CHAUCER INSURANCE COMPANY DAC

SOLVENCY & FINANCIAL CONDITION REPORT

FOR THE PERIOD ENDED 31ST DECEMBER 2017

Chaucer

CONTENTS

EXECUTIVE SUMMARY

Chaucer Insurance Company DAC ("CIC" or "the Company") is an Irish domiciled insurance company that writes non-life specialty insurance and reinsurance business with clients primarily in the European Economic Area (the "EEA"). CIC was incorporated on 16th August 2016 and is regulated by the Central Bank of Ireland ("CBI") following authorisation on 16th June 2017.

This Solvency and Financial Condition Report ("SFCR") is a requirement under the Solvency II regime, a harmonised EU-wide regulatory framework for insurance companies which came into effect on 1st January 2016. The purpose of the SFCR is to provide various stakeholders (including policyholders) of the Company an insight into the overall financial condition of the Company. This document is the first SFCR that is required to be published by CIC and is prepared on a solo entity basis, thereby excluding other affiliated entities of it's ultimate holding company, The Hanover Insurance Group, Inc. ("THG"). As this covers the first financial year of CIC's operations, there are no amounts for comparative purposes.

This report covers certain aspects of the Company's strategic and operating activities by discussing the Company's Business and Performance; System of Governance; Risk Profile; Valuation of Assets & Liabilities; and, Capital Management, which are summarised as follows.

BUSINESS & PERFORMANCE

The Company is a wholly owned subsidiary of The Hanover Insurance Company ("HIC"), a US based insurance undertaking and a member of THG.

CIC, headquartered in Dublin, has established a UK Branch, on a Freedom of Establishment basis. This UK Branch operates from the offices of an affiliated entity, Chaucer Holdings Limited ("Chaucer"), in London. Through outsourcing arrangements with a Chaucer subsidiary, Chaucer Underwriting Services Ltd. ("CUSL"), CIC and the UK Branch leverages the existing operational resources of Chaucer. The UK Branch was approved by the Prudential Regulatory Authority ("PRA") on 4th September 2017.

The purpose of the Company is to provide Chaucer's clients with greater platform choice and flexibility, thereby contributing to the growth of the international specialty segment of THG, which is comprised of both Chaucer and the Company.

The Company bound its first policy during 2017, with an inception date of 1st January 2018.

Refer to **Section A** for further detail relating to Business and Performance.

SYSTEM OF GOVERNANCE

The Company is subject to the CBI's Corporate Governance Requirements for Insurance Undertakings 2015 ("the Code"). The Company has a clearly defined governance structure for risk management. The Board is responsible for strategic and operational oversight of the Company. The Board comprises a mix of executives, non-executives ("NEDs") and independent non-executive directors ("INED's"). This provides a balance of diverse thinking with extensive business knowledge and sectoral experience.

Whilst the Board has ultimate responsibility for the Company's oversight and governance, Committees have been established to support the Board in this regard. The Board has approved the terms of reference for each respective Committee. Each Committee is comprised of both Board members and the Company's senior management, which serves to enhance the Board's consideration of risk related issues. These committees have the power to carry out activities on behalf of the Board to the extent such activities are set out in the approved terms of reference.

Refer to **Section B** for further detail on the Company's system of governance.

RISK PROFILE

CIC is committed to a structured and disciplined approach to risk management which considers, evaluates and manages risks as an integral part of the day to day running of the business. The involvement of the Board in setting the direction, tone and nature of the business culture and the importance of effective risk management are fundamental parts of this.

The following is an overview of the key risks that the Company is exposed to in accordance with the Company's risk profile:

- Underwriting risk;
- Market risk;
- Credit risk;
- Liquidity risk; and,
- Operational risk.

In addition to these risks, the Company's risk profile comprises other material risks such as strategic, legal and compliance, governance, solvency and emerging risks.

Refer to **Section C** for further detail on the Company's risk profile.

VALUATION OF SOLVENCY II BALANCE SHEET

The Company's financial statements, including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by Chartered Accountants Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The valuation rules from the Solvency II Directive utilise International Financial Reporting Standards ("IFRS") in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II. FRS reporting framework is largely equivalent to the accounting principles applied under IFRS, although differences do exist. As at 31st December 2017, these framework differences do not apply to the Company.

EXECUTIVE SUMMARY

The valuation of assets and liabilities for FRS is the same as Solvency II except for:

- Differences in the valuation of technical provisions and associated reinsurance recoverables; and
- Additional deferred tax valued on the expected tax impact once the valuation adjustments from FRS to Solvency II unwind.

Refer to **Section D** for further detail on valuation for Solvency purposes.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay claims; and
- Ensure that there are adequate levels of capital to fulfil the regulatory requirements as well as economic and commercial targets.

For Solvency II, Own Funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest.

The Company's own funds are as follows:

	Tier 1 US$000	Tier 2 US$000	Tier 3 US$000	Total US$000
Own Funds as at 31st December 2017	28,890	-	189	**29,079**

The calculation of the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") for CIC is based on the Standard Formula model as laid out within the Solvency II Delegated Acts and other Level 2 Solvency II guidelines. The Company does not use an Internal Model or undertaking specific parameters to calculate its SCR.

The total SCR and MCR, along with the respective coverage ratios, at 31st December 2017 are as follows:

Capital Requirement 31st December 2017	US$000	Ratio of Eligible Own Funds
SCR	**5,965**	**488%**
MCR	**4,440**	**651%**

Refer to **Section E** for further detail on Capital Management.

OUTLOOK FOR 2018

2018 presents an exciting challenge and opportunity for the Company as we embark on our first full year of operations. The Company is entering a highly competitive market, with features such as excess market capacity, low investment yields and a number of relatively benign catastrophe-event periods prior to 2017 all contributing to an aggressive soft market in recent years. The commencement of our operations however coincides with changes in the market through a shift in the pricing environment, following a number of large loss events in 2017, combined with changes in both the global economic and political landscapes. We believe the Company is well-positioned to take advantage of these changes in the market to ensure that we provide our clients with the same level of quality of service and commercial understanding, which is currently available through Chaucer's Syndicate operations.

This section of the report sets out the details of the Company with particular focus on business structure and financial performance.

A.1 BUSINESS AND EXTERNAL ENVIRONMENT

A.1.1 NAME AND LEGAL FORM OF UNDERTAKING

Chaucer Insurance Company Designated Activity Company ("CIC" or "the Company") is incorporated in Ireland as a single member Designated Activity Company, limited by shares and subject to Irish law. The Company's registered office address is 38 & 39 Baggot Street Lower, D02 T938, Dublin 2, Ireland.

A.1.2 NAME OF SUPERVISORY AUTHORITY RESPONSIBLE FOR FINANCIAL SUPERVISION OF THE UNDERTAKING

The Company is regulated by the CBI. The CBI can be contacted at New Wapping Street, North Wall Quay, PO Box 559, Dublin 1, Ireland.

A.1.3 EXTERNAL AUDITOR OF THE UNDERTAKING

The Company's external auditor is PriceWaterhouseCoopers ("PWC"). PWC is located at One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

A.1.4 HOLDERS OF QUALIFYING HOLDINGS IN THE UNDERTAKING

CIC is a wholly owned subsidiary of HIC, a US based insurance undertaking and a member of THG, the ultimate holding company.

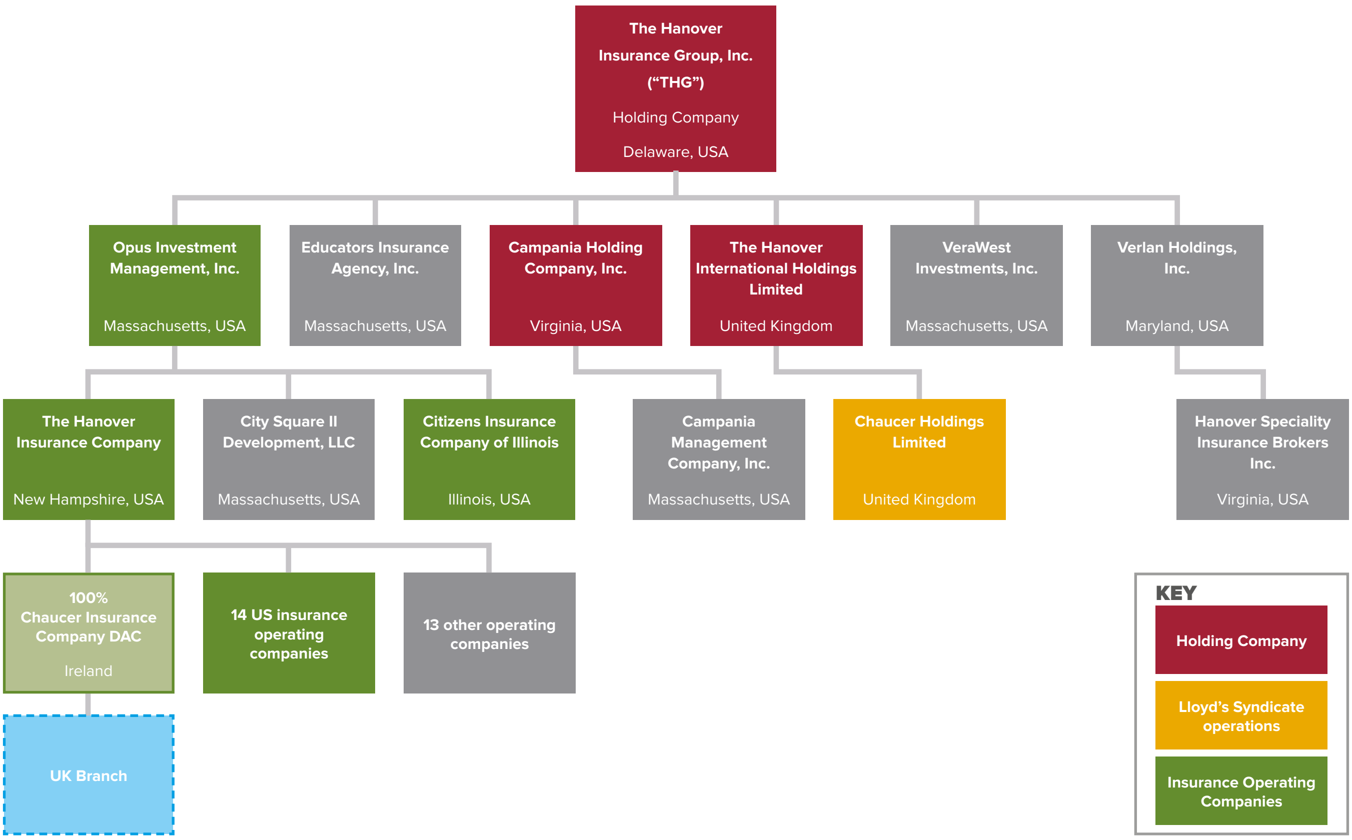
A.1.5 LEGAL STRUCTURE OF THE GROUP

THG, the ultimate parent company of CIC, is listed on the New York Stock Exchange ("NYSE") under ticker symbol "THG" and is the holding company for several US property and casualty insurance companies, which together constitute one of the largest insurance businesses in the United States. Chaucer, a wholly owned subsidiary of THG, is the holding company for Chaucer Syndicates Limited ("Chaucer Syndicates"), which is the managing agent for Syndicates 1084, 1176 and 6124 operating in the Society and Corporation of Lloyd's ("Lloyds"), and is the principal component of THG's international specialty segment. Whilst CIC is a wholly owned subsidiary of HIC, it is operationally aligned to Chaucer.

CIC was established in August 2016 with the purpose of contributing to the long term strategy of THG by enhancing the existing international speciality capabilities offered by Chaucer Syndicates. CIC obtained authorisation from the CBI on 16th June 2017 to underwrite non-life specialty insurance and reinsurance business in the EEA on a Freedom of Services basis and internationally on a non-admitted basis. In April 2017, CIC achieved a strong "A" financial rating from Standard & Poor's.

CIC is headquartered in Dublin and has established a UK Branch on a Freedom of Establishment basis from Chaucer's offices in London. The UK Branch is managed by a Branch Manager and, facilitates CIC to leverage Chaucer's underwriting expertise. Furthermore, the Branch provides a platform for the Company to utilise Chaucer's distribution channels via existing relationships with major international and specialist brokers. The operational resources provided to the Company through the outsourcing arrangement with CUSL enable CIC to fully leverage the existing operational resources of Chaucer including, but not limited to, staff, technology and processes.

The following diagram is a simplified Group Structure of the THG Group:



Group companies are located in various jurisdictions, but principally in the US, UK, Bermuda, Singapore, Australia and Ireland. The Group entities that are materially related to CIC are;

- HIC, due to the provision of a 90% quota share arrangement and a parental guarantee;
- CUSL, due to the operational outsourcing; and,
- Opus Investment Management Inc. ("Opus"), due to the provision of investment management services. The Company's indirect parent Company, Opus is the Company's sole investment manager.

A.1.6 MATERIAL LINES OF BUSINESS AND GEOGRAPHICAL AREAS

The Company is initially focussing on developing the credit insurance line of business and expects to expand the scope and scale of business written by continuing to utilise the strengths and influence of Chaucer by providing all product offerings subject to regulatory approval for certain classes that are available through Chaucer Syndicates to clients primarily in the EEA. The Company mitigates its exposure to the business written via extensive reinsurance arrangements with third party reinsurers and a 90% quota share, net of external reinsurance, to its direct parent HIC.

A.1.7 SIGNIFICANT BUSINESS EVENTS DURING THE REPORTING PERIOD

Other than noted above, no other significant events occurred during the reporting period.

A.2 PERFORMANCE FROM UNDERWRITING ACTIVITIES

The Company's gross written premium as at 31st December 2017 is $nil. During December 2017 however, the Company bound its first risk, which incepts from 1st January 2018.

A.3 PERFORMANCE FROM INVESTMENT ACTIVITIES

A.3.1 INCOME AND EXPENSES ARISING BY ASSET CLASS

The Company's investment strategy is designed to ensure the safety of the principal investment, generating a reasonable total rate of return, whilst complying with the Company's risk appetite and investment guidelines. Accordingly, our funds are primarily invested in liquid, investment-grade fixed income securities which are designated at fair value through the profit and loss ("FVTP&L") in accordance with FRS 102 & FRS 103 issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland.

The following table outlines the investment income and expenses, before tax, for the period ended 31st December 2017:

Investment income and related expenses	**US$000**
Investment income on fixed income securities	814
Other interest income	4
Net realised (losses)	(82)
Net unrealised (losses), before tax	(327)
Investment management expenses	(34)
Net return from investments	**375**

The quantum of investment income in this period is deemed immaterial and therefore the Company has not shown the split by asset class

The principle driver of the unrealised losses for the year ended 31st December 2017 was the impact of rising US Treasury rates following the increases by the Federal Open Market Committee during the year. The impact of these rate increases was partially offset by the continued low inflation rates in the US and the impact on longer-term fixed income securities. As the Company does not hold any non-USD fixed income securities, and USD is the Company's functional currency, the Company does not have any foreign currency fluctuations in its fixed income securities portfolio.

A.3.2 GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

The Company does not recognise any gains/losses relating to its investment portfolio in equity. As noted previously, the Company has designated its fixed income securities as FVTP&L. As a result, the net unrealised losses, relating to fluctuations in market price, and net realised losses are recognised in net income.

A.3.3 INVESTMENTS IN SECURITISATION

At 31st December 2017, the Company's fixed income portfolio included $3.9 million (13.1%) in securitisations. The Company's exposure was exclusively to securitisations issued by US Government Sponsored Enterprises. As such these securitisations are highly rated and are amongst the most liquid of all securitisation types with an average credit rating of AA+ (excellent), as rated by Standard & Poor's (or equivalent).

A.4 PERFORMANCE OF OTHER ACTIVITIES

Other charges (non-underwriting expenses) incurred during the year ended were $2.5 million. These charges are primarily comprised of the costs incurred by the Company on the set-up of the enterprise. In addition, $0.3 million, or 11.5%, relates to intra-group charges for services provided by the CUSL to the Company under outsourcing arrangements.

The Company has not entered into any material operating or finance leasing arrangements.

A.5 ANY OTHER DISCLOSURES

There is no additional information regarding the business or performance.

B. SYSTEM OF GOVERNANCE

The 'System of Governance' section of the report sets out details regarding the administration and management of the Company. The section also outlines the enterprise risk management framework, as well as the controls around fitness and probity and outsourcing arrangements.

B.1 GENERAL GOVERNANCE ARRANGEMENTS

B.1.1 ROLE AND RESPONSIBILITIES OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY AND KEY FUNCTIONS

The Company is subject to the CBI's Corporate Governance Requirements for Insurance Undertakings 2015 ("the Code") and the Board is satisfied that the corporate structures and practices pertaining to corporate governance as required by the Code are operating effectively.

The Board retains ultimate responsibility for strategic and operational oversight of the Company. The Board comprises a mix of executives, NEDs and INEDs. This provides a balance of diverse thinking with extensive business knowledge and sectoral experience.

Whilst the Board has ultimate responsibility for the Company's oversight and governance, Committees have been established to support the Board in this regard. The Board has established the following committees:

- Risk & Capital Committee;
- Audit Committee;
- Underwriting Committee;
- Finance & Investments Committee; and,
- Operations Committee.

The Board has approved the terms of reference for each Committee. Each Committee includes at least one Board member which serves to enhance the Board's consideration of risk related issues. In addition, attendees are invited to Committee meetings upon request by the respective Committee. These committees have the power to carry out activities on behalf of the Board to the extent such activities have been delegated by the Board in the approved terms of reference.

In addition to the Committees, there is also a Product Oversight Group ("POG") which approves, recommends and monitors matters in relation to conduct and consumer risk and product development, reporting to the Underwriting Committee.

The authority, functions, membership and reporting lines of the Committees (including the POG) and their frequency, voting rights, and quora are all clearly detailed in their respective terms of reference. The terms of reference for each of the Committees are reviewed at least annually.

The Company's General Manager, who serves as an executive director and member of the Board, has responsibility for the day-to-day operations, compliance and performance of the Company. The General Manager is supported in her role by an Executive Committee comprising the senior management team.

The Company's key internal control functions of risk management, actuarial, internal audit and compliance all report into respective committees and are all supported by Chaucer, to varying degrees, under the terms of an outsourcing arrangement. This enables the Company to utilise the expertise, systems and processes of Chaucer.

A review of the System of Governance, which includes a review of the overall performance of the Board, its individual directors and the respective committees, is carried out on an annual basis. The composition of the Board is kept under regular review.

The key roles and responsibilities of the respective Committees include, but are not limited to, the following:

RISK & CAPITAL COMMITTEE

- Advising the Board on risk appetite, risk tolerance and risk strategy, taking account of the Board's overall strategy, and the current financial position of CIC;
- Drawing on the work of the Audit Committee and the internal auditors, the capacity of CIC to manage and control risks within the agreed strategy;
- Overseeing the risk management function, which is managed on a day to day basis by the Head of Risk & Compliance;
- Ensuring the development and on-going maintenance of an effective risk management system ("RMS") within CIC, which is effective and proportionate to the nature, scale and complexity of the risks inherent in the business; and
- Advising the Board on the effectiveness of risk management strategies and policies.

AUDIT COMMITTEE

- Monitoring the effectiveness and adequacy of CIC's internal controls processes and procedures and internal audit;
- Liaising with the external auditors;
- Reviewing the integrity of CIC's financial statements and ensuring that they provide a true and fair view of CIC's financial status;
- Reviewing financial reports and announcements and making recommendations to the Board on whether to approve CIC's annual accounts; and,
- Assessing the independence of auditors and the effectiveness of the audit process.

UNDERWRITING COMMITTEE

- Undertaking detailed reviews of the underwriting performance against plan and determining the reason for, and action to be taken in respect of, any deviations;
- Reviewing the framework for measuring, monitoring and controlling all aspects of underwriting and associated risk within CIC's underwriting portfolios; and
- Reviewing any new underwriting initiatives.

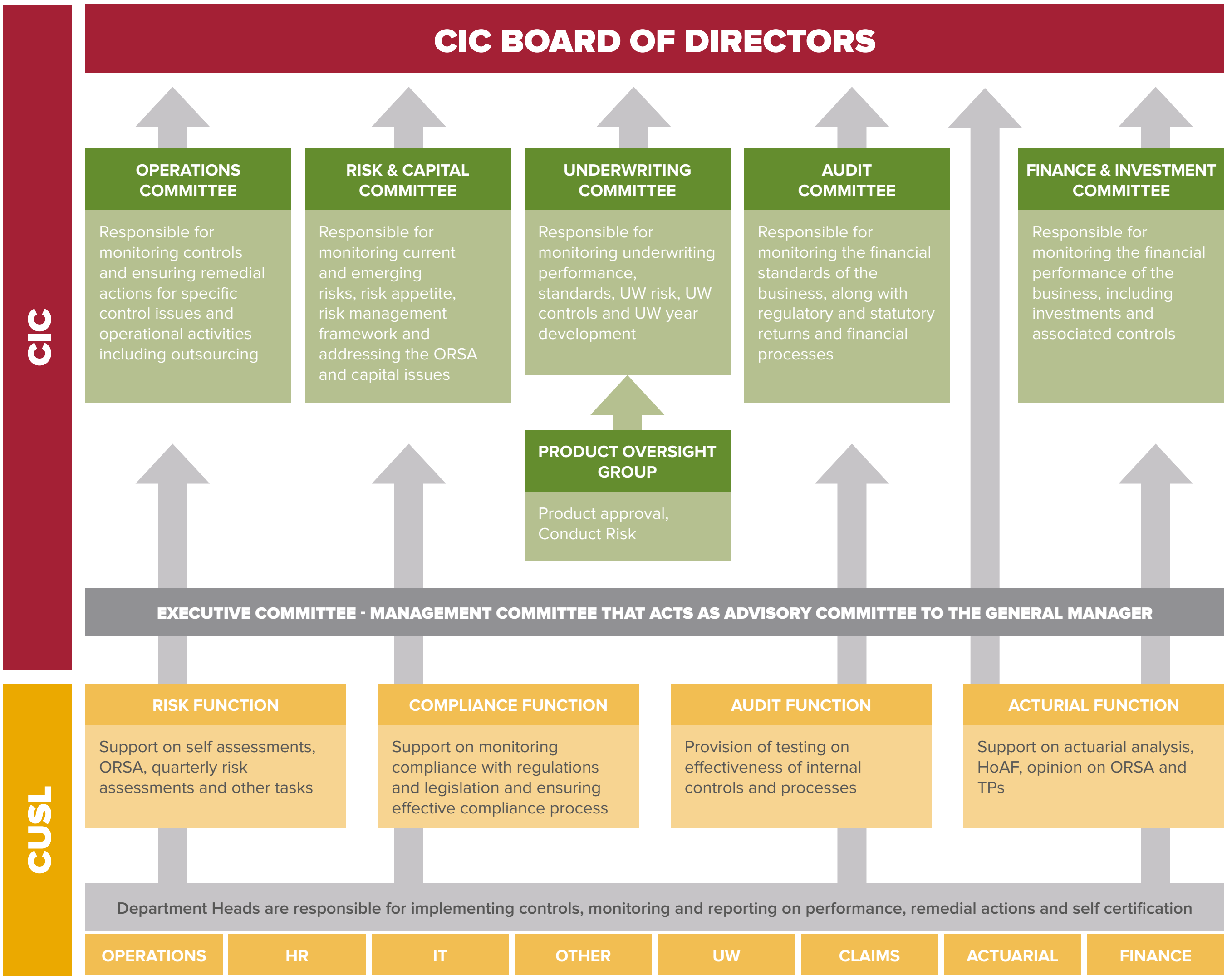
FINANCE & INVESTMENTS COMMITTEE

- Overseeing CIC's material financial matters, including investment management arrangements, investment guidelines, investment asset allocations and financing activities; and
- Overseeing CIC's financial and regulatory reporting, including the monitoring of the effectiveness of the financial control environment.

OPERATIONS COMMITTEE

- Providing assurance that CIC has a robust and effective control framework over all operational activities including any outsourced functions, and that all outsourced functions are managed effectively and in accordance with internal guidelines and regulatory expectations.

The following shows the structure of the Board, Committees and System of Governance of CIC:



B.1.2 MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE THAT HAVE TAKEN PLACE DURING THE REPORTING PERIOD

Since this is the first year of operations for the Company, there are no material changes to note.

B.1.3 REMUNERATION POLICY FOR THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY AND EMPLOYEES

The Company's Remuneration Policy is set by the Board and updated on annual basis. It is the intention of the Company to ensure that remuneration of its employees, officers and directors meets good practice standards as well as applicable regulatory requirements. It is the Board's intention to ensure that remuneration structures do not promote excessive risk taking. This aim is achieved through a suitable balance between fixed and variable remuneration, which varies depending on an individual's role and seniority.

The Board does not deem it necessary to establish a Remuneration Committee and believes it appropriate that such matters, on the basis of the proportionate size and risk profile of the Company, be addressed by the Board. If the Company deems it necessary, the Board will establish a Remuneration Committee and follow the requirements of the Corporate Governance Requirements for Insurance Undertakings 2015.

The Company provides a range of benefits to employees, including contractual salary, life cover, permanent health insurance and paid holiday arrangements. The Company pays contributions based on a percentage of salary determined by length of service into Personal Retirement Savings Accounts on behalf of its employees (defined contribution plans). Once the contributions have been paid, the Company has no further payment obligations. Employees contribute additional voluntary contributions to suit their circumstances.

The Company does not offer any bonuses or incentives related exclusively to revenue, premium growth or other metrics that might encourage undue risk taking. Therefore, its remuneration practices are considered to promote sound and effective risk management.

The Company operates an annual bonus plan for employees based on Company and individual performance, which is aligned with Chaucer's practices and in compliance with the Company's own Remuneration Policy. The Company does not offer any supplementary pension or early retirement scheme.

With regard to the remuneration of its INEDs, the Company's policy is that, in keeping with their duty of independence, they shall be remunerated by a fixed fee only, and no incentive-based payments will be made. It is the Company's policy that NEDs who are employees of the Group shall receive no remuneration for their duties as directors of the Company. Other than payment for services for those outsourced functions set out in B.7 of this report, and the salaries and benefits of contracted employees of the Company, there were no material transactions with persons who exercise a significant influence on the undertaking or with members of the administrative, management or supervisory body during the reporting period.

In addition, there were no other material transactions with the shareholder other than the two capital contributions of $24 million and $6 million received during the reporting period, by the Company, from its direct parent, HIC respectively.

Furthermore, there have been no dividends paid to the parent company during the reporting period.

B.2 FITNESS AND PROBITY

B.2.1 REQUIREMENTS FOR SKILLS, KNOWLEDGE AND EXPERTISE

CIC is responsible for ensuring that individuals performing Controlled Functions (including Pre-Approval Controlled Function ("PCF")) meet the CBI's Fitness and Probity Standards, both prior to appointment and on an on-going basis. CIC is required to satisfy itself on reasonable grounds that all individuals performing PCF roles comply with the Fitness and Probity Standards and appropriate due diligence is performed in this regard, including in respect of the skills, knowledge and expertise required.

The Company has a Fitness and Probity Policy which is reviewed and approved annually by the Board. The policy is supported by detailed documented procedures. These processes and procedures support the Company's annual confirmation to the CBI that the Company is in compliance with the relevant regulatory requirements under the CBI's Fitness and Probity Standards 2014 and associated CBI Guidance (the "Fitness and Probity Standards").

B.2.2 PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF THE PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

As part of the Company's fitness and probity processes, CIC operates a formal process to ensure all directors are considered by the CBI for pre-approval and that they continue to meet the requirements and obligations set by the CBI. Individual Questionnaires ("IQs") are submitted to the CBI for approval in respect of each member of the Board or senior management who will be performing a PCF.

CIC ensures its on-going compliance obligations in respect of fitness and probity due diligence are met in line with the CBI's Guidance on Fitness and Probity Standards. This includes CIC's obligation to submit the Annual PCF Confirmation Return to the CBI and confirm therein that each PCF holder is compliant (and continues to agree to be compliant) with the Fitness and Probity Standards. CIC also ensures that all resignations of PCF holders are notified to the CBI without delay.

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

B.3.1 RISK MANAGEMENT SYSTEM

The Board believes that effective risk management forms a critical part of the governance framework and is a source of competitive advantage. Hence the principles and framework adopted ensure a focus on effective risk controls and management process designed to identify, measure, monitor and control risks across all areas of the risk universe.

CIC has adapted Chaucer's existing ERM framework proportionately to the size, nature and complexity of CIC's business and in line with CBI requirements. In addition, the Company is supported by Chaucer's management team through our outsourcing agreements to ensure multi-dimensional oversight based on the following principles:

- Simple objectives;
- Clear risk appetite;
- Robust governance, controls and reporting; and,
- A strong culture and tone from the top which supports the underling key principles.

The ERM framework sets out how the Company responds to risks that it encounters as a business. The following framework outlines the five core elements and the associated tools and techniques used within that respective element:

RISK STRATEGY	Risk Link to Business Strategy	Risk Culture	Risk Policies & Documents	Link to ORSA & Capital Requirements	Annual ORSA Process & Reporting
RISK GOVERNANCE	Risk Governance Structure	Risk Register	3 Lines of Defence	Roles & Responsibilities	Internal Control
RISK APPETITE	Risk Appetite Statements	Risk Appetite Levels Tolerances Limit (incl. Aggregates and concentrations)	Risk Appetite Reporting	Risk Appetite Requests & Development	Overall Business Plan
RISK ASSESSMENT	Strategic & Business Risk Assessments	Stress & Scenario Testing			
RISK REPORTING	Risk Dashboard & Reporting	Risk Mitigation	Risk Profile Range	Emerging Risks	

B.3.2 IMPLEMENTATION OF THE RISK MANAGEMENT SYSTEM

In order to implement the Company's ERM Framework, the Company has established a RMS. The RMS underpins the Board's strategy and operational plan. The primary objective of the RMS is to ensure that the business has a repeatable process for identifying risk, conducting risk assessments and reporting on risks related to the pursuit of strategic and business objectives and by ensuring that it is commercially effective and supporting senior management and Board level decision making.

The RMS is represented by the following key elements which are reinforced through the key internal controls and business management processes:

RISK STRATEGY, RISK GOVERNANCE & RISK APPETITE

- The RMS is owned by the Board with responsibility for oversight and development delegated to the second line Risk Management function via the Risk & Capital Committee;
- Responsibility for embedding lies with the first line business functions supported by risk oversight and reporting;
- The Risk and Audit functions provide assurance in terms of compliance with the key controls;
- The Risk Appetite establishes our appetite for risk both in terms of defining categories of risk and quantum/tolerance within each category;
- The Risk Culture is integrated into the Remuneration Policy. People are not rewarded for excessive risk taking; and,
- Policy statements and business standards and procedures support adherence to the chosen appetite and set out the following:
  - Policy statements set out the parameters within which management may operate and define the standards that must be applied within the business;
  - They ensure businesses identify, measure, manage, monitor and control material risks and define the procedures which should be applied to the main risk classes; and
  - They are approved annually by the respective Committees and the Board.

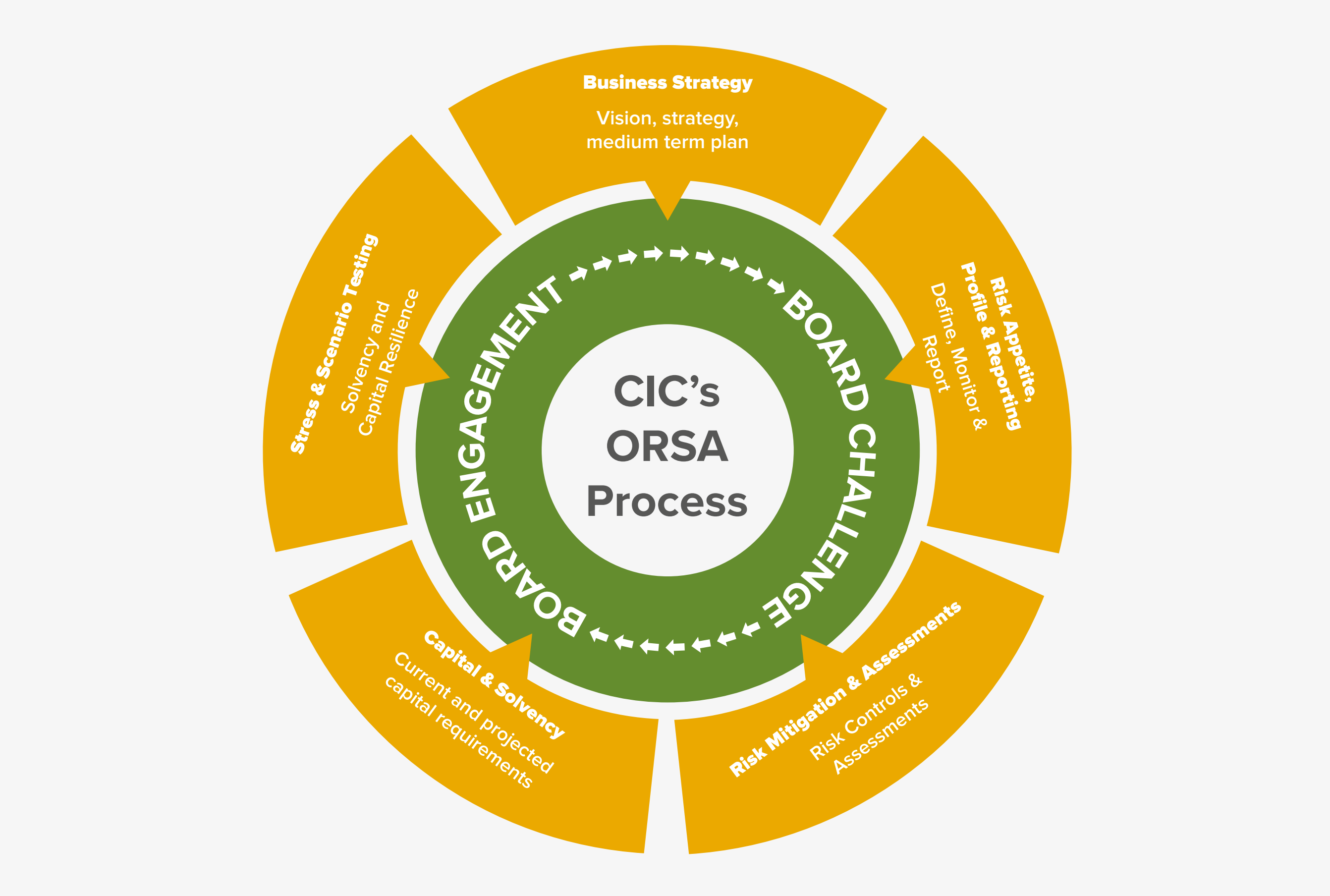
RISK ASSESSMENT AND RISK REPORTING

- CIC has detailed risk assessment processes which assist management in identifying, assessing and monitoring risks whilst contributing to key decision making and assessing capital requirements by ensuring all risks are considered;
- The risk register and risk dashboard are core parts of the risk analysis and processes with the regular assessment of emerging risks both at Executive Committee, Risk & Capital Committee, and Board levels; and
- Risk reporting is led by the Head of Risk & Compliance, who reports to the Risk & Capital Committee and Board. This risk reporting includes the regular review of the risk appetite and Own Risk & Solvency Assessment ("ORSA").

B.3.3 OWN RISK & SOLVENCY ASSESSMENT

CIC has adapted Chaucer's ORSA process whereby a framework has been designed which emphasises the risk assessment, capital management and decision making processes that are operated on a continuous basis throughout the year and embedded within the business. Each of these activities has its own reporting requirements and supporting analysis that is demonstrable at one or more levels within the management and governance structure of the Company.

CIC's ORSA policy and framework brings together the RMS and capital management activity across the following five key business activities:



The Board owns and governs the ORSA Framework and processes. Each activity within the ORSA process is, however, overseen by a relevant governance forum prior to recommendation for approval to the Board. The Risk & Capital Committee, for example, reviews the effective functioning and outcomes from the ORSA processes during the year and recommends to the Board for approval.

The Head of Risk & Compliance is responsible for reviewing the ORSA policy and framework on at least an annual basis. The results of such review and any proposed changes are to be reported to the Risk & Capital Committee who will review and recommend for approval to the Board. The performance of the framework is reviewed on an ongoing basis and on an ad-hoc basis if certain ORSA trigger event occur.

The Board formally reviews and approves the ORSA on an annual basis, however, in the event of an ORSA trigger event(s), the Board will review and approve an interim ORSA as required.

The following briefly describes how the main ORSA process brings together the ERM across the five key business activities:

BUSINESS STRATEGY

- Assessment of risks to achieving strategy and risks to the associated business model;
- Forward looking risk profile assessment based on long-term strategy and short-term business plans under normal and stressed conditions; and
- Setting and validation of strategy/business plan or identification of management actions required to amend strategy or business plan.

RISK APPETITE, PROFILE & REPORTING

- Setting and validation of risk appetite levels or identification of management actions required to amend risk appetite;
- Identification of risk sources and risk causes of profit and loss results (P&L Attribution); and
- Assessment of adequacy of risk management framework and identification of improvements.

RISK MITIGATION & ASSESSMENTS

- Assessment of adequacy of risk mitigation techniques; and
- Review of risk assessments supporting key Board decision making.

CAPITAL & SOLVENCY

- Assessment of adequacy of capital and liquidity contingency plans;
- Determination of CIC's economic capital requirements; and
- Assessment of accessibility to capital and funding arrangements.

STRESS & SCENARIO TESTING

- Assessment of strategic scenarios considering various outcomes; and
- Assessment of potential earnings volatility and stresses to capital via a range of scenarios by risk category and reverse stress tests.

Solvency needs and the Solvency Capital Requirements ("SCR") are calculated using the Solvency II Standard Formula. However, additional tests are performed to determine the appropriateness of the Standard Formula and, in particular, the solvency and economic capital needs of the business based on the specific risk profile and business plan. This is done by analysing the risk dashboard and individual risks contained therein to assess the link with capital and solvency and determine whether additional requirements are necessitated in view of those risks.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 DESCRIPTION OF THE INTERNAL CONTROL FUNCTION

The Board has ultimate responsibility for the internal controls of the Company. The Committees with responsibilities for internal controls provide regular updates to the Board, which enables the Board to ensure that an appropriate framework is in place for identifying, assessing and monitoring the effectiveness of internal controls. CIC has adapted Chaucer's existing internal control system to ensure the prevention and detection of fraud and protection of the Company's resources. In addition, senior management, CIC's Risk Management function, and CIC's Internal Auditors also provide multi-disciplinary reviews and oversight of the ongoing management of the Company.

The Internal Control System, interlinked with both the Risk Management Framework and System of Governance, includes a range of tools, techniques and processes to ensure the application of appropriate controls. This includes a suite of Internal Control Policies which set out the company policies and specific requirements on a range of critical internal control matters.

B.4.2 IMPLEMENTATION OF THE COMPLIANCE FUNCTION

The Board of the Company has ultimate responsibility for its compliance objectives.

To help achieve this aim, the Board has established a Compliance Function, staffed by an appointed Compliance Officer, to supplement, the responsibilities of the Board to ensure compliance with legislation and applicable requirements.

The role of the Board appointed Compliance Officer is to:

- Assist the Board with ensuring ongoing compliance with legislation, regulation and applicable requirements;
- Enhancing the Company's awareness of compliance matters;
- Monitor the Company's compliance with legislation and applicable requirements and guidelines;
- Document any breaches identified, how they are addressed and whether any third party reporting of the breach is required;
- Ensure that the Board is kept informed of any amendment to the applicable regulations, legislation and guidelines or the addition of any new requirements and the potential impact on the Company;
- Provide opinions, recommendations, supervision and independent controls; and,
- Provide reasonable assessment of the effectiveness and consistency of the internal processes used to control the compliance of the Company's operations and protect its reputation.

The Compliance Officer presents a Compliance report to the Audit Committee at each meeting which includes the following:

- Details of regulatory correspondence with the Company;
- Details of regulatory developments;
- Details of which controls were tested since the last report and the results of the tests; and
- Conclusions and recommendations on the Company's compliance with legislation and guidelines.

The Compliance Officer is also a member of the Risk & Capital Committee and is the registered Data Protection Officer.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 IMPLEMENTATION OF THE INTERNAL AUDIT FUNCTION

The Company's Internal Audit function assists the Board and senior management to protect the assets, reputation and sustainability of the organisation. The Internal Audit function assists in the achievement of this by assessing the significant risks to the business and assessing whether they are adequately monitored, controlled and mitigated. This includes challenging senior management to improve the effectiveness of governance, risk management and internal controls over business processes. The Company's Internal Audit function operates within the three lines of defence model, providing independent assurance over the effectiveness of processes in the first and second lines of defence.

The Company has established an internal audit function, with a Head of Internal Audit ("HIA") and internal audit resources being provided by CUSL under the outsourcing arrangement.

B.5.2 INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function is independent of CIC's operational functions so as to ensure that the judgements essential to its proper conduct and impartial advice to the Audit Committee are unbiased. It reports directly to the Company's Audit Committee and to the Board, as required. The HIA confirms the organisational independence to the Audit Committee at least on an annual basis, in accordance with Audit Committee Terms of Reference.

B.6 ACTUARIAL FUNCTION

The Actuarial Function for CIC is headed up by the Head of Actuarial Function ("HoAF"). The Actuarial Function services are provided under an outsourcing arrangement with CUSL and therefore the HoAF, who is an employee of CUSL, utilises the services of the actuarial staff from CUSL to carry out actuarial analyses for CIC.

The HoAF reports to the Board, the Audit Committee and the Risk & Capital Committee. The HoAF is responsible for producing an annual Actuarial Opinion on Technical Provisions to be submitted to the CBI in conjunction with the Solvency II annual quantitative reporting templates. In addition, the HoAF presents an annual Actuarial Report on Technical Provisions, an opinion on the ORSA, underwriting policy and on the Company's reinsurance adequacy to the Board. Furthermore, the HoAF contributes to the RMS of the Company.

The HoAF is a PCF holder under the CBI's Fitness and Probity regime and is a Fellow of the Institute of Actuaries. The Actuarial function comprises of fellows/students of the Institute & Faculty of Actuaries and operates under the standards set out by the Institute & Faculty of Actuaries and the Board for Actuarial Standards (or equivalent). One of the roles of the actuarial Function is to help maintain compliance with requirements and regulations issued by, inter alia, the CBI and Society of Actuaries in Ireland. The current structure of the Actuarial Function within the Company is considered to be appropriate in achieving the full intended aims of the function.

B.7 OUTSOURCING

The Board is responsible for ensuring that the outsourcing policy and the outsourcing arrangements comply with the relevant regulations and for ensuring that due skill, care and diligence is exercised when entering into, managing or terminating any arrangement for the outsourcing to a service provider that is deemed to be a critical or important function or activity ("CIFA") pursuant to Article 49 of the Solvency II Directive 2009/138/EC. The entering into, managing or terminating of all other outsourcing arrangements is delegated by the Board to the Operations Committee or Underwriting Committee to the extent it related to outsourcing of underwriting or claims activities.

The Company requires service providers to cooperate with the relevant supervisory authorities in connection with any outsourced function or activity. The Company's staff, auditors and the relevant supervisory authorities have effective access to data related to the outsourced functions or activities and, where appropriate, the supervisory authorities would have effective access to the business premises of the service provider and would be able to exercise those rights of access.

The Outsourcing Policy covers the following areas:

- Objectives of the outsourcing policy;
- Organisational arrangements setting out the roles and responsibilities;
- The decision-making process;
- The selection process for outsourced service providers;
- The process for ongoing supervision and management of risks;
- Procedures for notification to the CBI upon outsourcing a material activity;
- Procedures for notification to the CBI in the event of an outsourced service provider's inability to meet its obligations under an agreement;
- Procedures for appropriate monitoring and assessment of the outsourced service provider's financial performance and changes to its organisational structure;
- Reporting arrangements and requirements;
- Business continuity requirements; and,
- The process and timelines for approval, review and updating of the outsourcing policy by the Board.

The Company outsources to affiliated entities CUSL, located in the UK, and Opus located in the US, respectively. CUSL provide operational support and services to CIC by providing underwriting; risk management; legal and compliance; IT; finance; actuarial and internal audit sevices. Opus, our indirect parent, provides investment management services.

All outsourcing arrangements are reviewed by the Operations Committee, and if deemed to meet the criteria of a critical and or important function or activity, are presented to the Board for approval. Once the Board has approved the CIFA, the General Manager notifies the CBI. All CIFAs are closely monitored by the Company's General Manager and Operations Committee, or Underwriting Committee, as appropriate. All CIFA arrangements are reviewed at least annually and, where material, changes are brought to the Board for consideration and approval.

B.8 ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS

The Company is committed to embedding a culture of compliance and excellence in all governance matters. To that end, the Company has:

- Appointed an experienced Board, comprising a mix of executives, group NEDs and INEDs, providing a balance of innovative thinking with in depth insurance industry and business knowledge and experience;
- Appointed a Dublin based management team directly responsible for ensuring that CIC operates an effective system of governance;
- Appointed a highly experienced UK Branch Manager; and
- Developed and embedded a committee structure to ensure challenging engagement with all areas of the business and segregated oversight by committees with appropriate authorities and responsibilities delegated from, but ultimately overseen by, the Board of Directors.

Taking all of the above into account, the Company's assessment is that its system of governance is adequate for a company of its nature, scale and complexity.

B.9 ANY OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE OF THE COMPANY

There are no other material disclosures or relevant information to note.

C. RISK PROFILE

The 'Risk Profile' section of the report captures the nature of the overall risk status of the Company, taking into account all material risks to which the Company is exposed.

C.1 OVERVIEW

CIC is committed to a structured and disciplined approach to risk management which considers, evaluates and manages risks as an integral part of the day to day running of the business. The involvement of the Board in setting the direction, tone and nature of the business culture and the importance of effective risk management are fundamental parts of this. The aim of a stable, secure and efficient business is integrated with a transparent communication and engagement model which seeks to build a sustainable business model where financial value is developed over the long-term. The Board reviews the Company's risk profile on an ongoing basis (at least quarterly) via a risk dashboard and register. This allows it to see, understand and ensure mitigations are in place to oversee appropriate actions.

Additionally, as the Company uses the Solvency II Standard Formula for the purposes of assessing capital requirements, the Board must gain comfort that this approach is an appropriate method for the Company. The key assumptions underlying the Standard Formula have been assessed and consideration given to whether additional levels of capital are maintained. The Company performs stress and scenario testing to ensure the SCR position for each risk module is capable of withstanding extreme, unforeseen, or "shock" events. These tests, whilst extreme, are plausible occurrences. These have been selected based on the lines and classes of business, products and operational model of the Company.

The following are the key risks to which the Company is exposed in accordance with the Company's risk profile. These consider the exposure, concentrations, risk mitigations and stress testing applied under each of the main risk categories:

C.2 UNDERWRITING RISK/ INSURANCE RISK

C.2.1 RISK EXPOSURES

Underwriting/Insurance is the principal activity of the Company and effective management of insurance risk, both underwriting and claims risk, is vital to ensure the Company meets its strategic and regulatory objectives.

Insurance risk includes the risk of loss to the Company as a result of inappropriate or ineffective underwriting processes, the risk of loss as a result of inappropriate or ineffective claims handling or the risk that the ultimate value of insurance liabilities prove to be greater than the estimated value, and the risk that inadequate pricing leads to unprofitable business.

CIC takes a conservative approach to managing all aspects of underwriting risk. Policy limits are clearly defined within the Company's Risk Appetite Statement which is actively managed and reported to the Board on a quarterly basis. The appetite is supported by underlying internal control policies which define the standards to be followed by those involved in underwriting, claims, pricing and reserving. The Company adopts a best estimate approach in determining its ultimate liability to policyholders.

Underwriting authorities are tightly managed and approved by the General Manager based on the knowledge and experience of the individual underwriter. CIC utilise the expertise and knowledge of the underwriters at Chaucer through its outsourcing arrangements.

As well as being able to meet its strategic and regulatory objectives, high quality management of its underwriting, claims, pricing and reserving risks enables the Company to make better informed decisions that explicitly consider the implications of underwriting and claims risk exposures and therefore better protect the Company and its sole shareholder against earnings volatility and capital erosion.

C.2.2 RISK CONCENTRATIONS

CIC offers a range of property and casualty (non-motor) products through professional intermediaries, brokers and cover-holders.

C.2.3 RISK MITIGATION

There are detailed underwriting and binding guidelines in place for all lines of business and products within those lines. Chaucer underwriters have extensive experience in these lines of business and products. Each underwriter has individual limits commensurate with their experience and the Company's risk appetite. Any potential changes or developments in lines, portfolios or products only occur after detailed analysis and sign off by both the POG and Underwriting Committee.

The Company's reinsurance strategy is conservative, reflecting the start-up nature of CIC. This strategy is reviewed annually and is aligned to the both the level of capital and underwriting risk appetite in order to mitigate the underwriting risk and limit the risk of losses exceeding the Company's appetite.

C.2.4 STRESS TESTING

Using the Standard Formula, the SCR for Underwriting Risk is $4.4 million on pre-diversified basis, which is 56.7% of the Basic Solvency Capital Requirement ("BSCR") before diversification.

Underwriting risk analysis includes scenarios such as a global financial crisis, Eurozone recession or disintegration of the EU, country specific bank runs or bank downgrades, corporate sector issues, a China slowdown or a mass accident event. These were translated into potential catastrophic and non-catastrophic scenarios based on the expected risk profile of the principal classes.

The stress and scenario testing concluded that the SCR for Underwriting risk, using the Standard Formula, sufficiently covers a 1:200 scenario.

C.2.5 OTHER MATERIAL INFORMATION

There are no other material disclosures or relevant information to note.

C.3 MARKET RISK

Market risk is the risk that changes in market prices, arising primarily from changes in interest rates and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. Market Risk can be broken down into three broad categories with the following high level definitions:

- Market Risk - The risk that arises from fluctuation and uncertainty of assets prices, interest rates, credit spreads and other macro-economic factors.
- Currency Risk - The risk that arises from fluctuation of foreign exchange rates
- Asset Liability Matching Risk - The risk that arises from changes in macro-economic factors that impact net assets and liabilities differently due to a mismatch of asset and liability characteristics such as original currency and duration.

C.3.1 RISK EXPOSURES

CIC is exposed to, and manages, a variety of market risks that could prevent the achievement of business objectives. These risks arise as the Company invests funds designed to ensure the preservation of the principal while generating an investment return. The Company applies the prudent person principle to the management of its investments. Investments are managed for and on behalf of the Company by Opus. In accordance with the Company's conservative investment guidelines, the Company invests in liquid, high quality investment-grade fixed income securities. The Company's portfolio is comprised of predominantly USD assets, with some minor cash balance in Euro and Great British Pounds, respectively.

C.3.2 RISK CONCENTRATIONS

Concentration Risk is the risk that arises from large investment in individual counterparties and single name exposures. As at 31st December 2017, the Company's single largest exposure to an individual counterparty is through its US Treasury positions, representing 29.6% of its investment portfolio. This level of exposure to a single counterparty is in accordance with the Company's investment guidelines.

C.3.3 RISK MITIGATION

Market risk is mitigated by:

- Limits on duration, credit quality and concentration levels mitigate market risks and are embedded within the investment guidelines;
- Selection of knowledgeable and reliable investment managers who operate within the investment guidelines; and,
- Regular compliance monitoring and testing and permitted ranges to accommodate short-term expectations and objectives to the Board.

In order to ensure the effective management of currency risks, suitable processes and procedures are in place to ensure:

- Net exposure (Assets – Liabilities) are considered in original currency; and,
- The impact of potential exchange rate volatility is considered.

Net exposures (Assets less Liabilities) in original currency are calculated on a quarterly basis and the expected return range (based on the historical volatility of exchange rates) is assessed against a predetermined tolerance band. Where the expected return is outside of the tolerance band the Company looks to rebalance net exposures and reduce overall currency risk.

C.3.4 STRESS TESTING

Using the Standard Formula, the SCR for market risk is $2.6 million, which is 33.3% of the BSCR before diversification.

The stress and scenario testing performed in respect of market risk considers the impact of extreme events on interest rates and fluctuations on exchange rates as follows:

- At 31st December 2017, if interest rates on fixed income securities were higher/lower by 100 basis points, with all other variables constant, the market value of the fixed income securities would have been $0.8 million higher/lower. This sensitivity does not take into account the offsetting impact on the change in valuation of Technical Provisions from a change in interest rates.
- At 31st December 2017, if the Dollar had strengthened (weakened) by 10% against all other currencies held by the Company, the Solvency II Own Funds would have been $0.1 million higher, ($0.2 million lower), respectively.

The impact on investment counterparty risk (concentration) is assessed in section C.4 – Credit Risk.

C.3.5 OTHER MATERIAL INFORMATION

There are no other material disclosures or relevant information to note.

C.4 CREDIT RISK

Credit Risk is the risk that one party to a contract fails or fails to discharge an obligation, thereby causing financial loss to the other party.

C.4.1 RISK EXPOSURES

CIC is exposed to credit risk through its investment portfolio (including cash in banks) and through its exposure to reinsurance counterparties (i.e. companies with whom CIC places reinsurance). In the event that any of the counterparties fail, CIC would incur a loss of assets or reinsurance recoverables.

CIC has a low risk appetite and therefore a conservative approach to the selection of counterparties both on a short, medium and long terms basis.

C.4.2 RISK CONCENTRATIONS

The Company has entered into an agreement whereby the Company cedes an amount equal to 90%, net of inuring reinsurance, of its premiums, losses and loss adjustment expenses, commissions and any other costs incurred by the Company to the direct Parent, HIC, which has a Standard & Poor's credit rating of 'A' as at the reporting date. In addition, CIC participates on a shared reinsurance programmes with Chaucer Syndicates.

As at 31st December 2017, the Company's exposure to reinsurance counter-parties arises through its single insurance policy which is effective on 1st January 2018. The net reinsurance recovery in respect of this policy is $0.1 million.

As at 31st December 2017, the Company does not have any credit risk exposure from insurance receivable balances.

The following table provides details regarding the credit risk exposure of the Company, classifying fixed maturity counterparties by Standard & Poor's (or equivalent) credit ratings of the counterparties:

Fixed maturities	US$000	%
AAA	13.1	47.9
AA	2.9	10.4
A	7.7	28.1
BBB	3.7	13.6
Total	**27.4**	**100.0**

Cash and Cash equivalents are held with banks and financial institution counterparties which are rated A to BBB-, based on Standard & Poor's ratings.

C.4.3 RISK MITIGATIONS

The credit risk related to cash, cash equivalents and fixed maturities is primarily mitigated by placing constraints on the credit quality of the portfolio and managing the concentrations with single providers.

The credit risk related to reinsurers is primarily mitigated through robust reviews of all reinsurer counterparties with whom the Company wishes to conduct business and setting credit thresholds for the total potential recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing within the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

C.4.4 STRESS TESTING

Using the Standard Formula, the SCR for Credit/Counterparty Risk is $0.8 million, which is 10.0% of the BSCR before diversification.

The stress and scenario testing performed in respect of Credit/Counterparty Risk considers the impact of extreme events on our reinsurance counterparties and our investment counterparties.

Within the testing for reinsurance counterparty credit risk, we assessed the impact of the following:

- Default by HIC during 2018;
- Downgrade of HIC credit rating from A to BB; and,
- Default by other external parties

The stress and scenario testing concluded that the Company holds sufficient levels of capital to absorb a 1:200 scenario.

C.4.5 OTHER MATERIAL INFORMATION

There are no other material disclosures or relevant information to note.

C.5 LIQUIDITY RISK

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

C.5.1 RISK EXPOSURES

CIC seeks to avoid any situation where funds are not available to meet claims or any other financial obligations arising from a lack of sufficient liquidity. The Company recognises its duty to manage funds in order to settle claims and other obligations promptly and is mindful that, due to the nature of the Company's business, significant cash flow demands may arise in the event of single or multiple large claims or catastrophes. The approach to management of funds undertaken ensures the availability of sufficient funds from such adverse circumstances. Liquidity levels are reported to the Board as part of the Company's continuous risk appetite reporting processes.

C.5.2 RISK MITIGATIONS

Liquidity risk is assessed in the context of two dimensions: funding and asset liquidity.

In order to ensure the effective management of liquidity risks, processes and procedures are in place to ensure:

- Minimum liquidity requirements are being adhered to;
- Cash flow is being regularly forecasted and monitored;
- There is appropriate matching between the maturities of assets and liabilities; and,
- There is no unexpected outflow of funds.

Minimum liquidity limits are set at a level designed to ensure the Company has sufficient funds to meet obligations and is not forced to sell assets at a significant discount to true economic value.

C.6 OPERATIONAL RISK

Operational risk is the risk of loss arising from processes, procedures, human or system inadequacy or failure, loss of key personnel, outsourcing relationship failures or other external events. It includes legal, regulatory and reputational risks in addition to technology and cyber risks. It extends to any ineffectiveness in internal controls which could have an adverse effect on the Company's business. Instances of ineffective internal control include but are not limited to, poor quality management information or the failure of IT systems to capture data and business performance; or, a potential lack of control over the actions of third parties operating on behalf of the Company.

C.6.1 RISK EXPOSURES

CIC has a low risk appetite for operational failures that interrupt or hinder trading.

CIC manages this risk through a combination of operational risk management, supported by internal controls, control policies, processes and procedures, segregation of duties and the three lines of defence model. It is however recognised that achieving complete system and process resilience to ensure no losses could ever occur would entail impractical measures and unacceptable cost and management seek to balance the risk through the overall enterprise risk management.

C.6.2 RISK CONCENTRATIONS

The Company is exposed to material concentration of operational risk through its outsourcing arrangements with Chaucer. In the event of a failure by Chaucer to deliver the services required by CIC, this could result in financial losses or regulatory sanction

C.6.3 RISK MITIGATION

Processes are in place to reduce the risk and impact of an external event on the Company, so the Company can continue its operations from an off-site location and maintain continuity of operations. The Company places a high priority on the management of those contracts and the monitoring of services provided under those contracts, including the assessment of the third party outsourced service provider's ability to withstand an external event.

C.6.4 STRESS TESTING

Using the Standard Formula, the SCR for Operational Risk is $0.1 million. Under the Standard Formula, Operational Risk is not a risk module within the BSCR.

There are no specific sensitivities but stress and scenario tests have been performed around individual events that would result in operational costs or losses to CIC. Individual events considered included regulatory fines for breach of a licence, loss of key staff members, failure of a critical outsourcing relationship and failure of an IT system. Scenario tests combined two of these events.

C.6.5 OTHER MATERIAL INFORMATION

There are no other material disclosures or relevant information to note.

C.7 OTHER MATERIAL RISKS

C.7.1 STRATEGIC RISK

Strategic risk arises from the failure to appropriately and sufficiently define and articulate the direction and objectives of the Company together with the resourcing and monitoring of the achievement of the same. This risk category considers the ability of the Company to respond to external factors, ability to write critical classes of business, outsourcing risk and other global economic factors such as the Brexit.

These risks are mitigated by ensuring the Company has strong governance procedures and the necessary resources available to it, including a robust system of processes and internal controls to manage the associated risks. Furthermore, a risk assessment approach is adopted which uses risk appetites, limits linked to business plans, along with aggregation and accumulation management. Additionally the Company has a well-developed business plan, as used in the ORSA process, which is approved by the Board.

The Company's strategic risk is mitigated by ensuring a strong connection and relationship with both CIC's ultimate parent and affiliate Chaucer through membership of the CIC Board by senior THG and Chaucer executives.

C.7.2 LEGAL AND COMPLIANCE RISKS

Legal, compliance and regulatory risk is a subset of operational risk and is an inevitable consequence of operating as a regulated financial services entity. CIC seeks to mitigate these risks by operating robust corporate governance and internal control processes and employing experienced personnel.

C.7.3 GOVERNANCE RISK

Governance risk incorporates risks arising from the failure to ensure proper stewardship of the affairs of the entity and safeguard the assets of the Company and protect the overall interests of its stakeholders.

The Board regards a strong governance framework to be vital in achieving its objectives as well as providing transparency and accountability to its various stakeholders. A strong System of Internal Controls, robust System of Governance and the application of the "three lines of defence" model helps to mitigate these risks.

C.7.4 SOLVENCY RISK / CAPITAL MANAGEMENT

This is the risk that the CIC fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

This risk is mitigated by the setting of a target capital ratio that is sufficiently conservative to ensure appropriate intervention and remedial activity well before the SCR is breached. Regular monitoring, forecasting and reporting are undertaken as the Company has no appetite for breaching its SCR.

Refer to Section E for further detail on Capital Management.

C.7.5 EMERGING RISKS

CIC has in place a process for monitoring the external environment to identify risks that may not previously have been considered material or present an emerging threat to the business environment, industry or Company. These are classified as emerging risks and are regularly discussed and reviewed by management and at the Board.

C.8 OTHER DISCLOSURES / OTHER INFORMATION

There are no other material disclosures or relevant information to note.

The 'Valuation for Solvency Purposes' section of the report describes the valuation of assets, technical provisions and other liabilities for both the FRS 102 basis and the Solvency II basis. This section also outlines the approach and methodology underlying the valuation.

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities, other than Technical provisions, are measured in accordance with principles of an arm's length transaction between knowledgeable willing parties using market consistent valuation methods.

The Company's Solvency II balance sheet, valued using Solvency II rules, at 31st December 2017, was as follows:

Solvency II Balance Sheet at 31st December 2017	Section	US$000
Financial Assets – Investments	D.1.1	27,447
Cash & Cash Equivalents	D.1.2	3,331
Other Assets	D.1.2	382
Total Assets		**31,160**
Net Non-life Technical Provisions	D.2	(29)
Other Liabilities	D.3	2,110
Total Liabilities		**2,081**
Excess of assets over liabilities		**29,079**

For a discussion of valuation bases, methods and assumptions for the Company's assets and liabilities see the following sections below.

D.1 ASSETS

D1.1 FINANCIAL INSTRUMENTS – INVESTMENTS

Under Solvency II, investments are measured using fair value principles in line with FRS 102. As this FRS standard is adopted in the Company's 2017 Annual Report, no measurement differences arise on the valuation of the investment portfolio.

The Company is required to classify its investments using the Solvency II hierarchy as follows:

- Quoted market price in active markets for the same assets ("QMP");
- Quoted market price in active markets for similar assets ("QMPS");
- Alternative valuation methods ("AVM");
- Adjusted equity methods ("AEM") applicable for the valuation of the participations; and
- FRS 102 equity method ("IEM") applicable for the valuation of the participations.

Accordingly, the Company's investments under Solvency II at 31st December 2017, by category and by valuation classification, are as follows:

Fair Value categories at 31st December 2017	QMP US$000	QMPS US$000	Other US$000	Total US$000
Government Bonds	8,130	1,890	-	**10,020**
Corporate Bonds	-	13,566	-	**13,566**
Collateralised Securities	-	3,861	-	**3,861**
Total Fixed Income securities	**8,130**	**19,317**	**-**	**27,447**

Bonds included within QMP are US Treasury issues that are highly liquid and for which quoted market prices are readily available. Bonds included within QMPS are securities valued using the available prices for similar securities and pricing models that incorporate observable inputs including, but not limited to, yield curves and issuer spreads.

The Company utilises a third-party pricing service for the valuation of the majority of its fixed maturity securities and receives one quote per security. When quoted market prices in an active market are available, they are provided by the pricing service as the fair value and such values are classified as QMP. Since fixed maturities other than US Treasury issues generally do not trade on a daily basis, the pricing service prepares estimates of fair value for those securities using pricing applications based on a market approach. The inputs into the fair value pricing method which is common to all asset classes include: benchmark US Treasury security yield curves; reported trades of identical or similar fixed maturity securities; broker/dealer quotes of identical or similar fixed maturity securities and structural characteristics such as maturity date, coupon, mandatory principal payment dates, frequency of interest and principal payments, and optional redemption features.

The inputs into the fair value applications that are unique by asset class include, for QMPS, but are not limited to the following:

GOVERNMENT BONDS

Municipals – overall credit quality, including assessments of the level and variability of: sources of payment such as income, sales or property taxes, levies or user fees; credit support such as insurance; state or local economic and political base; natural resource availability; and susceptibility to natural or man-made catastrophic events such as hurricanes, earthquakes or acts of terrorism.

CORPORATE BONDS

Corporate fixed maturities – overall credit quality, including assessments of the level and variability of: economic sensitivity; liquidity; corporate financial policies; management quality; regulatory environment; competitive position; ownership; restrictive covenants; and security or collateral.

COLLATERALISED SECURITIES

US government agencies - determination of direct versus indirect government support and whether any contingencies exist with respect to the timely payment of principal and interest.

The Company does not hold any investments that are priced or classified in the remaining Solvency II hierarchy.

The accrued interest is reclassified from other receivables under FRS 102 to the value of the underlying investment under Solvency II. This resulted in a change of $0.2 million in the value of investment on the Solvency II economic Balance Sheet as at 31st December 2017.

D.1.2 OTHER ASSETS

This section outlines the valuation basis and comparison for other assets excluding Investments as at 31st December 2017.

Other assets at 31st December 2017	Reference	Solvency II Balance Sheet US$000	FRS 102 Balance Sheet US$000	Variance
Cash & cash equivalents	D.1.2.1	3,331	3,331	-
Deferred tax assets	D.1.2.2	189	193	(4)
Receivables (trade, not insurance)		193	193	-
Total other assets		**3,713**	**3,717**	**(4)**

The following notes describe the material Other assets in the table above:

D.1.2.1 CASH & CASH EQUVIALENTS

Cash & cash equivalents comprise cash on hand and demand deposits in banks. The carrying amounts of cash & cash equivalent are considered to equate to fair value under Solvency II.

D.1.2.2 DEFERRED TAX ASSETS

Deferred tax assets are recognised from the carry forward of unused tax losses and taxable timing differences as a result of the tax impact of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Solvency II rules, and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised, taking into account any time limits relating to the carry forward of unused tax losses. Deferred tax assets and liabilities are not discounted. The difference between the values of the Solvency II balance sheet deferred tax assets and liabilities and the FRS 102 values are due to the tax impact of valuation adjustments to other assets and liabilities on the balance sheet.

There is no expiry date on the Company's deferred tax assets.

D.2 TECHNICAL PROVISIONS

As required under Article 77 of the Solvency II EU Directive, the technical provisions are calculated as the sum of a best estimate of discounted future cash-flows and a risk margin.

The best estimate corresponds to a probability-weighted average of all future cash flows, discounted to allow for the time value of money using the relevant risk-free interest rate. This includes all policies for which the company has a legal obligation as at the valuation date whether they have incepted or not. The cash flow projection includes all cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime, including expenses.

The best estimate is split into a 'premium provision' and a 'claims provision'. The premium provision relates to the unearned exposures and the claims provision relates to earned exposures at a specific point in time. These provisions are calculated gross of reinsurance with an appropriate allowance for reinsurance recoveries.

The risk margin represents the risk premium that would be required by another insurance or reinsurance undertaking in order to take over and meet the insurance and reinsurance obligations.

The Company's technical provisions for the year end 31st December 2017 arise on the binding of the Company's first risk, which incepts on 1st January 2018. The split by best estimate and risk margin can be seen in Annex 1 (S.17.01.02 template).

D.2.1 VALUATION OF TECHNICAL PROVISIONS

The following describes the various components of the technical provisions and the valuation methodology employed by the Company on each component.

D.2.2 BASIS, METHODS AND ASSUMPTIONS

(I) BEST ESTIMATE

The starting point for the calculation of the claims provision component of the Solvency II technical provisions is the actuarial best estimate reserves as calculated in accordance with FRS 102. The best estimate reserves are calculated using standard actuarial techniques including development factor methods, the Bornhuetter-Ferguson method, earnings-based methods and frequency/severity analyses. The calculation of the best estimate reserves contains a high degree of expert judgment in selecting the reserving method and assumptions, including development factors and prior loss ratios.

The starting point for the calculation of the premium provision is the Unearned Premium Reserve ("UPR"), as determined in accordance with FRS 102. Under Solvency II, all future cash-flows associated with the UPR (future premium, future claims and expenses) need to be considered when calculating the discounted future cash-flows. The future claims element of the premium provision is calculated by applying loss ratios and reinsurance to gross ratios that are consistent with those used in the best estimate reserving process.

The following adjustments are applied to the premium and claims provisions in accordance with Solvency II valuation principles:

(A) ALLOWANCE FOR ENIDS (EVENTS NOT IN DATA SETS)

Under Solvency II valuation principles, the Company is required to include an allowance within the technical provisions for events or circumstances that are not reasonably foreseeable (i.e. have very low probabilities) and/or are at levels not contained in historical data (i.e. have a very large severity or very low probabilities)

The Company separates ENIDs into two different components: extreme claims which impact the premium provisions and latent claims which impact the claims provisions. The scale of the type of events that have to be considered, and the lack of data on which to base estimates, means that this is a highly subjective element of the technical provisions where judgement is a fundamental requirement.

(B) ALLOWANCE FOR 'COMMITTED TO' BUSINESS

Allowance for 'committed to' business refers to contracts, which have not incepted at the valuation date, but to which the Company has a legal obligation.

The gross premiums from these policies are calculated and prior loss ratios are applied to obtain the gross claims allowance.
The 'committed to' reinsurance recoveries are calculated by applying reinsurance to gross IBNR percentages from the best estimate reserving process.

For reinsurance premiums, the committed to allowance is calculated by applying a ratio to the gross premium allowance for non-excess of loss ("XL") reinsurance, whilst for XL, an allowance is made for any covers due to incept on the 1st day of the month following the valuation date.

Provisions for bad debt, expenses, ENIDs and discounting associated with these policies are calculated as per the standard methodology.

(C) ALLOWANCE FOR EXPENSES

Solvency II requires a provision be included to allow for all expenses that will be incurred in servicing insurance and reinsurance obligations. The Company allocates these expenses into four separate categories; direct, indirect, one-off and claims handling costs, which includes unallocated loss adjustment expenses. The future expenses are based on the Company's business plan, which includes a forecast for future calendar years. The estimated future cash outflows of these expenses are calculated and allocated to both the premium and claims provisions.

(D) ALLOWANCE FOR BAD DEBT

Allowance for dad debt is calculated by allocating the best estimate reinsurance recoveries to individual reinsurers and applying a table of factors to derive a counterparty default allowance. The table of factors is derived from bond default rates and recoverability assumptions and varies depending on the credit rating of the reinsurer and the expected term of the recoverable.

(E) ALLOWANCE FOR DISCOUNTING

Under Solvency II, all cash-flows are discounted to reflect the time value of money. The discount rates, applied at the currency level, are the risk-free interest rates issued by EIOPA.

(F) ALLOCATION TO SOLVENCY II SEGMENT

Best estimate reserving is initially performed at homogeneous risk group levels. These risk groups generally follow the classes in which the Company manages the business, however in some instances, due to differing development characteristics, exposures, performance etc. certain risk groups are managed on a more granular basis. The Company's homogenous risk groups differ to Solvency II classes and so an allocation is necessary for Solvency II reporting.

(II) RISK MARGIN

The risk margin represents the risk premium that would be required by another insurance or reinsurance undertaking in order to take over and meet the insurance and reinsurance obligations. The risk margin is calculated on a total basis and is not allocated to a specific class or homogenous risk group. The amount of eligible Own Funds required to support the obligations until run-off is calculated using the Standard Formula SCR. The rate used in the determination of the cost of providing that amount of eligible own funds is called Cost-of-Capital and is set at 6% by EIOPA.

D.2.3 LEVEL OF UNCERTAINTY ASSOCIATED WITH THE TECHNICAL PROVISIONS

There are elements of uncertainty inherent in our estimates of the Solvency II technical provisions. As a result of this inherent uncertainty, there is a limitation on the accuracy of these estimates. This uncertainty is because the ultimate liability for claims, as determined at a specific point in time, may be significantly impacted by factors yet to occur.

The following is a list of potential factors that could impact the Solvency II technical provisions:

- As CIC is a new company and there is particular uncertainty associated with the immaturity of the business;
- The lack of fully developed data specific to the risks written means that prior loss ratios, development curves and tail factors for the models are typically derived based on market, or other external, data;
- The attitude of claimants towards the settlement of their claims;
- Legislative changes;
- The size of future court awards;
- Changes in claim reporting and settlement patterns;
- Future inflation;
- Emergence of new types of claims;
- Environmental factors such as climate change;
- Other social and economic changes;
- The estimation of the provision for ENIDs does, by nature, contain a high level of uncertainty;
- The estimation of future expenses introduces uncertainty as many factors could influence the size of these; and
- Due to a lack of historical data, the selection of claim payment patterns contains a high degree of uncertainty.

The Company has employed techniques and assumptions that are deemed appropriate, given the information currently available, in determining the ultimate liability. However, it should be recognised that future premium and loss emergence is likely to deviate, perhaps materially, from our estimates.

The reinsurance protection in place means that the level of uncertainty that the Company is exposed to is significantly reduced. However, the selection of ceded loss ratios in respect of outwards non-proportional reinsurances is also a key area of uncertainty given that the ultimate frequency and severity of losses impacting these protections is also inherently uncertain.

D.2.4 MATERIAL DIFFERENCES BETWEEN FRS 102 AND SOLVENCY II TECHNICAL PROVISIONS

The Company expects the following will be the key drivers of differences between the liabilities on an FRS 102 valuation basis to the Solvency II technical provisions in future periods:

- The removal of the prudential loadings since Solvency II technical provisions are calculated on a best estimate basis;
- Allowance for future earned premium cash-flows;
- The removal of UPR since, under Solvency II, any profits on the unearned business need to be considered rather than assuming a 100% combined ratio on the unearned element of the book;
- Inclusion of the Unearned Committed to Reserve required under Solvency II;
- Inclusion of an additional allowance for ENIDs under Solvency II;
- Increased expense allowance under Solvency II since expense provisions have to include all expenses incurred in running-off the existing business. This includes items such as investment manager's costs that would not be covered under FRS 102;
- Inclusion of an allowance for bad debt as, under Solvency II, the reinsurance recoveries need to allow for expected non-payment whether caused by default or dispute;
- Inclusion of an allowance for discounting credit under Solvency II; and,
- Allowance for the Risk Margin under Solvency II.

D.2.5 MATCHING ADJUSTMENT, VOLATILITY ADJUSTMENT OR TRANSITIONAL MEASURES

The Solvency II technical provision calculations do not apply a matching adjustment, a volatility adjustment or the transitional risk-free interest rate term structure as these adjustments are not applicable to the types of business written by the Company.

D.2.6 RECOVERABLE FROM REINSURANCE AND SPVS ("SPECIAL PURPOSE VEHICLE")

The reinsurance recoveries, included within the Solvency II technical provisions, are calculated primarily using the methodology used under FRS 102, however exceptions to this are the inclusion of separate reinsurance recovery provisions within the technical provisions for "committed to" business and ENIDs (see D.2.2 above).

In determining the reinsurance recoveries, for non-XL reinsurance contracts, the ceded loss ratio is set equal to the gross loss ratio. The calculated recoveries for the proportional reinsurance take account of any over-rider premiums payable, where applicable.

For XL reinsurance recoveries, the ceded loss ratio is derived at layer level and is based on a combination of modelled output, where available, output from underwriter rating models, where applicable, and judgemental picks provided by underwriters. The ceded loss ratios are used to calculate reinsurance to gross ratios that are applied to future gross claims to obtain the corresponding future reinsurance recoveries.

Reinsurance recoveries for known large losses are calculated separately by applying the applicable reinsurance programme to the gross loss to obtain the reinsurance recovery.

Finally, CIC has not purchased reinsurance through any SPVs or similar structures.

D.2.7 MATERIAL CHANGES IN ASSUMPTIONS SINCE LAST YEAR

Since this is the first year of operations for the Company, there are no material changes to note.

D.2.8 SIGNIFICANT SIMPLIFICATIONS USED IN THE CALCULATION OF TECHNICAL PROVISIONS

Other than the risk margin set at 6% by EIOPA, no further simplifications have been used in the calculation of the technical provisions.

D.3 OTHER LIABILITIES

This section outlines the valuation basis and comparison for other liabilities excluding technical provisions as at 31st December 2017.

Other liabilities at 31st December 2017	Reference	Solvency II Balance Sheet US$000	FRS 102 Balance Sheet US$000	Variance US$000
Other liabilities	D.3.1	2,110	2,110	-
Total other liabilities		**2,110**	**2,110**	**-**

D.3.1 OTHER LIABILITIES

The amount represents primarily amounts owed to an affiliate comprising of the Company's share of the costs incurred on the set-up of the enterprise and amounts due under the outsourcing agreements. The carrying amount of Other Liabilties is historical cost which is considered to equate to the fair value due to the short term nature of these liabilities. The effect of movement in own credit risk on the valution is not expected to be material, therefore no adjustment to the FRS 102 values are needed.

D.3.2 OTHER

The Company does not have any deferred tax liabilities; leasing arrangements or other obligations than noted above as at 31st December 2017. In addition, the Company does not hold any intangible assets as at 31st December 2017.

With regards to employees benefits, the Company participates in a defined contribution pension plan whereby the assets are held in a separate trust-administered fund. The pension plan is funded by payments from both the Company and its employees. For the defined contribution plan, once the contributions have been paid by the Company, the Company, as the employer, has no further payment obligations.

No judgements, other than noted in D.1 and D.2 above, or other sources of estimation uncertainty would materially impact the values noted in this section.

D.4 ALTERNATIVE METHODS FOR VALUATION

As all of the Company's investments are deemed to meet the criteria for QMP and QMPS under Solvency II hierarchy guidelines, the Company does not use AVM.

D.5 ANY OTHER INFORMATION

The information presented in Section D provides a true and fair view of the valuation for Solvency II purposes of the Company during the reporting period.

The "Capital Management" Section of the report describes the internal operational procedures underlying capital management within the Company. The Company's capital position is considered over a three year planning horizon. This three year planning horizon is updated at least annually, or more frequently, if a material change occurs to the Company's risk profile, business strategy, overall business plan, or if regulatory feedback warrants a change.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay claims; and
- ensure that there are adequate levels of capital to fulfil the regulatory requirements as well as economic and commercial targets.

The capital position of the Company is monitored by the local management team and is reported to the Risk & Capital Committee, as well as the Board, on a quarterly basis. The local management team is supported by certain functions at Chaucer, through the outsourcing arrangements, who conduct regulatory stress and scenario testing.

Any dividend payments must be approved by the Board and take account of the short-term and long-term interests of the Company whilst ensuring due consideration is taken regarding the interests of shareholders and other key stakeholders.

E.1 OWN FUNDS

E.1.1 OWN FUNDS

The Company's Own funds comprise of items on the balance sheet which are referred to as Basic Own Funds and ("BOF"). The following table shows the Own Funds composition of the Company as at 31st December 2017:

Own Funds as at 31st December 2017	Tier 1 US$000	Tier 2 US$000	Tier 3 US$000	Total US$000
Basic				
Ordinary Share Capital	1,000	-	-	**1,000**
Reconciliation Reserve	(2,110)	-	-	**(2,110)**
An amount equal to the value of net deferred tax assets	-	-	189	**189**
Other own fund items approved by the supervisory authority as BOF not specified above	30,000	-	-	**30,000**
Total Basic Own Funds	**28,890**	**-**	**189**	**29,079**

The following notes describe the material Other assets in the table above:

E.1.2 OWN FUNDS ANALYSED BY TIERS

The Company's Tier 1 BOF comprise of the following:

- 1,000,001 Ordinary shares that the Company was issued at a nominal value of $1 per share;
- A reconciliation reserve at 31st December 2017 of $2.1 million. This reconciliation reserve is made up of the FRS 102 retained earnings, and the valuation differences between FRS 102 and Solvency II; and,
- Two irrevocable capital contributions totalling $30.0 million from the Company's direct parent HIC. These contributions are to fund the insurance operations. The Company has received approval from the CBI to classify these contributions as Tier 1 Own Funds.

The Company's Tier 3 BOF relates to Deferred Tax assets as outlined in Section D.3.2.

The Company does not hold any Tier 2 or Ancillary Own Funds at 31st December 2017.

E.1.3 ELIGIBLE AMOUNT OF OWN FUNDS TO COVER THE SCR

The Company's Tier 1 BOF of $28.9 million, are wholly eligible to meet the Company's SCR of $5.97 million.

E.1.4 ELIGIBLE AMOUNT OF OWN FUNDS TO COVER THE MINIMUM CAPITAL REQUIREMENT ("MCR")

The Company's Tier 1 BOF of $28.9million, are wholly eligible to meet the Company's MCR of $4.4 million.

E.1.5 RECONCILIATION OF FRS 102 SHAREHOLDERS EQUITY TO SOLVENCY II OWN FUNDS

The following table compares the shareholder's equity from the Company's FRS 102 financial statements to the Solvency II Own Funds:

Reconciliation Reserve comparison at 31st December 2017	US$000
FRS 102 Shareholder's Equity	29,054
Revaluation of reserves	29
Revaluation of other assets and liabilities	(4)
Solvency II Own Funds	**29,079**
Change in Equity	**25**

- See section D.1 For further details of the valuation basis of investments.
- See section D.2.1 of this report for a detailed explanation of the differences in valuation of non-life technical provisions.
- The difference between other assets and liabilities primarily arises from the difference in deferred tax balances due to the tax impact of the other valuation adjustments. See section D.1.2. and D.3, respectively, for further details of the valuation basis for other assets and other liabilities. A detailed line by line Solvency II balance sheet is provided in Annex 1 (S.02.01.02 template) to this report.

During the period, no capital instruments, other than discussed above, were issued or redeemed. In addition, there were no restrictions on Own Funds due to ring fencing or other commitments.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR section of this report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with regulatory requirements.

E.2.1 SCR REQUIREMENTS

The SCR is the amount of funds that the Company is required to hold in accordance with the Solvency II Directive. The Company's SCR is determined using the Standard Formula approach.

The assessment of the SCR, using the Standard Formula approach, is based on certain risk modules. These risk modules are aggregated in the Standard Formula using correlation matrices. The result of this is the BSCR. An operational risk component and adjustments for the risk absorbing effect of deferred taxes are then allowed for, to give the overall SCR at the period end.

The following table shows the components of the SCR (using the Standard Formula) for each risk module as at 31st December 2017:

SCR calculation by module at 31st December 2017	US$000
Market risk	2,582
Counterparty default risk	774
Health underwriting risk	336
Non-life underwriting risk	4,061
Sum of risk components	**7,753**
Diversification effects	(1,937)
BSCR	**5,816**
SCR operational risk	149
SCR	**5,965**
Solvency II Own Funds	**29,079**
Ratio of Eligible Own Funds to SCR	**488%**

The calculation of the SCR for CIC is based on the Standard Formula model and parameters as laid out within the Solvency II Delegated Acts and other Level 2 Solvency II guidelines. No material adjustments have been made to the Standard Formula parameters or assumptions. The Company however was required to apply a number of simplifications in determining the Standard Formula SCR.

The key, and most material, simplification is that the SCR has been calculated on a prospective basis, for an entity which had yet to incept a single risk at the time the calculation was performed. As a result, data feeds were not based on actual data but instead relied on forecast exposures derived from the business plans and other financial projections presented. A number of assumptions were therefore required around business mix, the investment portfolio and reinsurance structures which ultimately impacted all risk modules of the SCR calculation.

The Company has not used any undertaking-specific parameters in calculating the SCR. Furthermore, the Company does not hold any capital add-ons.

E.2.2 MCR REQUIREMENTS

The Company also uses the Standard Formula to calculate the MCR. Please refer to Annex 1 (S.28.01.01 template) to this report for a further breakdown of the MCR calculation.

The following table outlines the components of the MCR as at 31st December 2017:

MCR calculation components at 31st December 2017	US$000
Linear MCR	-
SCR	5,965
MCR cap	2,684
MCR floor	1,491
Combined MCR	1,491
Absolute floor of the MCR	4,441
MCR	**4,441**

As the Company's only bound policy does not incept until 1st January 2018, and the Company expects to make a net profit after reinsurance on this policy, the Company does not have a Linear MCR at 31st December 2017. As a result, the Company's MCR defaults to the absolute floor.

E.3 USE OF THE DURATION–BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company has chosen not to use the duration-based equity risk submodule as the Company does not hold any equities.

E.4 INTERNAL MODEL INFORMATION

For the calculation of the regulatory capital requirement, the Company uses the Standard Formula and does not use an internal model.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND SIGNIFICANT NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There were no instances of non-compliance with the MCR or SCR during the reporting period.

E.6 ANY OTHER INFORMATION

No additional information to be disclosed.

GLOSSARY OF TERMS

AEM	Adjusted Equity Methods
AVM	Alternative Valuation Methods
BSCR	Basic Solvency Capital Requirement
BOF	Basic Own Funds
CBI	Central Bank of Ireland
Chaucer	Chaucer Holdings Limited
CIC	Chaucer Insurance Company DAC
CIFA	Critical or Important Function or Activity
CUSL	Chaucer Underwriting Services Limited
EEA	European Economic Area
ENID	Events Not In Data set
FRS	Financial Reporting Standards issued by the Financial Reporting Council
FVTP&L	Fair Value Through Profit and Loss
HIA	Head of Internal Audit
HIC	The Hanover Insurance Company
HoAF	Head of Actuarial function
INED	Independent Non-Executive Director
IEM	FRS Equity Method
IQ	Individual Questionnaires
Lloyd's	Society and Corporation of Lloyd's (Lloyd's of London)
MCR	Minimum Capital Requirements
NYSE	New York Stock Exchange
OPUS	Opus Investment Management Inc.
ORSA	Own risk and Solvency Assessment
PCF	Pre-Approval Controlled Function
PRA	Prudential Regulatory Authority
POG	Product Oversight Group
PWC	PriceWaterhouseCoopers
QMP	Quoted Market Price in active markets for the same asset
QMPS	Quoted Market Price in active markets for Similar assets
RMS	Risk Management System
SFCR	Solvency and Financial Condition Report
SCR	Solvency Capital Requirements
SPV	Special Purpose Vehicle
THG	The Hanover Insurance Group
UPR	Unearned Premium Reserve
XL	Excess of Loss

F. ANNEX 1 - QUANTATIVE REPORTING TEMPLATES

SOLO QRT	DESCRIPTION
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, Claims and Expenses by Line of Business
S.05.02.01	Premiums, Claims and Expenses by Country
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-life Insurance Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02 BALANCE SHEET

Assets		Solvency II value C0010
Intangible assets	R0030	–
Deferred tax assets	R0040	188,636
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	27,447,450
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	–
Equities	R0100	–
Equities - listed	R0110	–
Equities - unlisted	R0120	–
Bonds	R0130	27,447,450
Government bonds	R0140	10,020,025
Corporate bonds	R0150	13,565,975
Structured notes	R0160	–
Collateralised securities	R0170	3,861,450
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	(77,126)
Non-life and health similar to non-life	R0280	(77,126)
Non-life excluding health	R0290	(77,126)
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	–
Health similar to life	R0320	–
Life excluding health and index-linked and unit-linked	R0330	–
Life index-linked and unit-linked	R0340	–
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	–
Reinsurance receivables	R0370	–
Receivables (trade, not insurance)	R0380	193,263
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	3,330,906
Any other assets, not elsewhere shown	R0420	–
Total assets	**R0500**	**31,083,129**

S.02.01.02 BALANCE SHEET

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	(106,422)
Technical provisions – non-life (excluding health)	R0520	(106,422)
TP calculated as a whole	R0530	–
Best Estimate	R0540	(110,743)
Risk margin	R0550	4,321
Technical provisions - health (similar to non-life)	R0560	–
TP 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	–
TP calculated as a whole	R0620	–
Best Estimate	R0630	–
Risk margin	R0640	–
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	–
TP calculated as a whole	R0660	–
Best Estimate	R0670	–
Risk margin	R0680	–
Technical provisions – index-linked and unit-linked	R0690	–
TP calculated as a whole	R0700	–
Best Estimate	R0710	–
Risk margin	R0720	–
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	–
Pension benefit obligations	R0760	–
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	–
Derivatives	R0790	–
Debts owed to credit institutions	R0800	–
Financial liabilities other than debts owed to credit institutions	R0810	–
Insurance & intermediaries payables	R0820	–
Reinsurance payables	R0830	–
Payables (trade, not insurance)	R0840	2,110,497
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	**R0900**	**2,004,075**
Excess of assets over liabilities	**R1000**	**29,079,054**

F. ANNEX 1 S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compen-sation 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
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	R0110	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	–	–	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–	–	–
Premiums earned										
Gross - Direct Business	R0210	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	–	–	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–	–	–
Claims incurred										
Gross - Direct Business	R0310	–	–	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	–	–	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–	–	–
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									
Other expenses	R1200									
Total expenses	R1300									

S.05.01.02 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110	–	–	–					–
Gross - Proportional reinsurance accepted	R0120	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0130				–	–	–	–	–
Reinsurers' share	R0140	–	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–	–
Premiums earned									
Gross - Direct Business	R0210	–	–	–					–
Gross - Proportional reinsurance accepted	R0220	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0230				–	–	–	–	–
Reinsurers' share	R0240	–	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–	–
Claims incurred									
Gross - Direct Business	R0310	–	–	–					–
Gross - Proportional reinsurance accepted	R0320	–	–	–					–
Gross - Non-proportional reinsurance accepted	R0330				–	–	–	–	–
Reinsurers' share	R0340	–	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–
Other expenses	R1200								2,497,799
Total expenses	R1300								2,497,799

S.05.01.02 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							
Premiums written		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Gross - Direct Business	R0110	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0120	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0130	–	–	–	–	–	–	–
Reinsurers' share	R0140	–	–	–	–	–	–	–
Net	R0200	–	–	–	–	–	–	–
Premiums earned								
Gross - Direct Business	R0210	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0220	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0230	–	–	–	–	–	–	–
Reinsurers' share	R0240	–	–	–	–	–	–	–
Net	R0300	–	–	–	–	–	–	–
Claims incurred								
Gross - Direct Business	R0310	–	–	–	–	–	–	–
Gross - Proportional reinsurance accepted	R0320	–	–	–	–	–	–	–
Gross - Non-proportional reinsurance accepted	R0330	–	–	–	–	–	–	–
Reinsurers' share	R0340	–	–	–	–	–	–	–
Net	R0400	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–
Other expenses	R1200							2,497,799
Total expenses	R1300							2,497,799

S.17.01.02 NON-LIFE TECHNICAL PROVISIONS

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010	–	–	–	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	–	–	–	–	–	–	–	–	–
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	–	–	–	–	–	(48,384)	(62,359)	–	–
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	–	–	–	–	–	(33,696)	(43,430)	–	–
Net Best Estimate of Premium Provisions	R0150	–	–	–	–	–	(14,687)	(18,930)	–	–
Claims provisions										
Gross	R0160	–	–	–	–	–	–	–	–	–
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	–	–	–	–	–	–	–	–	–
Net Best Estimate of Claims Provisions	R0250	–	–	–	–	–	–	–	–	–
Total Best estimate - gross	R0260	–	–	–	–	–	(48,384)	(62,359)	–	–
Total Best estimate - net	R0270	–	–	–	–	–	(14,687)	(18,930)	–	–
Risk margin	R0280	–	–	–	–	–	1,888	2,433	–	–
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290	–	–	–	–	–	–	–	–	–
Best estimate	R0300	–	–	–	–	–	–	–	–	–
Risk margin	R0310	–	–	–	–	–	–	–	–	–
Technical provisions - total	R0320	–	–	–	–	–	–	–	–	–
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	–	–	–	–	–	–	–	–	–
Technical provisions minus recoverables from reinsurance/ SPV and Finite Re - total	R0340	–	–	–	–	–	–	–	–	–

S.17.01.02 NON-LIFE TECHNICAL PROVISIONS

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	–	–	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	–	–	–	–	–	–	–	–
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	–	–	–	–	–	–	–	(110,743)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	–	–	–	–	–	–	–	(77,126)
Net Best Estimate of Premium Provisions	R0150	–	–	–	–	–	–	–	(33,617)
Claims provisions									
Gross	R0160	–	–	–	–	–	–	–	–
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	–	–	–	–	–	–	–	–
Net Best Estimate of Claims Provisions	R0250	–	–	–	–	–	–	–	–
Total Best estimate - gross	R0260	–	–	–	–	–	–	–	(110,743)
Total Best estimate - net	R0270	–	–	–	–	–	–	–	(33,617)
Risk margin	R0280	–	–	–	–	–	–	–	4,321
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290	–	–	–	–	–	–	–	–
Best estimate	R0300	–	–	–	–	–	–	–	–
Risk margin	R0310	–	–	–	–	–	–	–	–
Technical provisions - total	R0320	–	–	–	–	–	–	–	–
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	–	–	–	–	–	–	–	–
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	–	–	–	–	–	–	–	–

S.19.01.21 NON-LIFE INSURANCE CLAIMS

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Development year													In current year	Sum or years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100	–	–
N-9	R0160												R0160	–	–
N-8	R0170												R0170	–	–
N-7	R0180												R0180	–	–
N-6	R0190												R0190	–	–
N-5	R0200												R0200	–	–
N-4	R0210												R0210	–	–
N-3	R0220												R0220	–	–
N-2	R0230												R0230	–	–
N-1	R0240												R0240	–	–
N	R0250												R0250	–	–
												Total	R0260	–	–

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Development year													Year end (discounted)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	–
N-9	R0160												R0160	–
N-8	R0170												R0170	–
N-7	R0180												R0180	–
N-6	R0190												R0190	–
N-5	R0200												R0200	–
N-4	R0210												R0210	–
N-3	R0220												R0220	–
N-2	R0230												R0230	–
N-1	R0240												R0240	–
N	R0250												R0250	–
												Total	R0260	–

S.23.01.01 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 as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares	R0010	1,000,000	1,000,000		–	
Share premium account related to ordinary share capital	R0030	–	–		–	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Surplus funds	R0070	–	–			
Preference shares	R0090	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Reconciliation reserve	R0130	(2,109,582)	(2,109,582)			
Subordinated liabilities	R0140	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	188,636				188,636
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	30,000,000	30,000,000	–	–	–
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	–				
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	
Total basic own funds after deductions	R0290	29,079,054	28,890,418	–	–	188,636
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	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	29,079,054	28,890,418	–	–	188,636
Total available own funds to meet the MCR	R0510	28,890,418	28,890,418	–	–	
Total eligible own funds to meet the SCR	R0540	29,079,054	28,890,418	–	–	188,636
Total eligible own funds to meet the MCR	R0550	28,890,418	28,890,418	–	–	
SCR	R0580	5,964,961				
MCR	R600	4,440,840				
Ratio of Eligible own funds to SCR	R0620	487%				
Ratio of Eligible own funds to MCR	R640	651%				

S.23.01.01 OWN FUNDS

		Total
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	29,079,054
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	31,188,636
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–
Reconciliation reserve	R0760	(2,109,582)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	–
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	29,415
Total Expected profits included in future premiums (EPIFP)	R0790	29,415

F. ANNEX 1 S.25.01.21 SOLVENCY CAPITAL REQUIREMENT - FOR UNDERTAKINGS ON STANDARD FORMULA

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	2,582,299		Interest rate risk
Counterparty default risk	R0020	773,500		
Life underwriting risk	R0030	–	9	
Health underwriting risk	R0040	335,616	9	Non-Proportional Health Cat Risk
Non-life underwriting risk	R0050	4,061,238	9	Non-Life & NSLT Health Premium & Reserve Risk, European Natural Cat Risk
Diversification	R0060	(1,937,179)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	R0100	5,815,473		

		Gross solvency capital requirement
Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	149,488
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	5,964,961
Capital add-on already set	R0210	–
Solvency capital requirement	R0220	5,964,961
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirement 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	–

F. ANNEX 1 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

		C0110
MCR_{NL} Result	R0010	–

		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	–	–
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	–	–
General liability insurance and proportional reinsurance	R0090	–	–
Credit and suretyship insurance and proportional reinsurance	R0100	–	–
Legal expenses insurance and proportional reinsurance	R0110	–	–
Assistance and proportional reinsurance	R0120	–	–
Miscellaneous financial loss insurance and proportional reinsurance	R0130	–	–
Non-proportional health reinsurance	R0140	–	–
Non-proportional casualty reinsurance	R0150	–	–
Non-proportional marine, aviation and transport reinsurance	R0160	–	–
Non-proportional property reinsurance	R0170	–	–

LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

		C0040
MCR_{L} Result	R0200	–

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

OVERALL MCR CALCULATION

		C0070
Linear MCR	R0300	–
SCR	R0310	5,964,961
MCR cap MCR	R0320	2,684,232
floor Combined	R0330	1,491,240
MCR	R0340	1,491,240
Absolute floor of the MCR	R0350	4,440,840

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