

# ***Catalina Insurance Ireland dac***

**Solvency and Financial Condition Report  
31 December 2019**

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## Executive Summary

Catalina Insurance Ireland dac (“the Company” or “Catalina Ireland”) is an insurance undertaking authorized by the Central Bank of Ireland (“CBI”), pursuant to the European Union (Insurance and Reinsurance) Regulations 2015, to carry on non-life insurance business in classes 1 to 18 as defined in European Union (Insurance and Reinsurance) Regulations 2015 (SI No. 485 of 2015), with the right to carry on business in such classes in other European Union (“EU”) jurisdictions, including the United Kingdom (“UK”), on a freedom of services basis.

The Company is a member of the Catalina Group (“Catalina”). Catalina is a specialist consolidator of non-life general insurance and reinsurance companies and portfolios in run-off. Catalina acquires and manages portfolios in run-off with the purpose of achieving a competitive return on equity and consistent growth in net tangible assets. Catalina is domiciled in Bermuda and currently has offices in Bermuda, the United Kingdom, the Republic of Ireland, the United States of America, Switzerland and Singapore. Apollo Global Management, LLC (together with its consolidated subsidiaries, “Apollo”) holds a majority shareholding in Catalina.

The Solvency II framework requires that the Company holds economic capital to cover the impact of a 1 in 200 year adverse event or series of events. This is known as the Solvency Capital Requirement (“SCR”). The SCR for the Company is measured using EIOPA’s Solvency II standard formula.

The SCR ratio of the Company at 31 December 2019 was 196% (31 December 2018: 116%). This ratio represented surplus funds of €44.8 million, over the SCR.

### Business and performance – Section A

The underwriting result for the year was a loss of €7.9 million which is mainly resulting from changes to the Company’s reinsurance arrangements in respect of its long-term liabilities as outlined in Section E.

The investment return for the year was a profit of €11.6 million.

### System of governance – Section B

The board of directors (the “Board”) has ultimate responsibility for all aspects of the business and sets the corporate objectives and strategy to achieve those objectives. The Board has delegated the day to day running of the Company to the CEO. The CEO reports on these activities at each quarterly board meeting. In addition, the Board has established the four key control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015; risk management, actuarial, compliance and internal audit. There have been no material changes to the system of governance during the year.

### Risk profile – Section C

The current material risks for the Company are:

- Underwriting risk: The risk of loss arising from unexpected high frequency or severity of insurance claims.
- Market risk: The risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes.
- Credit risk: The risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.
- Liquidity risk: The risk that the Company cannot meet its obligations associated with financial liabilities as they fall due.
- Operational risk: The risk that of being exposed to losses occurring as a result of failures within its internal systems and processes.

All these risks are measured using the standard formula model and are managed in line with the Board approved risk appetite.

The uncertainties for the Company associated with Brexit continued to be the subject of close scrutiny during the year. Also, the implications of the Coronavirus are being closely monitored from both an operational and financial impact.

## **Valuation for solvency purposes – Section D**

The Solvency II net assets at 31 December 2019 were €91.5 million, compared with Irish Generally Accepted Accounting Principles (“GAAP”) net assets of €96 million. There was no change in the approach by the Company during the year to valuing assets and liabilities according to Solvency II and GAAP valuation principles.

## **Capital management – Section E**

The SCR ratio for the Company at 31 December 2019 was 196%. The Own Funds were €91.5 million compared to the SCR of €46.6 million.

### **Own funds**

Own Funds increased from €65 million to €91.5 million during the year. The increase was resulting from a capital contribution of €11 million and solvency II economic gains of €15.5 million.

Under Solvency II the Own Funds are classified in 3 tiers, with Tier 1 being the highest quality. At 31 December 2019 an amount of €68.1 million was classified as Tier 1 Own Funds and €23.4 million was classified as Tier 2 Own Funds. There were no Tier 3 Own Funds held at 31 December 2019.

### **SCR**

The SCR value at 31 December 2019 was €46.6 million (31 December 2018: €56.3 million). There were no instances of non-compliance of SCR coverage during the year.

### **MCR**

The Minimum Capital Requirement (“MCR”) is the minimum level of capital which an insurance company should not fall below. The MCR value at 31 December 2019 was €11.7 million (31 December 2018: €14 million) and the MCR ratio at 31 December 2019 was 604% (31 December 2018: 316%). There were no instances of non-compliance of MCR coverage during the year.

## Information on the SFCR

### Requirements of the SFCR

Solvency II became effective on 1 January 2016 for all insurance companies and groups regulated in the EU. The aim of Solvency II is to provide a risk-based approach to calculating and monitoring the required levels of capital for insurance companies. It also introduced a requirement for insurance companies to produce a publicly available Solvency and Financial Condition Report ("SFCR") to assist customers and other stakeholders in understanding the types of business written, how the business is managed and the overall financial condition of the Company, including regulatory capital coverage.

For insurance companies regulated by the CBI, the SFCR is produced in accordance with Article 52 of statutory instrument 485 of 2015, Article 290 to 303 of Commission Delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosures (B05-15-109). Included in the appendix to the report are those Quantitative Reporting Templates ("QRTs") for the year ended 31 December 2019 as required to be included according to Article 5 of Commission Implementing Regulation (EU) 2015/2452.

### Note on auditability

The following QRTs were audited by the Company's independent auditors, KPMG:

- Balance Sheet (S02.01.02)
- Life and Health SLT Technical Provisions (S12.01.02)
- Non-life Technical provisions (S17.01.02)
- Non-life Insurance Claims Information (S19.01.21)
- Own Funds (S23.01.01)
- Solvency Capital Requirement (S25.01.21)
- Minimum Capital Requirement (S28.01.01)

In accordance with CBI regulation, narrative sections of this report, section D and E1, were reviewed by KPMG for consistency with the related QRTs.

For the purposes of the QRT S19.01.21 (Non-life Insurance Claims Information) the Company restated the historical information disclosed to incorporate the historical claims information of the German MedMal portfolio acquired during 2018. Quantitative reporting template QRT S19.01.21 contains corresponding information on non-life insurance claims for a 10 year look-back period commencing 1 January 2010 for gross claims paid and gross discounted and undiscounted best estimate claims provisions. On the introduction of the requirement for an audit of the relevant elements of the SFCR, the CBI limited audit procedures required by ISA (Ireland) 710 on the look-back period to years ending on or after 31 December 2014. As KPMG were not the appointed auditor of the German MedMal portfolio between 1 January 2015 and 31 December 2017, no audit procedures have been performed on the corresponding information included in QRT S19.01.21 with respect to the German MedMal portfolio.

### Note on materiality

Information disclosed is considered material if its omission or misstatement could influence the decision-making or judgment of the users of the document, including the CBI.

### Reporting currency

The Company's presentation currency changed during 2019 from Sterling to Euro, consistent with the Company's functional currency. Comparison figures are re-presented in this year's report in Euro.

### Approval of the Solvency and Financial Condition Report

This report was reviewed and approved by the Board on 17 April 2020.

## A. Business and Performance

### A.1 Business and external environment

#### A.1.1 Undertaking, financial supervisory authority and external auditor

<b>Name of the undertaking:</b>	Catalina Insurance Ireland dac
<b>Address of its registered office:</b>	Unit 44 Block 5 Northwood Court Northwood Crescent Northwood Santry Dublin 9 D09 EW63 Ireland
<b>Legal status:</b>	Designated Activity Company
<b>Company registration number:</b>	225221
<b>Legal Entity Identifier (LEI):</b>	6354002SNIV14GB1BI20
<b>Ultimate parent:</b>	Catalina Holdings (Bermuda) Ltd.
<b>Financial supervisory authority:</b>	Central Bank of Ireland New Wapping Street North Wall Quay Dublin 1 Ireland
<b>External auditor:</b>	KPMG 1 Harbourmaster Place IFSC Dublin 1 D01 F6F5 Ireland

A simplified Group structure chart is laid out below outlining vertical structure to the ultimate holding company.



## A.1.2 Material lines of business and geographical areas where the Company carries out business

The Company's portfolios are in run-off and it is no longer underwriting insurance products. The Company was purchased from the HSBC Group in 2012 by Catalina Holdings (Bermuda) Ltd. ("Catalina" or "Group"). Catalina is a specialist consolidator of non-life general insurance and reinsurance companies and portfolios in run-off. Catalina acquires and manages portfolios in run-off with the purpose of achieving a competitive return on equity and consistent growth in net tangible assets. The Group is based in Bermuda and currently has offices in Bermuda, the United Kingdom, the Republic of Ireland, the United States of America and Switzerland.

The Company provided general insurance products through independent intermediaries and to external customers in UK and other markets; products included High Net Worth property to HSBC customers in UK and the Republic of Ireland. The Company also underwrote direct business in the Irish and UK markets for retail home and motor products, some school fee protection business and the non-life element of a creditor product in the Italian market.

Motor and Property business were written in the UK and Northern Ireland from 2001 to 2004, and also from 2007 to 2009. During the latter period the Company wrote business in the Republic of Ireland. The Italian Creditor class of business was written from 2003 to 2009.

In 2015 the Company acquired a portfolio of insurance liabilities from Quinn Insurance Limited (Under Administration). The portfolio comprises business in the UK, Northern Ireland and Europe (Germany, Belgium and the Netherlands). The business is predominantly UK and Northern Ireland motor insurance and professional indemnity (UK solicitors), with some employer's liability and public liability business. All classes of business transferred are now in run-off.

During 2018 the Company acquired a portfolio of insurance liabilities from Zurich Insurance Plc. The business consists of a portfolio of insurance policies which provide cover for various types of losses arising in connection with the business and healthcare operations of hospitals, clinics and other healthcare providers in Germany including as a result of medical malpractice ("MedMal"). The business was written through specialist German MedMal brokers to German hospitals between 1946 and 2012.

The Company may potentially acquire portfolios in the future, but this would be subject to the approval of the CBI.

## A.2 Performance from underwriting activities

The table below shows the underwriting performance for the year end 31 December 2019, together with comparatives for the previous year.

	2019	2018
	€000	€000
Gross written premium	(16)	(54)
Earned premiums, net of reinsurance	8	9
Allocated investment return	5,049	2,883
Other technical income	496	2,541
Claims incurred, net of reinsurance	(10,639)	(1,202)
Net operating expenses	(2,859)	(2,825)
<b>Balance on the technical account</b>	<b>(7,945)</b>	<b>1,406</b>
<b>By class of business:</b>		
Motor	(5,178)	8,470
Liability	(2,778)	(7,205)
Property	9	28
Other	-	-
Reinsurance	2	113
<b>Balance on the technical account</b>	<b>(7,945)</b>	<b>1,406</b>
<b>By geographical area:</b>		
United Kingdom	(5,284)	6,506
Ireland	1	104
Germany	(3,243)	(5,164)
Other	581	(40)
<b>Balance on the technical account</b>	<b>(7,945)</b>	<b>1,406</b>

## A.3 Performance from investment activities

The table below shows the investment income performance for the year end 31 December 2019, together with comparatives for the previous year.

	Net investment income	Net investment expense	Net realised gains and losses	Changes in fair value	Net investment result
	2019	2019	2019	2019	2019
	€000	€000	€000	€000	€000
<b>Financial assets:</b>					
- measured at FVTPL	1,900	(108)	938	5,657	8,387
- measured at amortised cost	3,808	-	-	-	3,808
- measured at cost	(27)	-	-	-	(27)
- forward currency contracts	-	-	(439)	(133)	(572)
	<b>5,681</b>	<b>(108)</b>	<b>499</b>	<b>5,524</b>	<b>11,596</b>
	2018	2018	2018	2018	2018
	€000	€000	€000	€000	€000
<b>Financial assets:</b>					
- measured at FVTPL	11,620	(346)	(5,302)	(2,235)	3,737
- measured at amortised cost	1,593	-	-	-	1,593
- measured at cost	(201)	-	-	-	(201)
- forward currency contracts	-	-	(321)	109	(212)
	<b>13,012</b>	<b>(346)</b>	<b>(5,623)</b>	<b>(2,126)</b>	<b>4,917</b>



**A.4 Other operating income and expenses**

The table below details any other material operating income and expenses not shown in A2 and A3 above.

	2019	2018
	€000	€000
Foreign exchange gains/(losses)	1,012	(608)
	1,012	(608)

**A.5 Any other disclosures**

Not applicable.

## B. System of Governance

### B.1 General Governance arrangements

The Board of Directors has mandated a basis for effective risk management within the Company dictated by a clear system of governance that covers all significant aspects of the business, provides an open forum for challenge, and allocates clear responsibilities for both collective management committees and individuals. In addition, the Board has established the four key control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 (“the CGR”); risk management, actuarial, compliance and internal audit. These functions are responsible for providing oversight of, and challenge to, the business and for providing assurance to the Board in relation to the Company’s control framework. The Board has delegated the day to day running of the Company to the CEO who has been instructed to appoint a management team to assist him in these duties. The CEO reports on these activities at each quarterly board meeting and presents a business update for its approval.

In line with the CGR, the Board has established the following sub-committees:

#### **Board Risk Committee**

Section 23 of the Corporate Governance Requirements for Insurance Undertakings 2015 permits the Board to carry out the functions which would otherwise be delegated to a Risk Committee once the CBI’s prior written approval has been obtained. This approval was previously obtained by the Company. The Board, acting as the Risk Committee, (“BRC”) has the responsibility of analysing and taking ownership of the fundamental risk management principles employed by the Company.

#### **Audit Committee**

The principal purpose of the Audit Committee is to assist the Board in discharging its responsibilities for monitoring the integrity of the Company’s financial statements, directors’ report and statement of directors’ responsibilities. In addition, it reviews the adequacy and effectiveness of the Company’s systems of internal control and monitors the effectiveness, performance and objectivity of the internal and external auditors.

#### **Loss Reserving Committee**

The Loss Reserving Committee (“LRC”) reports to both the Board and Audit Committee. The LRC is in place to review and challenge the output from both internal and external actuarial reviews. It is responsible for reviewing the adequacy of, and approving, the reserves of the Company.

#### **Remuneration Committee**

The Company has applied the principle of proportionality to requirements regarding the remuneration committee. The Company does not have a remuneration committee, but it does have a policy on remuneration. The objectives of the Company’s remuneration policy are to ensure that:

- policy and practices are aligned with the company’s overall strategy, risk management strategy and risk appetite, objectives, values and long-term interests of the company;
- the policy applies to the undertaking as a whole in a proportionate and risk focused way, taking into account the respective roles of the company’s employees;
- the policy does not foster practices adverse to policyholders’ interests;
- the company can attract and retain highly qualified employees with skills required to effectively manage the company;
- employees are compensated appropriately for the services they provide the company; and
- employees are motivated to perform in the best interests of the company and its stakeholders.

All employees are retained on a fixed basic salary, considered annually and determined in light of market best practice. Discretionary performance related bonuses can be agreed but the target bonus cannot exceed 50% of the individual’s basic salary. Recommendations can be submitted for higher performance related bonuses which are to be considered by the Group Remuneration Committee. Any such award will be subject to deferral over a three year period.

## B.2 Fit and proper requirements

Management at Group and entity level must ensure that key roles performed within their operations are identified, and filled by staff who are demonstrably qualified for the role. The CEO is responsible for ensuring that activities are undertaken and managed by professionals with the appropriate experience, skill levels, and degrees of specialisation.

### Solvency II requirements

Solvency II requires that “all persons who effectively run the undertaking or have other key functions are Fit and Proper at all times”. ‘Fit and proper’ persons must have the appropriate professional qualifications, knowledge and experience to enable them to perform their duties and fulfil their obligations, as well as being of good repute and integrity. Key functions are defined as all functions considered important or critical in the system of governance, including at least the Risk Management Function, Compliance Function, Internal Audit Function and Actuarial Functions. The requirement for Fit and Proper extends to the Board, which collectively should contain the qualifications, knowledge and experience to be able to provide for the sound and prudent management of the business.

### Regulatory Requirements

Part 3 of the Central Bank Reform Act 2010 (“the Act”) provides that a person performing pre-approved controlled functions (“PCFs”) and controlled functions (“CFs”) in a regulated financial service provider must have a level of fitness and probity appropriate to the performance of that particular function. In general, the Fitness and Probity Standards require that persons must (i) be competent and capable, (ii) act honestly, ethically and with integrity, and (iii) be financially sound.

The Company must notify the CBI of any changes to the identity of the persons who effectively run the undertaking or are responsible for other key functions, along with all information needed to assess whether any new persons appointed to manage the undertaking are fit and proper. In addition, the CBI must be notified in the event a person is replaced because they no longer fulfil the requirements.

All employees are required to undergo a range of fitness and probity checks that enable the Company to make an informed decision about the suitability of an individual for employment. These include the following verifications/checks:

- Record of employment history
- References from former employers
- Verification of qualifications
- Authorisation to work in the jurisdiction
- Details of concurrent responsibilities – other directorships/employments etc.
- Financial sanction checks

In addition, for members of senior management in PCFs and CFs, external directorship/conflict of interest checks are performed. These checks are conducted independently to any checks performed by the CBI under its fit and proper review for “approved persons”. PCF and CF holders provide a declaration to abide by the fitness and probity standards annually.

A controlled function remains a controlled function even if outsourced to a third party.

## B.3 Risk management system

Catalina’s enterprise risk management function is coordinated by the Chief Risk Officer, who works under the authority of the BRC. In line with the internal risk management policies of the Group, management at the Company, acting as the ‘first line of defence’ are primarily responsible for the running of the business and the operation of controls within their own areas as well as the management of the business’ risk profile, in line with Board expectations. However, acting as part of the ‘second line of defence’, the Risk Management Function is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework.

The overall risk management strategy is to ensure that a proper balance is struck between:

- The risks that are economically attractive to take. These must be properly modelled, measured and priced.
- The risks that are economically unattractive to take. These should be avoided, identified, managed, mitigated and reduced where it is efficient to do so.

Within the Company's Risk Management framework there are measures in place to ensure:

- Appropriate risk tolerances are in place to govern risk taking activities;
- The Company maintains an appropriate risk culture and risk appetite forms an essential part of its strategic decision making;
- The Company measures and monitors risk appropriately and reports key risk metrics to senior management and the Board;
- Appropriate business planning and capital planning processes are in place to support the Company's risk taking activities.

The risk management framework is intended to reduce, but cannot eliminate, the range of possibilities which might cause detriment to the Company. Similarly the risk management framework cannot provide protection with certainty against any failure of the Company to meet its business objectives, or guard against material errors, losses, fraud, or breaches of laws and regulations. The risk management framework is intended to provide reasonable assurance that the Company will conduct its business in an orderly manner and that that reasonably foreseeable circumstances will not prevent or limit the Company from achieving its business objectives.

### **Own Risk and Solvency Assessment**

The Own Risk and Solvency Assessment ("ORSA") process documents the output of the Company's Enterprise Risk Management process. The aim of the report is principally to inform the Board of Directors and Company management with an aggregated view of the economic risk and capital requirements during the period and allow a strategic, forward-looking discussion of future risks and capital needs.

The Board and senior management's involvement are integrated in the ORSA and they are engaged to challenge, discuss and debate the process. The ORSA process allows management and the Board to review the risk and capital requirements and take a strategic, forward-looking view of future risks and capital needs. The ORSA process is used to highlight key issues to management, and should allow management to confirm that:

- a) The current risk profile is understood and appropriate for the nature of a legacy portfolio and is within the risk appetite of the firm;
- b) Capital requirements during the reporting period have continuously been met (or if not corrective action has been taken);
- c) The Company's current capital and solvency position is appropriate;
- d) The Standard Formula model has been used appropriately for strategic decisions throughout the period;
- e) The risks to the enterprise that could likely change the risk profile are understood;
- f) Plans to cover the solvency position and planned capital distributions over the required period are appropriate.

The ORSA is produced by Management in conjunction with the Actuarial and Risk Management functions. The ORSA is presented to the Board for challenge, comment and review. The result of the Board's review forms the basis for the future strategy of the business, which forms the basis for the following years ORSA.

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

The Company's internal control system provides assurance that its financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The oversight and management of these systems necessarily involves participation of the Board, the Audit Committee, the Board Risk Committee, senior management, Finance, Legal, business managers and Internal Audit.

Responsibility for ensuring day-to-day oversight of the internal control system lies with the Company's Controlled Function holders and Key Function holders.

The Company promotes the importance of appropriate internal controls throughout the organisation. All employees are aware of our risk management ethos and are reminded to consider the risks they encounter as they go about their day to day work. Risk awareness is promulgated through the organisation, and both senior management and the risk management function are pro-active at keeping risk awareness to the forefront of daily operations by: i) ensuring that all employees are aware of their role in the internal control system as per the Fit and Proper Policy; ii) ensuring consistent

communication and implementation of the internal control systems; and iii) establishing monitoring and reporting mechanisms to review and report the decision making processes.

## **How the Compliance function is implemented**

The Compliance Function, overseen by the Head of Compliance, is part of the Company's overall corporate governance structure and sits within the Company's second line of defence. The function is responsible for identifying, monitoring, managing, and the reporting of Compliance risks to which the Company is exposed. Regular compliance reviews take place to ensure the Company's operational business functions and its service providers are adhering to their obligations. The Head of Compliance reports to the Board on their assessment of the effectiveness and adequacy of compliance within the Company and its service providers. The effectiveness of the Compliance function's framework and operations are subject to periodic review by Internal Audit.

Management of the Company, and its service providers, are responsible for notifying the Head of Compliance of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Head of Compliance records the relevant breach item in the Company's breach register and discusses remedial actions with the management concerned. Where appropriate, reporting is made to the Board and to the CBI.

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

The mission of the Internal Audit function ("IA") is to enhance and protect organisational value by providing risk-based, independent and objective assurance, advice, and insight. IA is an independent assurance function within the Company's third line of defence, providing the Board, Audit Committee and Management with independent and objective assurance and value adding insight on the effectiveness and efficiency of governance, risk management, and internal control processes.

IA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by Catalina's Enterprise Risk Management and other assurance functions. Based on the results of the risk assessment, IA produces an annual Audit Plan for review and approval by the Audit Committee. The Audit Plan is updated on a regular basis according to the Company's evolving risk landscape and needs. IA regularly provides formal updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of IA and any changes in the tools and methodologies it uses.

The Head of Internal Audit ("HIA") also meets independently with the Audit Committee, and will immediately report any issue which could have a potentially material impact on the business of the Company to the Chairperson of the Audit Committee. The HIA and IA staff are authorised to review all areas of the Company and to have full, free and unrestricted access to all of its activities, records, property and personnel necessary to complete their work. IA is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Group to accomplish the audit objectives.

IA staff govern themselves by following the Code of Ethics issued by the Institute of Internal Auditors ("IIA"). The operating guidance for the department constitute the IIA's International Standards for the Professional Practice of Internal Auditing as well as the related International Professional Practices Framework.

## **B.6 Actuarial function**

The Actuarial function is made up of an in house actuarial team, based in the UK, with support from other actuaries across the Group, and as appropriate, external firms of consulting actuaries.

Under the leadership of the Company's Head of Actuarial Function, the team:

- Co-ordinates the GAAP reserving for the Company;
- Adjusts the GAAP reserves to Solvency II Best Estimate of Liabilities ("BEL");
- Uses the BEL and audited balance sheet to develop the Standard Formula SCRs and Risk Margin;
- Projects the capital level and capital requirements of the Company over the planning period for the ORSA;
- Reports to the Board on an annual basis, including opining on levels of reserve adequacy, reinsurance arrangements and underwriting policy;

- Assesses the impact of a material change to the Company in terms of its capital position, such as a material change in its reinsurance arrangements;
- Evaluates and advises on the impact, on request, for minor changes in (for example) the Company's investments.

Each of these activities is undertaken at least annually, but also on an "as and when required" basis to support the business and its decisions making processes.

## B.7 Outsourcing

Outsourcing is the delegation of a process, service or activity to a service provider. The service provider can be both intra-Group or an external firm. In considering whether to outsource any process, service or activity, the Company will take into account:

- its own resource levels and availability;
- its own internal capabilities and cost structures;
- the timing and extent of any requirements in comparison with the capabilities;
- costings and security of an outsource service provider.

The overarching principle will be that whereas processes, services or activities may be delegated to an outsource service provider, ultimate responsibility for those processes, services and activities will remain with the Company.

The Company has an outsourcing policy, the purpose of which is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for its critical or important operational functions or activities. The objective of the outsourcing policy is to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's responsibility for, or influence over key functions of the Company;
- Material impairment of the quality of the Company's system of Governance;
- Non-adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest;
- Breach of the Company's data protection obligations.

The Board is ultimately responsible for the approval and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions of the Company's system of governance and all functions within the Company that are fundamental to carry out its core business. The Board is responsible for reviewing the performance of outsourced service providers against the agreed Service Level Agreements.

## B.8 Assessment of governance

The Company has assessed its system of corporate governance and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of the Company.

## B.9 Any other disclosures

Not applicable.

## C. Risk Profile

### C.1 Underwriting Risk

Underwriting or insurance risk is concerned with fluctuations in the timing, frequency and severity of insured events, relative to expectations at the time of underwriting. Given the Company's run-off status, the principal insurance risk the Company is subject to is reserve risk, whereby there is potential for future claims to deteriorate beyond the estimates. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims.

Actual underwriting results are monitored against budgeted results on a monthly basis, although for meaningful variances the underwriting reserves, gross and net, are reviewed actuarially bi-annually and compared to the business plan. Premium income, reinsurance recoveries and notified claims and reserves are compared to plan. The policy incorporates identification, measurement and explanation of variances which are reported to senior management. Given the Company's run-off status, management focuses primarily on variances in claims reserves. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The insurance liabilities, net of external reinsurance, are protected by a collateralised intra-group reinsurance arrangement. Furthermore, strict claim review policies are in place to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent review of all claims are the key policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

### C.2 Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Investment policy governs the Company's exposure to market risks. Exposures are controlled by the setting of investment limits in line with the Company's risk appetite framework and strategic asset allocation policy. The Investment policy is approved by the Board and is applied by the Group Investment team, who are responsible for making and implementing investment decisions on behalf of the Company in line with the Investment policy, risk appetite framework and strategic asset allocation policy, all of which are approved by the Board.

The primary goal of the Company's investment strategy is to maximise investment returns within the risk appetite framework. The investment management philosophy is implemented through both internal investment management decisions and the assistance of external investment managers to best achieve the objectives of the Investment policy. Investments are held at fair value, with changes in fair value recorded through the profit and loss account because their performance is actively monitored and they are managed on a fair value basis.

#### **Interest rate risk**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in long term investments at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate investments in line with the asset liability management policy.

The sensitivity analyses below have been determined based on the exposure to interest rates for investments held at the accounting balance sheet date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Pre-tax profit		Shareholders' equity	
	2019	2018	2019	2018
	€000	€000	€000	€000
1% increase	(9,152)	(8,385)	(8,008)	(7,336)
1% decrease	9,152	8,385	8,008	7,336

The sensitivity to interest rates is mitigated in terms of Catalina Ireland's solvency, as the value of its future claims also depends on interest rates. Therefore the value of assets and liabilities both tend to reduce when interest rates increase, and increase when interest rates fall.

#### Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The risk of exposing the Company's assets or liabilities to exchange rate fluctuations is managed by broadly matching liabilities with assets in the same currencies.

The Company reviews assets and liabilities by currency each month to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. A detailed analysis of liability payout patterns to extinction by currency is then matched to the asset cashflows to eliminate material currency risk. From time to time the Company utilises foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement. These derivatives are not designated as hedging investments.

The most significant currency to which the Company is exposed is the Pound Sterling (2018: Euro). At 31 December 2019, if Euro had weakened/strengthened by 20% against Pound Sterling, with all other variables held constant, shareholder's funds would have been €1.5 million (2018: €1 million) higher/lower.

#### Other price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

The Company's sensitivity to a 1% increase and decrease in market prices is as follows:

	2019	2018
	€000	€000
<b>1% increase</b>		
Movement in fair value of share and other variable securities in unit trusts	66	66
Movement in fair value of debt securities and other fixed income securities	1,497	1,410
Movement in fair value of investments in group undertakings	87	67
Equities	47	108
<b>1% decrease</b>		
Movement in fair value of share and other variable securities in unit trusts	(66)	(66)
Movement in fair value of debt securities and other fixed income securities	(1,497)	(1,410)
Movement in fair value of investments in group undertakings	(87)	(67)
Equities	(47)	(108)

### C.3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from intermediaries. The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.



The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Company on a regular basis. The Company's intra-group reinsurance arrangement is protected by collateral held in a trust fund at a level equivalent to at least 110% of the relevant technical provisions valued on a solvency II basis. The following table shows aggregated credit risk exposure for assets with external credit ratings. The table also shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining whether the value of an asset is impaired are: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

	2019	2018
	€000	€000
<b>By class of asset:</b>		
Equities	4,692	10,785
Investment in group undertakings	8,741	6,686
Shares and other variable yield securities in unit trusts	6,593	6,538
Debt securities	149,660	140,988
Loans and receivables	22,989	18,127
Loans to group undertakings	15,583	5,308
Forward currency contracts	2	-
Assets arising from reinsurance contracts held	258,052	232,411
Debtors arising out of direct insurance operations	12,439	6,953
Accrued interest	2,012	1,705
Cash and cash equivalents	4,781	39,210
<b>Total assets bearing credit risk</b>	<b>485,544</b>	<b>468,711</b>
<b>By credit rating:</b>		
AAA	42,849	39,225
AA	8,181	9,774
A	58,877	35,925
BBB	46,464	48,974
Below BBB or not rated	329,173	334,813
<b>Total assets bearing credit risk</b>	<b>485,544</b>	<b>468,711</b>
<b>By past due aging:</b>		
Neither past due nor impaired	485,324	468,711
Past due less than 30 days	7	-
Past due less 31 to 60 days	213	-
Past due less 61 to 90 days	-	-
Past due more than 90 days	-	-
Past due and impaired	-	-
<b>Total assets bearing credit risk</b>	<b>485,544</b>	<b>468,711</b>

## C.4 Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims. Most of the Company's assets are marketable securities which could be converted into cash when required.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

	Less than 1 year	1 - 5 years	5+ years	Total
	2019	2019	2019	2019
	€000	€000	€000	€000
<b>Financial liabilities and claims outstanding</b>				
Subordinated loan notes	-	-	23,429	23,429
Other creditors	62	-	-	62
Claims outstanding - undiscounted	43,210	103,064	228,464	374,738
	<b>43,272</b>	<b>103,064</b>	<b>251,893</b>	<b>398,229</b>
	2018	2018	2018	2018
	€000	€000	€000	€000
<b>Financial liabilities and claims outstanding</b>				
Subordinated loan notes	-	-	23,358	23,358
Other creditors	224	-	-	224
Claims outstanding - undiscounted	62,802	143,525	215,035	421,362
	<b>63,026</b>	<b>143,525</b>	<b>238,393</b>	<b>444,944</b>

## C.5 Operational Risk

Operational risk relates to the possibility that the Company becomes exposed to losses occurring as a result of failures within its internal systems and processes. It is anticipated that the regular audits by Internal Audit and the statutory auditor will identify existing or potential areas of weakness within the Company's infrastructure and process. As the Group acquires more businesses, there is more scope to deal with 'key staff' operational risks associated with individuals and offices, as there is increased scope to use other Group staff and/or offices which will help to mitigate those risks. Management believes strongly in setting performance precedents for their staff, and ensuring as far as practicable the maintenance of the Company's business systems. Close collaboration with HR and IT will allow the Chief Risk Officer and the local executive teams to identify any vulnerabilities before they are able to adversely affect business process or maintenance of accounts. Processes and procedures are being constantly updated.

## C.6 Other Material Risks

### Cyber Risk

Cyber risk is any risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its information technology systems. With the increase of dependence on electronic communications and volume electronic data storage, there is increasing risk of data theft, and malicious data and service disruption within the industry. The Group's Head of IT has implemented many cyber intrusion prevention processes designed to protect networks, computers, programs and data from attack, damage or unauthorised access. Cyber risks are fully integrated into the risk management process, with many mitigating measures in place, together with a fully documented and robustly tested Business Recovery Plan.

### Life Risk

The Company is making Periodic Payment Order ("PPO") payments to several claimants in the UK and similar long term payments to claimants in Germany. These are essentially life annuities, on the order of the relevant court, typically to pay for care and/or loss of earnings. Therefore, although the Company is a non-life insurance company, it is exposed to life risk. The life risks to which the Company is exposed are a) longevity risk (the claimant lives longer than expected), b) revision risk (the payment to the claimant increases), and c) expense risk (the administration expenses associated with making each payment increase), although this is immaterial.

### Brexit Risk

The Company has a portfolio of UK claims and is therefore exposed to Brexit. The uncertainties for the Company associated with Brexit continue to be the subject of close scrutiny during the year, with a number of potential scenarios considered and appropriate mitigating actions planned. The Company intends to bring the administration of its UK claims in-house during 2020, however, in the event of a 'no deal' Brexit, the Company will take advantage of the UK's Financial Services Contracts (Transitional and Saving Provision) (EU Exit) Regulations 2019. The legislation allows the Company to wind down its UK regulated activities in an orderly manner. The implications of Brexit continue to be assessed based on the available information.

## C.7 Any other disclosures

On 30 January 2020, COVID-19 was declared a Public Health Emergency of International Concern, followed by the World Health Organisation then characterising it as a pandemic on 11 March 2020. With the rapid development of the virus in many countries, including Ireland, governments have introduced measures to manage the spread of the virus. Actions taken in response to the ongoing spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, along with a marked decline in long-term interest rates in developed economies. Global reactions and responses to COVID-19 continue to evolve and change, and the Company continues to closely monitor the situation and the impact on its business. The Company is in a strong financial position, with a solvency coverage ratio of 196%. The directors have made the decision not to pay a dividend at this time. The Company has implemented work-from-home arrangements for its staff and has a recently tested business continuity plan. The Company's service providers have introduced similar arrangements for their staff and have their own business continuity plans, which the Company has reviewed. At this stage it is too early to make a realistic and credible assessment of what the impact of the coronavirus will be on the Company's business and financial performance.

The Company is also impacted by the recent sharp decline in oil prices. The Company has a €10 million investment in an energy related company. This investment's creditworthiness has deteriorated during March 2020 as a result of the OPEC+ dispute. The directors believe it is prudent to prepare for the likelihood that this company will file for bankruptcy. A potential full write down of the investment would reduce the Company's 2019 solvency coverage from 196% to 179%.

## D. Valuation for Solvency Purposes

### D.1 Assets

The value of each material class of assets is provided in the table below, comparing the carrying value in the financial statements to the valuation used for solvency purposes. The valuation basis is also described and details provided of any material differences between the valuation basis used in the financial statements and the valuation basis under solvency II.

	Notes	Statutory accounts	Solvency II value
		€000	€000
Cash, investments and accrued interest		215,050	215,050
Reinsurers' share of technical provisions	1	301,936	257,631
Debtors arising out of direct insurance operations		11,840	11,840
Deferred acquisition costs	2	2	-
Other assets		671	671
<b>Total assets</b>		<b>529,499</b>	<b>485,192</b>

**Notes:**

1. Difference due to difference between Irish GAAP and Solvency II regime, mainly due to non-discounting and additional prudence margins under GAAP.
2. Deferred acquisition costs are not recognised as an asset in Solvency II valuation rules.

### D.2 Technical provisions

The technical provisions comprise the best estimate of liabilities ("BEL") and risk margin according to Articles 75 to 86 of the Solvency II Directive. The best estimate technical provision is the sum of the claims provision and the premium provision.

The claims provision is the discounted best estimate of all future cashflows relating to claim events prior to the valuation date, including claims which have not yet been notified to the (re)insurer. Hence the claims provision is calculated as the expected present value of claims incurred, including incurred but not reported claims ("IBNR"), plus future expenses incurred to settle these claims, less future premium receivable in relation to the past exposure.

The premium provision is the discounted best estimate of all future cashflows relating to future exposure arising from policies that the (re)insurer is obligated to at the valuation date. Hence the premium provision is calculated as the expected present value of future claims from future exposure, plus future expenses incurred to settle these claims, less future premium receivable in relation to future exposure.

The risk margin represents the amount that another (re)insurer taking on the liabilities would require over and above the best estimate technical provisions. This is calculated using a cost-of-capital approach. The risk margin calculation is dependent on the Solvency Capital Requirement which itself is dependent on the best estimate technical provisions.

The table below shows the total technical provisions, gross and net of reinsurance at 31 December 2019, together with comparatives for the previous year.

	Gross Best Estimate	Net Best Estimate	Risk margin
	2019	2019	2019
	€000	€000	€000
<b>By material line of business:</b>			
Motor	4,457	1,818	236
Liability	214,627	80,802	10,478
Property	52	23	3
Other	3,133	8	1
Annuities stemming from non-life insurance contracts	121,306	3,294	5,850
	<b>343,575</b>	<b>85,945</b>	<b>16,568</b>
	2018	2018	2018
	€000	€000	€000
<b>By material line of business:</b>			
Motor	12,648	4,427	891
Liability	272,127	101,461	20,415
Property	52	19	4
Other	3,292	14	3
Annuities stemming from non-life insurance contracts	93,769	34,906	6,936
	<b>381,888</b>	<b>140,827</b>	<b>28,249</b>

The Company has adopted a deterministic approach to estimating the BEL by making the following adjustments to the GAAP reserves in the Company's statutory accounts:

- The GAAP reserves include an explicit prudence margin for uncertainty. In the Solvency II balance sheet this prudence margin is removed, as technical provisions are intended to be best estimates.
- An ENID (event not in data) was included in the Solvency II balance sheet.
- An increased expense provision was included in the Solvency II balance sheet.
- Solvency II reserves are discounted at the risk free rate. The GAAP reserves are undiscounted in 2019 (in 2018 the UK and German long term liabilities were discounted at 3% and 2% respectively per annum).

The total of these adjustments result in the technical provisions on the Solvency II balance sheet being €14.6 million lower (2018: €54.8 million higher) than the technical provisions shown in the financial statements.

The main risks and uncertainties associated with the technical provisions relate to the following:

- ENIDs and expense provisions: these are necessarily judgement calls (especially ENIDs) and so there are uncertainties associated with these being too high or too low.
- Risk free rates: whilst those used as at a given date are prescribed and provided by EIOPA, they are volatile over time. The Company has long tail liabilities arising from UK PPOs and German annuities, and there are uncertainties over future risk free rates which cause long term Best Estimate of Liabilities to be volatile (other liabilities are also affected, but the impact is less material).
- Unavoidable risk associated with the technical provisions: claims provisions are best estimates of future costs, both in terms of the amounts of future cashflows, but outcomes will inevitably differ from any prior estimate.
- The Company's business model is to manage claims actively. The technical provisions assume the runoff of claims over time as they are estimated to become due. This difference results in actual technical provision tending to reduce over time more quickly than the estimates used in the BEL.
- The active management of claims tends to involve actual expenses being higher than those assumed in the technical provisions. One cause of this is the staff costs of the relevant staff who do the active claims management.

## D.3 Other liabilities

In November 2016 the Company issued €23.8 million of floating rate subordinated loan notes. The notes are due in January 2027 and they are listed on the Channel Island Stock Exchange. Interest on the notes is based on EURIBOR plus a margin of 7.95%. The notes are eligible to count towards the Company's Tier 2 basic own funds based on the criteria as set out in the Solvency II Framework Directive (2009/138/EC), the European Union (Insurance and Reinsurance) Regulations 2015 and Commission Delegated Regulation (EU) 2015/35.

## D.4 Alternative methods for valuation

No other alternative methods for valuation are used.

## D.5 Any other information

Not applicable.

## E. Capital Management

Capital management refers to implementing measures to maintain sufficient capital and assessing the internal capital adequacy of the Company. The Company has a capital management plan which ensures it maintains a prudent cushion of equity to protect the Company's economic viability and to finance new growth opportunities and maintains sufficient capital in order to meet regulatory requirements. The Company was in compliance with regulatory capital requirements throughout the financial year.

In November 2017, the Company issued €23.8 million in subordinated loan notes which increased the Tier 2 own funds regulatory capital of the Company in accordance with the provisions of the Solvency II directive.

In March 2018, the Company issued share capital of €52 million to support the acquisition of the German MedMal portfolio from ZIP.

The Company received a capital contribution from its parent, in line with the Company's Capital Management Plan, after the regulatory solvency coverage fell below the internal target ratio at the end of the first quarter of 2019. A capital contribution of €11 million was received in May 2019. The reduction in the regulatory solvency coverage was partly due to the Company's long-term liabilities, where the valuation of these liabilities are sensitive to movements in interest rates. The long-term liabilities include PPOs on its UK portfolio and annuity claims on its German MedMal portfolio. In its Solvency II regulatory returns, the Company discounts its long term liabilities using the risk-free interest rate term structures published by the European Insurance and Occupational Pensions Authority (EIOPA). Interest rates trended downwards during 2019, which increased the best estimate of liabilities for the long-term liabilities, thus impacting the Company's regulatory solvency coverage. The Company implemented measures to reduce the impact of movements in risk-free interest rates, and reduce the volatility of the solvency coverage. These measures included amending the existing intra-group reinsurance arrangement to increase the reinsurance on the long-term liabilities from 65% to 100%, with the changes effective from 1 July 2019.

### E.1 Own funds

The table below shows the Company's own funds at 31 December 2019.

	Tier 1	Tier 2	Tier 3	Total
	€000	€000	€000	€000
<b>Basic own funds</b>				
Ordinary share capital	52,717	-	-	52,717
Reconciliation reserve	15,376	-	-	15,376
Subordinated liabilities	-	23,429	-	23,429
<b>Total basic own funds</b>	<b>68,093</b>	<b>23,429</b>	<b>-</b>	<b>91,522</b>
<b>Available and eligible own funds</b>				
Total available own funds to meet the SCR	68,093	23,429	-	91,522
Total available own funds to meet the MCR	68,093	23,429	-	91,522
Total eligible own funds to meet the SCR	68,093	23,305	-	91,398
Total eligible own funds to meet the MCR	68,093	2,330	-	70,423
<b>SCR</b>				<b>46,609</b>
<b>MCR</b>				<b>11,652</b>
<b>Ratio of Eligible own funds to SCR</b>				<b>196.1%</b>
<b>Ratio of Eligible own funds to MCR</b>				<b>604.4%</b>

The reconciliation reserve represents the reserves of the Company (e.g. retained earnings) and results mainly from differences between accounting valuation and valuation according to the Solvency II directive.

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

The table below shows the components of the SCR at 31 December 2019, together with comparatives for the previous year.

	2019	2018
	€000	€000
<b>By risk module</b>		
Market risk	17,773	11,308
Default risk	6,783	6,620
Non-life risk	26,521	33,707
Life risk	831	17,607
<b>Basic SCR before diversification</b>	<b>51,908</b>	<b>69,242</b>
Diversification Benefits	(12,513)	(22,052)
<b>Basic SCR</b>	<b>39,395</b>	<b>47,190</b>
Operational risk	7,214	9,066
<b>SCR</b>	<b>46,609</b>	<b>56,256</b>
<b>MCR</b>	<b>11,652</b>	<b>14,064</b>

The SCR has decreased by €9.6 million since the prior year. This is mainly due to changes to the Company's reinsurance arrangements in respect of its long-term liabilities, which has significantly reduced the Life risk charge.

The Company uses EIOPA's Solvency II Standard Formula. The Company does not use Company specific parameters in its computation.

## E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The Company has not used the duration-based equity risk sub-module in the calculation of the SCR.

## E.4 Internal model

The Company calculates the SCR using the standard formula. No internal or partial internal model is used in the calculation of the SCR.

## E.5 Non-compliance with the MCR and significant non-compliance with the SCR

There has not been any non-compliance with the SCR or the MCR over the financial year nor is there expected to be any non-compliance with the SCR and MCR in the business planning period.

## E.6 Any other information

Not applicable.



## Appendix: Annual reporting templates

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The quantitative reporting templates which form part of the Annual Regulatory Templates listed below are required to be published alongside the SFCR.

- S.02.01.02 Balance Sheet
- S.05.01.02 Premiums, Claims and Expenses - by line of business
- S.05.02.01 Premiums, Claims and Expenses - by country
- S.12.01.02 Life and Health Technical Provisions
- S.17.01.02 Non-life technical provisions by line of business
- S.19.01.21 Non-life insurance claims
- S.23.01.01 Own funds
- S.25.01.21 Solvency Capital Requirement using the Standard Formula
- S.28.01.01 Minimum Capital Requirement

**Annex I**  
**S.02.01.02**  
**Balance sheet**

**Assets**

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown
<b>Total assets</b>

**Liabilities**

Technical provisions – non-life
Technical provisions – non-life (excluding health)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions - life (excluding index-linked and unit-linked)
Technical provisions - health (similar to life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
<b>Total liabilities</b>
<b>Excess of assets over liabilities</b>

	Solvency II value
	C0010
R0030	
R0040	
R0050	
R0060	6
R0070	182,635
R0080	
R0090	
R0100	13,433
R0110	
R0120	13,433
R0130	158,295
R0140	42,041
R0150	116,255
R0160	
R0170	
R0180	6,593
R0190	2
R0200	4,312
R0210	
R0220	
R0230	31,948
R0240	
R0250	
R0260	31,948
R0270	257,631
R0280	139,618
R0290	139,618
R0300	
R0310	118,013
R0320	
R0330	118,013
R0340	
R0350	
R0360	8,278
R0370	115
R0380	
R0390	
R0400	
R0410	469
R0420	4,110
R0500	485,192
	Solvency II value
	C0010
R0510	232,987
R0520	232,987
R0530	
R0540	222,269
R0550	10,718
R0560	
R0570	
R0580	
R0590	
R0600	127,156
R0610	
R0620	
R0630	
R0640	
R0650	127,156
R0660	
R0670	121,306
R0680	5,850
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	
R0790	189
R0800	
R0810	
R0820	76
R0830	32,169
R0840	64
R0850	23,429
R0860	
R0870	23,429
R0880	1,030
R0900	417,100
R1000	68,093

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

[illegible]

## Annex I

## S.05.02.01

## Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	IT	SA	BE	DE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>								
Gross - Direct Business	R0110			-16				-16
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140			-16				-16
Net	R0200							
<b>Premiums earned</b>								
Gross - Direct Business	R0210			88		22		110
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240			88		14		102
Net	R0300					8		8
<b>Claims incurred</b>								
Gross - Direct Business	R0310	-1	6,137	5		-1,615	1,690	6,215
Gross - Proportional reinsurance accepted	R0320		-25					-25
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	-1	3,972	5		-1,050	1,098	4,025
Net	R0400	0	2,139			-565	591	2,165
<b>Changes in other technical provisions</b>								
Gross - Direct Business	R0410						-1,032	-1,032
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440						-671	-671
Net	R0500						-361	-361
<b>Expenses incurred</b>	R0550		-187	0			53	-134
<b>Other expenses</b>	R1200							
<b>Total expenses</b>	R1300							-134

## Annex I

## S.05.02.01

## Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		GB	IT	SA	BE	DE	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
<b>Premiums earned</b>								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
<b>Claims incurred</b>								
Gross	R1610		47,467				18,469	65,936
Reinsurers' share	R1620		44,068				13,880	57,947
Net	R1700		3,400				4,589	7,989
<b>Changes in other technical provisions</b>								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
<b>Expenses incurred</b>	R1900							
<b>Other expenses</b>	R2500							
<b>Total expenses</b>	R2600							

Annex I  
S.12.01.02  
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

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

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)			
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees						
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010																
R0020																
R0030								121,306		121,306						
R0080								118,013		118,013						
R0090								3,294		3,294						
R0100								5,850		5,850						
R0110																
R0120																
R0130																
R0200								127,156		127,156						

Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
							14				2					16
							9				2					11
							5				0					5
			4,457			68	214,613				3,115					222,252
			2,639			38	133,815				3,114					139,607
			1,818			29	80,798				1					82,646
			4,457			68	214,627				3,117					222,269
			1,818			29	80,802				1					82,651
			236			4	10,479				0					10,718
			4,693			72	225,105				3,117					232,987
			2,639			38	133,824				3,117					139,618
			2,054			33	91,281				1					93,369

**Total Non-Life Business**

<b>Z0020</b>	Accident year [AY]
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## Development year

		In Current year	Sum of years (cumulative)
& +		C0170	C0180
110			
145	R0100	35,145	35,145
	R0160	4,098	414,039
	R0170	6,496	184,171
	R0180	7,011	104,004
	R0190	469	26,797
	R0200	7	3,799
	R0210	23	994
	R0220	34	420
	R0230	25	148
	R0240	26	41
	R0250		
Total	R0260	53,335	769,559

## Development year

		Year end (discounted data)
		C0360
& + 800 954	R0100	139,409
	R0160	25,196
	R0170	30,001
	R0180	25,000
	R0190	1,311
	R0200	221
	R0210	407
	R0220	386
	R0230	310
	R0240	14
	R0250	-3
Total	R0260	222,252

**Annex I**  
**S.23.01.01**  
**Own funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35**

Ordinary share capital (gross of own shares)  
Share premium account related to ordinary share capital  
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
Subordinated mutual member accounts  
Surplus funds  
Preference shares  
Share premium account related to preference shares  
Reconciliation reserve  
Subordinated liabilities  
An amount equal to the value of net deferred tax assets  
Other own fund items approved by the supervisory authority as basic own funds not specified above

**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

**Deductions**

Deductions for participations in financial and credit institutions

**Total basic own funds after deductions**

**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand  
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
Unpaid and uncalled preference shares callable on demand  
A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC  
Other ancillary own funds

**Total ancillary own funds**

**Available and eligible own funds**

Total available own funds to meet the SCR  
Total available own funds to meet the MCR  
Total eligible own funds to meet the SCR  
Total eligible own funds to meet the MCR

**SCR**

**MCR**

**Ratio of Eligible own funds to SCR**

**Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

Excess of assets over liabilities  
Own shares (held directly and indirectly)  
Foreseeable dividends, distributions and charges  
Other basic own fund items  
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

**Reconciliation reserve**

**Expected profits**

Expected profits included in future premiums (EPIFP) - Life business  
Expected profits included in future premiums (EPIFP) - Non- life business

**Total Expected profits included in future premiums (EPIFP)**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	52,717	52,717			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	4,376	4,376			
R0140	23,429			23,429	
R0160					
R0180	11,000	11,000			
R0220					
R0230					
R0290	91,521	68,093		23,429	
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	91,521	68,093		23,429	
R0510	91,521	68,093		23,429	
R0540	91,397	68,093		23,304	
R0550	70,423	68,093		2,330	
R0580	46,609				
R0600	11,652				
R0620	196.09%				
R0640	604.37%				

	C0060
R0700	68,093
R0710	
R0720	
R0730	63,717
R0740	
R0760	4,376
R0770	
R0780	
R0790	



**Annex I****S.25.01.21****Solvency Capital Requirement - for undertakings on Standard Formula**

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

**Basic Solvency Capital Requirement****Calculation of Solvency Capital Requirement**

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

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

Capital add-on already set

**Solvency capital requirement****Other information on SCR**

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
<b>R0010</b>	17,773		
<b>R0020</b>	6,783		
<b>R0030</b>	831		
<b>R0040</b>			
<b>R0050</b>	26,521		
<b>R0060</b>	-12,513		
<b>R0070</b>			
<b>R0100</b>	39,395		
	C0100		
<b>R0130</b>	7,214		
<b>R0140</b>			
<b>R0150</b>			
<b>R0160</b>			
<b>R0200</b>	46,609		
<b>R0210</b>			
<b>R0220</b>	46,609		
<b>R0400</b>			
<b>R0410</b>			
<b>R0420</b>			
<b>R0430</b>			
<b>R0440</b>			

# Annex I

## S.28.01.01

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

#### Linear formula component for non-life insurance and reinsurance obligations

MCR <sub>NL</sub> Result		C0010
	R0010	8,480

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	
Income protection insurance and proportional reinsurance	R0030	
Workers' compensation insurance and proportional reinsurance	R0040	
Motor vehicle liability insurance and proportional reinsurance	R0050	1,818
Other motor insurance and proportional reinsurance	R0060	
Marine, aviation and transport insurance and proportional reinsurance	R0070	
Fire and other damage to property insurance and proportional reinsurance	R0080	29
General liability insurance and proportional reinsurance	R0090	80,802
Credit and suretyship insurance and proportional reinsurance	R0100	
Legal expenses insurance and proportional reinsurance	R0110	
Assistance and proportional reinsurance	R0120	
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1
Non-proportional health reinsurance	R0140	0
Non-proportional casualty reinsurance	R0150	
Non-proportional marine, aviation and transport reinsurance	R0160	
Non-proportional property reinsurance	R0170	

#### Linear formula component for life insurance and reinsurance obligations

MCR <sub>L</sub> Result		C0040		
	R0200	69		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210			
Obligations with profit participation - future discretionary benefits	R0220			
Index-linked and unit-linked insurance obligations	R0230			
Other life (re)insurance and health (re)insurance obligations	R0240	3,294		
Total capital at risk for all life (re)insurance obligations	R0250			

#### Overall MCR calculation

		C0070
Linear MCR	R0300	8,549
SCR	R0310	46,609
MCR cap	R0320	20,974
MCR floor	R0330	11,652
Combined MCR	R0340	11,652
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	11,652