ArgoGlobal

Member Argo Group

ArgoGlobal Holdings (Malta) Limited

Group Solvency and Financial Condition Report (GSFCR)

Contents

EXECUTIVE SUMMARY

Group's Background and Business

The board of directors would like to bring to the attention of the readers that Argo Group SFCR/RSR does not materially differ from the Solo SFCR/ Solo RSR. This is due to the fact that the only two companies within the Insurance Group is the Insurance Holding company (ArgoGlobal Holdings (Malta) Limited) and the Insurance undertaking (ArgoGlobal SE).

The Insurance Holding company solely hold shares in the Insurance undertaking that is ArgoGlobal SE. No trading takes place within the Insurance holding company except that of holding shares in the sole subsidiary which is ArgoGlobal SE.

This section "Group SFCR/RSR Report" discloses any material transactions which were not disclosed in the Solo SFCR/RSR and covers additional requirements that fall within the scope of Group supervision and disclosure relating to the Group. Where there are no material changes reference is made to the Solo disclosures in the attached document, Section A to E.

ArgoGlobal SE ("AGSE") was authorised by the Malta Financial Services Authority (MFSA) on 12th December, 2011, to expand Argo Group's (Argo) reach into Continental Europe.AGSE is authorised under the Insurance Business Act (Cap 403) to carry on the business of insurance restricted to risks outside Malta in the following classes of general business:

Classes of Business of Insurance

- Class 8 – Fire and natural forces
- Class 9 – Other damage to property
- Class 13 – General liability
- Class 15 – Suretyship
- Class 16 – Miscellaneous financial loss

System of Governance

The organisational structure of the Company is aimed at supporting the strategic objectives and operations of the Company. The structure is made up of various committees and functions the Company has in place to ensure good governance of the Company. The Company's organisational structure has been designed to maximise the Board's resources and to instil the principles of the three lines of defence within the organisation.

Directors

During the year ended 31 December 2017, the Directors of the Company were:

- Mr. Clive Chipperfield
- Mr Mark Guillaumier
- Dr. Bodo Wilhelm Bernhard Sartorius
- Mr Stephen P McGill
- Mr Stephen Portelli

Company Secretary

- Dr Edmond Zammit Laferla

Outsourced Activities

The Company has identified the following functions as key functions, which are outsourced:

- Insurance management – located in Malta
- Compliance functions – located in Malta

Business Model and Financial Performance

During the course of 2017, AGSE adjusted its strategy to grow through open market business but principally expand market share through business acquired through Managing General Agents. The intention is to develop closer strategic relationships with distribution partners and developing comprehensive solutions for targeted customers.

During the year under review, the Company generated a profit of €310,766 (2016: incurred a profit of €1,521,344). As of 31 December 2017, total equity amounted to €11,699,771 (2016: €6,423,049). The Company's financial position as at 31 December 2017 is considered by the Directors to be as expected and in line with the Company's strategy. The Company's strategic objective is to grow as a speciality insurer in EEA territories.

Underwriting Results

Statement of comprehensive income for the year ended 31 December 2017

	EUR	EUR
Earned premiums, net of reinsurance		
Gross premiums written	**32,852,551**	5,316,251
Outward reinsurance premiums	**(30,728,061)**	(4,785,960)
Net premiums written	**2,124,490**	530,291
Change in the provision for unearned premiums		
- gross amount	**(17,713,298)**	(293,901)
- reinsurer's share	**16,619,158**	264,510
Earned premiums, net of reinsurance	**1,030,350**	500,900
Other income		
Commission income	**3,446,398**	1,212,150
Allocated investment income transferred from the non-technical account	**8,629**	8,308
Total technical income	**4,485,377**	1,721,358
Claims incurred, net of reinsurance		
Claims paid		
- gross amount	**(1,153,692)**	(121,875)
- reinsurer's share	**998,809**	109,644
	(154,883)	(12,231)
Change in the provision for claims		
- gross amount	**(5,111,238)**	(1,905,452)
- reinsurer's share	**4,683,532**	1,714,508
	(427,706)	(190,944)
Claims incurred, net of reinsurance	**(582,589)**	(203,175)
Net operating expenses	**(2,044,651)**	(8,586)
Total technical charges	**(2,627,240)**	(211,761)
Balance on the technical account for general business	**1,858,137**	1,509,597

Valuation for Solvency Purposes

The variance between IFRS Capital and Solvency II Eligible Capital is mainly due to the following factors:

1. Deferred Commission Income, which follows the same principle as the Deferred Acquisition Costs, where the deferred income is not considered as an admissible liability under Solvency II valuation base as it would have already been paid by the reinsurers or accounted for separately.
2. Deferred Acquisition Costs (DAC) are not allowed in the Solvency II Balance Sheet as the company does not expect future benefits / cash flow from this asset
3. Deferred Tax Assets in the Solvency II balance sheet arises from difference between the IFRS balance sheet and the Solvency II balance sheet. This is different from the Deferred Tax Assets arising on the SCR. In this case, the Deferred Tax Assets is mainly driven by the difference in Valuation of the Net Technical provisions best estimate when compared to IFRS Net Technical provisions. The net amount is considered under Tier 3 Capital up to a limitation of 15 percent of total capital being taken as allowable against the SCR.
4. Technical Provisions which, for Solvency II purposes, are discounted using the established yield curves by EIOPA.

Capital Management

In assessing its future solvency needs, the Company analysed the capital requirements for each projected year and whether the eligible capital would continuously comply Solvency II regulations. In assessing the regulatory capital requirements the Board considered the following three aspects laid down in the guidelines:

- The potential future material changes in the risk profile
- The quantity and quality of its own funds over the whole of its business planning period
- The composition of its own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during its business planning period

The Company has a simple shareholding structure made up of Tier 1 issued share capital that is 100 percent admissible under Solvency II. Therefore, there are no planned redemptions, repayment or maturity dates linked to its share capital. The Company would only obtain share capital from its Parent if the benefit derived from insuring new risks outweighs the cost of capital to cover that risk.

Group SFCR

1. Group's Business and Performance

The Board of Directors would like to bring to the attention of the readers that Group SFCR/RSR does not materially differ from the Solo SFCR/ Solo RSR. This is due to the fact that the only two companies within the Group is the insurance holding company (ArgoGlobal Holdings [Malta] Limited) and the insurance undertaking (ArgoGlobal SE). The insurance holding company solely hold shares in the Insurance undertaking. No trading takes place within the insurance holding company except that of holding share in the sole subsidiary which is ArgoGlobal SE.

This section "Group SFCR/RSR Report" discloses any material transactions which were not disclosed in the Solo SFCR/RSR and covers additional requirements that fall within the scope of Group supervision and disclosure relating to the Group. Where there are no material changes reference is made to the Solo disclosures in the attached document, Section A to E.

The companies within the scope of Group Supervision that fall within the scope of the Group Solvency requirements are:

- ArgoGlobal Holdings (Malta) Limited - Insurance Holding Company
- ArgoGlobal SE - Insurance Undertaking

The legal structure of the Insurance Holding company is that of a limited liability company.

The organisation structure of the Insurance Holding Company comprise of the Board of directors as established by the Memorandum and Articles of Association of the Company. The board of directors of the Insurance Holding Company are the same individuals of the Insurance Undertaking. All major decisions with respect to company strategy with respect to insurance activities are taken at the Insurance Undertaking level. Please refer to section B1 on the organisation structure of the Insurance undertaking.

The directors of the holding company are:

- Mr Clive Chipperfield
- Mr Stephen P McGill
- Mr Stephen Portelli

2. Group's Systems of Governance

Since the Insurance Holding company does not trade the Systems of Governance of the Group takes place at the Insurance Undertaking level. Please refer to Sections below describing:

- B.3. Risk Management System including the Own Risk and Solvency Assessment
- B.4. Internal Control System,

The Insurance Holding Company has not made use of the option provided in the 3rd sub-paragraph of Article 264(4) of Directive 2009/138/EC, that is applying to the Competent Authority to undertake an assessment at the level of the group and at the level of the Insurance Undertaking at the same time to produce a single Own Risk and Solvency Assessment (ORSA). As already pointed out above, the Group ORSA and the Solo ORSA do not materially differ in view of the fact that Group consists of two companies, due to immaterial nature of the Insurance Holding Company activities that is solely to hold share in the Insurance Undertaking. It should also be noted that There are no contractual intra-group outsourcing arrangements in place.

3. Group's Risk Profile

There are no significant risk concentrations at the level of the Group that could threaten the group solvency or liquidity position. Any material risks identified at the Insurance Undertaking Level are described in Section C.5 below.

4. Group's Valuation for Solvency Purposes

The bases, methods and main assumptions used at group level for the valuation for solvency purposes of the group's assets, technical provisions and other liabilities are consistent with those used by the Insurance Undertaking for the valuation for solvency purposes of its assets, technical provisions and other liabilities.

	Assets	Liabilities	Eligible Capital
Group SCR Cover (*Insurance Holding & Insurance undertaking*)	63,392,255	52,206,693	11,185,562
Sole SCR Cover *(Insurance Undertaking)*	63,130,200	52,065,690	11,064,510
Variance	**262,055**	**141,003**	**121,052**

5. Group's Capital Management

The method of calculation of the Solvency at the level of the Group has been carried out in accordance with Method 1 – Accounting consolidation-based method (default method) in line with Article 230 of the Solvency II Directive. To point out that the Insurance Holding Company does not carry out Insurance Business and therefore the risks calculated under the standard formula for the purposes of the Group SCR are identical to the SCR risks for the Insurance Undertaking Level except for the counterparty default risk on Holdings Company cash and investment balances held. As a result we would like to highlight that the SCR cover at the Group level has increased only slightly from 147.2% to 147.4% due to the fact that the eligible capital has increased from €11,064,510 to €11,185,562.

	% Cover	SCR	Eligible Capital
Group SCR Cover (Insurance Holding & Insurance undertaking)	147.4%	7,586,088	11,185,562
Sole SCR Cover (Insurance Undertaking)	147.2%	7,551,659	11,064,510
Variance	**0.2%**	**34,429**	**121,052**

There are no restrictions with regard to the fungibility and transferability of own funds eligible for covering the Group Solvency Capital Requirement. A full consolidation of data of the Insurance Holding Company and the Insurance Undertaking was carried out hence no other method of consolidation referred in Article 336 of EU Regulation 2015/35 has been used. There were no Group diversification effects that were availed of in view that the consolidation only entailed the Insurance Holding Company and the Insurance Undertaking.

A. BUSINESS AND PERFORMANCE

A.1 Business

ArgoGlobal SE is registered and domiciled in Malta as a limited liability company under the Company Act, 1995, Cap.386 of the Laws of Malta. The Company's registration number is SE 2. The registered address of the Company is:

ArgoGlobal SE
Aragon House, Dragonara Road
St Julian's, STJ 3140
Malta

The company is licensed by the Malta Financial Services Authority as an insurance company in terms of the Insurance Business Act, 1998, Cap.403 of the Laws of Malta.

The MFSA is the supervisory authority for financial supervision of the undertaking as well as that of the Malta Group.

The MFSA contact details are as follows:

Dr. Marisa Attard - Director
Insurance and Pensions Supervision Unit
Malta Financial Services Authority
Notabile Road
Attard BKR 3000
Malta
Phone: 356-2144-1155
Direct: 356-2548-5238
Fax: 356-2144-9311
Email: MAttard@mfsa.com.mt
Web: www.mfsa.com.mt

Auditors

The independent auditors of the Company are:

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

Share Capital and Reserves

	2017	2016
	EUR	EUR
Authorised shares		
9,999,999 ‘A’ ordinary shares of EUR1 each	9,999,999	9,999,999
1 ‘B’ ordinary share of EUR1	1	1
	10,000,000	10,000,000
Issued and fully paid		
7,749,999 ‘A’ ordinary shares of EUR1 each	7,749,999	7,749,999
1 ‘B’ ordinary share of EUR1	1	1
	7,750,000	7,750,000

The ordinary ‘B’ share shall rank pari passu, provided that the holder of the ordinary ‘B’ share shall not be entitled to participate in any dividend distribution or participate in the profits of the Company, whether in liquidation or otherwise

Capital contribution

Argo Global Holdings (Malta) Limited, in its capacity as the parent undertaking of ArgoGlobal SE, made a further investment in the Company by means of a capital contribution in cash of EUR5,000,000 during 2017. This is unfettered, does not give rise to a credit in favour of Argo Global Holdings (Malta) Limited and is free from any servicing costs or charges. The Company allotted an amount equal to this capital contribution to an undistributable reserve.

Shareholders

The immediate parent company of ArgoGlobal SE is Argo Global Holdings (Malta) limited, a company with registered address at Aragon House Dragonara Road, St Julian’s, STJ 3140, Malta.

The ultimate parent company of ArgoGlobal SE is Argo Group International Holdings Ltd., a company with registered address at 110 Pitts Bay Road, Pembroke HM08, Bermuda.

A.2 Business Activities

Company's strategy, objectives and key business segments.

The principal activity of the ArgoGlobal SE (AGSE) is the transaction of general business insurance. As at the end of 2017, AGSE can underwrite business that fall under the following classes of business:

- Class 8 – Fire and natural Forces (I)
- Class 9 – Other damage to Property (I)
- Class 13 – General liability (I/R)
- Class 15 – Suretyship (I)
- Class 16 – Miscellaneous financial loss (I/R)

The strategy of ArgoGlobal SE was developed at the latter end of 2016 and was implemented during 2017 and will continue to be implemented during the course of 2018. This can be summarised as follows:

- Growth in the business through open market business but principally expanding market share through Managing General Agents (coverholders) business which is driving significant premium income growth during the course of 2018.
- Focussing on becoming a leading speciality insurer and moving away from commoditized business
- Developing closer strategic relationships with distribution partners bringing more than just capacity to the relationship and not creating branch networks until market penetration justifies the investment.
- Developing comprehensive solution for targeted customers as opposed to offering stand-alone product solutions.
- Utilising technical underwriting expertise and resources across the International Division to support our distribution partners in AGSE's targeted markets.

The strategy for the AGSE Zurich Branch is the same as for the AGSE as a whole and the plan is to grow premium through brokers relationships and business partners to help identify new business opportunities. It is planned that the business written will remain professional lines. The expected premium for the AGSE Zurich Branch in 2018 is €2.1 million rising to €2.7 million in 2020 and performance is monitored against plan on a monthly basis.

The AGSE Zurich Branch has regulatory permission to write Financial Lines business, and to write business of low frequency claims which demands low underwriter and administration service levels.

Information about Argo Group

Argo Group International Holdings, Ltd. is an international underwriter of specialty insurance and reinsurance products in areas of the property and casualty market. Through its operating subsidiaries, Argo Group offers a comprehensive line of products and services designed to meet the unique coverage and claims-handling needs of clients in four business segments:

- Excess & Surplus Lines

- U.S. Commercial Specialty
- International Specialty
- Lloyd's Syndicate 1200

Argo Group is listed on the NASDAQ stock exchange under the symbol AGII and is regulated by the United States Securities & Exchanges Commission.

Argo's expansion into international markets and the reinsurance business began in 2007 when Argonaut Group merged with Bermuda-based PXRE Group, creating Argo Group. Subsequent to this merger the company headquarters was moved from San Antonio to Bermuda. Concurrently, Argo Group's reinsurance company, Argo Re was formed. In 2008, Argo Group acquired Heritage, a specialist insurer and Lloyd's syndicate.

Currently, Argo Group has offices in nine geographies, including the U.S., Brazil, Europe and the UAE. Through its 30 locations, Argo writes business in numerous countries across the world. In 2011, Argo launched a new entity in Malta – ArgoGlobal SE - to serve markets in the European Union with primary and excess general and professional liability coverage. ArgoGlobal SE, Malta was granted its license at the end of December 2011. In 2016, AGSE also obtained the necessary licenses needed to start underwriting property risks.

AGSE has also established two branches; one in Paris and another one in Zurich.

Major shareholders.

See Section A1.

A list of major branches.

During the course of 2017, ArgoGlobal SE had two branches;

- Switzerland - Dufourstrasse 101, Zurich
  Argo Switzerland underwrites financial lines business in Switzerland. The majority of the business is primary layer D&O and PI risks but the Company also writes a small number of global corporate policies in excess layer accounts. The business written in 2017 is made up of Miscellaneous Financial Loss and Professional Lines policies.
- France - Multiburo, 15 Rue Taitbout, 75009, Paris
  Argo France underwrites financial lines business in France. All the business underwritten by the French branch falls under Professional Lines.

External Auditors

See Section A1.

Significant unusual events

There were material / unusual events in respect of the AGSE Zurich branch.

A.3 Underwriting Performance
Statement of Comprehensive Income

The performance of the insurance undertaking over the reporting period for the year ended 31 December 2017 was as follows:

	EUR	EUR
Earned premiums, net of reinsurance		
Gross premiums written	**32,852,551**	5,316,251
Outward reinsurance premiums	**(30,728,061)**	(4,785,960)
Net premiums written	**2,124,490**	530,291
Change in the provision for unearned premiums		
- gross amount	**(17,713,298)**	(293,901)
- reinsurer's share	**16,619,158**	264,510
Earned premiums, net of reinsurance	**1,030,350**	500,900
Other income		
Commission income	**3,446,398**	1,212,150
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Total technical income	**4,485,377**	1,721,358
Claims incurred, net of reinsurance		
Claims paid		
- gross amount	**(1,153,692)**	(121,875)
- reinsurer's share	**998,809**	109,644
	(154,883)	(12,231)
Change in the provision for claims		
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- reinsurer's share	**4,683,532**	1,714,508
	(427,706)	(190,944)
Claims incurred, net of reinsurance	**(582,589)**	(203,175)
Net operating expenses	**(2,044,651)**	(8,586)
Total technical charges	**(2,627,240)**	(211,761)
Balance on the technical account for general business	**1,858,137**	1,509,597

The growth in premium income reflects implementation of the Company's strategy through offering new products and acquiring new business through Managing General Agents.

A.4 Investment Performance

The investment income during 2017 was low due to the current low interest rate environment. It is also driven by the highly conservative investment strategy adopted by the company.

Permitted investments for the investment portfolio include: Domestic and non-domestic government and government agency securities, supranational securities, securitized obligations, corporate bonds and debt, US municipals, bank deposits and short term money market instruments, and units in certain collective investment scheme funds.

	2017	2016
	EUR	EUR
Interest income from AFS investments	**109,032**	89,980
Amortisation of AFS investments	**(94,617)**	(69,645)
Realised gain on AFS investments	**30,868**	1,523
Total	**45,283**	21,858
Allocated as follows:		
- Technical account	**8,629**	8,308
- Non-technical account	**36,654**	13,550
	45,283	21,858

A.5 Performance of other Activities and Any Other Information

No other material information that merits disclosure.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

During the year ended 31 December 2017, the Directors of the Company were:

- Mr. Clive Chipperfield
- Mr Mark Guillaumier
- Dr. Bodo Wilhelm Bernhard Sartoruis
- Mr Stephen P McGill
- Mr Stephen Portelli

Insurance Managers

Marsh Management Services Malta Limited, The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, Balluta Bay, St Julian's, STJ 1062, Malta.

The ultimate responsibility for sound and prudent management of the business of the Company shall rest with its Board of Directors. The following matters are reserved to the Board:

1. Strategy, planning and performance

a) Consider and approve the Company's long-term objectives and commercial strategy, taking into account the strategic plans of Argo Group as appropriate;

b) Approve any extension of the Company's activities into new business lines or geographic areas, or any decision to cease to operate all or any material part of the Company's business;

c) Approve any extension of the Company's subsidiaries' activities into new business lines or geographic areas, or any decision to cease to operate all or any material part of the Company's or subsidiaries' business;

d) Approve any changes to the Company's capital structure or any significant changes to its management and control structure;

e) Approve major investments, including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover offer;

f) Approve underwriting strategies and aligned investment strategies.

2. Finance

a) Approve the annual operating budget for the Company and its subsidiaries and any material changes to it taking into account the strategic plans of Argo Group as appropriate;

b) Approve the expenses, budget and business plan for the Company taking into account the strategic plans of Argo Group as appropriate;

c) Approve the key accounting policies or practices applying to the Company taking into consideration the recommendation of Argo Group's Audit Committee;

d) Approve the Company's annual financial statements;
e) Approve dividends to the Company’s shareholder;
f) Approve treasury policies, including foreign currency exposure and the use of financial derivatives;
g) Approve the opening of bank accounts for the Company and any related mandates;
h) Approve the issue or cancellation of any shares of the Company;
i) Approve material capital projects, contracts or expenditures entered into by the Company above US$ 250,000.

Corporate Governance

a) Operational and oversight responsibilities toward sound corporate governance throughout the organization;
b) Ensure the existence of processes to assess and document the fitness and propriety of board members, controllers, officers, and third-party service providers, including insurance managers, auditors, actuaries, and the principal representative;
c) Oversee key operational areas including underwriting and investments and key functions including risk management, corporate governance, audit, and compliance;
d) Ensure the existence of processes to confirm that key staff members are adequately skilled, having the expertise in their relevant field and knowledge of policies and procedures to execute and discharge their duty;
e) Broad business and operational strategies, and significant policies and procedures including those surrounding oversight;
f) Review and approval of significant policies and procedures promoting effective corporate governance across the organization, including those for risk management and internal controls, internal and external audit, compliance, and actuarial functions;
g) Ensure the existence of clear documentation and regular review of processes regarding the roles and responsibilities of the board, the chief and senior executives, and key staff delegated corporate governance responsibilities;
h) Ensure the existence of independent functions, such as risk management, internal audit, actuarial, and compliance to assist in oversight responsibilities and communication regarding such matters to the board and / or relevant committees;
i) Ensure the existence of processes regarding the engagement and dismissal of the services of the chief and senior executives and third-party service providers assisting with oversight responsibilities, including policies and procedures to manage and mitigate conflicts of interest and undue influence;

j) Ensure the existence of processes to confirm that the board has appropriate access to accurate, relevant, and timely information, including relevant information available to stakeholders participating in the corporate governance process;

k) Ensure the existence of management of the market conduct of the Company, including confirming that policies on independence, conflicts of interest and disclosures to external stakeholders are documented and reviewed;

l) Ensure the existence of internal policies and procedures to address potential issues arising from the business conduct and unethical or fraudulent actions by board members, chief and senior executives, and staff;

m) Ensure reviews regarding compliance with all relevant laws, regulations, codes of conduct, industry standards, and guidance notes;

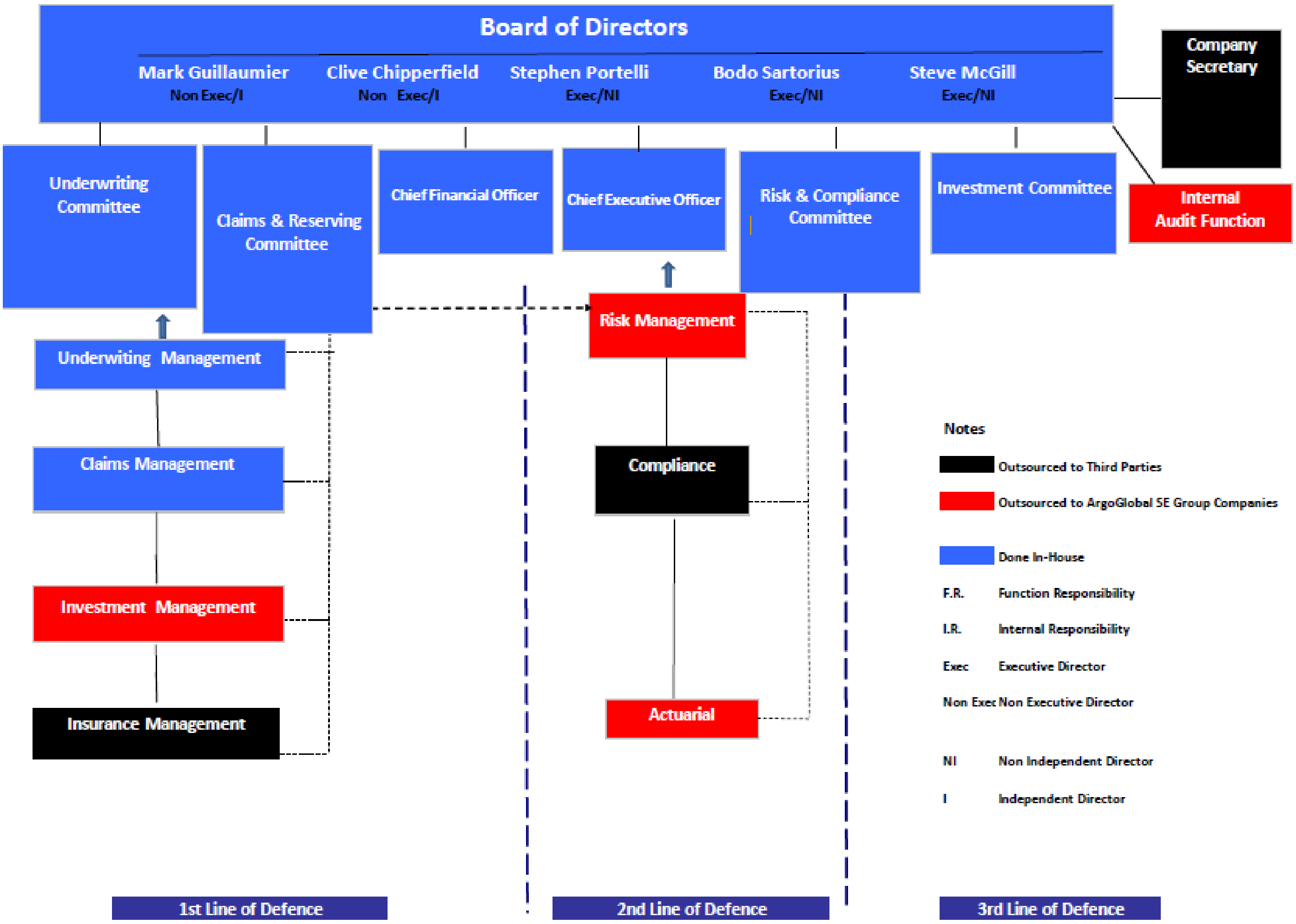
n) Ensure the existence of appropriate information systems to support the organisation's business platform, including producing reliable information to the relevant business functions;

o) Ensure the existence of maintenance of sufficient records as required by laws and regulations;

p) Ensure the existence of contingency plans, including those surrounding natural disasters and information recovery, to ensure the continual operation of the insurer; and

q) Ensure the existence of proper safeguard of sensitive information, including employee and policyholder information.

Organisational structure – ArgoGlobal SE



1. Committees

Underwriting Committee

The purpose of the Committee is to assist the Board with a forum in which to develop, and subsequently monitor adherence to, the underwriting strategy, business plans, protocols, authorities and controls in relation to the Company's underwriting activity and in ensuring that appropriate reinsurance protection is purchased in accordance with the risk appetite agreed by the Board and Argo Group. It will also support the Board with regard to the management of Conduct Risk. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Claims & Reserving Committee

The purpose of the Committee is to provide the Company's management with a forum in which appropriate reserves for each year of account are set. Approval of the choice and use of reserving parameters in the management of the company (e.g. reserving risk in the internal capital assessment).

To identify and review a range of material risks allocated to the Committee which are faced by Company and to ensure those risks are appropriately identified, monitored and controlled and reflected in the Enterprise Risk Management ("ERM") framework. The risks relevant to this Committee include, those relating to claims and reserving issues faced by the Company as well as other risks which may be allocated to the Committee from time to time. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Risk & Compliance Committee

The Risk and Compliance Committee is authorised by the Board of Directors to oversee the Company's Risk Management and Compliance arrangements ensuring that risk appetite is appropriate and adhered to and that any compliance issues and key risks are identified and managed. The Committee shall meet at least four times a year at appropriate times and otherwise as required.

Investment Committee

The Investment Committee is to assist the Board with a forum for the management of the financial assets of the company including recommending to the Board the appointment / dismissal of investment managers, recommending changes to investment guidelines and to review and propose changes to investment benchmarks. The Committee shall met at least four times a year at appropriate times and otherwise as required.

The aim of such committees is to provide the necessary information and updates to the Board so as to ensure that the correct decisions are taken as well as to be well positioned to allow the company to grow, in particular by writing additional lines of business in the forthcoming year.

2. Functions

Underwriting and Claims Function

All underwriting decisions for existing policy cover and classes of business are undertaken in Malta by the Company.

Investment Management

The Company has appointed Conning Asset Managers as the Investment Managers with the aim being to handle the day-to-day management of the investments owned by the Company. The appointed investment managers are to abide by the Investment Guidelines of the Company and reports at each Investment Committee Meeting.

Insurance Management

Marsh Management Services Malta Limited acts as the Insurance Managers of the Company. Their role is to provide advice and guidance and run the Company on a day-to-day basis.

Risk Management Function

The Company's risk management function is to identify and evaluate the major risks facing the Company and to facilitate the implementation of the risk management system. The Board of Directors has appointed Mr. Steve Mason to undertake this role. In making this appointment the Board has considered the skills required and are satisfied that Mr. Mason has the requisite skills to undertake this role. Mr. Clive Chipperfield, who sits on the Board of Directors, will assume an oversight role for the risk management function. The roles and responsibilities of the risk management function are set out within the risk management policy.

Actuarial Function

The Company's actuarial function is to identify and evaluate suitable reserving and prices for the Company and to facilitate the implementation of the actuarial system. The Board of Directors has appointed Mr. Dave Lamb to undertake this role. In making this appointment the Board has considered the skills required and are satisfied that Mr. Lamb has the requisite skills to undertake this role. Mr. Stephen Portelli, who sits on the Board of Directors, will assume an oversight role for the actuarial function.

Compliance Function

In order to effectively monitor and report on The Company's requirement to be in compliance with all applicable laws and regulatory requirements the Board of Directors have outsourced the compliance function and have appointed Mr. Antonio Vella to undertake the role of Compliance Officer. In making this appointment the Board has considered the skills required from the Compliance Officer and are satisfied that Mr. Antonio Vella has the requisite skills to undertake this role. In addition, the Company works closely with the Group's compliance function.

Internal Audit Function

The Internal Audit department assists the ArgoGlobal SE Board of Directors and management in the effective discharge of their governance responsibilities. The Internal Audit department is responsible for auditing the ArgoGlobal SE's financial, operational and internal control activities and for providing the Board and management with reports on the results of the audits. The audits primarily focus on assessing whether processes and controls are adequate to provide reasonable assurance that resources are safeguarded against waste, loss and misuse; operations are efficient and effective; specific management objectives are achieved; financial and performance reports are reliable, and there is compliance with applicable laws and regulations.

4. Organisational Changes during 2016

Although there were no changes to the Company's Corporate Governance Framework during the course of 2017, the Company has continued to strengthen the processes and procedures in place. This is mainly a result of the significant increase in business and change in the modus operandi of the Company.

AGSE aims to grow in line with its strategic objectives to:

a. Become a leading insurance and reinsurance company in Malta, the European Economic Area and neighbouring countries;
b. Focus on strong profitable growth with ultimate objective of creating further shareholder value;

B.2 “Fit and Proper” Requirements

This Company has a Fit and Proper Policy that clearly sets out the requirements necessary to provide consistent and continuous application of the Fit and Proper requirements across the Company with applicable laws and regulations and administrative provisions (e.g. frameworks, policies and standards).

The Compliance Officer is responsible for overseeing the fit and proper requirement for the Company and has a direct communication channel to the Board of Directors.

The purpose of the Fit and Proper policy is to:

a) Provide guidance on checking procedures to ensure that all prospective directors, officers and third party service providers (and those employees during their employment) are honest, act with integrity, have the right skills and competence for the role.

b) Provide guidelines to ensure that all Approved Persons, all key function holders and persons who effectively run the Company’s business, including within the Senior Managers Regime, meet the fitness and propriety requirements issued by the MFSA.

c) Provide guidelines on the notification requirements to the MFSA and when any changes occur to the identity of those who effectively run the Company’s business.

When assessing the Fit requirement for the Board of Directors, the company should also ensure that collectively the board possesses the appropriate qualification, experience and knowledge in the following areas:

A. ‘Insurance and Financial Markets knowledge’ means an awareness and understanding of the wider business, economic and market environment in which the company operates and an awareness of the level of knowledge of and needs of policyholders.

B. ‘Business strategy and business model knowledge’ refers to a detailed understanding of the company’s business strategy and model.

C. ‘System of Governance knowledge’ means the awareness and understanding of the risks the company is facing and the capability of managing them. Furthermore, it includes the ability to assess the effectiveness of the company’s arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.

D. ‘Financial and actuarial analysis knowledge’ means the ability to interpret Company’s financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information.

E. ‘Regulatory framework and requirements knowledge’ means awareness and understanding of the regulatory framework in which the company operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes to the regulatory framework without delay.

The Board of Directors are confident that all five criteria are met.

In recognition of the noted risks to the organisation, the Board of Directors has identified strategies in mitigating the AGSE risks. These are intended to manage the various underwriting, financial, strategic, operational, market and regulatory risks faced by AGSE. The general philosophy adopted by the Board is that risk owners represent the first line of defense in managing risks, with the compliance, actuarial and enterprise risk management team acting as the second line of defense. The third line of defense is carried out by Internal Audit within Argo Group.

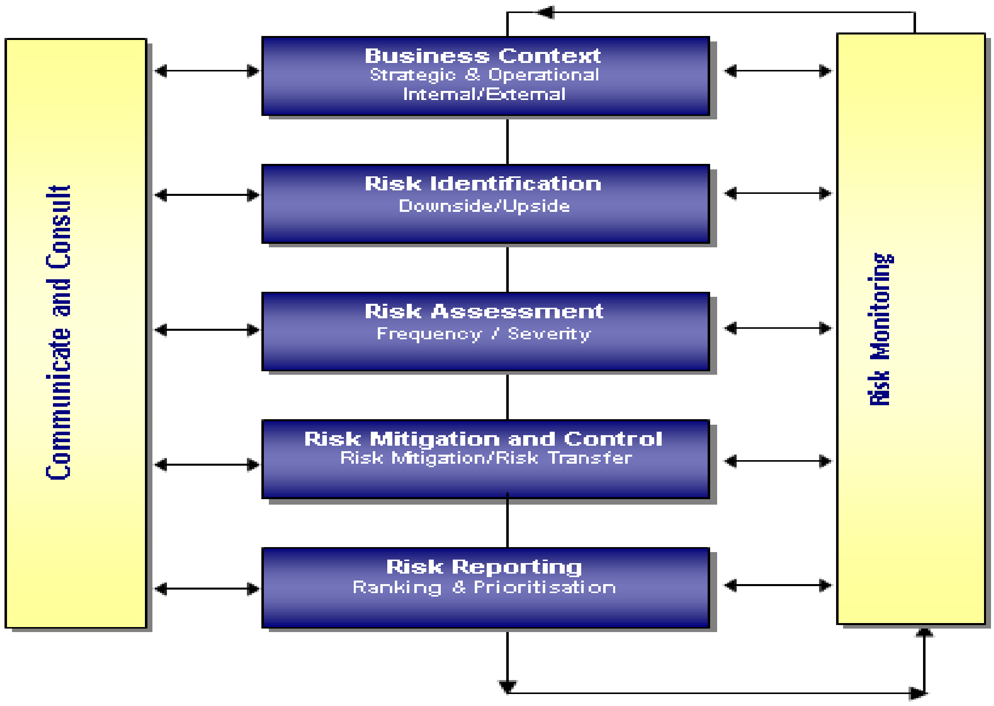
An internal audit review has been carried out in 2017 on Argo Direct Limited (ADL) as distributor of the AGSE's insurance products. Given the close working relationship between both parties, the Company felt the need of such an audit to be carried out to ensure that the processes and controls are in place.

B.3 Risk Management System including the ORSA

The Risk Management Strategy is primarily intended to align with AGSE's risk profile with its strategic plans and to identify and address risks that may prevent it from achieving its business objectives. It is also intended to be used as a tool to steer AGSE's risk taking capacity and determine where it should be allocated on an assessment of risk and reward. AGSE have a Risk Policy and an ORSA Policy and the risk system is also implemented using the standards set out in Argo's Enterprise Risk Management Framework.

These documents set out the processes and procedures for risk identification, measurement, monitoring, management and reporting. A risk register is maintained and this sets out the risks and associated risk mitigations. Each risk has a risk owner who is either a director of AGSE or an Argo London critical function holder.

Argo Global SE has adopted the Argo Group's risk management framework which is summarised as follows, based on ISO 3100 best practice.



Identification

Risks have been identified and maintained on the AGSE risk register. Identification of new risks is the responsibility of the risk owners and the risk management function (as a second line of defence).

Measurement

Each risk on the risk register is assessed using deterministic assessments, and qualitative assessments (or a combination of these techniques). The standard formula is used to calculate the capital requirements of AGSE. The business also conducts stress and scenario assessments as part of the ORSA process.

Management

Identified risks are mitigated either through the use of tolerance / risk limits, controls and risk transfer techniques.

Monitoring

This is carried out by both Risk Owners and the Risk Management function. Monitoring is undertaken using key risk indicators and other metrics of information which provide a view on exposure to risk. Risk tolerances and risk limits are also monitored and where these could / have been breached appropriate action is taken. The control environment is also monitored to detect situations where a weakness in systems and controls exposes AGSE to increased risk. A loss event and near miss reporting process is also in place to monitor control weaknesses.

Reporting

Risk reporting takes place principally through the Risk and Compliance Committee. This Committee meets at least four times a year and reports on risk and compliance matters to the AGSE Board.

Integration of risk into the organisational structure and decision making process of the undertaking

The risk function has risk owners and control owners identified on the risk register. A risk assessment takes place at least once a year. In addition, the risk function attends regular AGSE staff meetings to ensure holistic discussion across all functions and ensure that the risk is integrated into the decision making and strategy making process. AGSE has an Own Risk & Solvency Assessment (ORSA) Policy in place. The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks that AGSE faces or may face, and given the risk profile, the determination of its own funds (economic capital) necessary to ensure that overall solvency needs are met at all times.

The ORSA process in effect links with other processes that ultimately links business strategy with risk and capital requirements. These processes included:

- Business strategy and business planning
- Risk appetite
- Identification and assessment of risks that affect solvency
- Risk monitoring and capital setting
- Stress and scenario testing (on business plan, capital and business resilience)

AGSE's Risk & Compliance Committee is responsible for oversight of the ORSA process with the AGSE Board ultimately accountable for the ORSA process. An ORSA report is produced at least annually for the AGSE Board's review and approval. The ORSA process is a continuous process linking business strategy, risk assessment and monitoring and capital requirements. Changes in the business strategy during the year could lead to changes in the risk profile. If those changes were significant this would then lead to a review of capital requirements. New risks or changing exposure of existing risks could impact business strategy which would also lead to a review of capital requirements.

AGSE's capital requirements under Solvency II are determined using the standard formula. Generally smaller companies such as AGSE are not modelled well by the standard formula, however, we believe that it is acceptable for AGSE due to the following reasons:

- The calibration of the standard formula by EIOPA was conducted on standard industry data. The business that AGSE writes was included within the calibration and so the standard formula will be calibrated correctly for AGSE.
- The assumptions made in all the material areas of the standard formula are consistent with AGSE's business mix for finding a value at risk corresponding to a 99.5% confidence level over the one year horizon
- As AGSE grows and expands its business it will better fit the standard formula so there should be a better fit between AGSE business and the standard formula as AGSE grows.

B.4 Internal Controls System

The Company's policy is to ensure that an adequate and effective Internal Control System is in place. In applying this policy, the Company defines internal controls as a process, conducted by its Board, key functionaries and employees, designed to provide "reasonable assurance" that business objectives are achieved by:

- Securing proportionate compliance with applicable laws, regulations and control processes;
- Ensuring processes are efficient and effective;
- Ensuring that sufficient and reliable financial and non-financial information is available to effectively manage the business;
- Ensuring that all relevant information is efficiently and accurately reported to the Risk Management, Internal Audit, Compliance, and Actuarial Functions as necessary for the effective performance of their duties;
- Ensuring that adequate protocols and procedural guidelines for the undertaking's key business, IT, and financial policies and processes, including in respect of accounting and financial reporting and the related risk management and compliance measures are in place.

The Internal Controls System is designed and operated to assist the Board and Senior Management in the fulfilment of their respective responsibilities for oversight and management of the company. The Internal Controls System provides them with reasonable assurance from a control perspective that the business is being operated consistently with the (a) strategy and risk appetite set by the Board, (b) agreed business objectives, (c) agreed policies and processes, and (d) laws and regulations. This Procedural Guideline provides an overview of the key components of the internal control system which, taken together, explain how the business is run. The key components are:

- Control environment
- Risk assessment
- Control activities
- Information and communication

- Monitoring

The Company uses the Three Lines of Defence Model in controlling its activities.

Information and Communication

Information systems play a key role in internal controls system as they produce reports, including operational, financial and compliance-related information that make it possible to run and control the business.

Effective communication aims to ensure information flows down, across and is escalated within the business. Effective communication includes external parties, such as customers, suppliers, regulators and shareholders.

Monitoring and Oversight

The internal controls system is monitored to assess the quality of performance over time. This is achieved through ongoing monitoring activities or separate evaluations. Internal control deficiencies detected through these monitoring activities are escalated and corrective actions are taken to ensure continuous improvement.

The governance committees, when and as established by the Board, with their individual focus on specific risk types oversees all the relevant risk activities of the respective business function and are responsible for escalating significant issues to the Board as deemed necessary and appropriate.

B.5 Compliance Function

The Compliance function is established as an independent second line control function.

The Company has adopted a Compliance Policy which sets outs the objectives of the Compliance Function. A Compliance Plan is presented at the first board meeting of each financial year and is approved by the Board. The Compliance function monitors the progress made towards executing the Compliance Plan and reports to the Risk and Compliance Committee and to the board at each meeting as a minimum.

In performing its activities, the Compliance Function makes sure that Internal controls at the Insurance Manager level are adhered to and carries out Compliance Monitoring activities to make sure that the Company remains compliant with the Insurance Laws and Regulations at all times.

The compliance function liaises with the wider Argo Group compliance function in order to align compliance activities in coordination with group requirements through regular meetings as and when required.

Directors, key functions holders and employees are required to escalate any compliance issues to the Compliance Function as and when these arise.

In order to effectively monitor and report on the Company’s requirement to be in compliance with all applicable laws and regulatory requirements the Board of Directors have outsourced the compliance function and have appointed Mr. Antonio Vella to undertake the role of Compliance Officer. In making this appointment the Board has considered the skills required from the Compliance Officer and are satisfied that Mr. Antonio Vella has the requisite skills to undertake this role.

Dr. Bodo Sartorius is the director responsible to oversee the compliance function with any issues noted being reported to Mr. Antonio Vella on a timely basis.

B.6 Internal Audit Function

The objective of the Internal Audit department is to assist the AGSE Board of Directors and management in the effective discharge of their governance responsibilities. The Internal Audit department is responsible for auditing the AGSE's financial, operational and internal control activities and for providing the Board and management with reports on the results of the audits. The audits primarily focus on assessing whether processes and controls are adequate to provide reasonable assurance that resources are safeguarded against waste, loss and misuse; operations are efficient and effective; specific management objectives are achieved; financial and performance reports are reliable, and there is compliance with applicable laws and regulations. Audit resources are devoted to addressing areas perceived with the highest risk and areas that cover the core business activities. Prior to each audit assignment, a full planning document with specific audit scope is developed, approved and issued based on the risks and controls detailed in the risk universe and risk registers. For each audit assignment, a report is produced which is designed to add value and improve operations. The results of the audits are communicated to AGSE management and to the Board.

The internal audit function will remain free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a 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 detailed steps necessary to implement procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must 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 Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function.

B.7 Actuarial Function

The application of sound actuarial techniques to the risks assumed by the Company on a consistent basis enables the Company to:

a) Understand, monitor, report and manage its insurance underwriting risk profile;
b) Evaluate its capital needs and capital deployment strategies; and
c) Meet its obligations to shareholders, policyholders and regulators.

The company has established and maintains an effective actuarial function appropriate to the nature, scale, complexity, and profile of risks to which the Company is exposed. The Company ensures that the appointed actuary meets the required criteria on fitness and propriety related to the performance of the actuarial function. The Company’s Actuarial Function shall be objective and free from the influence of other parties. The Actuarial Function will establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its policyholder obligations, potential insurance and reinsurance exposures, and capital requirements consistent with applicable laws and recognized industry standards.

B.8 Remuneration

Argo Group has in place global compensation programmes to attract, retain and motivate talent. These programmes are applicable across Argo Group and all subsidiaries. The existing Remuneration Policy for Argo Managing Agency is therefore applied to AGSE on that basis. It is Argo's policy to have in place appropriate and transparent remuneration arrangements to attract, retain and motivate suitably qualified staff, to ensure that remuneration arrangements align with Argo's objectives and the interests of its shareholders but do not promote excessive risk taking.

In applying this policy, Argo will

- Review salaries on an annual basis with reference to market benchmarking data.
- Provide a market competitive, but not excessive, benefits package.
- Provide performance related variable pay, or bonus, to ensure that individual performance is aligned with the Company's strategic objectives, its stated Risk Appetite and the interests of its shareholders.
- Ensure remuneration arrangements support a system of effective risk management.

Variable remuneration includes the Argo Group Profit Sharing (PS) Plan and the Long Term Incentive (LTI) Plan. Total remuneration reflects a higher weighting towards variable pay for senior executives and underwriting employees. For the PS (short term incentive) plan eligible employees have a target equal to a percentage of their base salary. In any given year, the actual PS pay-out will be determined based upon a combination of Business Unit (legal entity or underwriting division) results and Argo Group (parent company) results and that amount may be modified by the assessment of individual performance. Deferrals apply to underwriting PS payments over 3 years (60% in the first year and 20% in each of the subsequent years) with the objective of retaining those who drive business production. Payment for employees in functional roles (e.g. HR, Finance etc) is modified on the basis of Argo Group's performance and then may be further modified based on individual performance. The LTI plan for which senior executives are eligible with a target equal to a percentage of their base salary with the objective of driving long term performance and retaining critical employees. Eligible employees are awarded 100% of their LTI target in February of Year 1. Performance against LTI performance trigger goals (goals identified as being more long term in nature) is reviewed at the end of year 1 and the award is then modified in line with that assessment. The modified award vests in 4 tranches with the first tranche of 25% vesting each year until the award is fully vested. Employees who leave the Company before the award is fully vested forfeit any outstanding vesting.

B.9 Outsourcing

Under the Malta and EU Insurance Rules and Guidelines, if an undertaking outsources functions either externally to third parties or internally to other affiliated entities, the undertaking is expected to have oversight and clear accountability for all outsourced functions as if these functions were performed internally and subject to the insurer's standards for corporate governance and internal controls. The insurer is also expected to ensure that the service agreement includes terms of compliance with jurisdictional laws and regulations, cooperation with Regulator and timely access to data and records.

In applying this Policy, the Company will:

- when relying on a third party or other affiliated entities for the performance of operational functions which are critical for the performance of regulated activities, listed activities or ancillary services on a continuous and satisfactory basis, maintain oversight and accountability for these functions as if they were performed internally and subject to the Company's own standards for corporate governance and internal controls;
- ensure that written outsourcing service agreements include terms of compliance with jurisdictional laws and regulations, cooperation with the Regulator and other relevant competent authorities, and timely access to data and records;
- notify, the Regulator of outsourcing agreements on important/key or critical activity and submit the respective agreement to the authority for approval prior to signing;
- maintain a written outsourcing agreement in the form of a service level agreement in instances where the appointed service provider is a legal entity of Argo Group.

For the purposes of this Policy an arrangement is likely to be deemed critical or important to the conduct of the business if a defect or failure in its performance would:

- materially and adversely impact the quality of the system of governance;
- unduly increase operational risk or significantly reduce control assurance (e.g. if the service is a key mitigating control);
- impair the ability to comply with any relevant legal or regulatory requirements or the ability of regulators to monitor the Group;
- undermine the soundness or continuity of Key functions, services and activities that are core to the business and delivery of services to policy holders/customers.

This Policy does not apply in respect of individuals or firms retained under consulting, professional advisory services or temporary/agency support staff arrangements, where the individuals concerned are directly supervised by Board Member or other manager employed by the Group.

List of current material outsourcing arrangements and the jurisdictions they operate in:

DESCRIPTION OF FUNCTIONS / ACTIVITIES	JURISDICTION
Insurance Management	Malta
Compliance	Malta

C. RISK PROFILE

The Board of Directors reviews the Company's risk profile on an ongoing basis. This allows the Board of Directors to see the spread of risks so as to ensure that it achieves its business objectives. The view of material risks in the ORSA is a combination of the top risks from the Risk Register and the SCR risk ranking (based on the capital requirements).

From the risk register other key risks considered during the year include Brexit, delegated authority management processes and control processes around the growth strategy.

C.1 Underwriting Risk

Insurance/underwriting Risks are defined as the risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing and / or reserving practices. These risks may be caused by the fluctuations in timing, frequency and severity of insured events and claims settlements in comparison to the expectations at the time of underwriting.

From the SCR calculation this is a material driver of risk. As the business grows this risk category will also grow driven through greater premium and catastrophe risk. Reserve risk is not a material driver of risk at this stage but this will become more material in future years.

AGSE has offered professional lines insurance since its inception which includes Crime, Cyber, Directors and Officers Liability, Professional Indemnity, and other affiliated lines of coverage through brokers and dedicated coverholders. Since early 2017 AGSE also offers casualty, property and blended coverages along with surety through those same distribution channels. There are underwriting guidelines in place for lines of business and each underwriter has an authority letter including a referral process. The underwriting committee of AGSE oversees the implementation of the underwriting guidelines and business developments.

Reserve risk is mainly managed through the quarterly reserve risk process overseen by the Claims and Reserving Committee and through actuarial input and review.

C.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

a) Currency risk;
b) Interest rate risk; and
c) Equity price risk.

Market risk is a less material risk category due to the conservative nature of the portfolio. The main driver of market risk is foreign exchange risk. This risk is being monitored and when appropriate risk transfer mechanisms (hedging) will be considered to manage this exposure.

The following policies and procedures are in place to mitigate the exposure to market risk:

- A market risk policy exists that sets out the assessment and determination of what constitutes market risk for the entity.
- Compliance with the policy is monitored and exposures and breaches are reported to the investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- For assets backing outstanding claims provisions, market risk is managed by matching (within agreed limits) the average duration and currency of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

C.3 Credit and Liquidity Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk is the largest driver of risk. This is mainly driven through a 90% quota share arrangement with Argo Re (another Argo company). This risk is being diversified through the purchase of specific reinsurances with highly rated (non-Argo) entities.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the entity. Compliance with the policy is monitored and exposures and breaches are reported to the risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or asset class (i.e., limits are set for investments and cash deposits and minimum credit ratings for investments that may be held).

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the entity's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the investment committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are set up which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

C.4 Operational Risk

These risks are defined as the risk of loss arising from inadequate or failed internal processes, people, systems, or from external events. This risk encompasses all exposure faced by functions and services rendered in the course of conducting business including, and not limited to, accounting and financial reporting, business continuity, claims management, information technology and data processing.

The AGSE risk register takes a top down approach to capture the operational risks faced by the entity (in fact, all key categories are captured on the risk reinter), and these are assessed on at least an annual basis with the risk manager and owners. All risks on the register are assessed on impact and likelihood.

Operational risk is managed principally through the governance structures and the internal control processes.

C.5 Other Material Risks

In addition to the above mentioned risk categories, AGSE can be exposed to possible concentration risk. This is the risk of exposure to losses associated with inadequate diversification of portfolios of assets or obligations. Concentration risk refers to all risk exposures with a loss potential which is large enough to threaten the solvency position of the Company. Concentration risk can arise in both the assets and liabilities sides of the balance sheet as well as in off-balance sheet items and can originate from a series of sources such as natural or man-made catastrophes or unprecedented economic events, or from an individual risk exposure, or from a combination of risk exposures such as credit, investment, underwriting and liquidity.

The material concentration risk AGSE is exposed to is reinsurance concentration risk. There are specific reinsurances in place covering liability, property and surety risk. This is placed with highly rated company market reinsurers and Lloyd's market. There is also a 90% whole account quota share with Argo Re which is the main which is the main concentration exposure.

C.6 Stress and Sensitivity Testing

A number of stress tests were carried out during the course of the year. The stress tests are summarised below:

- 20% reduction in premium rates year on year over three years across the entire portfolio. Without management action, the SCR would not be breached.
- Increase in premium volumes over and above business plan by 25%. Without management actions, this would breach the SCR within 2 years.
- Downgrade of Argo Re from A rating to BBB. Without management action the SCR would be breached within 3 years.
- Loss ratio deterioration considers increases in the planned loss ratio from 50% - 55% to 80% - 87%. In this scenario the SCR without management action the SCR would be breached within 2 years.
- Reverse stress test that assess the level of loss ratio it would require to breach the MCR without any management action. This would be a loss ratio of 278%.
- Weakening of euro against sterling by 25% without management action the SCR would not be breached
- Strengthening of the euro against sterling by 25% without management action the SCR would not be breached.
- 25% reduction in premium volumes year on year without management actions this would not breach the SCR.

A number of (non-quantifiable) qualitative stress tests were also undertaken. These were:

- Loss of executive team
- Terrorist attack destroying AGSE building during working hours
- Serious breach of regulatory requirement
- Casualty catastrophe scenario in addition to the property catastrophe already assumed in the business plan.

The stress tests, conclusions of the stress tests and the actions that could be taken to mitigate them are more discussed in AGSE's 2017 ORSA.

Following the above results, the Company has put in place mitigating actions which would re-establish the SCR cover of the company. This revolves around:

- Mitigating management actions
- Capital management

D. VALUATION FOR SOLVENCY PURPOSES

AGSE presents below the information regarding the valuation of assets for Solvency II purposes including (for each material class of assets):

- A quantitative explanation of any material differences between the asset values for Solvency II purposes and those used for financial reporting bases.
- A description of the assets valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

D.1 Assets

The value of each of material class of asset as well as the basis used and main assumptions for valuation as described below

Argo Group Assets (EUR)	IFRS	SII Valuation Principles
Deferred Acquisition Costs	4,590,142	
Deferred Tax Assets		342,063
Government and Multilateral Banks	1,137,039	1,137,039
Corporate	10,551,187	10,551,187
Collateralised Securities	879,169	879,169
Reinsurance share of TP - non-life excluding health	33,506,889	26,211,825
Insurance & Intermediaries Receivables	8,137,157	8,137,157
Cash & Cash Equivalents	16,061,313	16,061,313
Any Other Assets, Not Elsewhere Shown	72,502	72,502
Total assets	**74,935,398**	**63,392,255**

i. Valuation bases, methods and main assumptions

There are no material differences between the IFRS/Solvency II valuation methods for the classes of assets highlighted above.

a) Deferred Acquisition Costs (DAC) are not allowed in the Solvency II Balance Sheet as the company does not expect future benefits/cash flow from this asset.

b) Deferred Tax Assets in the Solvency II Balance sheet arises from difference between the IFRS Balance sheet and the Solvency II Balance sheet. This is different from the Deferred Tax Assets arising on the SCR. In this case, the Deferred Tax Assets is mainly driven by the difference in Valuation of the Net Technical provisions best estimate when compared to IFRS Net Technical provisions. The net amount is considered under Tier 3 Capital up to a limitation of 15% of the total capital being taken as allowable against the SCR.

c) Investments are measured at fair value with unrealized gains or losses recognised in other comprehensive income (OCI) and credited in the AFS reserve until the investment is divested, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate (EIR) method.

d) Reinsurance Recoverables are valued at the Best Estimate under Solvency II in proportion to the Quota share reinsurance in place. This is mainly driven by the Premium provision whereby the Solvency II best estimate is less than the unearned premium provision in IFRS Balance Sheet.

e) Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

f) Cash and cash equivalents comprise cash at bank and are recorded at face value.

D.2 Technical Provisions

The company presents below the information regarding the valuation of technical provisions by each material line of business for Solvency II purposes including:

- A quantitative explanation of any material differences between the technical provisions values for Solvency II purposes and those used for financial reporting bases.

- A description of the technical provisions valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

I. Quantitative information

Argo Group –Technical Provisions (EUR)	IFRS	SII Valuation Principles
Gross Technical Provisions – Non-Life (Excluding Health)	35,303,133	
Best Estimate		27,616,977
Risk Margin		1,118,431
Total Technical provisions	**35,303,133**	**28,735,408**

II. Solvency II Valuation bases, methods and main assumptions

Process to Calculate the Technical Provisions

The Technical Provisions (TPs) are carried out in two stages, the first part is the calculation of the IFRS TPs (i.e. IFRS Reserves) used in the Audited Accounts and the second stage is the calculation of the specific Solvency II (SII) adjustments required for the SII TPs. The IFRS TPs are a significant element of the SII TPs.

The process to complete the quarterly IFRS TPs is that Claims and Premium are extracted from the Inspire System. Information is extracted from around the business (including input from underwriters and claim handlers) to feed into the reserving process. The results are reviewed at the Argo Internal Specialty quarterly reserving meetings and then the result are presented to the ArgoGlobal SE Board. This process allows challenge of the assumptions, methodology and results.

Appropriateness of the Data, Methodology and Assumptions

Data

There have been no material issues in gaining the premium and claims data so far. There is, however, limited data and because many actuarial methods rely on having sufficient data this limits the available techniques. Benchmark data has been used for the payment patterns, used in the SII TP calculations.

Methodology

The key methodology used to generate the IFRS reserves is to set the Earned Loss Ratio equal to the Initial Expected Loss Ratio (IELR) and this is then reviewed with judgement to assess if additional IBNR is required. As yet no Loss Ratios have been decreased to release reserves. The analysis is carried out for each Accident Year with no additional segmentation (i.e. Class of Business splits). The methodology used to adjust the IFRS TPs to be SII TPs is to include the:

- Expected profit arising from the UPR
- Discount benefit
- Risk margin

These adjustments are made at the total level, i.e. not by accident year. The approach is simplistic, especially the treatment of the UPR rather than explicitly considering the cash flows, but it is not expected that a more granular approach would yield materially different results.

Assumptions

A key assumption, given the method used, is the selected Initial Expected Loss Ratio (IELR) of 40%. The same Loss ratio has been assumed for 2017, in respect of the existing Professional Lines business. The sensitivity to the assumed IELR is limited however due to the small net earned premium.

The addition of the Risk Margin is the most substantial SII adjustment and the approach assumes the future SCR can be approximated using the expected run-off of the reserves. The Actuary views this assumption as reasonable.

Other assumptions used are in the expected profitability within the UPR and the payment pattern for discounting of the SII TPs; neither have a material impact on the SII TP results.

General Limitations

The following are general limitations applicable to actuarial analysis:

- A reliance that past history is a reasonable guide to the future;
- Ultimate cost of claims can be affected by many factors which may not yet be prevalent in the loss data, for example inflation, latent claims, new sources of claims, economic/legal/social trends etc;
- For the SII TPs there is additional uncertainty compared to IFRS reserves as there is more Large Loss exposure in the SII TPs as it also includes unearned exposure;
- Liability classes generally contain uncertainty due to their relatively long development.

As outlined from the extract of Actuarial Function Report, the technical provisions are reviewed on a regular basis by the Group actuary. In addition, 90 per cent of gross reserves are reinsured. As a result the risk of uncertainty on calculating technical provisions is significantly minimised. The Actuary is also involved in assessing the valuation of technical provisions under Solvency II. The timing of claims payments together with target loss ratio are key to the valuation of Technical provisions on Solvency II Valuation principles.

The 2017 AGSE Actuarial Function report confirms that the process to calculate the Technical Provisions is reliable and adequate given the limited complexity of the business. The data and IT systems are suitable and no issues were observed with the data provided. The Actuary views methodologies and procedures used to be consistent with the Solvency II requirements. In his opinion the Technical Provisions are reasonable, but the uncertainty arising from the potential of a single large loss and the choice of IELR should be borne in mind.

D.3 Other Liabilities

Argo Group - Other Liabilities (EUR)	IFRS	SII Valuation Principles
Provisions Other Than Technical Provisions	4,340,157	
Insurance & intermediaries payables	777,098	777,098
Reinsurance payables	19,940,365	19,940,365
Payables (trade, not insurance)	2,753,823	2,753,823
Other Liabilities	**27,811,443**	**23,471,585**

i. Solvency II Valuation bases, methods and main assumptions

a) Deferred Commission Income, which follows the same principle as the Deferred Acquisition Costs, where the deferred income is not considered as an admissible liability under Solvency II valuation base as it would have already been received by the reinsurers or accounted for separately.
b) This represents immaterial balance.
c) The Reinsurance payables relate to reinsurance payable within 3 months is not discounted.
d) The remaining payables relate to trade accruals and valued at face value.

D.4 Alternative Methods for Valuation

No other material information regarding the valuation of assets and liabilities.

E. Capital Management

The objectives of the Capital Management policy of the company is to:

a) Maintain a sufficient capital base which:
   - Meets the business strategy and risk appetite for capital, as set out in ArgoGlobal SE's 'Risk Appetite Standard'; and
   - Complies with Solvency II regulatory requirements.

b) Efficient Capital: ArgoGlobal SE must implement efficient use of capital as suited to company, consistent with the risk appetite as set out in ArgoGlobal SE's 'Risk Appetite Standard'

c) Reinsurance Strategy: ArgoGlobal SE must implement the most efficient reinsurance strategy suited to purpose and incorporate Solvency Fabric modelling when setting its reinsurance strategy

d) Consistency with System of Governance: ArgoGlobal SE must manage its capital consistent with the System of Governance, specifically Risk Management Framework.

e) Tier Capital and Own Funds: ArgoGlobal SE must make sure that they continuously hold sufficient eligible own funds to cover capital requirement.

f) Monitoring of Capital Positions: The CEO must make sure that there is regular, timely and effective monitoring of capital positions. So that capital efficiency and a sufficient capital base are maintained, ArgoGlobal SE and its subsidiaries must complete the following:
   - Actual Capital Base, International Financial Reporting Standards (IFRS) Equity, Solvency II Equity, SCR coverage ratio and return on key asset classes must be calculated and reviewed at least annually in line with ORSA Policy;
   - Ad hoc basis when there is a significant event that affect the company's business strategy;

g) Internal Reporting of Capital Positions: The CEO must make sure that there is regular and effective internal reporting of the capital positions to the Board and senior management;

h) External Reporting of Capital Positions: ArgoGlobal SE must produce the following in accordance with Solvency II requirements:
   i.) Quantitative Reporting Template (QRT);
   ii.) Solvency and Financial Condition Report (SFCR); and
   iii.) Regular Supervisory Report (RSR).

E.1 Own Funds

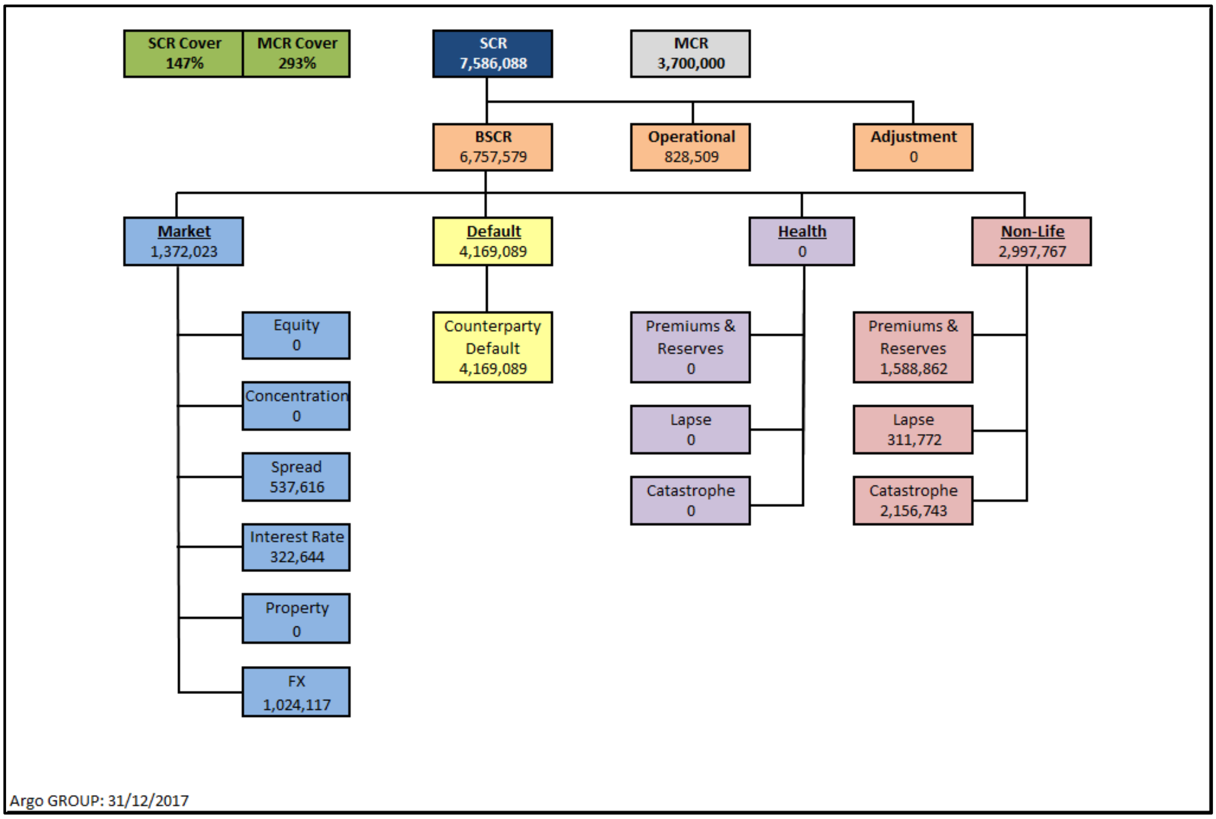
Please refer to the table below which illustrates the breakdown by tier of the structure, amount and quality of own funds at the end of the reporting periods being 31 Dec 2017 and 31 Dec 2016. The 3 Tiers are defined as follows:

- Tier 1 own funds is capital that has no features causing or accelerating insolvency e.g. ordinary share capital
- Tier 2 ancillary own funds are items of capital other than basic own funds which can be called up to absorb losses e.g. unpaid share capital, letters of credit or guarantees.
- Tier 3 ancillary own funds are items of capital which when called up would not qualify as Tier 1.

Basic Own Funds	December 2016		December 2017	
	Tier 1 – Unrestricted	Tier 3	Tier 1 – Unrestricted	Tier 3
Ordinary Share Capital	**€9,760,000**		**€9,760,000**	
Reconciliation Reserve	**(€3,459,229)**		**(€3,916,501)**	
Deferred Tax Asset		**€95,035**		**€342,063**
Capital Contribution	**-**		**€5,000,000**	
TOTAL BASIC OWN FUNDS	**€6,300,771**	**€95,035**	**€10,843,499**	**€342,063**

By referring to the above table for both the end of the current and previous periods you will note an improvement in the SII Basic Own Funds from the end of the prior reporting period to the end of the current reporting (year ending 31 December 2017 €11,185,562; year ending 31 December 2016 €6,395,806) mainly as a result of further profits and the capital contribution accounted for during 2017.

E.2 Solvency Capital Requirement and Minimum Capital Requirement



The main drivers of the Solvency Capital Requirement are the following:

- The Non-Life Underwriting Risk. As the business grows this risk category will also grow driven through greater premium and catastrophe risk.
- Counterparty default risk had the major impact on the Solvency Capital Requirement and this is was mainly due to exposure to Argo Re and significant balance held in banks, the latter where invested after year end. Exposure to Argo Re is being diluted through the introduction of various external reinsurers.

Minimum Capital Requirement (MCR)

MCR	3,700,000

Total MCR NL	501,951
Cap	3,413,740
Floor	1,896,522

Parameters	
Cap	45%
Floor	25%
AMCR	3,700,000

Line of Business	Net Technical Provisions	Net Premium Written	Parameters		MCR NL
			α	β	
Fire & Other Damage to Property	192,342	512,516	9%	8%	56,519
General liability insurance	978,072	1,160,607	10%	13%	252,781
Credit & Suretyship	234,737	1,337,192	18%	11%	192,651

Through the use of the Standard Formula, the maximum and minimum Capital Requirement has been determined as follows:

- The MCR is capped at 45% of the Solvency Capital Requirement (SCR) being €3.414m, whilst
- The lowest allowed Capital Requirement, i.e. the floor, is set at 25% of the SCR being €1.896m

The Group is meeting the minimum capital requirements of €3.7million. There were no instances of non-compliance with the minimum capital requirement during the reporting period.

E.3 Anticipated Solvency Capital

	31st December 2016	31st December 2017	*Movement*
Cover	**150%**	**147%**	**-3%**
MCR	3,700,000	3,700,000	0
SCR	**4,271,650**	**7,586,088**	**3,314,438**
Operational	**374,773**	**828,509**	453,736
Adjustment	0	0	0
BSCR	**3,896,877**	**6,757,579**	2,860,702
Market	**549,607**	**1,372,023**	822,416
Default	**1,409,661**	**4,169,089**	2,759,428
Non-Life	**2,793,482**	**2,997,767**	204,285
Available Capital	**6,395,806**	**11,185,562**	**4,789,756**

As expected the Solvency Capital Requirement increase in line with the growth of the company. The main drivers being the increase Underwriting activity which reflected itself in the Non-Life Underwriting risk, but more prominently in the Default risk section. This is mainly due to the fact that the company took the strategic decision to purchase additional reinsurance covers limiting its exposure to catastrophic risk but leading to a higher exposure to reinsurance recoveries. Operational risk increase in line with the increase in earned premium and Solvency Capital requirement.

APPENDIX I: LIST OF QUANTITATIVE REPORTING TEMPLATES (QRTs) FOR PUBLIC DISCLOSURE (GROUPS)

The following table lists down the QRTs that are required to be publicly disclosed as applicable to the Company:

TEMPLATE REFERENCE	TEMPLATE DESCRIPTION
S.02.01.02	Balance Sheet
S.05.01.02	Information on premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.23.01.22	Information on own funds
S.25.01.22	Information on the Solvency Capital Requirement
S.32.01.22	Undertakings in the scope of the Group

S.02.01.02 – BALANCE SHEET

					Solvency II value
					C0010
Assets	Goodwill			R0010	
	Deferred acquisition costs			R0020	
	Intangible assets			R0030	
	Deferred tax assets			R0040	342,063
	Pension benefit surplus			R0050	
	Property, plant & equipment held for own use			R0060	
	Investments (other than assets held for index-linked and unit-linked contracts)			R0070	12,567,395
		Property (other than for own use)		R0080	
		Holdings in related undertakings, including participations		R0090	
		Equities		R0100	
			Equities - listed	R0110	
			Equities - unlisted	R0120	
		Bonds		R0130	12,567,395
			Government Bonds	R0140	1,137,039
			Corporate Bonds	R0150	10,551,187
			Structured notes	R0160	
			Collateralised securities	R0170	879,169
		Collective Investments Undertakings		R0180	
		Derivatives		R0190	
		Deposits other than cash equivalents		R0200	
		Other investments		R0210	
	Assets held for index-linked and unit-linked contracts			R0220	
	Loans and mortgages			R0230	
		Loans on policies		R0240	
		Loans and mortgages to individuals		R0250	
		Other loans and mortgages		R0260	
	Reinsurance recoverables from:			R0270	26,211,825
		Non-life and health similar to non-life		R0280	26,211,825
			Non-life excluding health	R0290	26,211,825
			Health similar to non-life	R0300	
		Life and health similar to life, excluding health and index-linked and unit-linked		R0310	
			Health similar to life	R0320	
			Life excluding health and index-linked and unit-linked	R0330	
		Life index-linked and unit-linked		R0340	
	Deposits to cedants			R0350	
	Insurance and intermediaries receivables			R0360	8,137,157
	Reinsurance receivables			R0370	
	Receivables (trade, not insurance)			R0380	
	Own shares (held directly)			R0390	
	Amounts due in respect of own fund items or initial fund called up but not yet paid in			R0400	
	Cash and cash equivalents			R0410	16,061,313
	Any other assets, not elsewhere shown			R0420	72,502
	Total assets			R0500	63,392,255

S.02.01.02 – BALANCE SHEET (CONTINUED)

Liabilities	Technical provisions – non-life			R0510	
		Technical provisions – non-life (excluding health)		R0520	28,735,408
			Technical provisions calculated as a whole	R0530	
			Best Estimate	R0540	27,616,977
			Risk margin	R0550	1,118,431
		Technical provisions - health (similar to non-life)		R0560	
			Technical provisions calculated as a whole	R0570	
			Best Estimate	R0580	
			Risk margin	R0590	
	Technical provisions - life (excluding index-linked and unit-linked)			R0600	
		Technical provisions - health (similar to life)		R0610	
			Technical provisions calculated as a whole	R0620	
			Best Estimate	R0630	
			Risk margin	R0640	
		Technical provisions – life (excluding health and index-linked and unit-linked)		R0650	
			Technical provisions calculated as a whole	R0660	
			Best Estimate	R0670	
			Risk margin	R0680	
	Technical provisions – index-linked and unit-linked			R0690	
		Technical provisions calculated as a whole		R0700	
		Best Estimate		R0710	
		Risk margin		R0720	
	Other technical provisions			R0730	
	Contingent liabilities			R0740	
	Provisions other than technical provisions			R0750	
	Pension benefit obligations			R0760	
	Deposits from reinsurers			R0770	
	Deferred tax liabilities			R0780	
	Derivatives			R0790	
	Debts owed to credit institutions			R0800	
	Financial liabilities other than debts owed to credit institutions			R0810	
	Insurance & intermediaries payables			R0820	777,097
	Reinsurance payables			R0830	19,940,365
	Payables (trade, not insurance)			R0840	2,753,823
	Subordinated liabilities			R0850	
		Subordinated liabilities not in Basic Own Funds		R0860	
		Subordinated liabilities in Basic Own Funds		R0870	
	Any other liabilities, not elsewhere shown			R0880	
	Total liabilities			R0900	52,206,693
Excess of assets over liabilities				R1000	11,185,562

S.05.01.02 - Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

			Line of Business for: non-life insurance and reinsurance			Total
			Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
			C0070	C0080	C0090	C0200
Premiums written	Gross - Direct Business	R0110	5,553,414	13,927,215	13,371,922	32,852,551
	Gross - Proportional reinsurance accepted	R0120				
	Gross - Non-proportional reinsurance accepted	R0130				
	Reinsurers' share	R0140	5,062,270	12,962,465	12,703,326	30,728,061
	Net	R0200	491,144	964,750	668,596	2,124,490
Premiums earned	Gross - Direct Business	R0210	1,572,289	8,571,285	4,995,679	15,139,253
	Gross - Proportional reinsurance accepted	R0220				
	Gross - Non-proportional reinsurance accepted	R0230				
	Reinsurers' share	R0240	1,479,258	7,883,750	4,745,895	14,108,903
	Net	R0300	93,031	687,535	249,784	1,030,350
Claims incurred	Gross - Direct Business	R0310	817,591	3,948,634	1,498,703	6,264,928
	Gross - Proportional reinsurance accepted	R0320				
	Gross - Non-proportional reinsurance accepted	R0330				
	Reinsurers' share	R0340	735,832	3,522,740	1,423,769	5,682,341
	Net	R0400	81,759	425,894	74,934	582,587
Changes in other technical provisions	Gross - Direct Business	R0410				
	Gross - Proportional reinsurance accepted	R0420				
	Gross - Non-proportional reinsurance accepted	R0430				
	Reinsurers' share	R0440				
	Net	R0500				
Expenses incurred		R0550	60,285	(196,666)	36,892	(99,489)
Other expenses		R1200				
Total expenses		R1300				(99,489)

S.05.02.01.01 Home Country - non-life obligations

			Home country
			Home country
			C0080
Premiums written	Gross - Direct Business	R0110	170,655
	Gross - Proportional reinsurance accepted	R0120	
	Gross - Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	153,590
	Net	R0200	17,066
Premiums earned	Gross - Direct Business	R0210	133,354
	Gross - Proportional reinsurance accepted	R0220	
	Gross - Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	120,018
	Net	R0300	13,335
Claims incurred	Gross - Direct Business	R0310	53,570
	Gross - Proportional reinsurance accepted	R0320	
	Gross - Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	48,007
	Net	R0400	5,562
Changes in other technical provisions	Gross - Direct Business	R0410	
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	38
Other expenses		R1200	
Total expenses		R1300	

S.05.02.01.02 Top 5 countries (by amount of gross premiums written) - non-life obligations

			Other than home country				
			Country (by amount of gross premiums written) - non-life obligations				
			FRANCE	GERMANY	ITALY	SWITZERLAND	UNITED KINGDOM
			C0090_76	C0090_83	C0090_109	C0090_215	C0090_234
Premiums written	Gross - Direct Business	R0110	1,702,198	1,527,967	13,640,718	1,262,651	11,676,138
	Gross - Proportional reinsurance accepted	R0120					
	Gross - Non-proportional reinsurance accepted	R0130					
	Reinsurers' share	R0140	1,531,979	1,375,170	12,945,241	1,136,386	10,936,498
	Net	R0200	170,220	152,797	695,477	126,265	739,641
Premiums earned	Gross - Direct Business	R0210	1,629,139	1,095,789	5,163,512	1,088,447	3,917,273
	Gross - Proportional reinsurance accepted	R0220					
	Gross - Non-proportional reinsurance accepted	R0230					
	Reinsurers' share	R0240	1,466,225	986,210	4,896,943	979,602	3,695,141
	Net	R0300	162,914	109,579	266,569	108,845	222,132
Claims incurred	Gross - Direct Business	R0310	653,931	412,357	1,584,809	436,777	2,263,078
	Gross - Proportional reinsurance accepted	R0320					
	Gross - Non-proportional reinsurance accepted	R0330					
	Reinsurers' share	R0340	586,490	369,283	1,484,857	391,580	2,030,857
	Net	R0400	67,440	43,074	99,952	45,196	232,221
Changes in other technical provisions	Gross - Direct Business	R0410					
	Gross - Proportional reinsurance accepted	R0420					
	Gross - Non-proportional reinsurance accepted	R0430					
	Reinsurers' share	R0440					
	Net	R0500					
Expenses incurred		R0550	(88,015)	(27,616)	27,352	(10,040)	123,956
Other expenses		R1200					
Total expenses		R1300					

S.05.02.01.03 Total Top 5 and home country - non-life obligations

			Non-life and Health non-SLT
			Total Top 5 and home country
			C0140
Premiums written	Gross - Direct Business	R0110	29,980,327
	Gross - Proportional reinsurance accepted	R0120	
	Gross - Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	28,078,863
	Net	R0200	1,901,465
Premiums earned	Gross - Direct Business	R0210	13,027,513
	Gross - Proportional reinsurance accepted	R0220	
	Gross - Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	12,144,140
	Net	R0300	883,373
Claims incurred	Gross - Direct Business	R0310	5,404,521
	Gross - Proportional reinsurance accepted	R0320	
	Gross - Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	4,911,075
	Net	R0400	493,446
Changes in other technical provisions	Gross - Direct Business	R0410	
	Gross - Proportional reinsurance accepted	R0420	
	Gross - Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	(25,674)
Other expenses		R1200	
Total expenses		R1300	(25,674)

S.23.01.22.01 Information on Own funds

			Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector	Ordinary share capital (gross of own shares)	R0010	14,760,000	14,760,000			
	Non-available called but not paid in ordinary share capital at group level	R0020					
	Share premium account related to ordinary share capital	R0030					
	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
	Subordinated mutual member accounts	R0050					
	Non-available subordinated mutual member accounts at group level	R0060					
	Surplus funds	R0070					
	Non-available surplus funds at group level	R0080					
	Preference shares	R0090					
	Non-available preference shares at group level	R0100					
	Share premium account related to preference shares	R0110					
	Non-available share premium account related to preference shares at group level	R0120					
	Reconciliation reserve	R0130	(3,916,501)	(3,916,501)			
	Subordinated liabilities	R0140					
	Non-available subordinated liabilities at group level	R0150					
	An amount equal to the value of net deferred tax assets	R0160	342,063				342,063
	The amount equal to the value of net deferred tax assets not available at the group level	R0170					
	Other items approved by supervisory authority as basic own funds not specified above	R0180					
	Non available own funds related to other own funds items approved by supervisory authority	R0190					
	Minority interests (if not reported as part of a specific own fund item)	R0200					
	Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					

S.23.01.22.01 Information on Own funds (continued)

Deductions	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
	whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
	Deductions for participations where there is non-availability of information (Article 229)	R0250					
	Deduction for participations included by using D&A when a combination of methods is used	R0260					
	Total of non-available own fund items	R0270					
Total deductions		R0280					
Total basic own funds after deductions		R0290	11,185,562	10,843,499	0	0	342,063
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300					
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
	Unpaid and uncalled preference shares callable on demand	R0320					
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
	Non available ancillary own funds at group level	R0380					
	Other ancillary own funds	R0390					
Total ancillary own funds		R0400					

S.23.01.22.01 Information on Own funds (continued)

Own funds of other financial sectors	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	R0410					
	Institutions for occupational retirement provision	R0420					
	Non regulated entities carrying out financial activities	R0430					
	Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1	Own funds aggregated when using the D&A and combination of method	R0450					
	Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	11,185,562	10,843,499			342,063
	Total available own funds to meet the minimum consolidated group SCR	R0530	10,843,499	10,843,499			
	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	11,185,562	10,843,499			342,063
	Total eligible own funds to meet the minimum consolidated group SCR	R0570	10,843,499	10,843,499			
Minimum consolidated Group SCR		R0610	3,700,000				
Ratio of Eligible own funds to Minimum Consolidated Group SCR		R0650	293%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)		R0660	11,185,562	10,843,499			342,063
Group SCR		R0680	7,586,088				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A		R0690	147%				

S.23.01.22.02 Reconciliation reserve

				C0060
Accounting consolidation-based method [method 1 and part of	Reconciliation reserve	Excess of assets over liabilities	R0700	11,185,562
		Own shares (held directly and indirectly)	R0710	
		Foreseeable dividends, distributions and charges	R0720	
		Other basic own fund items	R0730	15,102,063
		Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
		Other non available own funds	R0750	
	Reconciliation reserve		R0760	(3,916,501)
	Expected profits	Expected profits included in future premiums (EPIFP) - Life business	R0770	
		Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
	Total Expected profits included in future premiums (EPIFP)		R0790	

S.25.01.22.01 Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	1,372,023	
Counterparty default risk	R0020	4,169,089	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	0	
Non-life underwriting risk	R0050	2,997,767	
Diversification	R0060	1,781,301	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	6,757,579	

S.25.01.22.02 Calculation of Solvency Capital Requirement

				Value
				C0100
Solvency II	Operational risk		R0130	828,509
	Loss-absorbing capacity of technical provisions		R0140	
	Loss-absorbing capacity of deferred taxes		R0150	
	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		R0160	
	Solvency Capital Requirement excluding capital add-on		R0200	7,514,730
	Capital add-on already set		R0210	
	Solvency capital requirement		R0220	7,514,730
	Other information on SCR	Capital requirement for duration-based equity risk sub-module	R0400	
		Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
		Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
		Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
		Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.32.01.22.01 Undertakings in the scope of the group

		Country	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
								% capital share (Numeric)	% used for the establishment of consolidated accounts (Numeric)	% voting rights (Numeric)	Other criteria (Text)	Level of influence (QName)	Proportional share used for group solvency calculation (Numeric)	Yes/No (QName)	Date of decision if art. 214 is applied (Date)	Method used and under method 1, treatment of the undertaking (QName)
Identification code of entity Display Name	Identification code of entity Identifier for s2c_typ:ID (Text) C0020	C0010	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	LEI/213800NZ2O2O9B1KZ788	MALTA	ArgoGlobal SE	Non-Life undertakings	Private Limited Liability Company	Null value	Malta Financial Services Authority	100.00%	100.00%	0.00%	N/A	Significant	100.00%	Included into scope of group supervision		Method 1: Full consolidation
2	LEI/213800H3633UHMS7LI67	MALTA	ArgoGlobal Holdings (Malta) Limited	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC	Private Limited Liability Company	Null value	Malta Financial Services Authority	0.00%	0.00%	0.00%	N/A	Null value	0.00%	Included into scope of group supervision		Method 1: Full consolidation