.

C.4.2 Assessment of Risk

C.4.2.1 Material Risk

The Company's liquidity risk exposure primarily arises during periods of stress such as catastrophe events or major individual losses that require losses to be settled over a relatively short time-frame. This may be due to client needs or driven by insurance regulators in the jurisdiction of the loss event. The Company may also experience delays in the corresponding recovery of loss amounts paid from its reinsurers, potentially adding to the short-term liquidity strain.

C.4.2.2 Expected Profit included in Future Premiums ("EPIFP")

The total EPIFP calculated as at year-end 2018 has reduced from £58.8M in 2017 to £50.4M in 2018 due to a methodology change.

C.4.3 Sensitivity of Risk

The Company has a liquidity risk limit framework in place to ensure that there is an appropriate level and composition of liquid funds in place to meet expected future cash outflows under normal and stressed market conditions.

C.5 Operational Risk

In undertaking its core underwriting and investment activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded, in particular operational risk. Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes Regulatory and Legal Risk. Regulatory Risk includes the risk of non-compliance with prevailing regulatory requirements; Legal Risk includes the risk of non-compliance with corporate, taxation and employee legislation in the UK, the US and other appropriate jurisdictions, as may be the case from time to time.

C.5.1 Approach to Risk Management

If not properly managed, operational risk can cause significant losses for the Company. It is virtually impossible to eliminate these risks entirely; therefore, the Company aims to limit its operational risk losses to an acceptable risk appetite, recognising the trade-off between the benefits and costs of risk mitigation.

The Company uses a range of techniques to manage this risk as set out below:

- The Company seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business. Individual risk owners are assigned to each key risk and are responsible for ensuring that the control framework in place to mitigate those risks are designed and operating effectively. The risk function is responsible for facilitation and oversight of the risk and control assessment framework, and provides appropriate information and reporting to the relevant oversight committees.

- The Operations Committee has oversight responsibility for operational risk and is supported by the Operations Management Group is comprised representatives from each of the key supporting business functions. The risk function provides reporting to the Operations Committee and Operational Management Group, including a summary and assessment of key operational risks impacting the Company.

- Oversight of compliance with regulatory requirements is provided by the Board with day-to-day management responsibility delegated to the Risk & Compliance Committee. The Risk & Compliance Committee meets quarterly to receive management information and discharge its delegated oversight duties. To support the Board in fulfilling its oversight responsibilities the compliance function monitors and reports upon the status of the business in meeting minimum standards expectations and regulatory requirements.

- A suite of operational risk indicators is monitored against approved risk to limits quarterly, with any material exceptions or emerging trends reported to the Risk & Compliance Committee. The regulatory capital requirement of the Company also includes an operational risk capital charge.

- The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Company's internal controls. The audit function considers the operational risk self-assessment to develop its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register. All findings are reported to the Audit Committee.

C.5.2 Assessment of Risk

As determined by the Standard Formula, operational risk comprises 5% (2017: 9%) of the undiversified total SCR.

C.5.2.1 Material Risk

The Company's operational risk exposure arises primarily from activities required to support the continued business growth and product expansion in competitive market conditions and heightened regulatory conditions. There are a significant number of change initiatives underway to transform the Company's operations and deliver improved operating efficiency and effectiveness, positioning the business to sustainably create value even in competitive trading conditions.

C.5.3 Sensitivity of Risk

The level of operational risk retained by the Company is sensitive in particular to the quality and motivation of the talent in place to drive the business and deliver process and systems enhancements over time. The Company reviews and charts its operational risk exposure quarterly by eliciting expert judgments of the operational risk landscape from identified key control and risk owners across the business.

C.6 Other material risks

In addition to the risks identified above, a few key risks assessed through the risk registers are outlined below:

- Strategic Risk: Risk includes the risk of missed business opportunities, non-achievement of corporate or Company strategy and impact on competitive positioning and the value of the Company brand. It includes the risks: of making strategic decisions that do not add value; that environmental conditions prevent the strategy from being executed; that distributed leadership does not execute the strategy effectively or consistently; of a diminution of the reputation of the Company; and of having inadequate crisis response management.

- Emerging Risks: Emerging risk is defined as newly developing or changing risks which are difficult to quantify and which may have a major impact on the organisation. The Company operates a group wide emerging risk identification process which captures and assesses the potential impact and appropriate actions necessary to manage emerging risks.

- Group Risk: Risks to the Company arising specifically from being a part of a wider corporate group, including but not limited to the risk of reputational impairment or of loss of support, both financial and operational, from the Group. Group risk is mitigated through the application of strong controls and a consistent risk management framework, including risk limits, across all entities in the Group. This helps mitigate any material impairment to the Group's financial position, brand and reputation.

- Conduct Risk: Conduct risk is defined as the risk that the Company fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics by the Operations Committee and Risk & Compliance Committee.

C.7 Other information

There is nothing further to report regarding the risk profile of the Company.

D. Valuation for Solvency Purposes

D.1 Assets

D.1.1 Solvency II valuation for each material class of asset

Amounts in GBP'000				**31 Dec 2018**
	UK GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	37,063	-	(37,063)	-
Property, plant and equipment held for own use	5,186	-	-	5,186
Investments (other than assets held for index-linked and unit-linked contracts)	504,713	2,878	-	507,591
Reinsurance recoverables	349,614	(77,982)	(103,309)	168,324
Deposits to cedants	10,289	-	-	10,289
Insurance and intermediaries receivables	92,390	(77,906)		14,485
Reinsurance receivables	92,834	(41,033)		51,801
Receivables (trade, not insurance)	2,760	-	-	2,761
Cash and cash equivalents	65,156	-	-	65,156
Deferred tax assets	4,334	-	5,401	9,735
Any other assets, not elsewhere shown	15,154	(11,641)		3,513
	1,179,494	(205,684)	(134,971)	838,839

Amounts in GBP'000				**31 Dec 2017**
	UK GAAP	Re-classification	Valuation differences	SII basis
Deferred acquisition costs	32,953	-	(32,953)	-
Property, plant and equipment held for own use	2,953	-	-	2,953
Investments (other than assets held for index-linked and unit-linked contracts)	429,072	2,574	-	431,646
Reinsurance recoverables	293,650	(20,458)	(62,857)	210,335
Deposits to cedants	8,915	-	-	8,915
Insurance and intermediaries receivables	75,291	(64,658)	-	10,633
Reinsurance receivables	69,077	(35,785)	-	33,292
Receivables (trade, not insurance)	2,231	-	-	2,231
Cash and cash equivalents	75,395	-	-	75,395
Deferred tax assets	2,885	-	2,934	5,819
Any other assets, not elsewhere shown	22,840	(14,474)	-	8,366
	1,015,262	(132,801)	(92,876)	789,585

Property, plant and equipment held for own use

Property, plant and equipment is held at fair value.

Investments (other than assets held for index-linked and unit-linked contracts)

Investments are valued at fair value including accrued interest using the following valuation hierarchy as set out in article 10 of the Delegated Regulation.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities, per Article 10(2) of the Delegated Regulation.
- Level 2: Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly, per Article 10(3) of the Delegated Regulation.
- Level 3: Unobservable inputs are used to measure fair value by use of valuation techniques, per Article 10(5) of the Delegated Regulation.

At year-end all financial investments (£507m)were priced using a Level 2 inputs, i.e. pricing service or index provider. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon.

Deposits to cedants

Deposits with ceding undertakings relate to premiums, profit commissions, claims and/or funds advanced for claims. The receivables are analysed to determine which amount if any are deemed as more than likely to be received in a period greater than one year. Amounts that are deemed as such will be valued on a discounted cash flow basis, where the effect of the discount is material.

Insurance and intermediaries receivables, and reinsurance receivables

Receivables include only items past due and recoveries in respect of paid claims. These are fair valued at an amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC.

Cash and cash equivalents

Cash and cash equivalents are valued at fair value as reported to the Company by the relevant financial institution at the end of the period, per Article 10(2) of the Delegated Regulation.

There are no significant estimates or judgments used in valuing the cash holdings.

Deferred tax assets

To the extent that there is a deferred tax asset, this will be recognised as future taxable profits are considered sufficiently probable. This is subject to ongoing review to reflect future profit projections. The deferred tax asset recognized in the current period is not material to the Company's solvency position, all timing differences are expected to reverse within a one-year time horizon based on future forecast profitability.

D.1.2 Differences between Solvency II valuation and local GAAP valuation by material class of asset

The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of unearned premium and deferred costs do not therefore exist and thus both the ceded unearned premium reserve and gross deferred acquisition costs are removed from the balance sheet.

Property, plant and equipment held for own use

The UK GAAP depreciated historic cost value is materially equivalent with the Solvency II carrying value. Management believe that the nature of the property, plant and equipment (being predominantly office equipment and fixtures and fittings) means these assets are unlikely to appreciate in value, but rather deteriorate throughout use.

Investments (other than assets held for index-linked and unit-linked contracts)

The valuation according to Solvency II is based on fair value including accrued interest. For UK GAAP, the Company also values investments at fair value, however the accrued interest (£M) is reported separately under other assets.

Deposits to cedants

Deposits with ceding undertakings are all due in under one year. There are no differences between the Solvency II valuation and the UK GAAP valuation of deposits to cedants.

Insurance and intermediaries receivables, and reinsurance receivables

Receivables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. For items past due and recoveries in respect of paid claims, the UK GAAP carrying value is materially equivalent to the Solvency II carrying value.

Cash and cash equivalents

There are no differences between the Solvency II valuation and the UK GAAP valuation of deposits with cash and cash equivalents.

Deferred tax assets

An additional deferred tax asset of £5.4M has been recognised on the Solvency II Economic Balance Sheet compared to UK GAAP for the impacts of technical provisions differences. Based on future profitability projections, it is expected that these timing differences will fully reverse in 2019 and the deferred tax asset has therefore been recognised in full.

D.1.3 Changes to the recognition and valuation bases used, or on estimations during the reporting period

There have been no changes to the recognition, valuation or estimation methods used during the period.

D.2 Technical provisions

General insurance business technical provisions for solvency are calculated to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure, with the addition of a risk margin.

General insurance business (non-life) technical provisions are comprised of the following components:

- Discounted best estimate of i) future cash-flows relating to incepted earned business (claims provisions) and ii) future cash flows relating to incepted unearned business and un-incepted business for which the (re)insurer is 'legally obliged' as at the valuation date.
- Discounted best estimate of loss and loss expense cash-flows relating to both earned and unearned business and both gross business and outwards reinsurance. This includes allowance for very low probability extreme events referred to as ENIDs ("Events not in Data") and for all expenses incurred in running-off the existing business (assuming a going-concern), including a share of the relevant overhead expenses.
- Risk margin calculated using a cost of capital approach. This approach requires the risk margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the current obligations over their lifetime.

D.2.1 Technical provisions analysed by each material line of business

Amounts in GBP'000					**31 Dec 2018**
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	79,627	5,336	84,963	23,332	61,632
General liability insurance	119,497	12,019	131,516	60,097	71,419
Marine, aviation and transport insurance	35,803	4,275	40,077	36,718	3,360
Non-prop. marine, aviation and transport reinsurance	12,779	239	13,017	12,560	457
Non-proportional casualty reinsurance	65,666	15,203	80,869	12,356	68,513
Non-proportional property reinsurance	26,043	1,166	27,210	12,765	14,445
Other	26,326	3,751	30,077	10,497	19,581
	365,741	41,989	407,730	168,324	239,406

Amounts in GBP'000					**31 Dec 2017**
	Gross best estimate	**Risk margin**	**Gross total**	**Reinsurance**	**Net total**
Fire and other damage to property insurance	89,540	1,261	90,801	58,583	32,218
General liability insurance	99,207	3,742	102,949	52,190	50,759
Marine, aviation and transport insurance	35,894	1,284	37,178	31,636	5,542
Non-prop. marine, aviation and transport reinsurance	18,784	170	18,954	17,781	1,173
Non-proportional casualty reinsurance	33,674	24,978	58,652	12,358	46,294
Non-proportional property reinsurance	34,909	1,046	35,955	19,620	16,335
Other	20,323	1,274	21,597	18,166	3,431
	332,331	33,755	366,086	210,334	155,752

Description of bases, methods and main assumptions used

Best Estimate Liabilities

The projection of both Solvency II best estimate liabilities and UK GAAP booked reserves utilizes paid and reported loss data, segmented into homogeneous risk groups. The main projection methods used include the loss development, Bornhuetter-Fergusson (which is a Bayesian estimation approach), Benktander (a blend of the loss development and BF methods), and the Initial Expected Loss method. The selected ultimate loss may be based on one particular method, or a weighting between several methods and professional judgment. For recent catastrophe events and some specified large losses, incurred but not reported ("IBNR") will be based upon qualitative information and recommendations from the claims department and the business units.

Where applicable, reinsurance recoveries on the gross IBNR are estimated based on the Company's reinsurance program. The Company's reinsurance recoverables include amounts from both third party and intra-group reinsurance and proportional and non-proportional reinsurance arrangements.

Risk Margin

The risk margin is calculated using a 'cost-of-capital' approach. It is calculated as the present value of the cost of capital rate (currently a prescribed 6%) applied to all future SCRs required to support the transferred liabilities through to run-off, established on a going concern basis. The opening capital requirement with respect to opening balance sheet business (as at the model calibration date) is estimated using the Standard Formula model. This capital requirement is assumed to reduce over time in line with the square-root of the expected runoff of the claims component (including ENIDS) of the Solvency II technical provisions net of reinsurance.

Assumptions and Parameters

The key parameters and assumptions used in estimation of technical provisions are set by Reserving, Capital Modelling, Finance and Financial Planning and Analysis personnel. These key assumptions and parameters include: initial expected loss ratios (IELRs), claims emergence and payment patterns, premium payment and receipt patterns, expenses(unallocated loss adjustment expenses, investment expenses, general & administrative expenses) that would be incurred in running off the existing business, Events Not in Data (ENID) loadings, reinsurance counterparty default, and currency-specific yield curves (used for discounting) prescribed by EIOPA. ENID loadings are derived using the Company's Economic Capital Model ("ECM") and are selected based on consideration of truncated reserve risk and underwriting risk distributions. Additionally, contracts due to incept after the Solvency II technical provisions valuation date but bound before the valuation date are classified as legally obliged and included in the Solvency II technical provisions. The legally obliged un-incepted premium at 31 December 2018 was derived using historical data and January 2019 plan premium.

D.2.2 Uncertainty associated with the value of technical provisions

While the estimation of the technical provisions reflect all available information and data as at the valuation date, the ultimate settlement value of claims may deviate, in some cases materially, from the estimated amounts.

General uncertainty

Key areas of uncertainty include:

1. *Deviation of ultimate claim settlement cost from expectations*. The actual final cost of settling both claims outstanding as at 31 December 2018 and claims expected to arise from unexpired periods of risk is uncertain. There is a range of possible outcomes, and the eventual outcome will almost certainly differ from any particular estimate made. Technical provisions can only be estimates of future liabilities, and accordingly are subject to uncertainty.
2. *UK Motor*. The Ogden discount was reduced from 2.5% to -0.75% in February 2017. In addition to changes in the Ogden discount rate, our UK Motor excess of loss reinsurance book is impacted by other factors including life expectancy for PPO claimants, indexation of PPO payments, PPO propensity, and recent trend of ceding companies booking reserves earlier than historically observed. We will continue to closely monitor our UK Motor book.
3. *Rates, terms and conditions and IELRs*. The softening in insurance rates, terms, & conditions in recent years adds an additional element of uncertainty when selecting initial and ultimate loss ratios. The significant reliance on IELRs in the estimation of the liabilities for earned exposure in the current year, and unearned and un-incepted exposures included in the technical provisions further increases the uncertainty of these estimates.
4. *New classes of business*. As the Company continues to build out its insurance operations, new classes of business (e.g. Aviation and Political Risk) have been added to the Company's portfolio. While experienced and talented underwriting teams have been hired to lead these strategic growth initiatives, the lack of historical experience for these new classes adds an additional element of uncertainty to the reserve estimation process. This risk is mitigated by the significant purchases of reinsurance.

D.2.3 Differences between Solvency II valuation and local GAAP valuation of Technical Provisions analysed by each material line of business

Amounts in GBP'000				**31 Dec 2018**
Gross	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	116,187	(36,560)	5,336	84,963
General liability insurance	154,139	(34,641)	12,019	131,516
Marine, aviation and transport insurance	68,077	(32,275)	4,275	40,077
Non-prop. marine, aviation and transport reinsurance	13,253	(475)	239	13,017
Non-proportional casualty reinsurance	87,593	(21,927)	15,203	80,869
Non-proportional property reinsurance	30,174	(4,131)	1,166	27,210
Other	93,641	(67,315)	3,751	30,077
	563,064	(197,323)	41,989	407,730

Amounts in GBP'000				**31 Dec 2018**
Net	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	26,267	30,029	5,336	61,632
General liability insurance	45,302	14,098	12,019	71,419
Marine, aviation and transport insurance	5,961	(6,876)	4,275	3,360
Non-prop. marine, aviation and transport reinsurance	(459)	677	239	457
Non-proportional casualty reinsurance	67,854	(14,544)	15,203	68,513
Non-proportional property reinsurance	13,173	105	1,166	14,445
Other	85,117	(69,287)	3,751	19,581
	243,216	(45,798)	41,989	239,406

Amounts in GBP'000				31 Dec 2017
Gross	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	116,481	(26,941)	1,261	90,801
General liability insurance	118,392	(19,185)	3,742	102,949
Marine, aviation and transport insurance	61,376	(25,482)	1,284	37,178
Non-prop. marine, aviation and transport reinsurance	21,104	(2,320)	170	18,954
Non-proportional casualty reinsurance	61,081	(27,407)	24,978	58,652
Non-proportional property reinsurance	44,595	(9,686)	1,046	35,955
Other	58,486	(38,163)	1,274	21,597
	481,515	(149,184)	33,755	366,086

Amounts in GBP'000				31 Dec 2017
Net	**UK GAAP (net of DAC)**	**Solvency II differences**	**Risk margin**	**Solvency II basis**
Fire and other damage to property insurance	40,516	(9,559)	1,261	32,217
General liability insurance	60,808	(13,791)	3,742	50,759
Marine, aviation and transport insurance	21,084	(16,826)	1,284	5,542
Non-prop. marine, aviation and transport reinsurance	831	171	170	1,173
Non-proportional casualty reinsurance	41,871	(20,557)	24,978	46,293
Non-proportional property reinsurance	16,314	(1,025)	1,046	16,335
Other	21,750	(22,049)	3,732	3,433
	203,174	(83,636)	36,213	155,752

Net Solvency II technical provisions at 31 December 2018 are 99% (2017: 76.7%) of net UK GAAP provisions. The differences between GAAP and Solvency II basis technical provisions are discussed further below. The largest drivers of the reduction in the 31 December 2018 technical provisions, from GAAP basis to Solvency II basis, are the profit from Unearned Premium Reserve and discounting benefit, which reduce the GAAP technical provisions by 26% and 11%, respectively. These reductions are offset by additional expenses, future premiums and the risk margin required under Solvency II.

UK GAAP to Solvency II Technical Provisions Differences

The methods and assumptions used in the valuation of technical provisions under Solvency II are broadly consistent with the methods and assumptions used under UK GAAP. The transition from UK GAAP to Solvency II technical provisions consists of the following differences:

- *Removal of margin*. The Solvency II technical provisions are intended to reflect a best estimate and as such any margin of prudence in the UK GAAP technical provisions must be removed. Margin by class of business and accident year is determined by a separate actuarial analysis and deducted from the booked gross and net IBNR. The reserve margin was assumed to be nil at 31 December 2018.
- *Reinsurance bad debt*. An allowance for counterparty default, as it relates to outwards reinsurance recoveries.
- *Profit from Unearned Premium Reserve (net of DAC)*. The Solvency II balance sheet is based on discounted cash flows to ultimate; the concept of UPR / accrual accounting does not exist. Under Solvency II, the UPR (net of DAC) is eliminated and it's replaced by the expected profit on the unearned premium.
- *Profit from Un-incepted*. This adjustment reflects the expected profit on un-incepted / legally obliged business included in the Solvency II TPs.
- *Incepted future premiums*. Future premiums due to/from incepted business which includes the cost of future reinsurance purchased for in-force gross business.
- *ENID Loadings*. An allowance for low probability extreme events not included under UK GAAP.
- *Additional Expenses*. Future expenses related to the run-off of the technical provisions as of the valuation date. The expenses include ULAE, investment and general & administrative expenses.
- *Discounting*. The Solvency II technical provisions are produced on a discounted cash flow basis. This amount reflects the benefit of discounting the Solvency II technical provisions.
- *Risk Margin*. An allowance for the amount insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

D.2.4 Recoverables from reinsurance contracts and Special Purpose Vehicles (SPVs)

A description of the Company's intercompany outward reinsurance programs is included in Section B of this report. The Company's third party reinsurance programs are listed below.

- Whole account quota share for insurance business
- Quota share reinsurance for insurance professional lines
- Quota share reinsurance for inward reinsurance specialty business
- Various excess of loss reinsurance programs for a number of insurance classes
- 100% retroactive reinsurance for marine and energy inward reinsurance business from underwriting year 2008 & prior
- Group casualty clash excess of loss reinsurance
- Group catastrophe reinsurance protection

The company does not have any third party reinsurance protection from SPVs.

D.2.5 Material Changes in Relevant Assumptions Since Prior Reporting Period

During 2018, although there was a change in the platform used to calculate the technical provisions, along with changes in the methodology used to estimate some of the parameters, the key assumptions and parameters underlying the 31 December 2018 and 31 December 2017 technical provisions are broadly consistent.

D.2.6 Confirmations

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC is not used in the calculation of technical provisions.
- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used in the calculation of technical provisions.
- The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not applied in the calculation of technical provisions.
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applied in the calculation of technical provisions.

D.3 Other liabilities

D.3.1 Solvency II valuation for each material class of liabilities

Amounts in GBP'000	UK GAAP	Re-classification	Valuation differences	**31 Dec 2018** SII basis
Technical provisions	600,127	(118,980)	(73,417)	407,730
Deposits from reinsurers	-	318	-	318
Insurance and intermediaries payables	68,472	(65,474)		2,998
Reinsurance payables	61,243	(21,546)		39,697
Payables (trade, not insurance)	14,167	-	-	14,167
Deferred tax liability	407	-	-	407
Any other liabilities, not elsewhere shown	41,943	-	(38,528)	3,415
	786,359	(205,682)	(111,944)	468,732

Amounts in GBP'000	UK GAAP	Re-classification	Valuation differences	**31 Dec 2017** SII basis
Technical provisions	514,469	(95,225)	(53,158)	366,086
Deposits from reinsurers	-	460	-	460
Deferred tax liabilities	682	-	-	682
Insurance and intermediaries payables	50,850	(47,812)	-	3,038
Reinsurance payables	42,596	9,558	-	52,154
Payables (trade, not insurance)	4,854	218	-	5,072
Any other liabilities, not elsewhere shown	29,987	-	(27,209)	2,778
	643,438	(132,801)	(80,367)	430,270

Liabilities other than technical provisions are valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, in accordance with Article 75 of Directive 2009/138/EC; no adjustment is made to take account of the own credit standing of the Company. There are no significant estimates or judgments used in valuing other liabilities.

Insurance and intermediaries payables, reinsurance payables, payables (trade, not insurance)
Payables represents amounts past due to (re)insurers and intermediaries under current (re)insurance contracts, and other general payables. The amounts payable include premiums, underwriting expenses, fees, taxes and profit commissions.

Any other liabilities, not elsewhere shown
Any other liabilities, not elsewhere shown includes accrued operating expenses and accrued interest expenses.

D.3.2 Differences between Solvency II valuation and local GAAP valuation by material class of liabilities other than technical provisions

Insurance and intermediaries payables, reinsurance payables, payables (trade, not insurance)
Payables not yet due are reclassified and form part of the technical provisions calculation under Solvency II. There are no material differences between the Solvency II valuation and the UK GAAP valuation of payables.

Any other liabilities, not elsewhere shown
The Solvency II Balance Sheet is constructed on the basis of discounted cash flows to ultimate. The concept of deferred costs do not therefore exist and thus ceded deferred acquisition costs are removed from the balance sheet. There are no material differences between the Solvency II valuation and the UK GAAP valuation of accrued expenses.

D.3.3 Changes to the recognition and valuation bases used, or on estimations during the reporting period

There have been no changes to the recognition, valuation or estimation methods used during the period.

D.4 Alternative methods for valuation

There are no alternative methods of valuation used by the Company to value assets or liabilities.

D.5 Any other information

There is nothing further to report regarding information on the valuation of the Company's assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own funds

Objectives when managing capital are:

- to comply with the capital adequacy requirements of the Solvency II regime as implemented in the UK and meet the expectations of the Prudential Regulation Authority (PRA) as to operating levels of own funds.
- to safeguard the Company's ability to continue as a going concern so that it can maintain policyholder protection;
- to identify, quantify, monitor and control the risk profile with respect to the defined risk appetite and target level of capital;
- to obtain and retain the ratings necessary to trade with its preferred policyholder base; and
- to deploy capital on opportunities to underwrite business profitably

Own funds are monitored quarterly by the Company's Risk & Compliance Committee against the latest capital requirements, as well as modelled over the Company's three year business planning horizon.

E.1.1 Own funds classified by tiers

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Tier 1	360,779	354,178	6,601
Tier 2	-	-	-
Tier 3	9,328	5,137	4,191
	370,107	**359,315**	**10,792**

Tier 1 own funds consists of ordinary share capital and share premium account relating to ordinary share capital of £216.0M and £162.0M respectively (2017: £216.0M and £162.0M), and a reconciliation reserve of £(17.2M) (2017: £(23.8M)). These basic own fund items are immediately available to absorb losses and have no duration restrictions. The reconciliation reserve consists of excess of assets over liabilities, after the deduction of basic own funds items.

Tier 3 own funds consists of an amount equal to the value of net deferred tax assets.

All Tier 1 own funds are eligible to cover the Minimum Capital Requirement and all own funds are eligible to cover the Solvency Capital Requirement.

The Company has no basic own-fund items that are subject to the transitional arrangements referred to in Article 308b(9) and (10) of Directive 2009/138/EC.

E.1.2 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Amounts in GBP'000	**31 Dec 2018**	**31 Dec 2017**	**Movement**
Net assets under UK GAAP	393,134	371,824	21,310
Valuation differences on technical provisions under Solvency II	(28,428)	(15,443)	(12,985)
Valuation difference on deferred tax asset	5,401	2,934	2,467
Excess of assets over liabilities under Solvency II	**370,107**	**359,315**	**10,792**

Valuation differences on technical provisions under Solvency II includes:

- the impact of the revaluation of the UK GAAP premium receivables, UPR, loss and loss expense provisions and related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure; and
- General Business Risk margins: revaluations under the cost of capital approach for the impact of the uncertainty associated with the probability-weighted cash flows or the compensation the Company needs in order to bear the risk of holding additional funds to meet cash flows.

The deferred tax asset valuation difference is due to the tax impact of the above technical provisions differences.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company applies the Standard Formula, without modification for undertaking specific parameters. The Company has used the simplification described in article 111 of the Delegated Regulation in the calculation of the risk mitigating effect for Counterparty default risk as the most pragmatic approach given general data availability.

Amounts in GBP'000	31 Dec 2018	31 Dec 2017	Movement
Non-life underwriting risk	80,720	52,197	28,523
Health underwriting risk	153	99	54
Market risk	101,917	86,032	15,885
Counterparty default risk	27,626	22,821	4,805
Operational risk	10,975	9,969	1,006
Total diversification benefit	(50,957)	(38,387)	(12,570)
Loss absorbing capacity of deferred taxes	-	-	-
Solvency Capital Requirement	**170,433**	**132,730**	**37,702**

Minimum Capital Requirement	**42,608**	**33,183**	**9,425**

The Minimum Capital Requirement is calculated in accordance with chapter VII of the Delegated Regulation. The final amount is derived from a formula consisting of:

- a linear calculation that uses the Company's net written premiums and best estimate technical provisions as data inputs;
- the linear calculation's relation to the Solvency Capital Requirement; and
- an absolute floor as described in Article 129(1)(d) of Directive 2009/138/EC and in Article 253 of the Delegated Regulation.

Following the calculations specified in the Delegated Regulation, the calculation of the Company's linear Minimum Capital Requirement is less than 0.25 times the Solvency Capital Requirement and so the Minimum Capital Requirement is equal to 0.25 times the Solvency Capital Requirement.

E.2.1 Material change to the SCR and to the MCR over the reporting period, and the reasons for any such change

Both the Solvency Capital Requirement and the Minimum Capital Requirement have increased by approximately 28% during the reporting period. The Solvency Capital Requirement movement being predominantly driven by the Non-life underwriting risk module and market risk module which accounts for 36% and 46% of the undiversified required amount.

The Non-life underwriting risk charge is driven in majority by the premium and reserve risk sub module due to growth in the book. The Market risk module charge is driven by the currency risk sub module due to increase in USD/EUR net assets.

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 model used

Not applicable.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied continuously with both the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

E.6 Any other information

There is nothing further to report regarding information on capital management.

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial year ended 31 December 2018

The Directors are responsible for preparing the Solvency and Financial Condition Report in accordance with applicable law and regulations. The Reporting Part of the PRA Rulebook for Solvency II firms requires the Company to have in place a policy of ensuring the ongoing appropriateness of any information disclosed and to ensure that its SFCR is approved by the directors.

We certify that:

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

2. 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 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.

P Rooke
Director and Chief Financial Officer
18th April 2019

Report of the independent external auditor to the Directors of Endurance Worldwide Insurance 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

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2018, ('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 'Business and Performance', 'System of Governance' and 'Risk Profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21; and
- 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 Endurance Worldwide Insurance Limited as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of Matter – Basis of Accounting & Restriction on Use

We draw attention to the 'Valuation for Solvency Purposes', 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

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 consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Endurance Worldwide Insurance Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

Ernst & Young LLP
London
18th April 2019

The maintenance and integrity of Endurance Worldwide Insurance Limited's (or any affiliated company's) website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Appendix 1 – Quantitative reporting templates

The templates are provided as an appendix to this document. The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Endurance Worldwide Insurance Ltd

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	Endurance Worldwide Insurance Ltd
Undertaking identification code	549300R308B2LY4WM705
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	9,735
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	5,186
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	507,591
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	507,591
R0140	*Government Bonds*	160,530
R0150	*Corporate Bonds*	165,377
R0160	*Structured notes*	0
R0170	*Collateralised securities*	181,685
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	168,324
R0280	*Non-life and health similar to non-life*	168,324
R0290	*Non-life excluding health*	168,554
R0300	*Health similar to non-life*	-231
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	10,289
R0360	Insurance and intermediaries receivables	14,484
R0370	Reinsurance receivables	51,801
R0380	Receivables (trade, not insurance)	2,761
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	65,156
R0420	Any other assets, not elsewhere shown	3,513
R0500	**Total assets**	838,839

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	407,730
R0520	*Technical provisions - non-life (excluding health)*	407,755
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	365,819
R0550	*Risk margin*	41,936
R0560	*Technical provisions - health (similar to non-life)*	-25
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	-78
R0590	*Risk margin*	53
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	318
R0780	Deferred tax liabilities	407
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	2,998
R0830	Reinsurance payables	39,697
R0840	Payables (trade, not insurance)	14,167
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	3,415
R0900	**Total liabilities**	468,732
R1000	**Excess of assets over liabilities**	370,107

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		24		0		14,837	37,660	53,757	31,417								137,695
R0120	Gross - Proportional reinsurance accepted		0		0		31,836	45,930	6,677	22,513								106,956
R0130	Gross - Non-proportional reinsurance accepted														35,978	3,112	10,115	49,205
R0140	Reinsurers' share		22		0		37,058	61,507	42,834	43,664					17,544	1,849	8,515	212,994
R0200	Net	0	2		0		9,616	22,083	17,600	10,265				0	18,434	1,263	1,600	80,862
	Premiums earned																	
R0210	Gross - Direct Business		-5		0		12,592	34,002	48,343	7,445								102,376
R0220	Gross - Proportional reinsurance accepted		0		0		31,148	43,826	14,912	17,887								107,773
R0230	Gross - Non-proportional reinsurance accepted														28,540	4,161	10,658	43,359
R0240	Reinsurers' share		0		0		33,964	59,134	44,375	19,884					14,986	3,001	9,268	184,612
R0300	Net	0	-5		0		9,777	18,693	18,879	5,448				0	13,554	1,160	1,390	68,896
	Claims incurred																	
R0310	Gross - Direct Business				0		1,851	20,598	40,718	3,596								66,763
R0320	Gross - Proportional reinsurance accepted				0		18,943	4,252	8,171	7,804								39,170
R0330	Gross - Non-proportional reinsurance accepted													0	23,959	2,120	8,017	34,095
R0340	Reinsurers' share				105		17,661	8,248	42,406	5,833				0	16,558	2,524	2,466	95,801
R0400	Net	0	0		-105		3,133	16,602	6,483	5,567				0	7,401	-404	5,551	44,227
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0	0		0		0	0	0	0				0	0	0	0	0
R0550	**Expenses incurred**	0	0		0		3,318	6,792	6,571	1,619				0	2,663	432	677	22,071
R1200	**Other expenses**																	
R1300	**Total expenses**																	22,071

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			US	FR	BE	IN	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	75,089	37,736	9,364	71	0	-11	122,249
R0120	Gross - Proportional reinsurance accepted	8,933	37,647	1,944	9,113	6,198	1,513	65,347
R0130	Gross - Non-proportional reinsurance accepted	27,236	1,446	3,778	3,426	221	3,315	39,423
R0140	Reinsurers' share	71,834	59,706	12,309	11,066	5,349	2,987	163,251
R0200	Net	39,424	17,123	2,777	1,544	1,070	1,830	63,768
	Premiums earned							
R0210	Gross - Direct Business	62,337	29,272	1,278	658	16	295	93,855
R0220	Gross - Proportional reinsurance accepted	16,558	32,786	1,581	4,387	5,857	4,189	65,357
R0230	Gross - Non-proportional reinsurance accepted	23,005	2,177	3,208	2,411	292	1,837	32,931
R0240	Reinsurers' share	68,654	48,615	5,510	6,097	4,881	4,483	138,240
R0300	Net	33,246	15,620	556	1,359	1,284	1,838	53,903
	Claims incurred							
R0310	Gross - Direct Business	43,641	19,790	606	286	7	45	64,376
R0320	Gross - Proportional reinsurance accepted	7,778	18,473	676	607	558	7,573	35,665
R0330	Gross - Non-proportional reinsurance accepted	15,919	9,798	-1,628	-196	157	4,324	28,375
R0340	Reinsurers' share	46,733	38,061	-2,009	204	840	12,019	95,848
R0400	Net	20,605	10,001	1,663	492	-117	-76	32,568
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	10,073	5,687	209	462	297	388	17,117
R1200	**Other expenses**							
R1300	**Total expenses**							17,117

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0		0		0	0	0	0				0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	-100		0		-2,118	7,235	16,992	9,911				0	-4,460	593	1,626	29,679
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-45		0		1,603	-2,083	7,643	8,025				0	-4,515	108	-966	9,771
R0150	**Net Best Estimate of Premium Provisions**	0	-55		0		-3,721	9,318	9,350	1,887				0	55	484	2,591	19,909
	Claims provisions																	
R0160	Gross	0	0		40		37,920	72,392	102,505	16,453				23	70,126	12,186	24,418	336,062
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	-14		2		35,115	25,414	52,454	2,701				-172	16,871	12,452	13,730	158,553
R0250	**Net Best Estimate of Claims Provisions**	0	14		38		2,806	46,977	50,051	13,752				195	53,255	-266	10,687	177,509
R0260	**Total best estimate - gross**	0	-100		40		35,803	79,627	119,497	26,364				23	65,666	12,779	26,043	365,741
R0270	**Total best estimate - net**	0	-42		38		-915	56,295	59,401	15,638				195	53,310	219	13,279	197,418
R0280	**Risk margin**	0	34		4		4,275	5,336	12,019	3,695				19	15,203	239	1,166	41,989
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0		0		0	0	0	0				0	0	0	0	0
R0300	Best estimate	0	0		0		0	0	0	0				0	0	0	0	0
R0310	Risk margin	0	0		0		0	0	0	0				0	0	0	0	0
R0320	**Technical provisions - total**	0	-66		44		40,077	84,963	131,516	30,059				41	80,869	13,017	27,210	407,730
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	-59		2		36,718	23,332	60,097	10,726				-172	12,356	12,560	12,765	168,324
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	-8		42		3,360	61,632	71,419	19,333				213	68,513	457	14,445	239,406

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											926	926	926
R0160	2009	5,214	6,010	2,429	1,010	1,257	778	739	1,581	-253	234		234	18,997
R0170	2010	-20	2,640	550	243	177	897	473	538	-25			-25	5,472
R0180	2011	1,877	1,905	4,975	305	306	403	822	634				634	11,227
R0190	2012	4,528	3,236	1,288	-112	306	601	3,266					3,266	13,114
R0200	2013	561	7,225	2,083	2,550	418	-2						-2	12,835
R0210	2014	3,428	19,581	4,759	2,107	989							989	30,864
R0220	2015	8,973	28,866	38,870	16,138								16,138	92,846
R0230	2016	22,892	45,150	26,234									26,234	94,275
R0240	2017	17,029	52,388										52,388	69,417
R0250	2018	7,794											7,794	7,794
R0260												**Total**	108,576	357,766

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											8,478	8,217
R0160	2009	0	0	0	0	0	0	0	7,654	6,172	7,966		7,169
R0170	2010	0	0	0	0	0	0	3,599	4,253	4,425			3,513
R0180	2011	0	0	0	0	0	5,170	6,068	5,939				4,638
R0190	2012	0	0	0	0	7,608	8,168	8,802					6,901
R0200	2013	0	0	0	9,741	8,836	7,917						6,107
R0210	2014	0	0	19,996	18,861	13,554							11,685
R0220	2015	0	83,730	41,191	25,279								24,028
R0230	2016	109,868	69,974	49,290									47,396
R0240	2017	160,831	93,985										89,150
R0250	2018	136,897											127,257
R0260												**Total**	336,062

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	215,968	215,968		0	
R0030	Share premium account related to ordinary share capital	161,976	161,976		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-17,165	-17,165			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	9,328				9,328
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	370,107	360,779	0	0	9,328
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	370,107	360,779	0	0	9,328
R0510	Total available own funds to meet the MCR	360,779	360,779	0	0	
R0540	Total eligible own funds to meet the SCR	370,107	360,779	0	0	9,328
R0550	Total eligible own funds to meet the MCR	360,779	360,779	0	0	
R0580	**SCR**	170,433				
R0600	**MCR**	42,608				
R0620	**Ratio of Eligible own funds to SCR**	217.16%				
R0640	**Ratio of Eligible own funds to MCR**	846.74%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	370,107
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	387,272
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-17,165
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	50,359
R0790	**Total Expected profits included in future premiums (EPIFP)**	50,359

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	101,917		
R0020	Counterparty default risk	27,626		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	153		
R0050	Non-life underwriting risk	80,720		
R0060	Diversification	-50,957		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	159,458		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	10,975
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	170,433
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	170,433
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

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

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	34,739

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	38	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	6,214
R0080	Fire and other damage to property insurance and proportional reinsurance	56,295	19,098
R0090	General liability insurance and proportional reinsurance	59,401	13,334
R0100	Credit and suretyship insurance and proportional reinsurance	15,638	4,118
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	195	0
R0150	Non-proportional casualty reinsurance	53,310	15,545
R0160	Non-proportional marine, aviation and transport reinsurance	219	2,425
R0170	Non-proportional property reinsurance	13,279	4,554

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	34,739
R0310	SCR	170,433
R0320	MCR cap	76,695
R0330	MCR floor	42,608
R0340	Combined MCR	42,608
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	42,608