FM Insurance Europe S.A.

Solvency and Financial Condition Report

31 December 2018

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Summary

Current Year Performance

FM Insurance Europe S.A. ("FMIE" and the "Company") was incorporated on 9 December 2016 as a public limited liability company ("Société Anonyme"). On 17 May 2017, the Commissariat aux Assurances ("CAA" and the "Regulator) granted the Company an insurance license. FMIE has received authorisation from the CAA to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area (EEA) via branches which have been established in Belgium, France, Germany, Italy, The Netherlands, Spain and Sweden. The Company plans to open a new branch in Switzerland during 2019.

FMIE is a wholly owned subsidiary of Factory Mutual Insurance Company ("FMIC" or the "parent company"), a company under the laws of the State of Rhode Island, United States of America.

As from 1 January 2018, the Company started to write insurance business within the EEA, excluding the United Kingdom, on a renewal basis. The insurance business was previously written by FM Insurance Company Limited ("FMI"). The 2018 gross written premium for the year is €655m (2017: nil).

As at 31 December 2018, the net loss ratio was 89.1% and the expense ratio was 35.9%. The loss ratio position is primarily attributable to a large number of small loss events incurred during the year. The loss and expense ratio are significantly affected by the low level of net earned premium as at 31 December 2018, which is due to the first year of insurance activity. The Company also realised gains on investments amounting to €1.9m, unrealised losses amounting to €2.8m and investment income amounting to €5m. The foreign exchange gains resulting from the translation to Euro of US Dollar investments amounted to €8.8m.

The loss for the year described in the profit and loss of the 2018 financial statements ("LuxGAAP financial statements") is due to losses incurred during the year, in addition to the operating expenses and tax provisions. The loss resulted in a decrease in capital and reserves of €24.1m as at 31 December 2018.

2018 Solvency and Financial Condition

A risk appetite framework is in place which highlights the key risks to FMIE and provides a way of monitoring the tolerances and limits on a regular basis. The Risk Management Committee ("RMC") regularly reviews the status of this framework and is responsible for putting into place action plans as required. The framework is used to determine the key risk areas that are required to be incorporated in the capital modelling. The results are fed back into the framework to verify the limits and tolerances remain appropriate.

The main risk areas which affect FMIE are:

- Underwriting risk due to the nature of the business; and
- Market risk due to the level of cash held in USD.

Additional risk categories included in the solvency calculation are credit risk and operational risk.

Group risk is not included as a separate element of the solvency calculation as the failure of FMIE's parent, FMIC, does not fall within the 99.5% confidence level. The "AA" Fitch rating, "A+" AM Best rating and "A+" Standard & Poor's rating of FMIC indicate that the likelihood of default is significantly more than the one in 200-year scenario considered for the solvency calculation. However, it is still included on FMIE's risk register and monitored regularly by FMIE's senior management and Board.

Capital Management

The capital modelling process for FMIE in 2018 included the standard formula ("SF") calculation and an internal calculation used for the Own Risk and Solvency Assessment ("ORSA"). A summary of the SF model including the capital requirement and solvency coverage is reflected in the table below:

	2018 SF €000s	2017 SF €000s	Variance
Eligible own funds	208,499	230,481	(21,982)
Solvency capital requirement	148,531	84,956	63,575
Surplus	59,968	145,525	(85,558)
Coverage of SCR	*140.4%*	*271.1%*	*(130.9%)*

A more detailed breakdown of the capital modelling results, by risk type, are detailed later in this report.

The increase in the SCR is driven by several factors; an increase in the underwriting risk as a result of the business written in 2018, while in 2017 the underwriting risk was mainly driven by "Bound But Not Incepted" business (BBNI) and an increase in the market risk due to the inception of the investment portfolio in 2018 and diversification of currencies.

The method of calculation for the SF is set out in the Commission Delegated Regulations (Delegated Acts) which are made by the European Commission and there is no ability to adjust the core calculation, except for simplification options in the calculation of the risk margin. Due to this prescription, FMIE is unable to fully incorporate into the SF the total benefit of the stop loss treaty with FMIC. It is applied only within the catastrophe risk calculations, as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMIE in a volatile calendar year. Management understand the solvency capital requirement ("SCR") calculated using the SF is conservative but agree it is appropriate. FMIE continues to have adequate capital coverage in respect of the SCR despite this significant conservatism.

All balances used within this report are determined according to the valuation rules set out in the Delegated Acts. The key inputs and parameters for the calculations have been reviewed and agreed by the RMC. All risks on the risk register have been reviewed, included in the risk assessment and, where necessary, added to the modelling process. Emerging risks are considered at every RMC and discussed at Board meetings, as appropriate. Any emerging risk arising during the year that were deemed to be significant have been included in the capital modelling.

Sensitivity tests and stress and scenario testing have been performed and overseen by the RMC on both the ORSA and SF models, to ensure FMIE continues to hold sufficient capital and to ensure management and the Board are aware of the key drivers and sensitivities of the capital models.

Outlook for 2019

FMIE will continue to consolidate and grow throughout the mainland EEA and Ireland. The Company's exposure to the Eurozone is limited to Euro currency holdings as the Company does not hold any Euro denominated debt securities. Furthermore, it is the Company's policy to convert excess currency into US Dollars, the functional currency of the parent company.

Directors' Report

Directors

The directors who held office during the year and to the date of this report were as follows:

Christopher Johnson	Dirigeant Agréé
Jonathan W. Hall	(Resigned July 2018)
Brett N. Ahnell	(Appointed December 2018)
Kevin S. Ingram	
Thomas A. Lawson	
David Pulman	
Colin Day	

Statement of Directors' Responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Commissariat aux Assurances regulations and Delegated Acts.

The Article 86 of the Insurance Law of 7 December 2015 on the insurance sector requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names are listed on the Luxembourg Business Register, confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the CAA regulations and Delegated Acts as applicable; and
(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the board



Christopher Johnson
Dirigeant Agréé
19 April 2019

A. Business and Performance

A.1 Business

FMIE was incorporated on 9 December 2016 and is organised under the "Commercial Companies" laws of the Grand Duchy of Luxembourg, as a public limited liability company (Société Anonyme) and is a wholly owned subsidiary of FMIC. The Company is authorised by the Commissariat aux Assurances to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to underwrite policies throughout the European Economic Area (EEA) via branches established in Belgium, France, Germany, Italy, The Netherlands, Spain and Sweden and on a services basis in the remaining member states. FMIE started to underwrite policies, as from 1 January 2018, on a renewal basis. The Company did not open any new branches in 2018 but plans to open a branch in Switzerland during 2019.

The business model for FM Global ("FMG"), the trade name of the group of consolidated companies including FMIC, FMIE and FMI, is based on providing worldwide insurance coverage and FMIE plays a key role in this.

FMIE writes commercial property insurance for multinational companies in many jurisdictions. The international nature of the business gives a geographical diversification benefit and enables FMG to insure clients globally.

FMIE's aim is to provide competitively priced insurance to multi-national companies based in the continental EEA region and Ireland. FMIE also aims to assist in servicing the needs of those clients headquartered throughout the world that have locations in Continental Europe and Ireland.

FMIE has acquired, from FMI, a stable book of business and there are no plans to expand into any new lines of business. However, the line of business will be disclosed at a more granular level for reporting and capital modeling purposes. The Company will provide insurance business using the FMG business model and the business is constantly looking to improve the service to its customer and thereby retain clients. As part of this, as clients move into new geographical locations in Continental Europe, FMIE will follow and explore new business locations as required.

The parent company, FMIC, is a mutual company which is owned by and accountable to its policyholders. This structure allows FMG to take a long-term strategic view, helping FMIE to absorb and withstand volatility in operating results and enabling FMG to provide clients with a large, stable insurance capacity.

The FMG strategy is based on a belief that the majority of property loss and associated business interruption is preventable through loss prevention and risk management solutions. Deploying loss prevention engineering, based on scientific research, is the basis for the belief that the majority of property loss is preventable and unites the mutual company and its policyholders. The business model replicates FMI's model, which remained consistent since the incorporation of FMI in 1963.

FMIE is constantly assessing potential new markets in areas where currently there is no representation, and measuring the potential gain against the potential risk. Any new business is run on the same principles as the existing business with adjustments only to meet local requirements and cultural practices. As the business model is very successful for FMG the directors do not anticipate any changes.

Financial supervision of FMIE is performed by the CAA. Willis Towers Watson ("WTW") is contracted to complete a back testing and validations audit on the technical provisions on an annual basis. Deloitte Tax & Consulting has been contracted to perform a review of the QRTs and the Actuarial report.

Contact details for these companies can be found in the Appendices.

A.2 Underwriting Performance

FMG is known as an insurer specialising in the highly protected risk ("HPR") market and is the main underwriter of this business. Clients are typically made up of Global 1000 companies that utilize and value the bundled professional services consisting of professional property engineering expertise, experienced property underwriting teams, inspection and loss control services, training and research.

FMIE will provide its policyholders with all-risk policies providing fire and extended coverage, boiler and machinery, difference in conditions or any combination of these lines of coverage.

As noted above, the philosophy at FMIE is that the majority of loss is preventable and as a result employs engineers to inspect insured's locations and work with them to minimize the risk of a loss occurring or, if it does, to minimize the impact to the insured. This partnership with the client is a key factor in the high retention of business year on year throughout FMG.

Each year the Company sets key result areas ("KRA") used to measure performance and to form the basis of the employee incentive scheme. The KRA's that the Company measures are:

- Combined Ratio;
- Premium Retention; and
- New Business.

Combined Ratio

The combined ratio is calculated as the sum of the loss ratio (net losses incurred divided by net premiums earned) and expense ratio (net underwriting expenses incurred divided by net premium earned) for the period.

Premium Retention

The premium in force is the total annual premium on all policies that have not expired or been cancelled, excluding the effect of new business written during the year.

New Business

The new business premium is the total annual premium of new policies written during the year.

Throughout the year management reports are measured against these KRA's and reported to staff so all employees are aware of the progress of the Company in achieving its goals.

As noted above, FMIE started to underwrite policies, as from 1 January 2018, on a renewal basis.

During 2018 the Company recognised an underwriting loss, offset by a profitable investment return. The premium retention for the year was 100.7% and new business was 4.2%, indicating that FMIE remained strong in a challenging market.

The annual results have been provided below:

	2018 €000s	2017 €000s	Variance
Gross premiums written	655,431	-	655,431
Net premiums written	188,446	-	188,446
Gross premiums earned	442,275	-	442,275
Net premiums earned	125,088	-	125,088
Gross claims incurred	268,160	-	268,160
Net claims incurred	111,483	-	111,483
Gross loss ratio	60.6%	-	-
Net loss ratio	89.1%	-	-
Net expenses	87,486	60,280	27,206
Expense ratio	35.9%	-	-
Combined ratio	125%	-	-
Investment returns	14,428	-	14,428
Investment returns	5.1%	-	-

FMIE predominately insures commercial property, however a small number of goods in transit will also be covered at the clients' request.

The increase in premium is due to the transition of business from FMI to FMIE on a renewal basis 1 January 2018 and the increase in claims is due to the starting of the insurance operations since 1 January 2018.

The increase of the expense line is driven by the transition of the business from FMI. In 2017, employee related expenses were incurred from September 2017, however in 2018 the expenses were incurred for the whole year.

The table below shows an analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses, reinsurance balance, other technical income and the net technical account by line of business, including the accepted business that relates to clients headquartered outside of EEA, known as assumed business:

	2018						
	Gross premium written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Other technical income	Net technical account
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Marine, Aviation and Transport	662	393	(105)	(158)	(26)	1	105
Fire and Property damages	423,529	286,177	(176,627)	(106,492)	(61,109)	3,939	(54,112)
Miscellaneous Financial losses	213,947	142,526	(90,312)	(54,859)	(14,755)	1,869	(15,531)
Assumed	17,293	13,179	(1,116)	(4,377)	(6,222)	317	1,781
Total	**655,431**	**442,275**	**(268,160)**	**(165,886)**	**(82,112)**	**6,126**	**(67,757)**

	2017						
	Gross premium written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Other technical income	Net technical account
	€000s	€000s	€000s	€000s	€000s	€000s	€000s
Marine, Aviation and Transport	-	-	-	-	-	-	-
Fire and Property damages	-	-	-	-	-	-	-
Miscellaneous Financial losses	-	-	-	-	-	-	-
Assumed	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The underwriting policy and guidelines within FMIE relies on the engineering assessments of clients and the knowledge and experience within the Company regarding the likelihood and severity of losses. The premium will be based on the engineering reports and the clients' commitment to risk management as well as the potential exposures. FMIE's key aim is to retain the transitioned client base whilst also focusing on profitable growth via new business. These aims are aligned to the key result areas referred to previously.

The following table reflects the gross written premium by geographic area:

	2018 Direct €000s	Assumed €000s	Total €000s
Resulting from contracts concluded:			
In the EU member state of its head office	-	-	-
In the other EU member states	638,138	17,293	655,431
In other countries	-	-	-
Total	**638,138**	**17,293**	**655,431**

To mitigate the impact of claims on FMIE there is a significant reinsurance program in place which incorporates treaty, facultative, captive and group reinsurance. Captives will be used at the request of the client and, as required, additional facultative or treaty reinsurance (in house) will be utilised. If the risk exceeds the treaty agreement, facultative reinsurance can also be purchased, within approved guidelines.

A.3 Investment Performance

FMIE invests primarily in equities and bonds, which are held in the US market.

The following table reflects the equity and bond investments by type at fair value and cost:

	2018 Fair Value €000s	Book value €000s	2017 Fair Value €000s	Book value €000s
Equity investments	10,816	10,523	-	-
Debt securities	158,752	157,725	-	-
Total	**169,568**	**168,248**	**-**	**-**

The management of the FMIE investments are outsourced to FMIC with the objective of strengthening the Company and Group's financial position and thereby, the capacity to provide for the insurance needs of policyholders. These needs include stability and growth of policyholder surplus as well as liquidity to cover losses. The FMIE Finance Manager has an oversight of the investment portfolio to ensure compliance with the investment policy.

The following table reflects the investment performance for the year:

	2018 €000s	2017 €000s
Net income from investments	14,125	-
Net interest (paid)/received from bank accounts and fixed deposits	(156)	(15)
Realised gain on investments	1,936	-
Investment income	15,905	(15)
Unrealised gain/loss on investments	(1,477)	-
Total investment returns	**14,428**	**(15)**

The Company's investment strategy is to hold a diversified portfolio of investments to give a good balance between higher risk items and lower risk items. FMIE is a total return investor and believes over the longer-term equity investments will generate higher returns than fixed income securities. The Company is aware this investment approach will generate short term volatility and accepts this risk.

A.4 Performance of Other Activities

The only costs excluded from the technical account are investment charges and other income relating to intercompany services. There are no anticipated major costs in the future planning period.

A.5 Any Other Information

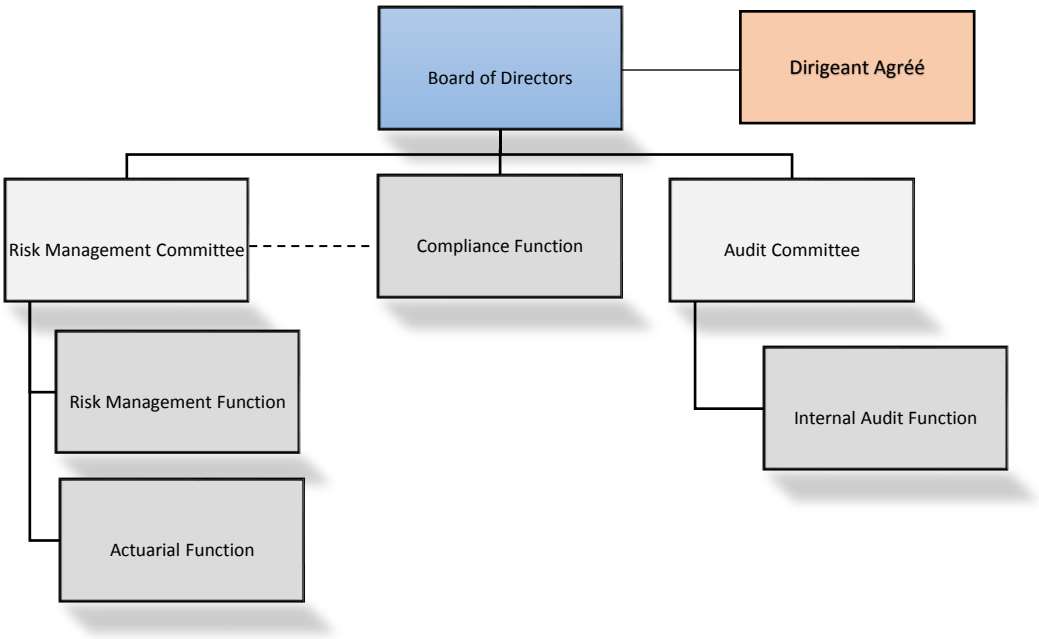
The Company is not aware of any other disclosures that need to be made at this time.

B. System of Governance

B.1 General Information

FMIE is governed by a Board which includes an executive director, non-executive directors ("NEDs") from the parent company and independent non-executive directors ("INEDs"). The Board has control of all business, strategic and risk decisions within FMIE and meets three times a year. To assist with this there are two delegated Committees each of which includes at least one director.

The system of governance is reflected in the diagram below:



The Audit Committee consists of no fewer than three members, who are not officers of the Company and they meet at least twice a year. Their responsibilities include overseeing the Internal Audit Function, approving the external audit plan and reviewing both internal and external audit reports.

The Compliance Function which is in place to monitor and maintain compliance with the many regulations and statutory obligations to which an international insurance business is exposed. The responsibilities of the Compliance Function include ensuring that FMIE's risk management framework and controls comply with relevant requirements and reporting any identified gaps or breaches to the FMIE Board. The Compliance Function develops and administers policies, procedures, guidelines, and standards to ensure that FMIE complies with its legal and regulatory requirements such as anti-money laundering, financial sanctions, and anti-bribery and corruption. In addition, the Compliance Function releases the codes of conduct and ethics on an annual basis. As required, the Compliance Function provides training to employees.

The Compliance Function is a group wide activity ensuring that the companies and personnel within the FM Global group work on a consistent basis. FMIE has a compliance risk policy and an internal controls policy which detail the specific compliance issues relevant to FMIE.

FMIE's head of Compliance is a member of the RMC and reports at each meeting on any compliance issues that have arisen and the progress on previous issues raised. Nothing of note has been reported in the past year. FMIE's head of Compliance reviews reports and consults with the RMC on any material breaches of risk limits and the adequacy of proposed action provided by the RMC after considering the regulatory environment. Further, FMIE's head of Compliance monitors changes in FMIE's regulatory environment and communicates relevant changes to management and staff as required.

The responsibilities of the Board and Committees include the following:

- Compliance Function;
- Actuarial Function;
- Internal Audit Function; and
- Risk Management Function.

Refer to B.3 the Risk Management System section for more details on these functions. There have been no material changes to the System of Governance over the reporting period.

The Independent non-Executive members of the Board are paid a retainer by FMIE. As stated within the FMIE Remuneration Policy, "Base pay is structured to ensure employees are paid competitively for the jobs they perform. FM Global develops and manages its compensation levels according to the competitive practice of each country in which it operates."

In addition, the executive director is eligible for the payment of incentives through FMIE. Per the Remuneration Policy "The objective of the incentive plans is to provide employees with variable compensation for performance that contributes significantly to the sustained success of the Company and which is directly related to the employee's contribution to exceptional Company results."

As noted on page 8, the incentive scheme is principally based on the three KRA's.

Each of these KRAs are evaluated and targets are set for each calendar year and approved by the Board.

The KRAs and incentive plan therefore align with the overall performance of the consolidated company. This restricts the potential for incentive driven strategies that do not benefit the overall FM Global group.

B.2 Fit and Proper Requirements

FMIE has a 'fit and proper' policy in place which applies to all employees of FMIE that are subject to fit and proper assessments. The policy outlines how the employees are identified, the assessment criteria, the assessment process and the process to maintain compliance with the requirements.

A fit and proper person is anyone occupying a key position within FMIE such that they may influence policy and strategic decisions. Such persons must be demonstrably honest with integrity and a good reputation. In addition, they must demonstrate competence, capability and financial soundness and meet the requirement specified in the Articles 72 and 73 of the Luxembourg Law of 7 December 2015 on the insurance industry (the "Luxembourg Insurance Law").

Persons occupying key positions within FMIE are:

- Directors;
- Dirigeant Agréé;
- Key Function holders under the Luxembourg Insurance Law;
- Members of the Risk Management Committee;
- Operations Managers; and
- Legal Representatives/Branch Managers.

The policy is owned and maintained by the legal department but is at a minimum annually reviewed and approved by the RMC. The RMC also monitors compliance with the policy and has ultimate responsibility for ensuring the relevant employees are identified and meet the requirements of the policy.

There is an ongoing responsibility on both Executive Management and those persons occupying key positions to maintain their fit and proper status throughout their employment in that role. Succession plans are in place for all key positions.

B.3 Risk Management System

The Board and management recognise the importance that risk management plays in ensuring the business is able to fully capitalise on the opportunities available to it as well as mitigating potential loss. Risk management is an integral part of the strategic planning process of FMIE and is incorporated into its business plan. The Board aims to ensure that effective risk management practice remains embedded in the Company culture and throughout activities that are carried out at all levels within the Company.

Risk management at FMIE is present throughout the business processes. It starts with the loss prevention reports ("LPR") prepared by engineers when they perform their engineering visits at the insured's (or a prospect in the case of potential new business) locations. These LPR's are used by the account teams to underwrite the account, set limits and deductibles, and buy reinsurance if needed. Copies of the LPR are also provided to the insured to advise them of the recommendations to improve risk quality at the inspected location. The insured's use the LPR to address the deficiencies identified in the LPR. There are also additional tools available to the account teams and engineers to assist them in their assessment of risk and communication with the insured (e.g. underwriting guidelines, RiskMark scores etc.).

The FMIE RMC was established to provide independent oversight of the Company's risks and risk management. As noted previously, it is an Executive Committee that has the power to make decisions regarding the Company's risk management policies and practices.

The RMC is comprised of several members of the senior management team including:

- Dirigeant Agréé;
- Division Manager;
- Finance Manager;
- Legal Manager;
- Engineering Manager;
- Risk Manager;
- Human Resources Manager; and
- Operations Managers.

The Committee is responsible for setting and maintaining the Risk Management Policy and ensuring it is consistent across FMIE. It is also responsible for the Risk Appetite Framework which details the limits and tolerances the Company will accept in each of the key risk areas.

Departments within FMIE maintain a departmental risk register and each risk is evaluated to determine the level of risk. Priority is given to risks that have the greatest potential for adverse impact and these risks are held in a corporate risk register which is monitored and regularly reviewed by the RMC. These risks cover all areas of the business and do not just consider operational risk. They also cover market, underwriting, credit, group, liquidity and compliance risks. The criteria for risks to be included on the corporate risk register are based on a combination of the severity and frequency factors along with the judgement of the RMC. Each risk on all registers must be reviewed by the risk owner at least annually, however, high rated risks are monitored more frequently.

The risk management framework has been enhanced in a number of ways since inception:

- The appointment of WTW and Deloitte Tax & Consulting to provide expert actuarial review and guidance;
- The embedding of a risk appetite monitoring control system;
- Alignment of the risk register with the FM Global group; and
- Thorough reviews with company experts.

WTW provides appropriate technical support on Solvency II and review of the technical provisions. Deloitte Tax & Consulting provides appropriate technical support on Luxembourg regulatory specific matters.

The risk appetite monitoring system is based on the tolerances and limits laid out in the risk appetite framework. The risk appetite of FMIE is focused around the key risks and therefore the majority of tolerances and limits are focused around underwriting risk. These include targets for the combined ratio, premium retention and new business as well as policy limits. The framework was put in place during 2017 and has been fully applicable since 1 January 2018. The framework is a working document and as such is expected to evolve with the business.

At RMC meetings, the Committee reviews, monitors and documents significant risks. Strategies and operational controls are considered and evaluated and where appropriate will be put into place to ensure the minimisation and effective management of each risk. There is also a standing item on the RMC agenda to consider any operational changes that are occurring and the resulting potential for any new risks arising, together with an emerging risk standing agenda item. Depending on the operational change being considered, a discussion is held regarding re-running the ORSA process to quantify the effect on capital. To assist with the identification of new risks there are policies in place for each of the risk categories which define that risk area and give examples of the types of risks that could be included in this risk area. They also cover the possible controls in place to mitigate a risk.

The materiality of risks is determined during the process of development of the risk profile by considering the consequences, likelihood and controllability of each risk. The assessment of risk is based on quantitative and/or qualitative factors.

The risks from the risk register are a key input into the solvency capital model. The RMC is involved in the review of the ORSA and its familiarity with the risks involved gives it a good understanding of the expected capital charge and coverage.

In addition to risks identified in the risk register, FMIE's approach is to minimise risk internally which is demonstrated by the levels of review and audit within the Company. Regular audits of engineering, claims and underwriting processes and procedures will take place in order to ensure the systems in place are adequate and are being followed. In addition, whenever a claim occurs at a higher level than anticipated an additional review of the claim takes place, including the underwriting and engineering assessments for that location, to see if there are any lessons to be learnt going forward.

Assets held for solvency purposes are segregated between long and short-term holdings. Short term assets are held for working capital purposes and with a policy of neutrality on foreign currencies. This means, as far as possible, to make no profits or losses on exchange. Cash deposits and short-term investments are held in USD, unless required for a specific liability when the amount required will be held in the relevant transaction currency, if appropriate.

Short term assets are held to provide the day to day working capital for the Company. The level of assets held is based on rolling 12-month cash flow forecasts which are prepared at a currency level. Any excess cash is put into long term investments in accordance with the global investment policy.

FMIE's long term assets are managed on behalf of FMIE by the FMIC Investment Department. It is expected that equities will provide superior long-term returns vs. bonds, albeit with greater volatility.

ORSA

The ORSA process is completed annually starting in February in order to have the results available for the Board meeting in July and the business strategy planning process in October.

In certain circumstances an additional interim or partial ORSA will be run. Examples of the triggers to perform an interim or partial ORSA include:

- Changes to the business structure;
- Significant proposed changes to the investment portfolio; and
- Changes to strategy arising during the planning process.

This list is not exhaustive, and at each RMC meeting any significant changes to the business or the risk register are discussed and the need for a partial or full ORSA considered.

There are specific actions that need to be followed to complete the ORSA and these are as follows, in the order in which they should occur:

- Review risks on the risk register;
- Identify emerging and long-term risks;
- Determine inputs to the model;
- Review data received;
- Define specific parameterisation;
- Run capital charge calculation;
- Perform sensitivity tests;
- Perform stress and scenario testing;
- Compare output to risk appetite framework;
- Prepare standard formula calculation;
- Review by actuarial function;
- Compare the standard formula SCR to the ORSA capital charge;
- Review differences between standard formula and ORSA capital charge;
- Projection of capital and solvency position;
- Finalise ORSA documentation;
- Review of ORSA report;
- Independent review performed; and
- Review and sign off ORSA.

The RMC will drive the ORSA and review key inputs during the process. It will also perform a preliminary review of the outputs. The Board has ultimate control and performs the final review and sign off. A review of FMIE's own solvency assessment given the risk profile will be compared to the regulatory solvency assessment to determine whether additional solvency cover is required. As FMIE is currently well capitalised no further actions have to be taken.

B.4 Internal Control System

FMIE has a strong control environment in place throughout the business and this is modelled on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework. Thus, the internal control system within FMIE consists of five key components, namely:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communication; and
- Monitoring Activities.

These headings will be used to describe the FMIE internal control system, including any details on the key procedures in place.

Control environment

The Board and senior management of FMIE lead by example regarding the importance of internal controls and play an integral part in setting the expectations at all levels within the organisation. The Audit Committee addresses key components of the internal control system as mentioned previously in section B1.

The Board collectively provides guidance and direction on all aspects of the internal control system. As part of its key role of providing oversight on standards and ethics within the business, it regularly reviews, approves, and monitors adherence to the various policies that FMIE management and employees are governed by.

In addition to the policies, as noted in the section B1, there is a specific compliance function which is in place to monitor and maintain compliance with the many regulations and statutory obligations an international business is exposed to. A Compliance Risk Policy is in place and is required to be reviewed annually by the Compliance Officer and also requires annual approval by the RMC.

Risk assessment

FMIE has a process in place for identifying and assessing the risks involved in achieving the business's objectives. As noted above, a risk register is used and overseen by the RMC to identify, assess, rate and record the significant risks that FMIE faces.

The risk register also serves as a tool for Internal Audit in the development of the annual risk based audit plan.

Control activities

Control activities support every aspect of the internal control system within FMIE and are closely aligned with risk assessment. Management are tasked with enacting policies and procedures that help to prevent, detect or otherwise mitigate the risks identified in the ongoing risk assessment process.

Control activities are built around the general business processes e.g. purchasing, treasury, accounts payable, as well as processes specific to the insurance industry such as underwriting and claims management. There are also technology related controls that deal with information security, system change management and data back-up.

The types of controls that exist within the business include, but are not limited to:

- Reconciliations;
- System controls;
- Authorisations and approvals; and
- Physical controls.

In implementing each of the control activities in the business, consideration is given to the segregation of duties to reduce the possibilities of controls being overridden.

Information and communication

Information is important in helping the business achieve its objectives and this includes information regarding the internal control system.

Information about the business's objectives is primarily disseminated by senior management to management and employees through their reporting lines. In addition to that, there are various forums, both physical and online, through which company information is communicated.

Departmental level information is also widely collected to help measure performance, record exceptions and determine any additional measures that are necessary.

Employees have the opportunity to communicate upwards to management, for example, recent company initiatives focusing on increased efficiency have led to a significant input from employees about working practices within their departments.

Management also communicate externally to clients, brokers, vendors and the general public through annual reports, articles in industry publications, and various marketing initiatives.

Monitoring activities

There are various forms of ongoing or separate evaluations to help monitor all aspects of the internal control system. These can either be conducted by internal or external resources.

Separate evaluations are carried out by the Internal Audit department and staff auditors. Internal Audit is tasked with carrying out evaluations on all aspects of the business; financial, operational and compliance. Findings are reported to management and to the Board of Directors, through the Audit Committee.

In addition to Internal Audit, there are discipline specific evaluations carried out by staff auditors. Examples of these include:

- Claims audits;
- Engineering audits;
- Operations audits;
- Processing audits;
- Underwriting audits; and
- Health and Safety audits.

Compliance Function

FMIE is committed to managing its exposure to compliance risk in accordance with the agreed risk appetite. To properly address the risks, FMIE maintains effective relationships with the regulators and remains in good standing in all territories where FMIE is licensed to write insurance and reinsurance business.

The risk appetite framework in place is used to advise management of the risks to which the Company is exposed. Any potential or existing risks are measured against the framework, and the results and outcomes of actions are monitored to ensure they remain within acceptable limits. The risk appetite and tolerances are subject to constant review by the RMC in order that they remain relevant and achievable.

FMIE's appetite for compliance risk is based upon the assumption that insurance companies are heavily regulated businesses. The loss of or any significant restriction on any of FMIE's licenses would impair FMG's ability to meet the needs of its policyholders and thus represents a threat to the business. Serious or persistent non-compliance with the rules and regulations of FMIE's home and host regulators can lead to the loss of or a substantial restriction on one or more of its insurance licenses. Appropriate systems and controls must, therefore, be maintained and monitored at all times to ensure that FMIE remains in good standing with its home and host regulators and to ensure that any instances of non-compliance are promptly and effectively identified, assessed and addressed.

B.5 Internal Audit Function

FMIE supports Internal Audit as an independent appraisal function to examine and evaluate company activities as a service to management and the Board of Directors. The mission of Internal Audit is to support the management and employees of FMIE in the effective discharge of their responsibilities, by providing an independent and objective assurance and consulting function.

The FMIE Internal Audit function is served by the EMEA Internal Audit team, which, is based in Luxembourg and headed by the Internal Audit manager. The EMEA Internal Audit manager reports to the Chief Internal Auditor, FMIC, and the holder of the Head of Internal Audit position, to the FMIE Audit Committee of the Board of Directors. Bi-annually, the EMEA Internal Audit manager will submit to the Audit Committee a written report on the activities of the Internal Audit Function in the preceding auditable period. The EMEA Internal Audit manager will also make an oral report to the Audit Committee. The EMEA Internal Audit manager may confer with the Audit Committee or directly with the Chair of the Audit Committee or any other member of the Audit Committee including the Independent Non-Executive Directors, outside the presence of company officials, on any subject relevant to Internal Audit's area of responsibility.

On an annual basis, a risk based Internal Audit plan is developed and presented to the Audit Committee for approval.

The Internal Audit annual plan is a risk-based plan that includes three major categories of work: (1) audit procedures related to internal control over financial reporting; (2) engagements related to regulatory compliance; and (3) risk-based internally focused audits.

(1) Audit work related to the internal control over financial reporting includes the evaluation of internal controls at the level of significant financial business processes. A financial business process is considered significant primarily based on quantitative factors, including the financial misstatement effect.

(2) Certain regulations require or advise us to perform periodic audits including but not restricted to compliance with Solvency II requirements of Pillar 2, Governance and Supervision. These are included in the audit plan as appropriate.

(3) Identification of the internally focussed audits is based on a risk assessment process. Internal audit constructed an audit environment based on their knowledge of the business and discussions with various levels of management. The audit environment is made up of auditable areas which are mapped to other assurance activities within the company. They meet with the other assurance providers to understand the nature of their work and determine what areas require internal audit coverage. The auditable areas covered by internal audit are assigned a risk rating and ranked using a risk assessment formula to ensure the most effective use of internal audit's resources.

The risk assessment model considers the following factors when assigning a risk rating to each auditable area:

Likelihood of Control Issues	Impact of Control Issues
Results of prior audits Time since the last audit Complexity of the process Automated or manual process Management/personnel competency Degree of change in the audit area Susceptibility to fraud	Financial misstatement effect Impact on business objectives Solvency impact Service to clients Employee relations Regulatory

On an annual basis, this allows the ranking of auditable areas as high, medium or low risk and therefore determine whether to include them in the audit plan for that year. Additional audits and consulting assignments may also be carried out outside of the annual audit plan, if the circumstances dictate or if requested by management e.g. due to a change in processes and procedures.

Before the commencement of each audit, an audit announcement document will be sent to management by the Internal Audit Manager. This details the agreed scope and timing and sets out any other information pertinent to the audit.

A written audit report will be prepared and issued to management by the Chief Internal Auditor following the conclusion of each audit. The manager of the area receiving the report will respond, within a specified period, to the findings and recommendations contained in the report. The response will indicate action plans and target dates regarding each report finding and recommendation. Copies of the report, including the management responses, will be distributed as the final audit report.

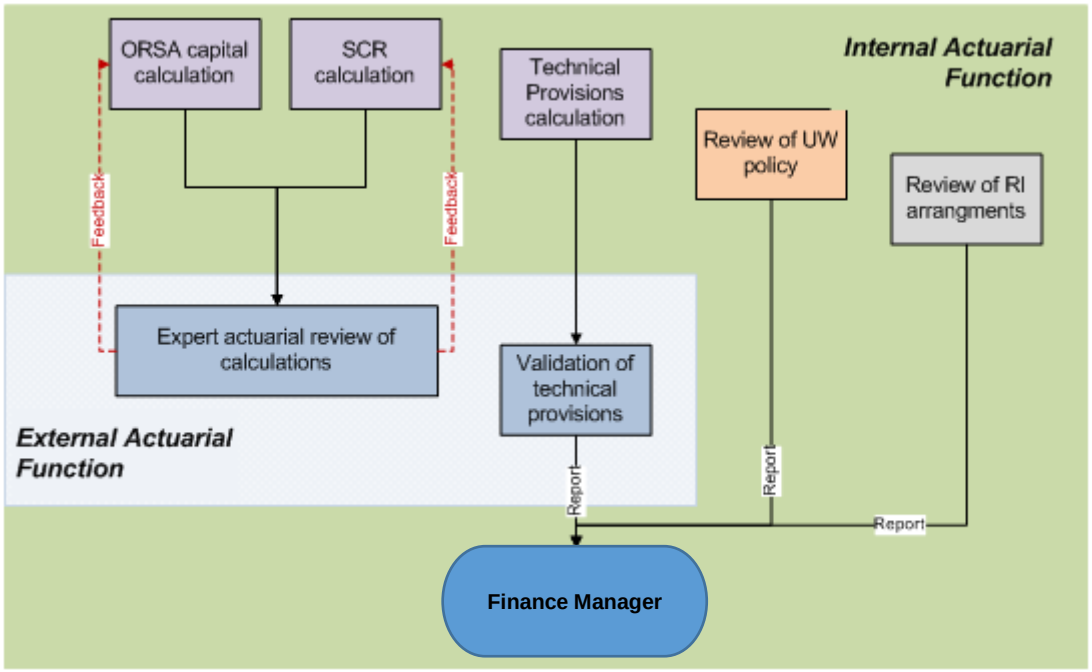
The manager receiving the report is responsible for ensuring that progress is made towards correcting any unsatisfactory conditions. Internal Audit is responsible for determining whether action taken is adequate to resolve audit findings. If the action is not adequate, Internal Audit will inform management of the potential risk and exposure in allowing the unsatisfactory conditions to continue.

The Internal Audit function is independent from the business and has direct access to the Audit Committee. They perform audits on all areas of the business on a rotating schedule that ensures the riskiest areas are audited more frequently than the lower risk areas.

B.6 Actuarial Function

The Head of the Actuarial function is the Finance Manager who is supported by other members of the finance department. Expert advice from external actuarial providers and from experts in other areas of FMG, such as underwriting, is obtained as required, to cover the obligations of the Solvency II Directive. Within FMIE the actuarial function consists of people who have sufficient knowledge of actuarial and financial mathematics to ensure accurate calculations are prepared internally and there is a robust review of any expert advice provided.

Below is an overview diagram of the workflow and tasks within the actuarial function:



An Actuarial Function policy is in place which clearly defines the division of tasks between the internal actuarial function and the external actuarial function. This policy is reviewed at least annually by the RMC. The external actuarial experts have knowledge of capital modelling for general insurers as well as general knowledge of actuarial mathematics and the insurance industry. This part of the function is outsourced to WTW and to Deloitte Tax & Consulting in accordance with the outsourcing policy and the outsourcing agreement for actuarial support.

The external actuarial experts report directly to the Finance Manager and work closely with the FMIE staff of the actuarial function team, as required. Additional ad-hoc work may develop during the year, outside the predetermined responsibilities, and will be agreed with the Finance Manager at that time.

The reviews of the reinsurance ("RI") and underwriting ("UW") arrangements are conducted by experts within FMIC. These experts are independent of the day to day functions of these areas but have sufficient knowledge and skills to accurately perform the review. A written report is provided by the experts to the Finance Manager on an annual basis.

A formal review of technical provisions as at 31 December 2018 took place by WTW in April 2019. The team involved in the review had actuarial knowledge and had performed similar reviews previously for other companies, providing them with sufficient expert judgement to review FMIE's calculation.

The review concluded that overall FMIE's technical provisions processes and results meet the validation requirements as set out in Article 264 of the Delegated Act. There were some recommendations made as part of the review. The recommendations were mainly in respect of performing reconciliations at a more granular level, further sensitivity and scenario testing and improving the quality of the documentation. None of the recommendations relate to business critical balances in the current calculation.

Underwriting guidelines and reinsurance arrangements were confirmed as appropriate prior to the licensing application. A formal independent review of the underwriting and reinsurance functions has been performed in accordance with the requirements of Article 272 of the Solvency II Directive. The

reports were provided to the Head of the Actuarial Function and there were no issues arising from the review.

B.7 Outsourcing

There is a comprehensive Outsourcing policy in place within FMIE which is used to ensure all outsourcing contracts do not add risk to the Company. This is available to any member of staff who may be involved in setting up an outsourcing arrangement and provides guidelines on the levels of agreement that are acceptable to FMIE.

As noted on page 11, the investment management is outsourced to FMIC, however the investment strategy and asset allocation placed in bonds or equities is approved by the FMIE Board. Investment reports are received monthly by FMIE, reviewed and any changes or issues are acted on immediately. Utilising the parent company to manage the investments means FMIE can benefit from economies of scale and thereby reduce costs and maximise returns. The investments are held in USD which increases the market risk element. This results in an increased exchange risk when reporting in EUR, compared to if FMIE were holding the assets in EUR, however it does reflect the international nature of the business; a number of policies are transacted in USD. The assets have been included in USD in SF model and management and the Board consider this to have an acceptable level of risk.

In addition, elements of system support and backup are outsourced to FMIC, but these are coordinated by suitably knowledgeable personnel within FMIE.

The external actuarial function is outsourced to WTW and to Deloitte Tax & Consulting (registered as Professionnels du Secteur des Assurances in Luxembourg and regulated by the CAA). This enables FMIE to take advantage of expertise not available within the business. Any data used by the actuary is provided by FMIE and the results are scrutinised by the capital modelling team within FMIE Finance. The outsourcing of this function does not increase the risk to FMIE. If WTW or Deloitte Tax & Consulting were no longer available a similar provider could be found with minimal interruption to the running of the ORSA process, regulatory reporting and strategic decision making of the business.

The actuarial function is well defined, as detailed in the previous section of this report, and there is an actuarial policy in place along with a Terms of Reference which ensures all parties are aware of their responsibilities.

B.8 Any Other Information

FMIE has a robust governance system. All the relevant points have been detailed in this report and there are no further disclosures required at this time.

C. Risk Profile

C.1 Underwriting Risk

Underwriting risk within FMIE is accepted and managed within the agreed risk parameters. As a result, this area is very closely monitored and regulated through:

- Clear and specific underwriting guidelines;
- Well defined systems of training and monitoring;
- Regular process audits;
- General business controls as detailed in the Internal Control section above; and
- Regular risk appetite monitoring.

This allows the business strategy to ensure any exposures are managed and maintained within FMIE's risk appetite.

FMIE has a significant reinsurance program, with a number of treaties available which provide additional cover for those risks that expose FMIE to potentially significant claims outside of their risk appetite. In addition, FMIE has the ability to purchase facultative reinsurance as necessary.

Due to the wide geographical spread of the FMIE business the potential for a concentration of risks to significantly affect capital levels is limited. On a local level the pricing structure is set to take into consideration the concentration of clients, and reinsurance is used to limit FMIE's exposure. The risk exposures for any new clients are considered alongside the existing exposures and any concentrations of risk are taken into account.

The underwriting risk within the SF calculation is generating a capital charge of €59.3m in 2018 (2017: €32.3m). The following table shows the 2018 elements of the non-life underwriting capital charge that forms part of the SF SCR:

	2018 €000s	2017 €000s	Variance
Lapse risk	1,307	708	599
Catastrophe risk	21,997	18,989	3,008
Premium & Reserve risk	49,851	21,758	28,093
Diversification	(13,834)	(9,189)	(4,645)
Total underwriting risk	**59,321**	**32,266**	**27,055**

There has been an increase in the underwriting risk due to the transition of the business from FMI. In 2017 the underwriting risk was mainly driven by "Bound But Not Incepted" business.

There are strong controls around the calculation of the underwriting risk within the SF including the review of inputs and parameters by management, sensitivity testing, and the review of the results.

C.2 Market Risk

Market risk is the most sensitive area of the FMIE SF model due to the number of currencies FMIE transacts in and due to the level of USD investments that are held. Both risks could potentially lead to significant losses in any one trading year.

The largest potential exposure to FMIE in the planned period is the collapse of the Euro as FMIE business is in Europe and trades in the Euro. To limit this risk any excess Euro amounts are sold and translated into USD, and only the value required to cover upcoming loss payments and expenses are held.

Market risk is rated high on the risk register and is monitored closely by the RMC. Several sensitivity tests have been run on this area of the model and any large investment decisions are run through the SF and the ORSA model to assess the impact. The results of this sensitivity testing can then be compared to the risk appetite of FMIE, so the Board can evaluate the effect of the potential risk. As FMIE does business in a variety of countries and therefore deals with a large range of currencies on a daily basis, a certain level of market risk is unavoidable. Strict guidelines are in place regarding levels of cash, investment practices and trading in different currencies, and financial decisions are made prudently.

The type of assets held by FMIE will be a key driver of the capital charge and an area where management decisions can have a significant effect. There is no current plan to change the asset mix, in line with the Investment Policy.

The following table shows the SF capital charge in respect of the market risk:

	2018 €000s	2017 €000s	Variance
Interest rate risk	10,093	148	9,945
Equity risk	4,670	-	4,670
Spread risk	14,235	-	14,235
Currency risk	67,440	59,937	7,503
Concentration risk	-	-	-
Diversification	(19,289)	(111)	(19,178)
Total market risk	**77,149**	**59,974**	**17,175**

Overall, the capital charge from year to year increased due to the inception of the portfolio including equities and bonds. The increase is also driven by the interest rate risk which includes the future cash flow from assets and liabilities within the technical provisions.

The market risk is primarily driven by currency risk and spread risk. The currency risk charge is calculated for each currency that the Company has assets and/or liabilities. The spread risk charge is due to the significant level of bonds held in USD, the charge is significantly higher than some of the other risk areas.

Although the market risk capital charge may be considered high compared to the total level of assets, there is sufficient capital to cover this charge and the FMIE Board are comfortable with the total capital charge calculated. As discussed above the excess capital held at FMIE and the funds related to this excess capital are invested in USD, in equity securities and bonds, due to FMIE's total return investor strategy.

The change in the symmetric adjustment (issued by EIOPA) and its impact on equities is calculated monthly throughout the year to monitor the effect and keep management informed. A significant change to this factor could have a material impact on the Solvency Ratio.

C.3 Credit Risk

This is a lower risk area for FMIE due to the highly rated reinsurers that are used. The FMIE policy is to only use reinsurers that meet a specified surplus threshold who have an acceptable credit rating, unless an exception has been granted by Staff Underwriting. In the last 25 years, FMG has not experienced instances of significant reinsurer default. FMIE's largest single reinsurer is FMIC who are rated AA (very strong) by Fitch, A+ (superior) by AM Best, and A+ (strong) by Standard and Poor's; therefore, considered unlikely to fail.

The only non-rated reinsurance entities used by FMIE are captives that are used at the request of the client. As these entities do not have ratings there are contracts in place to specify that the monies must be received from the captive before FMIE pays the client. As a result, there is no credit risk on these balances.

Although the reinsurers are generally well capitalised and resistant to a certain level of catastrophes, several large events would stretch their overall capacity which could lead to their failure and as a result

incur a capital charge within the SF. The total counterparty default charge within the SF is €25.3m (2017: €16.7m).

The increase in 2018 is due to a combination of the increased claims incurred in the 2018 financial year and an increase in the catastrophe risk data used. More detailed reports have been available this year and have generated a specific fire risk charge calculated under the SII criteria (all risk included within a 200m radius even if belonging to separate insureds). The total sum insured is larger than the estimate used in previous years and therefore the reinsurance has correspondingly increased.

C.4 Liquidity Risk

This is not considered a key risk area for FMIE as the investment policy requires that cash in the relevant currency is held against any large outstanding claims. To assist in managing this on a day to day basis a 12 month rolling cash flow forecast for each individual currency (where FMIE holds a bank account) is used to predict large and small claims along with income and reinsurance receipts due. This is then used to ensure any premiums or reinsurance recoveries received are retained to match against any claims outstanding. Where no income is expected in a specific currency, external advice is sought on the best time to purchase the currency required, prior to the date of the claims payment. The cash flow will also incorporate any other income and expenses expected within the next 12 months, such as operational expenses. Expected profits included in future premiums are €4.4m at 31 December 2018. Refer to S.23.01.01 within section F.3 for further detail.

There is also a pre-funding arrangement in place with FMIC, which means that, if required, the reinsurance due from FMIC will be paid in advance, to fund the payment to the client. This facility is considered on a claim by claim basis. Historically, a similar arrangement has proven to be very effective for other group entities, following significant catastrophe events.

C.5 Operational Risk

This risk area covers any risks on the risk register that are not covered by any other risk areas. The key risk areas are monitored through the risk register and the risk appetite framework. They are reviewed at RMC meetings to ensure management are aware of the risks, they are being adequately controlled and mitigation is in place, if deemed necessary.

There is very little concentration of risks within the operational risk area of the capital modelling as these are mostly very disparate events with little or no correlation with each other. As a result, the individual elements of this risk area are not very sensitive and a change to one will not have a significant effect on the overall operational risk charge for the ORSA model. The SF charge for operational risk is a more simplistic formula based on the technical provisions and earned premiums. The total operational charge from the SF model for 2018 is €26.5m.

Since no business was written through FMIE in 2017, the operational risk prescribed SF calculation effectively results in the charge being double the expected charge and the SF calculation does not allow any change in the parameter. The charge is expected to reduce in the 2019 calculation.

C.6 Other Material Risks

The only risk area not mentioned above is that of group risk, however this is not considered a high risk to FMIE, as FMIC is very highly rated and unlikely to fail within a 99.5% confidence level. As at 31 December 2018 FMIC has $11.8bn capital and has had the same robust business model for over 180 years.

The largest risk scenario modelled for FMIC is a Pacific Northwest earth movement which would leave sufficient surplus to cover the second largest risk of a windstorm. However, if FMIC were to fail this would be the most extreme scenario for FMIE as it would mean the loss of many international clients and therefore is also likely to cause FMIE to fail. This is considered as part of the reverse stress testing as it is such an extreme scenario and outside the parameters of the model calculations.

The main risk for FMIE is that FMIC does not meet their financial obligations as they are FMIE's largest reinsurer. As noted above, FMIC has a very high rating indicating they are unlikely to default and held over $2.2bn of available cash on their balance sheet at 31 December 2018. In addition, defaulting on FMIE would mean losing their international base of operations which would alter FMG's business model. The risk of FMIC defaulting on its reinsurance balances with FMIE is included within the credit risk section of the model in the same way as for any external reinsurer.

FMIC provides support services to FMIE, including investment management and system support, however the Company could continue to function in the short term using local resources, until new contracts were agreed. As the likelihood is low and there are good controls and mitigation in place, the overall rating of this risk is rated low and therefore it is not separately modelled within the ORSA.

All services provided by FMIC are covered by a group risk entry on the risk register and this is reviewed at least annually by the RMC. In addition, the reinsurance exposure of FMIE to FMIC is monitored monthly as part of management reporting and is included in the risk appetite monitoring control sheet, which is distributed to the RMC.

The ORSA model has been built to take into consideration the fact that the failure of FMIC will also mean the default of the stop loss treaty. If a simulation has calculated that FMIC will go into default, then the stop loss and amount ceded on expenses is also considered unrecoverable. A large capital charge for this scenario is generated within the extreme tail of the model.

The SF model does not have the facility to account for the stop loss treaty. Therefore, the counterparty default charge is calculated from the balances and ratings and does not include any further adjustments for the stop loss. The Board understands that this generates a higher SCR however are comfortable that there is sufficient capital in place and the SF remains appropriate for the Company.

C.7 Any Other Information

A large number of sensitivity and scenario tests are undertaken during the modelling process to assist in both understanding the effect of movements within a specific risk area and illustrating the overall dynamic of the risk areas within the total capital charge.

The stressed model parameters are recommended by the Solvency II modelling team and agreed with the RMC, based on areas considered to be key risks for FMIE. The testing affecting individual risk areas has been discussed previously in this report. The tests performed on the ORSA model differ from those within the SF model.

The sensitivity testing completed on the SF model include the following:

- Reducing all counterparty ratings by one credit quality step;
- Reducing FMIC's rating by one credit quality step; and
- Reducing the reinsurance available for catastrophe risks.

The results of these tests reflect the significance of each area on the capital charge and offer management information to review business decisions and take a strategic view. A summary of the sensitivities are as follows:

	2018 Final Submission €000s	2018 Reduce All Ratings by 1 Credit Step €000s	2018 Reduce Only FMIC by 1 Credit Step €000s	2018 Reduce RI on Catastrophes €000s
Non-Life risk	59,322	59,322	59,322	66,839
Market risk	77,149	77,149	77,149	77,149
Counterparty risk	25,345	42,179	26,652	25,345
Operational risk	26,536	26,536	26,536	26,536
Diversification	(39,820)	(49,730)	(40,327)	(41,615)
Total SCR	**148,532**	**159,456**	**149,332**	**154,254**
Solvency II Available Own Funds	**208,499**	**208,499**	**208,499**	**208,499**
Solvency ratio	**140.4%**	**130.8%**	**139.6%**	**135.2%**

The scenario to have the most negative impact would be a drop in ratings for the major counterparties. This is an area management review regularly and there are strict rules in place for utilising new reinsurers. The majority of the counterparty risk arises from the reinsurance on catastrophes and a large part of that is the EOL treaty. This is agreed annually and the members of the treaty will be reviewed during this process.

Reducing only FMIC's rating has a significant effect on the counterparty risk as there is a large amount due to the parent company due to the reinsurance program in place. The parent company takes 75% of all claims over €1m and up to the excess of loss treaty (EOL) attachment point of $550m. 100% of the loss over the attachment point will either be covered by the EOL treaty or by FMIC (per the internal reinsurance agreement). There is also a stop loss treaty in place and FMIC bear any costs over a 125% combined ratio limit in any one year.

D. Valuation for Solvency Purposes

D.1 Assets

The valuation of the assets is based on the bases prescribed by the Delegated Acts. The following table reflects the values and differences to those recorded in the LuxGAAP financial statements as at 31 December 2018.

2018	LuxGAAP €000s	Solvency II €000s	Difference €000s
Deferred acquisition costs	2,764	-	2,764
Deferred tax assets	-	-	-
Property, plant & equipment	12,922	12,922	-
Investments	168,248	170,852	(2,604)
Reinsurance recoverables	250,997	150,186	100,811
Insurance receivables	89,436	58,193	31,243
Reinsurance receivables	23,093	7,740	15,353
Receivables (trade, not insurance)	100,256	100,256	-
Cash and cash equivalents	149,211	149,211	-
All other assets	63,812	51,869	11,943
Total assets	**860,739**	701,229	159,510

2017	LuxGAAP €000s	Solvency II €000s	Difference €000s
Deferred tax assets	-	12,883	(12,883)
Insurance receivables	-	-	-
Property, plant & equipment	3,847	3,847	-
Investments	-	-	-
Reinsurance recoverables	-	34,747	(34,747)
Reinsurance receivables	27,294	27,294	-
Receivables (trade, not insurance)	9,791	9,791	-
Cash and cash equivalents	247,778	247,778	-
All other assets	58,617	47,990	10,627
Total assets	347,327	384,330	(37,003)

Deferred acquisition costs are not recognised under the Delegated acts and therefore the Solvency II balance sheet value is nil.

The bases of valuation for the material classes of assets are provided below:

Financial Investments

Financial investments under LuxGAAP comprise of equity for €3.3m (2017: nil), exchange traded equity instruments for €7.2m (2017: nil) and high grade debt securities for €157.7m (2017: nil).

Financial investments under Solvency II comprise of equity for €3.6m (2017: nil), exchange traded equity instruments for €7.2m (2017: nil) and high grade debt securities for €160m (2017: nil) including €1.3m of accrued interest.

The investments are measured on a market value basis, consistent with Article 10(2) of the Delegated Acts.

Equity and exchange traded instruments are financial assets that are measured by reference to published quotes in an active market, with quoted prices readily and regularly available from an exchange, dealer, or broker and those prices representing actual and regularly occurring market transactions on an arm's length basis.

Debt securities are financial assets measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions. Debt securities are priced by an independent vendor using evaluated market pricing models.

Under Solvency II, accrued interest is disclosed as part of the investment. By comparison under LuxGAAP it is disclosed separately as part of Other Assets.

Reinsurance Recoverables

Details related to the valuation of technical provisions are provided in Section D.2.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

Insurance and Reinsurance Receivables

Debtors receivable are recorded at transaction price. Due to the short-term nature of the balances they are held at an undiscounted amount. Under Solvency II the current portion of these debtors are reclassified into the technical provisions.

Receivables

Receivables in the balance sheet are comprised of other debtors.

Deferred Tax Assets

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Under Solvency II the deferred tax assets are calculated based on the temporary differences between the Solvency II and tax values.

All Other Assets

Included within All Other Assets is an amount of €49m relating to the amount recoverable on a reinsurance contract covering obligations arising from the company's German defined benefit pension scheme. The value of the reinsurance contract has been determined using an alternative valuation method, linked to the underlying pension obligations covered by the contract.

D.2 Technical Provisions

The technical provisions represent a best estimate of future technical cashflows, discounted to present value.

Under Solvency II, the value of technical provisions is expected to correspond to the amount an insurance or reinsurance undertaking would have to pay if it transferred its contractual rights and obligations immediately to another undertaking, and should comprise a best estimate and a risk margin. For non-life undertakings, the best estimate is the sum of the following:

- Claims provision - a provision relating to events that have already occurred; and a
- Premium provision - a provision relating to events on unexpired risks at the balance sheet date within the contract boundaries.

The best estimate technical provisions on the Solvency II basis are supplemented by the risk margin, representing the cost of capital which a third party would incur in taking over and running the existing obligations to expiry. The risk margin is calculated by determining the cost of providing an amount of eligible Own Funds equal to the SCR necessary to support the current insurance obligations over their lifetime.

A Technical Provisions policy is in place to outline the requirements under Solvency II and ensure each set of calculations are performed consistently. In addition, detailed procedures are available to ensure the calculation can be re-performed if required.

Under Solvency II the technical provisions are based on the calculation specified in Section 3 of Chapter III of Title 1 of the Delegated Acts. This requires certain additional elements which are not included under the LuxGAAP valuations used in the FMIE annual accounts. Within the premium provision the value of premium arising from those contracts which have been bound but not incepted (BBNI) at the year-end date, is added. Events not in data ("ENIDs") have been included based on the FMIE specific modelled catastrophes, which is performed by FMIC. The future cash in-flows and out-flows from insurance receivables and payables are included in the premium provision value before discounting. The portion of premiums due on the EOL treaty that FMIE participates in is included within the technical provisions, offsetting future reinsurance recoverables.

For both the premium and claims provisions an element of reinsurer default has been included to account for the possibility that all reinsurance may not be recovered. This has been calculated based on credit risk factors within the SF. The claims provision will also include the cash in-flows from the reinsurance receivables as per the Delegated Acts.

The discounting is calculated by currency based on the risk-free rates published by EIOPA.

Future claims experience is dependent on the external environment, which is subject to uncertainty, including that related to legislative, social and economic change. The impact of uncertain external factors is considered throughout the reserving exercise and through sensitivity testing including in the predicted profit ratios. External factors, future client behaviour and management actions are considered when preparing the strategic plan as far as possible. The external environment is monitored and where relevant predicted changes to the market and potential impacts are included in the provision, or considered through sensitivity testing. The results of testing this year can be found in section C7.

The payment of future claims is dependent on historical payment patterns and are used in the best estimate reserving.

The table below reflects the consolidated technical provisions by type, as shown in template s.17.01.02, and compares these to the LuxGAAP values as at 31 December 2018.

	LuxGAAP €000s	Solvency II €000s	Difference €000s
Premiums Provision:			
Gross	216,844	140,919	75,925
Reinsurance	152,106	37,463	114,643
Net	64,738	103,456	(38,718)
Claims Provision:			
Gross	172,481	171,970	511
Reinsurance	98,891	112,723	(13,832)
Net	73,590	59,247	14,343
Total best estimate – gross	**389,325**	**312,889**	**76,436**
Total best estimate – net	**138,328**	**162,703**	**(24,375)**
Risk margin	**-**	**12,445**	**12,445**

The difference between the LuxGAAP and Solvency II balances is primarily due to the Solvency II reporting discounted cash flows on the future obligations each reporting period. In addition, there are several additional provisions included within the Solvency II balances (e.g. risk margin) that are required per the Delegated Acts.

One of the most significant of these is the inclusion of BBNI and creditor balances as cash in-flows and out-flows respectively. In 2018 there is a large BBNI balance which under Solvency II regulations is included within the technical provisions as a future cash in-flow.

Template S.17.01.02 in the Appendices gives further detail on the technical provisions, including a breakdown of the gross and net technical provisions, including the risk margin by line of business. The table below shows an extract of the template:

Premium Provisions €000s	MAT	Fire & other (Property)	Miscellaneous financial loss	Non-proportional MAT	Non-proportional Property	Total Non-life
Gross – Total	**317**	**76,016**	**64,003**	**-**	**583**	**140,919**
Gross – Direct business	317	76,016	64,003	-	-	140,336
Gross – accepted	-	-	-	-	583	583
Reinsurance	-	(24,876)	(12,239)	-	(348)	(37,463)
Net Best Estimate	**317**	**51,140**	**51,764**	**-**	**235**	**103,456**

Claims Provision €000s	MAT	Fire & other (Property)	Miscellaneous financial loss	Non-proportional MAT	Non-proportional Property	Total Non-life

Gross – Total	**79**	**106,880**	**63,907**	**-**	**1,104**	**171,970**
Gross – Direct business	79	106,880	63,907	-	-	170,866
Gross – accepted	-	-	-	-	1,104	1,104
Reinsurance	-	(78,140)	(34,499)	-	(84)	(112,723)
Net Best Estimate	**79**	**28,740**	**29,408**	**-**	**1,020**	**59,247**

The majority (99%) of the net technical provisions are attributable to the 'Fire and other damage to property insurance' (62%) and miscellaneous financial loss (37%) classes.

No transitional provisions or long-term guarantee measures are used by FMIE. There have been no material changes to the basis of measurement.

D.3 Other Liabilities

Other than technical provisions and the pension obligations, liabilities are valued for Solvency II purposes at approximate market value due to their short-term nature. This is comparable to the LuxGAAP valuation used in the annual accounts.

2018	LuxGAAP €000s	Solvency II €000s	Difference €000s
Technical provisions	389,325	324,048	65,277
Pension benefit obligation	81,887	71,228	10,659
Provisions other than technical provisions	5,785	5,785	-
Deferred tax liabilities	-	5,853	(5,853)
Insurance payables	76,521	7,968	68,553
Reinsurance payables	-	-	-
Payables (trade, not insurance)	60,171	60,171	-
All other liabilities	27,886	17,677	10,209
Total liabilities	**641,575**	**492,730**	**148,845**

2017	LuxGAAP €000s	Solvency II €000s	Difference €000s
Technical provisions	-	60,445	60,445
Pension benefit obligation	75,728	65,101	(10,627)
Provisions other than technical provisions	7,438	7,438	-
Insurance payables	6,567	6,567	-
Reinsurance payables	-	-	-
Payables (trade, not insurance)	6,826	6,826	-
All other liabilities	7,472	7,472	-
Total liabilities	**104,031**	**153,849**	**49,818**

Pension Benefit Obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The prescribed accounting valuation method is consistent with the permitted Solvency II valuation method. Additional details on the valuation method are provided in Note 4.11.1 on page 20 of the LuxGAAP financial statements.

Insurance Payables and Payables

Creditors payable are recorded at transaction price. Due to the short-term nature of the balances they are held at an undiscounted amount. Under Solvency II the cash out-flow from these creditors are included in the technical provisions.

Deferred Tax Liabilities

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax liabilities are recognised to the extent that it is regarded as more likely to be charged.

Under Solvency II the deferred tax liabilities are calculated based on the temporary differences between the Solvency II and tax values.

All Other Liabilities

Additional information on payables are included in Note 14, on page 24 of the LuxGAAP financial statements. The uncertainty of liability valuations and judgments are as set out in Note 3, on page 17, of the LuxGAAP financial statements.

D.4 Alternative Methods for Valuation

No alternative valuation methods have been used.

D.5 Any Other Information

No further disclosures are required.

E. Capital Management

E.1 Own Funds

All shares are owned by FMIC, and no dividends or distributions are due to be paid in the period of the strategic plan. If any changes are proposed to the own funds the Board will ensure they are in accordance with Articles 41 and 93 of the Solvency II Directive. As of 31 December 2018, FMIE has no plans to change the nature of the own funds or issue new own fund items.

FMIE is committed to managing its exposure to loss of capital in accordance with the agreed risk appetite which is detailed in the risk appetite framework. The capital management policy in place is intended to ensure the company has sufficient own funds to cover the regulatory capital required over the period of the business plan. For FMIE, this is a period of three years. In the future, the only factor anticipated to affect the own funds value would be profit or losses made in future years, or a change to the method of valuing technical provisions.

FMIE's own funds are predominantly made up of ordinary share capital. The assets are held in cash at bank that are available as required. FMIE does not have preference shares or subordinated liabilities which restrict the availability of capital.

The table below represents the detail of the Own Funds as well as the SCR and solvency ratio for the year ended 31 December 2018:

31 December 2018:	Total €000s	Tier 1 €000s	Tier 2 €000s	Tier 3 €000s
Ordinary share capital		224,000	-	-
Share premium account		4,000	-	-
Reconciliation reserve		(19,501)	-	-
Deferred tax assets		-	-	-
Total available own funds	208,499	208,499	-	-
SCR	148,531			
MCR	40,348			
Ratio of own funds to SCR	140.4%			
Ratio of own funds to MCR	516.7%			

31 December 2017:	Total €000s	Tier 1 €000s	Tier 2 €000s	Tier 3 €000s
Ordinary share capital		224,000	-	-
Share premium account		4,000	-	-
Reconciliation reserve		(10,402)	-	-
Deferred tax assets		-	-	12,883
Total available own funds	230,481	217,598	-	12,883
SCR	84,956			
MCR	21,239			
Ratio of own funds to SCR	271.1%			
Ratio of own funds to MCR	1,024.5%			

As at 31 December 2018 the ordinary share capital was €224m and share premium was €4m. The reconciliation reserve represents the excess of assets over liabilities that is not accounted for by issued instruments including adjustments discussed below to be in compliance with the Solvency II Directive and includes the Luxembourg legal reserve amounting to €22m.

There is no requirement to raise additional capital and it is not anticipated this will be required in the foreseeable future.

As at December 2018 the total LuxGAAP available funds were €219m (2017: €243m) and the Solvency II available funds were €208m (2017: €230m). The difference between LuxGAAP reserves and Solvency II own funds is the discounted cash flows.

The majority of FMIE's own funds are classified as Tier 1 under the Delegated Acts and are therefore fully available for matching against the regulatory capital requirement. The deferred tax asset recorded on the balance sheet is the only balance classified as Tier 3 under Solvency II. Tier 3 own funds are not eligible to cover the MCR, and are eligible for SCR purpose only up to 15% of the SCR.

E.2 SCR and MCR

The SCR and MCR are calculated annually and when there is a significant change in risk profile. The SF is the prescribed method of calculating the SCR and MCR, for a firm which does not have an approved internal model or approval to use undertaking specific parameters. The SF calculation conducted by the Solvency II modelling team, using the Igloo software platform which contains the latest technical specifications is in accordance with the requirements of the Delegated Acts.

The detailed data required is generated from FMIE's internal systems and internally generated documents. Where relevant, the same data used for the ORSA calculation is utilised to ensure parity between the models.

As mentioned previously the method of calculation for the SF is prescribed by EIOPA and there is no ability to make adjustments to the core calculation, except for simplification options in the calculation of the risk margin. Due to this prescription, FMIE is unable to fully incorporate into the SF the total benefit of the stop loss treaty with FMIC. It is applied only within the catastrophe risk calculations, as mitigating reinsurance. The capital charge therefore understates the benefit the stop loss treaty would provide to FMIE in a volatile calendar year.

The following table is a breakdown of the SF SCR for December 2018:

	2018 €000s	2017 €000s	Variance €000s
Risk Modules:			
Non-Life	59,321	32,266	27,055
Market	77,149	59,974	17,175
Counterparty	25,345	16,811	8,534
Operational	26,536	1,681	24,855
Diversification	(39,820)	(25,776)	(14,044)
Total SCR	**148,531**	**84,956**	**63,575**

	SCR	SCR	
Capital Requirements	148,531	84,956	63,575
Eligible Own Funds	208,499	230,481	(21,982)
Excess Eligible Funds Over Required	59,968	145,525	(85,557)
Solvency Ratio	140.4%	271.1%	(130.7%)

Using the SF approach the SCR is €149m (2017: €85m). The current capital levels give a coverage of 140.4% (2017: 271.3%).

The minimum capital requirement ("MCR") is calculated as prescribed in the Delegated Acts, using inputs of net BEL and net written premium (on a Solvency II basis), subject to minimum and maximum values by reference to the SCR. In the current year, the minimum value has applied, setting the MCR equal to 25% of the SCR. The minimum capital requirement is calculated as € 40m (2017: €21m), which provides a coverage of 516.7% (2017: 1,024.5%) when compared to eligible capital. Tier 3 own funds are not eligible capital for the MCR.

No significant developments to these values are expected over the time horizon of the planning period.

The final amount of the SCR is subject to CAA supervisory assessment.

E.3 Duration-Based Equity Risk Sub-Module

A duration-based equity risk sub-module is not used in the calculation of the SCR. The SCR is calculated including a symmetric adjustment to the equity capital charge applied to cover the risk arising from the changes in the level of equity prices, per the Delegated Acts.

E.4 Differences between SF and Any Internal Model Used

FMIE uses the SF to calculate the SCR and therefore no differences exist.

E.5 SCR and MCR Non-Compliance

There have been no instances of non-compliance through the year. The compliance is monitored continuously to ensure there is no period where FMIE lacks sufficient capital to cover the SCR.

E.6 Any Other Information

There are no further disclosures to be made at this time.

Appendices

Glossary

Board	FMIE Board of Directors.
CAA	Commissariat aux Assurances.
COSO	Committee of Sponsoring Organisations of the Treadway Commission.
Delegated Acts	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
EEA	European Economic Area.
EIOPA	European Insurance and Occupational Pensions Authority.
ENID	Events Not in Data.
EOL	Excess of Loss Treaty
FMG	FM Global, the group consisting of FMIE, FMI, FMIC and its subsidiaries and affiliates.
FMI	FM Insurance Company Limited (UK entity).
FMIC	Factory Mutual Insurance Company (US entity), the parent company.
FMIE	FM Insurance Europe S.A. (Luxembourg entity).
HPR	Highly Protected Risk.
INED	Independent Non-Executive Director.
KRA	Key Result Area.
LPR	Loss Prevention Reports.
Luxembourg Insurance Law	Luxembourg Law of 7 December 2015 on the Insurance sector.
LuxGAAP	The accounting framework applicable to FMIE for its statutory annual accounts.
LuxGAAP financial statements	The audited financial statements of FMIE.
MCR	Minimum Capital Requirement.

NED	Non-Executive Director (employed by FMIC).
ORSA	Own Risk and Solvency Assessment, Solvency II method of assessing the Company's risk and capital requirement.
QRT	Quantitative Reporting Template.
RI	Reinsurance arrangements.
RMC	Risk Management Committee, FMIE Executive Committee.
SCR	Solvency Capital Requirement.
SF	Standard Formula for calculating the SCR.
Stop Loss	Internal reinsurance arrangement in place with FMIC which caps FMIE's combined ratio to 125% in any calendar year.
Staff Underwriting	Senior underwriters based in FMIC Corporate offices.
UK	United Kingdom.
UW	Underwriting arrangements.
WTW	Willis Towers Watson.

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Reporting Templates

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

FM Insurance Europe S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in EUR thousands)

General information

Undertaking name	FM Insurance Europe S.A.
Undertaking identification code	222100GPK3TXH3YGOB37
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	12,922
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	170,852
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	3,641
R0110	*Equities - listed*	3,641
R0120	*Equities - unlisted*	0
R0130	*Bonds*	160,036
R0140	*Government Bonds*	32,570
R0150	*Corporate Bonds*	110,136
R0160	*Structured notes*	0
R0170	*Collateralised securities*	17,329
R0180	*Collective Investments Undertakings*	7,175
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	150,187
R0280	*Non-life and health similar to non-life*	150,187
R0290	*Non-life excluding health*	150,187
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	58,193
R0370	Reinsurance receivables	7,740
R0380	Receivables (trade, not insurance)	100,256
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	149,211
R0420	Any other assets, not elsewhere shown	51,869
R0500	**Total assets**	701,229

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	324,048
R0520	*Technical provisions - non-life (excluding health)*	324,048
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	312,889
R0550	*Risk margin*	11,159
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	5,785
R0760	Pension benefit obligations	71,228
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	5,853
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	7,968
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	60,171
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	17,677
R0900	**Total liabilities**	492,730
R1000	**Excess of assets over liabilities**	208,499

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						662	423,529					213,947					638,138
R0120	Gross - Proportional reinsurance accepted						0	0					0					0
R0130	Gross - Non-proportional reinsurance accepted															0	17,293	17,293
R0140	Reinsurers' share						174	301,923					152,566			0	12,321	466,985
R0200	Net						487	121,605					61,381			0	4,972	188,446
	Premiums earned																	
R0210	Gross - Direct Business						393	286,177					142,525					429,096
R0220	Gross - Proportional reinsurance accepted						0	0										0
R0230	Gross - Non-proportional reinsurance accepted															0	13,179	13,179
R0240	Reinsurers' share						118	205,074					103,627			0	8,369	317,187
R0300	Net						275	81,104					38,899			0	4,810	125,087
	Claims incurred																	
R0310	Gross - Direct Business						105	176,627					90,311					267,044
R0320	Gross - Proportional reinsurance accepted						0	0										0
R0330	Gross - Non-proportional reinsurance accepted															0	1,116	1,116
R0340	Reinsurers' share						18	94,010					62,572			0	77	156,677
R0400	Net						88	82,617					27,739			0	1,039	111,483
	Changes in other technical provisions																	
R0410	Gross - Direct Business						0	0					0					0
R0420	Gross - Proportional reinsurance accepted						0	0					0					0
R0430	Gross - Non-proportional reinsurance accepted															0	0	0
R0440	Reinsurers' share						0	0					0			0	0	0
R0500	Net						0	0					0			0	0	0
R0550	**Expenses incurred**						62	39,592					20,000			0	1,617	61,270
R1200	**Other expenses**																	26,216
R1300	**Total expenses**																	87,486

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			NL	DE	FR	SE	IT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	325,722	138,637	111,740	22,915	15,703	614,716
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	6,915	7,857	0	1,133	15,905
R0140	Reinsurers' share	0	236,876	94,616	86,880	16,650	12,073	447,095
R0200	Net	0	88,846	50,936	32,716	6,264	4,762	183,526
	Premiums earned							
R0210	Gross - Direct Business	0	193,483	117,991	80,031	10,180	9,057	410,742
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	5,885	5,628	0	653	12,166
R0240	Reinsurers' share	0	144,620	81,105	61,449	8,048	6,965	302,188
R0300	Net	0	48,863	42,771	24,209	2,132	2,745	120,721
	Claims incurred							
R0310	Gross - Direct Business	0	124,020	57,228	70,996	1,449	5,662	259,354
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	16	1,100	0	0	1,116
R0340	Reinsurers' share	0	76,722	19,550	49,712	777	4,639	151,399
R0400	Net	0	47,298	37,694	22,384	672	1,023	109,071
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	31,237	13,295	10,716	2,198	1,506	58,951
R1200	**Other expenses**							
R1300	**Total expenses**							58,951

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0					0			0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						317	76,016					64,003			0	583	140,919
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						0	24,876					12,239			0	348	37,463
R0150	**Net Best Estimate of Premium Provisions**						317	51,140					51,763			0	235	103,455
	Claims provisions																	
R0160	Gross						79	106,881					63,907			0	1,104	171,970
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						0	78,140					34,499			0	84	112,723
R0250	**Net Best Estimate of Claims Provisions**						79	28,741					29,407			0	1,020	59,247
R0260	**Total best estimate - gross**						396	182,896					127,909			0	1,687	312,889
R0270	**Total best estimate - net**						396	79,881					81,171			0	1,255	162,702
R0280	**Risk margin**						14	6,548					4,537			0	60	11,159
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole						0	0					0			0	0	0
R0300	Best estimate						0	0					0			0	0	0
R0310	Risk margin						0	0					0			0	0	0
R0320	**Technical provisions - total**						410	189,444					132,447			0	1,747	324,048
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						0	103,015					46,739			0	432	150,187
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						410	86,429					85,708			0	1,315	173,862

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

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

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2010	0	0	0	0	0	0	0	0	0			0	0
R0180	2011	0	0	0	0	0	0	0	0				0	0
R0190	2012	0	0	0	0	0	0	0					0	0
R0200	2013	0	0	0	0	0	0						0	0
R0210	2014	0	0	0	0	0							0	0
R0220	2015	0	0	0	0								0	0
R0230	2016	0	0	0									0	0
R0240	2017	0	0										0	0
R0250	2018	89,285											89,285	89,285
R0260												Total	89,285	89,285

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0
R0170	2010	0	0	0	0	0	0	0	0	0			0
R0180	2011	0	0	0	0	0	0	0	0				0
R0190	2012	0	0	0	0	0	0	0					0
R0200	2013	0	0	0	0	0	0						0
R0210	2014	0	0	0	0	0							0
R0220	2015	0	0	0	0								0
R0230	2016	0	0	0									0
R0240	2017	0	0										0
R0250	2018	172,472											69,210
R0260												Total	69,210

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	224,000	224,000		0	
R0030	Share premium account related to ordinary share capital	4,000	4,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-19,501	-19,501			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	208,499	208,499	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	208,499	208,499	0	0	0
R0510	Total available own funds to meet the MCR	208,499	208,499	0	0	
R0540	Total eligible own funds to meet the SCR	208,499	208,499	0	0	0
R0550	Total eligible own funds to meet the MCR	208,499	208,499	0	0	
R0580	**SCR**	148,531				
R0600	**MCR**	40,348				
R0620	**Ratio of Eligible own funds to SCR**	140.37%				
R0640	**Ratio of Eligible own funds to MCR**	516.75%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	208,499				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	228,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	-19,501				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	0				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,390				
R0790	**Total Expected profits included in future premiums (EPIFP)**	4,390				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	77,149		
R0020	Counterparty default risk	25,345		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	59,321		
R0060	Diversification	-39,820		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	121,995		

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	26,536
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	148,531
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	148,531
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

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

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

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

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	40,348

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	396	487
R0080	Fire and other damage to property insurance and proportional reinsurance	79,881	121,605
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	81,171	61,381
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	1,255	4,972

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	40,348
R0310	SCR	148,531
R0320	MCR cap	66,839
R0330	MCR floor	37,133
R0340	Combined MCR	40,348
R0350	Absolute floor of the MCR	2,500
R0400	**Minimum Capital Requirement**	40,348