Nautilus Indemnity Europe DAC

Solvency Financial Condition Report (“SFCR”)

for the financial year ended May 31, 2018

CONTENTS

Executive Summary

This document is the second Solvency and Financial Condition Report (“SFCR”) that is required to be published by Nautilus Indemnity Europe DAC (“NIED” or “the Company”) under the Solvency II regulations in Ireland.

The report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management.

NIED’s Board has ultimate responsibility for these matters, supported by the governance and control functions that are in place to monitor and manage the business.

The Company’s financial year runs to May 31 each year, the date of this report being May 31, 2018. NIED reports its results in USD (US dollars) which is the functional currency of the Company. This is different to the currency of the country in which NIED is domiciled, which is Euro.

Company Background

NIED was incorporated in the Republic of Ireland in 2015 and serves to provide coverage for European member firms of Deloitte Touche Tohmatsu Limited, its insureds, on a Freedom of Services basis. Deloitte Touche Tohmatsu Limited (“DTTL”) is a UK private company limited by guarantee and its network of member firms are each legally separate and independent entities.

NIED is a wholly owned subsidiary of Nautilus Indemnity Holdings Limited (“NIHL”), a company domiciled in Bermuda, which together with Nautilus Indemnity Limited (Bermuda) and Nautilus Reinsurance Company Limited (Bermuda) make up the Nautilus group of companies (“Nautilus” or the “Group”).

The principal activity of Nautilus is the provisions of professional indemnity (PI) insurance to the insureds.

NIED is managed by Marsh Management Services (Dublin) Limited based in Dublin. Certain employees of NIHL also perform functions for NIED including the Chief Underwriting Officer; Chief Risk Officer and Claims Counsel.

The Company is classified as Low Risk under the Central Bank of Ireland’s risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact SysteM and is subject to the Central Bank of Ireland’s Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015.

A. Business and Performance

NIED serves to provide insurance coverage for the insureds on a Freedom of Services basis. As at May 31, 2018, the Company provides Professional Indemnity insurance, including cyber coverage, only. Further details are provided in Section A.

B. System of Governance

Management recognize the importance of a strong System of Governance. In our governance system, roles and responsibilities are clearly defined and aligned with the "three lines of defense" model.

The Company is subject to the Central Bank of Ireland's Corporate Governance Requirements for Captive Insurance and Captive Reinsurance Undertakings 2015. The corporate governance principles of the Company are implemented via the following Corporate Governance Framework:

- Board of Directors
- Outsourced Service Providers
- Internal Control Framework
- Risk Management Framework
- Compliance Function
- Audit – Internal & External

This is further discussed in Section B.

Outsourced Activities

The following is a list of the outsourced PCF roles together with the jurisdiction in which the service providers of such functions or activities are located:

Activity	Outsource provider	Location
Actuarial	Oliver Wyman	USA
Compliance	Marsh Dublin	Ireland
Internal Audit	Deloitte Canada/Ireland	Canada/Ireland

C. Risk Profile

In the course of its business, NIED is exposed to a number of risks including underwriting risk pertaining to the provision of Professional Indemnity insurance; market risk; credit (counterparty default) risks; liquidity risks; operational; strategic and business risks.

D. Valuation for Solvency Purposes

The valuation for solvency purposes are based on fair value. To the extent that items under IFRS appropriately reflect their fair (market) value, these are used for Solvency II purposes.

The calculation of the technical provisions can vary significantly between IFRS and Solvency II. However, Management uses a discounted best estimate plus a risk margin for purposes of IFRS reporting. As such, differences between the Solvency II technical provisions and IFRS primarily arise due to the different treatment of unearned premium and differences in the discount rate and methodology for calculating the risk margin. A reconciliation is provided in Section D.

E. Capital Management

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the basis of the ORSA contains a 5 year projection of funding requirements and helps focus actions for future funding.

The Company has no debt financing nor does it have plans to raise debt or issue new shares capital over the 5 year time horizon used for business planning.

The ratio of eligible own fund to SCR at May 31, 2018 is 213% (225% at May 31, 2017). Own funds in the Solvency II balance sheet consist entirely of Tier 1 capital. Further details on capital management are included in Section E.

A. BUSINESS and PERFORMANCE

A.1 Business overview

A.1.1 Name and legal form of the undertaking

Nautilus Indemnity Europe DAC (“NIED”) is a Designated Activity Company.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking

Central Bank of Ireland

PO Box 559

Dublin 1

Tel: +353 (0)1 224 6000
Fax: +353 (0)1 671 5550

Email: enquiries@centralbank.ie

A.1.3 External auditor of the undertaking

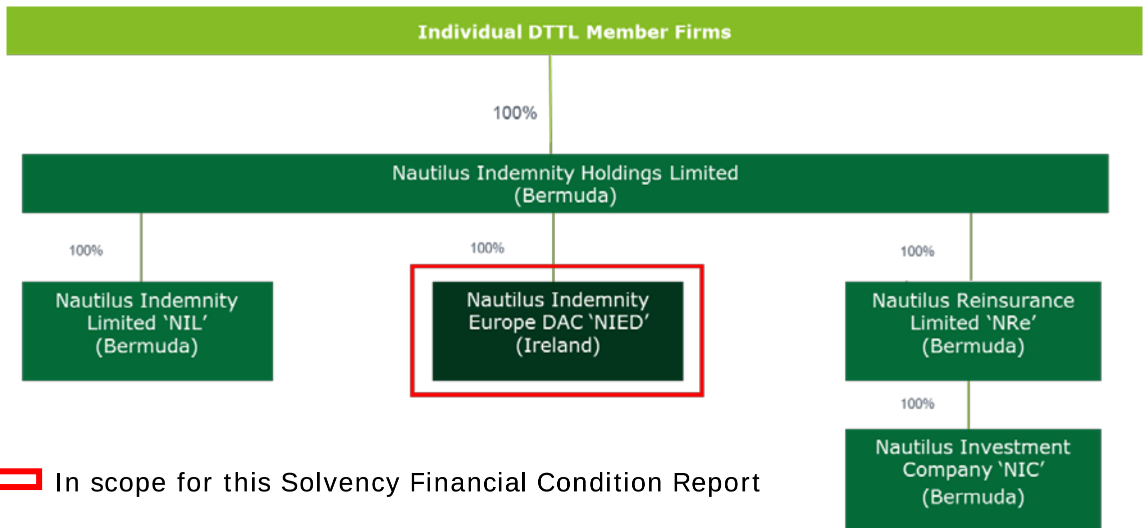
BDO
Statutory Audit Firm
Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

A.1.4 Holders of Qualifying Holdings in the Undertaking

NIED is a wholly owned subsidiary of Nautilus Indemnity Holdings Limited (Bermuda) (“NIHL”).

A.1.5 Legal Structure of the Nautilus group

NIED is a wholly owned subsidiary of NIHL. NIHL is owned by the firms that are members of DTTL. Each of the insureds provide services in Europe and is subject to the laws and professional regulations of the particular country or countries in which it operates.



In scope for this Solvency Financial Condition Report

A.1.6 Material lines of business and geographical areas

NIED was incorporated in the Republic of Ireland in 2015 and serves to provide coverage for insureds on a Freedom of Services basis.

NIED is a wholly owned entity of NIHL, a company domiciled in Bermuda, which together with Nautilus Indemnity Limited (Bermuda) and Nautilus Reinsurance Company Limited (Bermuda) make up Nautilus.

The principal activity of Nautilus is the provision of professional indemnity (PI) insurance to the insureds. NIHL is owned by the member firms of DTTL.

Policy years commencing on or after June 1, 2015 were written directly by NIED. The exposure relating to prior years (and dating back to 2005) was assumed by NIED during 2015/16 via a loss portfolio transfer from Nautilus Indemnity Europe Limited ("NIEL"), an entity domiciled in Malta. NIEL was subsequently liquidated.

This Solvency and Financial Condition Report relates to NIED only.

A.1.7 Significant Business events during the reporting period

During the reporting period, David O'Flanagan retired and was replaced by Deirdre Power. Deirdre's appointment to the NIED Board was approved by the Central Bank of Ireland.

NIHL, including NIED, extended its Professional Indemnity program to include comprehensive cyber coverage.

A.1.8 Statement regarding Waiver from Public Disclosure pursuant to regulation 55(1) of the European Union (Insurance and Reinsurance) Regulation 2015

NIED has been granted a waiver from the public disclosure of QRT S.05.02.01 (relating to premiums, claims, changes in other technical provisions and expenses by country).

The public disclosure of this information not only breaches NIED's obligations of confidentiality to its policyholders but also presents serious issues of a competitive nature for both NIED and its policyholders.

A.2 Underwriting Performance

The Company writes Professional Indemnity (PI), including cyber coverage, only. For the purposes of capital reporting this is categorized as General Liability.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board and as adopted by the EU, and in accordance with the provisions of the Companies Act 2014.

The table below shows a summary of the technical (underwriting) account for the year ended May 31, 2018 (based on IFRS):

$000s		
	2018	**2017**
Underwriting Results		
Gross premium written	36,175	42,307
Premiums ceded	(29,483)	(35,538)
Net premium revenue	6,692	6,769
Gross claims expense	(57,007)	(52,556)
Reinsurers' share	50,901	48,227
Net claims expense	(6,106)	(4,329)
Change in discount	543	86
Underwriting profit/(loss)	1,129	2,526

The gross premium written represents a 14.5% decrease on 2017 (previously an 11.3% decrease on 2016). This is primarily due to the decision to reduce premiums in light of continued favorable loss experience.

NIED premiums are determined with the assistance of qualified actuaries and are based on historical claims experience. However, due to the low frequency, high severity nature of the PI coverage written, underwriting results are quite volatile year on year.

Claim experience on prior years has been favorable during the year resulting in an underwriting profit. Given the nature of the business, the results are consistent with NIED's business plan which is to price the business so as to cover the cost of claims over the long term.

A.3 Investment Performance

A.3.1 Income and expenses arising by asset class

The Company has an investment strategy which complies with the requirements of "the prudent person principle". The main objective is to maintain the Company's ability to pay its net claims obligation when due.

As at May 31, 2018, the Company's investment portfolio comprised the following asset classes:

$000s		
	2018	**2017**
Bonds		
Sovereign bonds (US)	40,532	42,509
Sovereign bonds (EEA countries)	33,525	30,171
Sovereign bonds (other)	15,208	17,990
Bonds (Collective investment funds)	-	-
Derivative financial instruments		
Derivative assets (forward foreign currency contracts)	1,327	26
Derivative liabilities (forward foreign currency contracts)	(109)	(914)
Other		
Cash and custodial deposits	6,020	2,084
Total	**96,503**	**91,866**

As shown in the table, NIED's investment portfolio is invested primarily in sovereign bonds. NIED uses derivatives in the form of forward currency contracts in order to hedge the currency exposure in the investment portfolio.

There have been no changes to the investment strategy over the period since May 31, 2017. Movements in the amount of bonds held in each category (US; EEA; other) and the position of the derivatives assets/liabilities are expected and reflect the fund managers' view of the markets. The increase in the cash balance at May 31, 2018 was due to funds which had been disinvested in preparation for a claims payment.

The table below sets out the investment results:

$000s		
	2018	**2017**
Investment Results		
Interest income	294	753
Realized gains	(721)	1,654
Unrealized movements	874	292
Total	447	2,699

NIED's investment income includes interest from fixed interest securities and custodial deposits, realized and unrealized gains and losses. Total investment returns for FY18 were 0.6% (2017: 3.0%). The return is broadly in line with the fund benchmark. It is lower than FY2017 return due to the change in the investment strategy which occurred in November 2016 and rising interest rates during the year. Management expects continued modest returns due to the structure of the investment portfolio, NIED's market risk appetite and the current low interest rate environment.

A.3.2 There are no gains and losses recognized directly in equity.

A.3.3 There are no investments in securitization.

A.4 Performance of Other Activities

During the year, NIED's operating expenses amounted to $1.6m (2017: $1.4m). This represents NIED's allocated share of Nautilus expenses as well as other fees and costs as set out below:

$000s		
	2018	**2017**
Operating expenses		
Actuarial services	267	325
Compensation costs	513	364
Auditor's remuneration	71	59
Administration expenses	505	442
Consultancy fees	107	199
Directors' remuneration	90	31
Foreign exchange (gains)/losses	50	(40)
Total	**1,603**	**1,380**

Included within operating expenses is an amount of $1.0m (2017: $0.9m) paid related entities.

The increase in operating expenses over the year is primarily due to an increase in NIED's share of compensation costs for staff employed by the Group who undertake activities on behalf of NIED.

A.5 Any Other Information

There are no other material matters in respect of the business and performance of the Company.

B. SYSTEM of GOVERNANCE

B.1 General information on the system of governance

B.1.1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

NIED has an effective system of governance in place which provides for sound and prudent management and is appropriate given the nature, scale and complexity of the undertaking.

For NIED, "Governance" means a set of responsibilities and practices exercised by the Board and executive management with a goal of (a) providing strategic direction, (b) ensuring the objectives are achieved, (c) ascertaining that the risks are managed appropriately, and (d) verifying that the organization's resources are used responsibly.

The Board serves as a mechanism to protect stakeholder interests by:

- Establishing parameters within which the management team operates (e.g., strategic planning, risk management, etc.)
- Monitoring and assessing performance (including establishing key performance measures)
- Ensuring transparency and integrity of reporting corporate performance to stakeholders

Board of Directors:

The Board Members are very knowledgeable in the business, providing significant operating, insurance, risk and strategic experience. All Board Members are active or recently retired partners of Deloitte Member Firms. The Board meets at least three times per year.

The NIED Board comprises four directors, including the NIHL Chairman and CEO and two Irish directors.

As at May 31, 2018, the directors were as follows:

Laurent Joly (Chair) – Bermuda
James Engerran – USA
Glenn Gillard – Ireland
Deirdre Power– Ireland

The role of the Board is to provide leadership of the Irish entity within a framework of sound and prudent management. The Board is responsible for organizing and directing the affairs of the NIED in a manner that is consistent with effective corporate governance and ensuring that in carrying out its duties the company meets all its legal and regulatory requirements.

The Board is responsible for:

- **Roles, responsibilities and delegated authorities:** setting out responsibilities for relevant individuals; setting out delegated authorities for relevant individuals; and ensuring that decisions are made in line with these authorities.
- **Strategy and planning:** including ensuring compliance with applicable laws, regulations and administrative provisions; approving proposed spending in excess of the limits; reviewing and challenging the group strategy where it impacts NIED; approving NIED's strategy so that it is in line with the overall strategy set out by NIHL; challenging the overall re/insurance programme; approving NIED's risk strategy and risk appetite in line with NIHL's prescribed risk appetite; reviewing and challenging reports on progress against the plan and risk appetite; and playing a key role in NIED's Stress and Scenario Testing process (including reverse stress testing) as part of the planning process including involvement in the scenario identification and approving key management actions.
- **Governance and Policies:** approving material changes to the governance structure in relation to NIED; owning the Enterprise Risk Management ("ERMF") and Own Risk and Solvency Assessment ("ORSA") frameworks; reviewing and approving key policies and framework documents; approving 'critical or important' outsourcing arrangements; approving significant changes to the accounting policies and practices; approving new members to the Board; and reporting to NIHL's Board.
- **Risk Management and Internal Control:** establishing an effective ERMF for NIED; ensuring the suitability, effectiveness and proportionality of the risk management arrangements and approving risk appetite; reviewing, challenging and signing off the NIED's ORSA report(s); approving NIED's external reporting disclosures; determining the actions that are to be taken with respect to internal audit findings and recommendations, and ensuring that those actions are carried out; and identifying key issues affecting reputation, considering expectations of the stakeholders and sensitivity of the market place.

Day to day management

The roles, tasks and reporting lines of the individual functions are clearly defined and documented in NIED's policies and are aligned with the three lines of defence model.

The first line of defence consists of the business functions, which are responsible and accountable for identifying and assessing risks; ownership of controls, including design and operating effectiveness; and developing controls activities and supporting policies and procedures. The Actuarial function is considered to be part of the first line of defence within NIED's governance structure.

The second line of defence consists of risk and compliance functions and is responsible for measuring and monitoring risk exposures; identifying changes in the organization's risk appetite and tolerance; escalating critical issues, emerging risks and compliance with policies; developing embedding and maintaining risk management policies and frameworks;

and providing guidance and training related to risk and control activities to business functions and other stakeholders.

The third line of defence provides independent review and assurance regarding the efficiency and effectiveness of governance, risk management and internal control and is executed by Internal Audit.

Operational independence is maintained through appropriate reporting lines for each of the key functions as described in further detail in Sections B.3 through B.6.

The Board retains ultimate responsibility for the general governance, risk and control of NIED.

B.1.2 Material changes in the system of governance that have taken place over the reporting period.

There have been no changes in the system of governance over the period.

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

B.1.3.1 Remuneration policy for the administrative, management or supervisory body and employees

Nautilus has a group wide Remuneration Policy which has been adopted and approved by the NIED Board. The purpose of the policy is to apply remuneration policy and procedures:

- consistently across Nautilus group;
- in line with the group's business and risk management strategy, risk profile, risk appetite (objectives, measures and limits), risk management approach (policies, processes, procedures and systems) and long-term interests and performance of the group; and
- so that employees do not have a conflict of interest between their remuneration from Nautilus group and the performance of the operational units and areas under their remit or control.

There are no employees with remuneration linked to performance metrics, underwriting targets or risk exposures. Note that NIED does not have any direct employees.

Nautilus will reimburse all reasonable business expenses incurred by directors in attending Nautilus meetings. Directors follow the travel and expense policies laid out by their respective Member Firms.

There have been no changes in the remuneration policy over the period.

B.1.3.2 Description of the main characteristics of supplementary pension or early retirement schemes

NIED does not have any direct employees so pension and early retirement benefits are not applicable.

B.1.3.3 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

All NIED's business involves providing insurance to and purchasing reinsurance from related parties. Details of related parties operating expenses is provided in section A.4.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

On 1 October 2010, Part 3 of the Central Bank Reform Act 2010 introduced a harmonized statutory system for the regulation by the CBI of persons performing Controlled Functions ('CFs') and Pre-Approval Controlled Functions ('PCFs') in regulated financial service providers.

On 1 December 2011 the CBI issued the Fitness & Probity Standards under Section 50 of the Central Bank Reform Act 2010 (the 'Code') which all persons performing Controlled Functions or Pre-Approval Controlled Functions should, at a minimum, comply with.

Guidance for (Re)Insurance Undertakings on the Fitness & Probity Amendments 2015 further assist companies in complying with their obligations brought in by the Amending Regulation S.I. 545 2015 and Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).

B.2.2 Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions

In line with NIED's Fit and Proper ("F&P") Policy, an assessment of the fitness, propriety and good repute of Board members is carried out on an annual basis.

The latest assessment, conducted during FY2018, addresses amongst other things:

- knowledge of and experience in the industry;
- skills required for the role (strategic, financial, investments, actuarial, legal, regulatory, risk, internal controls, corporate governance, role and board skills);
- professional and academic qualifications;
- relevant training undertaken;
- capacity to perform responsibilities; and
- any criminal, financial and supervisory aspects regarding good repute.

The assessment was reviewed by the Group Compliance Officer to ensure that all the questions were answered in full, the questionnaire was signed off appropriately, and supported by adequate evidence, such as, resumes/bios.

NIED Board members have the appropriate knowledge, skills and experience to:

- provide sound and prudent management of their respective roles, duties allocated to them, or areas of expertise; and
- demonstrate, where applicable to the duties allocated to them and expected areas of expertise that they have appropriate experience in at least the areas of: financial markets (including reinsurance); business strategy and business model; system of governance; financial and actuarial analysis; and the regulatory environment.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk management system

NIED's Enterprise Risk Management Framework (ERMF) is comprised of three key elements, specifically:

- Governance and organization
- Risk processes and systems
- Information and reporting

Ultimate responsibility for risk management rests with the Board. However roles and responsibilities for effective day-to-day management have been defined as shown below.

Risk Category	Risk Owner
Insurance Risk (Underwriting and Reserving)	Chief Underwriting Officer
Insurance Risk (Claims)	Claims Counsel
Market Risk	Marsh (Finance)
Credit Risk	Marsh (Finance)
Operational Risk	Chief Risk Officer
Liquidity Risk	Marsh (Finance)
Strategic and Business Risks	Chief Risk Officer

The Company uses the Standard Formula to assess the solvency and capital requirements.

The Company performs an Own Risk and Solvency Assessment ("ORSA") at least annually. The main purpose of performing the ORSA is to ensure that the Company engages in a process of assessing all risks inherent in the business and determining the corresponding capital needs.

In order to ensure effective risk governance, the system has been designed to identify, assess, manage and monitor and report exposure to risk. This is a continuous process subject to continuous review and development.

B.3.2 Implementation of the risk management system

At least annually, the Chief Risk Officer co-ordinates an exercise to identify all risks that may impact the business. Once a risk is identified, it is assigned a risk category and a detailed description of the risk is recorded in the risk register.

The identified risks are then assessed based on likelihood and impact (in terms of both dollar amounts and non-financial aspects, such as political, regulatory and reputational consequences).

For each risk, risk mitigation activities are identified and documented in the risk register. The assessment noted above is completed both pre and post the application of risk mitigation activities. Exposure prior to the consideration of the risk mitigation activities is referred to as “inherent risk” and subsequent to risk mitigation activities as “residual risk”.

Risks are ranked based on the total scores and the “top risks” and are subject to detailed risk reporting and further consideration by Management, particularly where the risk exposure is deemed to fall outside of NIED’s risk appetite.

The risk register is reviewed at interim periods during the year at the Risk Management meetings. At these meetings, the Management team discuss and challenge the top risks, including changes in the risk profile, progress with action points, changes in the business, regulatory and economic environment and potential emerging risks.

The methodologies and approaches for assessing, monitoring and managing emerging risks are heavily dependent on the nature of the emerging risk; the potential impact and pending likelihood. Common approaches include: adding a new risk to the risk register; undertaking a deep dive into the emerging risk area; seeking input from internal or external data sources; developing a scenario based on the emerging risk for inclusion in the annual Stress & Scenario Testing exercise.

The outcome of these meetings is reported to the Board via the Risk Report by the Chief Risk Officer.

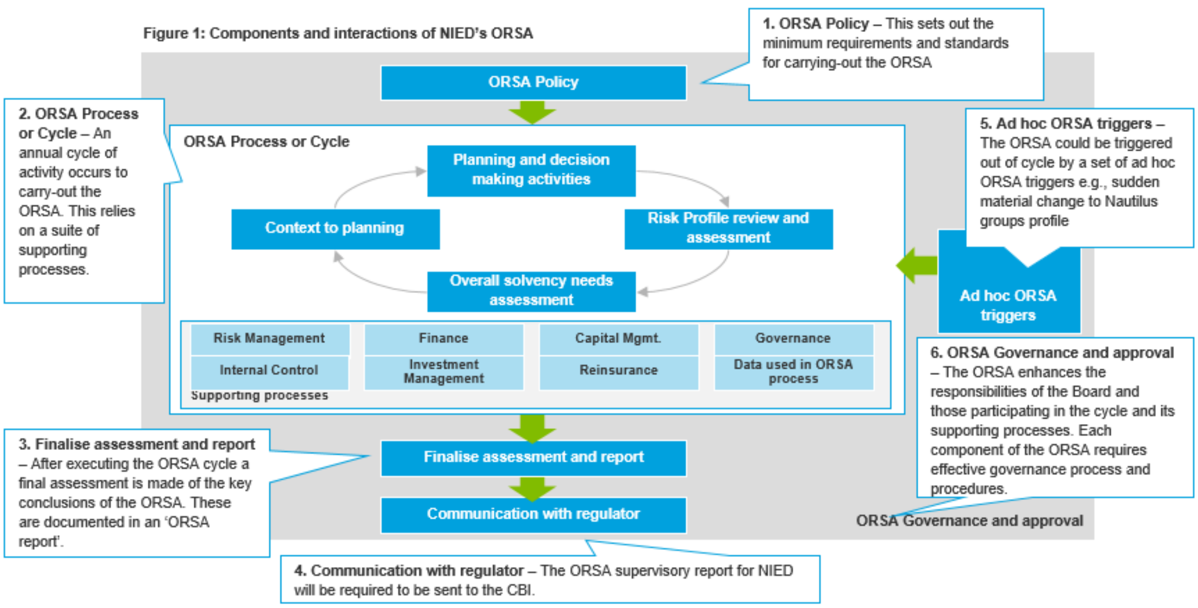
B.3.3 ORSA

B.3.3.1 ORSA process

NIED’s ORSA is a risk and solvency assessment that relies upon a set of processes that are required to operate continuously throughout the year, whose outcome is documented in a report and is a key tool for the Board and senior management to make strategic decisions. The ORSA is both backward and forward looking in nature and enables effective risk and capital management.

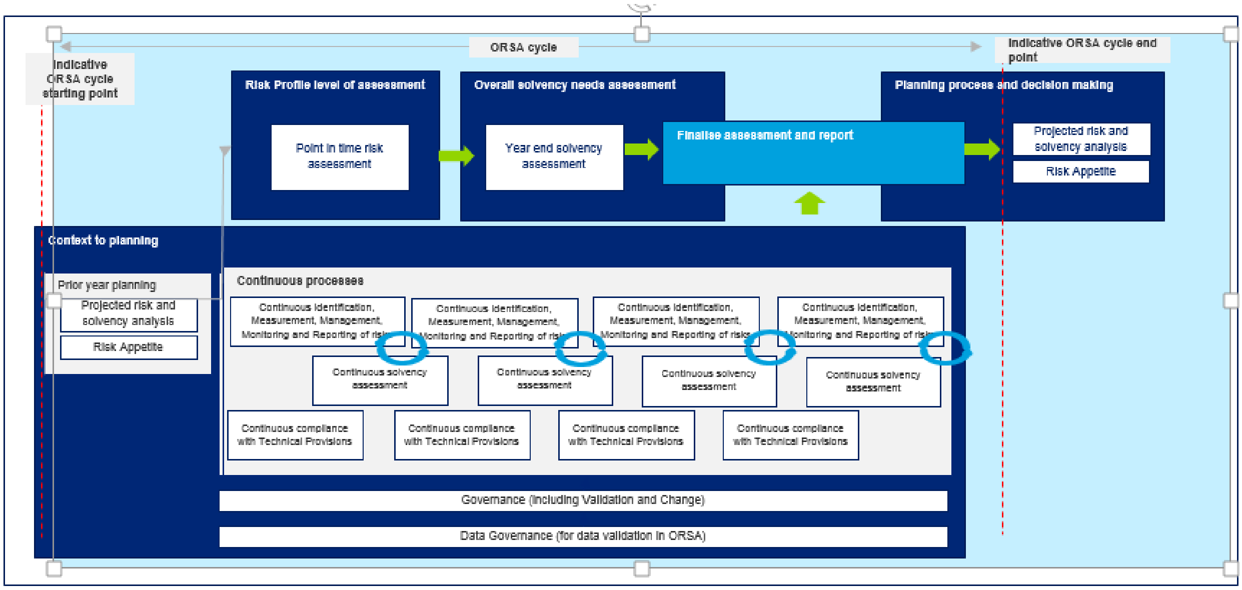
The full ORSA is conducted annually (or immediately after a material change to the internal or external environment in which NIED operates). It is subject to review, challenge and (if appropriate) approval by the Board. An ORSA update is provided to the Board during the year. The diagram sets out the components of the ORSA and how they interact.

Figure 1: Components and interactions of NIED’s ORSA



The risks faced by NIED are considered as part of the ORSA process and the capital position is projected in line with NIED’s five year business planning horizon to ensure the capital position is appropriate and sustainable. It also considers the quality of the capital and required level of capital under extreme but plausible stress scenarios.

The ORSA process is integrated into the decision-making processes of NIED through risk management actions taken as a result of the risk assessment processes, analysis of capital management options, consideration of potential new lines of business, insurance and reinsurance program design and the selection of risk management techniques.



B.3.3.2 ORSA review and approval process

The CRO is responsible for the ORSA process as documented in NIED's ORSA Policy. This policy also sets out the roles and responsibilities of the other lines of defense. The Board is responsible for reviewing and challenging the ORSA results.

ORSA is a continuous process and the CRO must ensure compliance at least twice a year or when there are significant changes to the business which would trigger an "out of cycle" report. The policy defines the types of events which could trigger an "ad-hoc" ORSA.

The ORSA report is subject to approval (at least annually) by the Board.

B.3.3.3 Statement explaining how the undertaking has determined its own solvency needs given its risk profile and how its capital management activities and its risk management system interact with each other.

As part of the ORSA process, the risks faced by the Company are considered and the capital position of the Company is projected in line with the 5 year business plan. This ensures that the capital position supports the business plan and the development of the risks faced. It also analyses the quality of the capital held and assesses the capital position under alternative scenarios. A number of qualitative and quantitative processes are utilized to assess the risks to which the Company is exposed. A range of stress and scenario tests are also employed to test the Company's exposure in stressed conditions.

The ORSA process is integrated into the decision-making processes of the Company through risk management actions taken as a result of the risk assessment processes, analysis of capital management options, the design of the insurance and reinsurance program and the selection of risk mitigation techniques.

It is the CRO's responsibility to ensure the outcome of the ORSA assessment and approval is fed back to the business in order to inform day to day business activity and decision making.

NIED submits its ORSA results via the CBI's prescribed reporting template for "Low" PRISM rated entities. The last submission was made in October 2017.

B.4 Internal Control System

B.4.1 Description of the internal control system

The Board has established an effective Internal Control Framework (ICF), in line with the business strategy and governance structure, that includes robust and efficient processes and daily control activities for key business activities in NIED and reduces NIED's exposure to risk, in particular operational risk.

The ICF supports NIED to have:

- effective and efficient business operations;
- reliable and timely financial and non-financial information;
- effective communication, monitoring and reporting mechanisms;
- compliance with local laws, regulations and administrative provisions;
- an efficient and effective Actuarial function and outsourced functions; and
- an independent and objective Internal Audit function.

B.4.2 Information on the undertaking's compliance policy

Nautilus has group wide Internal Control and Compliance policy which has been approved by the NIED Board and adopted by NIED management.

The Internal Control and Compliance policy sets out details of the system of controls and compliance function and the roles and responsibilities for effecting the policy. It is reviewed at least annually (or more frequently if there is a significant change to the business environment) and approved by the Board.

B.4.2 Implementation of the compliance function

NIED has a Compliance Officer. The Compliance function's role is set out in NIED's Internal Control and Compliance Policy. The Compliance function regularly advises the Board and the group on compliance with the local laws and regulations in Ireland and the administrative provisions (e.g. frameworks, policies, standards, process and procedural manuals, management information, delegated authorities).

The Compliance function is also responsible for assessing the possible impacts of any changes in the regulatory/legal environment on NIED's operations; identifying, measuring and managing compliance risk and reporting compliance risk issues to the Board and group; recording and investigating any compliance related incidents, and overseeing the remediation and follow up actions for any breaches of local laws and regulations by NIED; and at least annually (or immediately in the event of a material compliance issue) report to the Board on key compliance issues, such as changes in the refreshed annual Compliance Plan.

The Compliance function provides updates at each Board meeting on key regulatory matters and the progress of activities against the Compliance Plan. Updates are also provided regularly on the on-going effectiveness of the Internal Control framework.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

Internal Audit at NIED serves as a key line of defense in assessing management's governance and risk mitigation activities. Internal Audit provides independent validation and assurance complemented by valuable insight and consideration of leading industry practices.

There is an established Internal Audit Policy, outlining roles and responsibilities of the Internal Audit Function, as well as the roles and responsibilities of the Board and Management in relation to the Internal Audit process.

To achieve its objectives, Internal Audit has developed an Internal Audit plan that covers a 3 year time horizon. The current Nautilus group plan takes into consideration the current key organizational risks and associated processes, and further contemplates risks that are emerging as a result of the evolving insurance industry landscape and associated regulatory requirements, including Solvency II.

Internal Audit has a direct reporting line to the NIED Board which assists in ensuring the independence of the Internal Audit Function. Internal Audit is independent from the activities it reviews and is implemented through the following processes:

- The Internal Audit function is managed by the Head of Internal Audit (a PCF role) who is an outsource service provider and has no responsibility for any other function across the business. All Internal Audit staff report to the Head of Internal Audit.

- Internal Audit provides regular reporting to the Board. Reports include an update on performance against the audit plan, key issues and themes arising from audits and follow-up on Management's remediation of Internal Audit issues.

- An audit plan is created annually following a risk assessment, which includes a review of the group's risk profile, strategic objectives and operating environment. This helps identify the areas of risk management and internal control that Internal Audit should prioritize for review. The audit plan is flexible and is reviewed during the year to ensure it continues to remain relevant.

- In determining the proposed audit plan, the Head of Internal Audit also considers relevant work that will be performed by other areas, e.g. Risk and Compliance, in order to minimize duplication of effort and to mitigate against any assurance gaps.

Internal Audit deploys a comprehensive risk-based approach to audit coverage with an audit universe that captures the importance of governance and regulation, as well as the key business processes, technology and new projects that impact the group and subsidiaries.

B.5.2 Independence of the internal audit function

Members of the Internal Audit function do not assume any other roles within NIED, including any other key functions.

B.6 Actuarial function

NIED's Actuarial function is outsourced to Oliver Wyman, a globally recognized and credible actuarial consulting firm. Jeff Trichon has been appointed as Head of Actuarial Function for NIED and is approved by the CBI in this role. Jeff is a Fellow of the Casualty Actuarial Society; a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries in Ireland and meets the qualification and continued education standards required for these professional bodies.

The Actuarial function reports to the Board. Mr. Trichon submits a written report to the Board at least annually, documenting all tasks that have been undertaken by the Actuarial function and the outcomes of those tasks.

Review and testing of the Actuarial function is carried out independently through the Internal Audit function or independent advisers.

Through NIED's Outsourcing Policy and the contractual agreements in place, Oliver Wyman is required to comply with all applicable laws, regulatory requirements, jurisdictional requirements, guidelines and policies approved by NIED's Board and to cooperate with NIED's supervisory authority with regard to the outsourced functions or activities.

A performance evaluation is completed by the CUO at least annually and reappointment of Oliver Wyman as the Actuarial function is reviewed and, if appropriate, approved annually.

Within NIED, the Actuarial function is responsible for:

- developing suitable actuarial methodologies to assist in the measurement of risk exposures;
- assisting in the underwriting and reinsurance processes; and
- coordinating the calculation of the technical provisions.

In addition, the Actuarial function assesses:

- the appropriateness of the methodologies and assumptions used in the calculation of the technical provisions for the specific lines of business and for the way the business is managed, considering the availability of the data;
- consistency of the internal and external data used in the calculation of technical provisions against the data quality standards set out in NIHL's 'Data Governance Policy' and, where relevant, provide recommendations on internal procedures to improve data quality so as to ensure that NIHL and its subsidiaries are in a position to comply with the related requirement when implemented;
- whether the information technology systems used in the calculation of the technical provisions sufficiently support the actuarial and statistical procedures; and
- quality of past best estimates used when comparing best estimates against experience.

The Actuarial function provides an opinion on the ORSA process, including his assessment of the range of risks considered in the ORSA; the range of stress and scenario tests included in the ORSA; any material limitations of the stress and scenario testing carried out; the timeline covered within the ORSA and whether it enables the undertaking to identify and assess long and short term risks; the method used to calculate the SCR for projection over multiple years in the ORSA; and the suitability of the risk measure and confidence level used in the determination of the undertaking's overall solvency needs.

B.7 Outsourcing

B.7.1 Information on the use of outsourcing of critical or important operational functions

Given the nature of NIED’s business and the size of the management team, the Board has approved the use of outsource service providers to support day to day operations.

This approach is appropriate given the nature, scale and complexity of NIED’s operations; allows management to access specific technical expertise when required and is consistent with the operating models of NIED’s peers.

NIED has a Board approved Outsourcing Policy which sets out the minimum requirements for what is required and what must be carried out to apply outsourcing arrangements consistently across NIED and the Nautilus group.

Specifically the policy covers: outsourcing review and approval requirements; sole sourcing and tender process; outsource provider quality criteria; risk assessment; contract requirements; evaluation of performance; reappointment of outsource providers; notifications and the responsibilities for carrying out the minimum requirements of the policy.

Activity	Outsource provider/ External Advisor	Location
Actuarial	Oliver Wyman	USA
Compliance	Marsh Dublin	Ireland
Insurance management	Marsh Dublin	Ireland
Internal Audit	Deloitte Canada/Ireland	Canada/Ireland
IT support*	Marsh Dublin/ Deloitte Bermuda	Ireland/Bermuda
Portfolio management	GAM	UK

**(including data storage and business recovery)*

B.8 Assessment of the adequacy of the system of governance of the insurance or reinsurance undertaking to the nature, scale and complexity of the risks

The system of governance is considered to be appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business.

B.9 Any other material information regarding the system of governance of the Company

There is no other material information regarding the system of governance.

C. RISK PROFILE

C.1 Underwriting risk

C.1.1 Material underwriting risks

NIED is exposed to underwriting (or insurance) risk as it writes Professional Indemnity insurance for the insureds to allow them to carry out their business.

Due to the low frequency, high severity, long tailed nature of Professional Indemnity business, reserve risk is the largest component of the underwriting risk charge.

The take on of additional underwriting risks (i.e. through the provision of additional limits or coverages) is only permitted where it is consistent with Nautilus group stated strategic objectives and is within NIED's stated risk appetite.

The Chief Underwriting Officer is responsible for monitoring and managing underwriting risk. The ORSA process is an integral part in assessing any proposed enhancements and extensions to the program.

During the year, NIED's Professional Indemnity program was extended to explicitly include comprehensive cyber coverage. However, given the structure of the insurance and reinsurance program, this does not significantly alter NIED's underwriting risk exposure.

C.1.2 Risk concentrations

NIED is a mono-line insurer providing insurance to the insureds only. Hence it is exposed to risk concentrations in terms of the line of business; policyholders and geographies in which it writes business.

C.1.3 Assessment and risk mitigation techniques used for underwriting risks

NIED assesses its underwriting risk charge using the Solvency II standard formula. The measurement method is unchanged during the year.

Limits and retentions: The group regularly reviews its limits and retentions to ensure its insurance program meets member firm needs and to ensure it is able to manage its potential exposure to claims, relative to its available capital. NIED's net exposure is limited through the inter-company reinsurance which is in place. Management believes that underwriting risk is appropriately managed and no additional controls are required.

Reinsurance: The majority of NIED's exposure is reinsured with NRe (a Nautilus group entity). The Nautilus group is well capitalized.

Use of appropriately qualified experts: Claims assessment and reserving is highly subjective and heavily dependent on the application of expert judgment. NIED employs suitably qualified and experienced individuals in the roles of Claims Counsel and the Actuarial function. Specifically the role of Actuarial Function is outsourced to Oliver Wyman, a globally recognized and credible actuarial consulting firm. Jeff Trichon has been appointed as Head of Actuarial Function for NIED. Jeff is a Fellow of the Casualty Actuarial Society; a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries in Ireland and meets the qualification and continued education standards required for these professional bodies. We also engage external legal counsel, where appropriate, to assist with case reviews and claims assessments.

Governance & independent validation: NIED has a strong governance framework. In addition to limits and retentions, the premium setting methodology, assumptions, base rates and premiums are reviewed by the Group Board and its Underwriting Committee for reasonableness prior to being presented by management to the NIED Board for approval on an annual basis. Regular claims reports, including assessment of large claims, are presented to the Board. The methodology and assumptions underlying the calculation of NIED's capital requirements and IBNE reserves are reviewed and challenged by management before presentation to the Board for approval. These controls are considered to operate effectively.

C.1.4 Risk sensitivity

Underwriting risk exposure is sensitive to the actual and forecast frequency and severity of claims. Professional indemnity insurance is extremely long tailed and high severity, low frequency in nature. This means that claims can take many months, if not years to develop. In addition, claims experience tends to be "lumpy" in nature. It is therefore not unusual to observe large movements year on year. The risk is somewhat mitigated in NIED on a net basis through its purchase of inter-group reinsurance which limits net losses in a given policy year.

Per the financial statements, a 10% increase in the cost of net claims outstanding would have decreased 2018 income by $4.0m (2017: $3.9m). Assuming a one year decrease in the expected payment pattern of net claims outstanding would reduce 2018 income by $0.7m (2017: $0.4m).

The underwriting risk exposure is also sensitive to future interest rates (as liabilities are discounted); and the limits and retentions purchased by each of the member firms.

The net impact of a 1% increase in the average discount rate used in calculating the net insurance liabilities is an increase in 2018 income by circa $2.0m (2017: $2.0m). This comprises of a $19.7m (2017: $16.4m) favorable impact as a result of reduced liabilities net against a $17.7m (2017: $14.4m) reduction in reinsurance assets.

C.2 Market risk

C.2.1 Material market risks

NIED accepts market risk through its investment portfolio and in accordance with its stated objectives as set out in its Board approved Investment Policy Statement.

NIED invests in only cash and sovereign bonds. All asset positions are hedged back to USD using forward currency contracts. Although NIED's policies are written in USD, claims may (and are) presented and paid in other currencies. NIED therefore has a potential currency exposure on its net liabilities. After currency risk, interest rate risk is the largest component of the market risk charge.

NIED does not have any equity or property risk charges.

C.2.2 Prudent person principle applied to market risks

The Company invests all assets in accordance with the prudent person principle whose risks can be properly monitored, managed and controlled.

C.2.3 Risk concentration

NIED has a risk concentration due to the single asset class (excluding cash) that it invests in. However diversification is maintained by investing in a range of high quality global bonds.

C.2.4 Assessment and risk mitigation techniques used for market risks

NIED assesses its market risk charge using the Solvency II standard formula. The measurement method is unchanged during the year.

In calculating NIED's solvency capital requirement, it is assumed that a portion of the net liabilities are payable in Euro. This results in a currency risk charge which appropriately reflects the potential exposure to NIED.

Annually the Board reviews and approves the investment strategy, guidelines and goals to make sure that the asset allocation is in line with the appetite. The Board reviews the investment exposures at each of its meetings. NIED maintains a conservative investment portfolio.

C.2.5 Risk sensitivity

The market risk exposure is sensitive to changes in interest rates. The impact on NIED's bond funds of a 1% increase in average interest rate is a $3.4m reduction in 2018 income (2017: $3.9m).

C.3 Credit risk

C.3.1 Material Credit risks

NIED accepts the credit risk under its inter-company reinsurance arrangements as long as it is within the risk appetite set by the Board. Collateral is posted in respect of the reinsurance and the agreements specify minimum requirements in terms of the quality and quantity of assets used.

The nature of the credit risk exposure is unchanged during the year.

C.3.2 Risk concentration

NIED's underwriting exposure is largely reinsured by Nautilus Re ("NRe"), a subsidiary of NIHL. As such, the financial strength of the group is key to NIED's solvency position. The group is very well capitalized. In addition, collateral of specified quality and quantity is held in respect of the reinsurance recoverable. The exposure to credit risk is therefore managed for NIED.

C.3.3 Assessment and risk mitigation techniques used for credit risks

NIED assesses its credit risk charge using the Solvency II standard formula. The measurement method is unchanged during the year.

The Board monitors the credit strength of the group. Collateral is posted in respect of the reinsurance and the agreements specify minimum requirements in terms of the quality and quantity of assets used. Should a large loss occur and/or the posted collateral fall below the minimum required amount, NIL/NRe would be required to post additional collateral, as specified in the collateral agreements.

C.3.4 Risk sensitivity

As discussed above, NIED's credit risk exposure is sensitive to the capital strength of Nautilus group.

C.4 Liquidity risk

C.4.1 Material liquidity risks

NIED accepts liquidity risk through its investment portfolio. It is also exposed to liquidity risk from paying a large claim without the access to reinsurance. Liquidity management activities are designed to be risk averse as Nautilus group is not willing to be exposed to significant liquidity risk.

The nature of the liquidity risk exposure is unchanged during the year.

C.4.2 Risk concentration

Due to the inter-company reinsurance in place, NIED's ability to pay large claims is reliant on the availability of reinsurance recoveries from NRe. NRe continues to maintain a high level of liquidity within its investment portfolio. Further the reinsurance agreement includes a "follow the fortune" clause and requires NRe to pay claims as they fall due.

As claims take several months if not years to settle, there is not the same exposure to liquidity risk as other financial institutions (such as a bank or direct writer of personal lines (i.e. homeowners, auto, etc.)) might experience.

C.4.3 Assessment and risk mitigation techniques used for liquidity risks

NIED maintains a highly liquid investment portfolio comprised mainly of sovereign bonds. The group monitors cashflow requirements on a monthly basis and ensures that sufficient liquidity is maintained in the asset portfolio.

C.4.4 Risk sensitivity

As discussed above, NIED's liquidity risk exposure is sensitive to the level of liquidity maintained in the group investment portfolio.

C.5 Operational risk

C.5.1 Material operational risks

NIED must accept operational risk as a consequence of the business processes in place (both in-house and outsourced) provided the operational risk exposure is within the accepted tolerance of the Board. NIED must transfer or mitigate operational risk where possible in a cost-effective manner.

The nature of the operational risk exposure is unchanged during the year.

C.5.2 Risk concentration

Due to the small management team and the reliance on outsourcing arrangement, many of NIED's operational risks are people related (i.e. key person reliance; loss of key outsourcer etc.).

C.5.3 Assessment and risk mitigation techniques used for operational risks

Management has reviewed the operational risk charge implied by the standard formula approach and has concluded it appropriately reflects the operational risks associated with NIED's business. This approach is unchanged from last year.

Risk exposures continue to be discussed and monitored through the quarterly Risk Management meetings and progress is reported to the Board through the risk reporting and compliance assessments.

NIED has an independent Internal Audit function which performs independent reviews and assessments of all elements of the NIED business in line with the Internal Audit Policy. The FY 2018 to 2020 Internal Audit plan takes into consideration the current key organizational risks and associated processes, and further contemplates risks that are emerging as a result of the evolving insurance industry landscape and associated regulatory requirements, including Solvency II. Internal Audit's performance was assessed in May 2018 with no significant issues noted.

C.5.4 Risk sensitivity

NIED's operational risk exposure is sensitive to the internal and external environments in which it operates.

C.6 Other material risks

C.6.1 Strategic & Business risk

C.6.1.1 Material strategic & business risks

NIED's strategy and business operations must be designed to be consistent with those of Nautilus group and support the insureds.

NIED must not take on strategic and business risk which is inconsistent with the Board approved strategic 5 year plan. NIED must minimise its exposure to strategic and business risk where possible in a cost-effective manner.

The nature of the strategic & business risk exposure is unchanged during the year.

C.6.1.2 Risk concentration

NIED's strategy and business operations must be designed to be consistent with those of Nautilus group and support the insureds.

C.6.1.3 Assessment and risk mitigation techniques used for strategic & business risks

A key control is NIED's governance structure. All business decisions are supported in full by material prepared by the relevant function of the business (i.e. claims, underwriting etc.). Where decisions are particularly complex or the Board feels that it does not have the relevant expertise, external advisers are appointed in order to assist in the decision making. The ORSA is considered as part of risk based decision making to ensure full assessment of NIED's risk profile.

C.6.1.4 Risk sensitivity

NIED's risk exposure is sensitive to the changing economic, political, legal and regulatory landscape. Examples include: application of sanctions; political change and considerations regarding off-shore jurisdictions. These risks require continuous monitoring and actions are currently in place to assess and manage the risk exposure to NIED.

C.6.2 Group risk

C.6.2.1 Material group risks

NIED has exposure to group risk due to the operating structure of the organization and, in particular, the design of the reinsurance program.

The nature of the group risk exposure is unchanged during the year.

C.6.2.2 Risk concentration

NIED's ability to meet its obligations on a gross basis is heavily dependent on the financial strength of NRe and NIL.

C.6.2.3 Assessment and risk mitigation techniques used for group risks

NIED holds collateral in respect of its reinsurance exposure with NRe and monitors the group solvency position.

C.6.2.4 Risk sensitivity

The NIED Board reviews the results of the Group's Stress and Scenario Testing (S&ST) in order to assess NIED's exposure to Group risk and readiness and ability to respond to extreme events.

NIED had adopted a three year cycle for its S&ST; that is a full exercise to identify and assess scenarios is conducted every three years with a "refresh" being performed in interim years.

The last full exercise was conducted as at May 31, 2016. For the 2018 refresh, scenarios involving a failure of commercial reinsurer during economic downturn that also results in increased claims to NIHL and loss arising from a cyber attack on the network were considered.

The exercise demonstrates the Group is appropriately capitalized and is able to withstand extreme but plausible events.

C.7 Amount of expected profit included in future premiums as calculated in accordance with Article 260(2)

As at May 31, 2018, the expected profit in future premiums (EPIFP) is nil (2017: $0.3m). This is calculated as the premium charged in excess of the best estimate of the losses.

C.8 Any Other Information

No other information to disclose.

D. VALUATION for SOLVENCY PURPOSES

General valuation principles

The valuation of assets and liabilities pursuant to Solvency II is based on economic and market consistent principles. The assets and liabilities are therefore valued as follows:

- Both assets and liabilities are valued according to the amount at which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- The fair value of money should be reflected – i.e. all cashflows are discounted to allow for the time value of money.
- When valuing liabilities, no value adjustments are made in order to account for the creditworthiness of the insurance or reinsurance company.
- The valuation assumes that the Company will continue as a going concern.
- Concepts of materiality apply. Simplification may be applied when the method is deemed appropriate for the nature, scale and complexity of the inherent risk.

The underlying principles used for determining the market values of assets and liabilities (with the exception of the technical provisions) are as defined under the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board and as adopted by the EU, and in accordance with the provisions of the Companies Act 2014.

The technical provisions comprise of a Best Estimate Liability (BEL) plus a risk margin (RM). The BEL is calculated using a discounted cash flow approach. As prescribed under Solvency II, the risk margin is calculated using a Cost of Capital approach.

Further information regarding the valuation of the Solvency II balance sheet is given below.

D.1 Assets

Due to the simplistic nature of NIED's investment portfolio there are no significant judgments applied in the valuation of assets.

There have been no changes in the valuation methods used during the period.

	Assets $M			
	2018		**2017**	
	Solvency II	**IFRS**	**Solvency II**	**IFRS**
Reinsurance assets	278.9	328.8	*223.6*	*284.2*
Insurance and other receivables	1.0	1.0	*0.8*	*1.3*
- Bonds	*89.3*	*88.8*	*90.7*	*90.1*
- Derivative financial instruments	*1.2*	*1.2*	*-*	*(0.9)*
- Other	*6.0*	*6.0*	*2.1*	*2.1*

Total investments	96.5	96.1	*92.8*	*91.3*
Any other assets	0.7	1.0	-	-
Total assets	377.1	426.9	317.2	376.9

D.1.1 Reinsurance assets

The difference in the valuation of reinsurance assets arises due to the difference to the approach in calculating the technical provisions under Solvency II compared with the current reserving practices under IFRS. This is discussed further in section D.2.

D.1.2 Insurance and other receivables

Insurance and other receivables are stated at fair value for Solvency II purposes. Given that these assets are relatively short term in nature, the carrying amount of receivables is a reasonable approximation for fair value.

D.1.3 Bonds

NIED adopts a conservative investment portfolio and all assets are held in either sovereign bonds or cash. Sovereign bonds are valued on the basis of quoted prices derived from active markets. During the year, “accrued interest” has been reclassified in the IFRS balance sheet. There is therefore a difference of $447k between the Solvency II and IFRS value of the bonds ($530k at 2017).

D.1.4 Derivative financial instruments

The Company enters into derivative financial instruments, comprising of forward foreign currency contracts to manage the exposure to foreign exchange risk within the bond portfolio. These contracts are measured at fair value under IFRS and Solvency II.

Note that for purposes of Solvency II, the derivative position as at May 31, 2017 was reclassified as a liability.

D.1.5 Deferred tax asset

In the IFRS financial statements, deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that is it probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are measured at the tax rates that are expected to be apply in the period in which the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by enacted by the statement of financial position date.

A deferred tax asset under Solvency II and IFRS is recognized only to the extent that it is probably that future tax profits will be available against which the asset can be utilized.

The Company has not recognized any deferred taxes under IFRS or SII.

D.2 Technical Provisions

D.2.1 Solvency II valuation of technical provisions

The Solvency II technical provision is comprised of a BEL and a RM.

D.2.1.1 Best Estimate of Liabilities

The Solvency II BEL is comprised of a provision for claims outstanding (PCO) and a premium provision (PP). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the provision relating to future exposure from policies that NIED is obligated to at the valuation date. This includes the profit or loss underlying the unearned portion of policies already written and policies that have been bound but which have not yet incepted (BBNI).

D.2.1.2 Risk Margin

The RM represents the additional amount required over and above the best estimate that another insurer ("the reference undertaking") requires in order to assume the liabilities at the valuation date in an open market. The risk margin represents the "compensation" required to cover the uncertainty associated with these liabilities.

D.2.1.3 Reinsurance

Claims and premium provisions are calculated gross of outwards reinsurance and for reinsurance. The risk margin is calculated net of reinsurance.

Management calculate the claims and premium provisions on both a gross and net basis. The difference is assumed to represent the claims and premium provisions for the reinsured exposure. The net cashflows are determined after application of the inter-company reinsurance programs purchased by NIED.

D.2.1.4 Discounting

The technical provisions are discounted using the rates published by EIOPA each month.

The relevant rates are sourced from https://eiopa.europa.eu/regulation-supervision/insurance/solvency-ii-technical-information/risk-free-interest-rate-term-structures.

NIED does not use any transitional measures, the volatility adjustment or the matching adjustment so the technical provisions are discounted using the basic risk-free rate.

D.2.1 Local GAAP and Solvency II Valuations

NIED only writes Professional Indemnity business. As at May 31, 2018, the calculated technical provisions were:

$M		
	2018	2017
Gross Best Estimate	319.1	263.4
Reinsurance Recoverable	(278.9)	(223.6)
Net Best Estimate	40.2	39.8
Risk Margin (RM)	5.8	5.6
Net Technical Provisions inc RM	46.0	45.4

D.2.2 Uncertainty associated with the value of Technical Provisions

The technical provisions are sensitive to:

- Frequency and severity of actual claims relative to expected
- Level of expenses
- Level of profit assumed in premiums written
- Timing of cashflows
- EIOPA interest rates used to discount cashflows
- Selected approach for calculating the risk margin

As there are no options or guarantees offered by NIED, there are no assumptions relating to policyholder behavior in the calculation of the technical provisions.

D.2.3 Solvency II and local GAAP valuation differences of Technical Provisions by material line of business

The Solvency II technical provisions compare with gross claims liabilities of $368.3m (2017: $323.0m) and a reinsurance recoverable of $328.8m (2017: $284.2m), resulting in a net claims liability of $39.5m (2017: $38.8m) under IFRS. The differences relate to:

- IFRS unpaid liabilities are discounted based on US STRIPs rates while Solvency II unpaid liabilities are discounted using interest rates specified by EIOPA.

- The IFRS risk margin is calculated as the difference between the 75th percentile and expected value of discounted unpaid liabilities while the Solvency II risk margin is calculated based on a cost of capital approach using the SCR and a 6% cost of capital.
- The Solvency II technical provision includes an expense reserve while no such provision is included on an IFRS basis.

D.2.4 The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

D.2.5 The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

D.2.6 The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

D.2.7 The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.2.8 Recoverables from reinsurance and special purpose vehicles

The reinsurance is recoverable from NIED's inter-company contracts with NIL and NRe.

D.3 Other liabilities

D.3.1 Other payables/liabilities

As at May 31, 2018 the value of other liabilities was minimal. The balances related to $351k (2017: $450k) of accrued expenses and trade payables of $759k (2017: $0k).The IFRS values of these amounts are used for Solvency II reporting purposes. The carrying amount of other payables and accrued expenses is deemed to be a reasonable approximation to fair value given the short term nature of the obligations.

There are no key judgements in the calculation of other liabilities.

D.4 Alternative Methods for Valuation for other liabilities

NIED does not adopt any alternative valuation methods.

D.5 Any Other Information

No other information to disclose.

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

NIED has a Board approved capital management risk appetite statement and a specified range in which it aims to maintain its solvency ratio. The Board approved capital management plan sets out the actions or considerations that management and the Board must undertake should the solvency ratio fall outside of this target range.

The target range represents the capital ratio that Management believes it should maintain in order for NIED to support its business plan over the medium term planning horizon and to be able to withstand severe but reasonably expected shocks, taking into consideration the nature scale and complexity of its business.

The own funds are categorised into three tiers, according to their capacity to absorb losses. Own fund items included in Tier 1 are of the highest quality, is available when required and can fully absorb losses under all circumstances, including on a going-concern, run-off, wind-up and insolvency. Tier 2 includes other capital instrument that, to varying degrees fall short of the quality of Tier 1 capital, but nonetheless provide protection. Tier 3 meets, on a limited basis, some of the characteristics exhibited in Tiers 1 and 2 but has full subordination on winding-up.

The time horizon used for business planning is five years, which aligns with the ORSA and the business plan.

E.1.2 Own funds analyzed by tiers

Own funds as at May 31, 2018 of $46.6m (2017: $46.4m) is comprised solely of Tier 1 unrestricted capital. This is consistent with NIED's conservative investment strategy and is unchanged from May 31, 2017. There were no dividends or other distributions to shareholders during the period.

There are no planned changes to the level or nature of own funds over the five year projection period. Specifically there are no plans to raise additional own funds or repay or redeem any own fund item at this time.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

$M		
	2018	2017
Tier 1	46.6	46.4
Tier 2	-	-
Tier 3	-	-
Total eligible own funds to meet SCR	46.6	46.4

None of the Tier 1 own funds is restricted capital. There is an upper limit of 15% of the SCR of the amount of Tier 3 capital that can be used to cover the SCR.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The eligible amount of basic own funds to cover the MCR is below:

$M		
	2018	2017
Tier 1	46.6	46.4
Tier 2	-	-
Total eligible own funds to meet MCR	46.6	46.4

There are currently no ring-fenced funds or restrictions on capital fungibility.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

The excess of assets over liabilities per the Solvency II balance sheet is $46.6m (2017: $46.4m) compared with IFRS equity of $53.0m (2017: $53.0m). The reconciliation between IFRS equity and Solvency II relates to difference between the calculation of the

IFRS reserves and the Solvency II technical provisions – specifically the amount of risk margin, allowance for Solvency II expenses, premium provision and discount rate.

	$M					
		2018			***2017***	
	SII	**IFRS**	**Diff**	***SII***	***IFRS***	***Diff***
Assets (exc reinsurance recoverables)	98.1	98.1	-	*93.6*	*92.7*	*0.9*
Reinsurance recoverable	278.9	328.8	(49.8)	*223.6*	*284.2*	*(60.6)*
Total assets	*377.1*	*426.9*	*(49.8)*	*317.2*	*376.9*	*(59.7)*
Liabilities (exc claims liabilities)	5.6	5.6	-	*1.8*	*0.9*	*0.9*
Claims liabilities	319.1	368.3	(49.1)	*263.4*	*323.0*	*(59.6)*
Solvency II risk margin	5.8	-	5.8	*5.6*	-	*5.6*
Total liabilities	*330.5*	*373.9*	*(43.4)*	*270.8*	*323.9*	*(53.1)*
Assets – Liabilities	***46.6***	***53.0***	***(6.4)***	***46.4***	***53.0***	***(6.6)***

The reconciliation reserve equals the total Solvency II excess of assets over liabilities reduced by share capital and capital contribution. The reconciliation reserve is $(3.4)M (2017: $(3.6)M).

	$M	
	2018	2017
Assets over liabilities	46.6	46.4
Ordinary share capital	(1.0)	(1.0)
Initial funds	(49.0)	(49.0)
Reconciliation reserve	***(3.4)***	***(3.6)***

E.1.6 None of the Company's own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC.

E.1.7 There are no own funds classified as Tier 3.

E.1.8 No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total SCR and MCR at May 31, 2018:

	May 31, 2018 ($000s)	May 31, 2017 ($000s)
SCR	21,851	20,631
Total Equity (Solvency II)	46,555	46,365
Solvency Ratio	213%	225%
MCR	5,463	5,158
MCR Coverage Ratio	852%	899%

NIED meets both its SCR and MCR at May 31, 2018.

The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

NIED uses the standard formula in the calculation of each of the sub-risk modules. Diversification benefit between risk categories is calculated as prescribed in the standard formula calculation.

The table below shows the SCR components by risk module as at May 31, 2018:

	May 31, 2018 ($000s)	May 31, 2017 ($000s)
Market Risk	6,739	6,650
Underwriting Risk	13,139	12,704
Counterparty Default Risk	1,145	246

Diversification Benefit	(4,214)	(3,730)
BSCR	**16,809**	**15,870**
Operational Risk	5,043	4,761
SCR	**21,851**	**20,631**
Total Equity (Solvency II)	**46,555**	**46,365**
Solvency Ratio	**213%**	**225%**
MCR	**5,463**	**5,158**
MCR Coverage Ratio	**852%**	**899%**

The movement in the Solvency ratio over the year is primarily due to the increase in the counterparty default risk charge. This is a function of the level of collateral held at May 31, 2018 relative to the reinsurance recoverable.

E.2.3 Simplified calculations are not used for any of the risk modules or sub-modules.

E.2.4 NIED does not use any undertaking-specific parameters pursuant to Article 104(7) of the SII Directive in the calculation of the standard formula.

E.2.5 The Minimum Capital Requirement is calculated using the Standard Formula specifications.

The Minimum Capital Requirement is calculated as a linear function of NIED' net technical provisions (excluding the risk margin) and the net premiums written.

It is subject to a floor of 25% of the SCR and a cap of 45% of the SCR. The floor current applies as at May 31, 2018.

The table below shows the inputs into the MCR calculation as at May 31, 2018.

	2018 ($000s)	**2017 ($000s)**
Net Technical Provisions ex Risk Margin	40,200	39,805
Net Premium Written	6,692	6,769
MCR	**5,017**	**4,987**
MCR (subject to floor)	**5,463**	**5,158**
SCR	21,851	20,631
Floor	**5,463**	**5,158**
Cap	**9,833**	**9,284**

E.2.6 The Solvency Capital Requirement and Minimum Capital Requirement have reduced over the year as a result of the simplification of NIED's investment portfolio and hence the reduction in market risk exposure.

E.3 Any use of the equity risk sub-module in the calculation of the Solvency Capital Requirement.

The Company has not opted to use the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC.

E.4 Differences between the standard formula and any internal model used

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.

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

There were no breaches of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any other information

There are no other material matters in respect of the valuation of capital management.

Glossary

Acronym	Term
ARC	Audit & Risk Committee
BMA	Bermuda Monetary Authority
CBI	Central Bank of Ireland
CC	Claims Counsel
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO	Compliance Officer
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
DAC	Designated Activity Company
DTTL	Deloitte Touche Tohmatsu Limited
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not in Data
EPIFP	Expected Profit in Future Premium
ERMF	Enterprise Risk Management Framework
ESG	Economic Scenario Generator
EU	European Union
GAM	Global Asset Management
IBNE	Incurred But Not Evaluated reserves
IECM	Internal Economic Capital Model
IFRS	International Financial Reporting Standards
IPS	Investment Policy Statements
IT	Information Technology

LPT	Loss Portfolio Transfer
MCR	Minimum Capital Requirement
NIC	Nautilus Investment Company
NIED	Nautilus Indemnity (Europe) Designated Activity Company
NIHL	Nautilus Indemnity Holdings Limited
NIL	Nautilus Indemnity Limited
NRe	Nautilus Reinsurance Limited
ORSA	Own Risk Solvency Assessment
OW	Oliver Wyman
PCF	Pre-approval Controlled Functions
PII	Professional Indemnity Insurance
PIM	Partial Internal Model
PRISM	Probability Risk and Impact SysteM
QRT	Quantitative Reporting Template
RAG	Red Amber Green Status
RM	Risk Margin
RSM	Reserve Simulation Model
S&ST	Stress & Scenario Testing
S2, SII	Solvency II
SAA	Standard Actuarial Analysis
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SSM	Stochastic Simulation Model

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	90,592
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	89,265
Government Bonds	**R0140**	89,265
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	1,327
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	278,946
Non-life and health similar to non-life	**R0280**	278,946
Non-life excluding health	**R0290**	278,946
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	137
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	6,817
Any other assets, not elsewhere shown	**R0420**	667
Total assets	**R0500**	377,159

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	324,897
Technical provisions – non-life (excluding health)	**R0520**	324,897
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	319,146
Risk margin	**R0550**	5,751
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	108
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	5,248
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	351
Total liabilities	**R0900**	330,604
Excess of assets over liabilities	**R1000**	46,555

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**										
		Medical expense insurance	Income protection insurance	Workers' 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	Miscellaneous financial loss	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0120**	**C0200**
Premiums written												
Gross - Direct Business	**R0110**								36,175			36,175
Gross - Proportional reinsurance accepted	**R0120**											0
Gross - Non-proportional reinsurance accepted	**R0130**											
Reinsurers' share	**R0140**								29,483			29,483
Net	**R0200**								6,692			6,692
Premiums earned												
Gross - Direct Business	**R0210**								36,175			36,175
Gross - Proportional reinsurance accepted	**R0220**											0
Gross - Non-proportional reinsurance accepted	**R0230**											
Reinsurers' share	**R0240**								29,483			29,483
Net	**R0300**								6,692			6,692
Claims incurred												
Gross - Direct Business	**R0310**								50,458			50,458
Gross - Proportional reinsurance accepted	**R0320**											0
Gross - Non-proportional reinsurance accepted	**R0330**											
Reinsurers' share	**R0340**								44,895			44,895
Net	**R0400**								5,563			5,563
Changes in other technical provisions												
Gross - Direct Business	**R0410**											0
Gross - Proportional reinsurance accepted	**R0420**											0
Gross - Non- proportional reinsurance accepted	**R0430**											
Reinsurers'share	**R0440**											0
Net	**R0500**											0
Expenses incurred	**R0550**								1,603			1,603
Other expenses	**R1200**											0
Total expenses	**R1300**											1,603

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	**Income protection insurance**	**Workers' compensation insurance**	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**	**Non-proportional health reinsurance**	**Non-proportional casualty reinsurance**	**Non-proportional marine, aviation and**	**Non-proportional property reinsurance**	**Total Non-Life obligation**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**								1,826									1,826
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								3,249									3,249
Net Best Estimate of Premium Provisions	**R0150**								-1,423									-1,423
Claims provisions																		
Gross	**R0160**								317,320									317,320
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								275,698									275,698
Net Best Estimate of Claims Provisions	**R0250**								41,623									41,623
Total Best estimate - gross	**R0260**								319,146									319,146
Total Best estimate - net	**R0270**								40,200									40,200
Risk margin	**R0280**								5,751									5,751
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**								324,897									324,897
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								278,946									278,946
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**								45,951									45,951

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	Underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year												In Current year	Sum of years (cumulative
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											646	**R0100**	646	3,100
N-9	**R0160**												**R0160**		
N-8	**R0170**								1,070				**R0170**		1,070
N-7	**R0180**												**R0180**		
N-6	**R0190**												**R0190**		
N-5	**R0200**												**R0200**		
N-4	**R0210**		62,981	654									**R0210**		63,636
N-3	**R0220**												**R0220**		
N-2	**R0230**			4,515									**R0230**	4,515	4,515
N-1	**R0240**												**R0240**		
N	**R0250**												**R0250**		
												Total	**R0260**	5,161	72,321

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year												Year end (discounted data)
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											468	**R0100**	400
N-9	**R0160**								5,682	4,446	2,873		**R0160**	2,463
N-8	**R0170**							4,169	5,748	7,380			**R0170**	6,327
N-7	**R0180**						24,567	35,288	27,631				**R0180**	23,689
N-6	**R0190**					36,664	34,879	27,995					**R0190**	24,001
N-5	**R0200**				56,781	44,074	35,376						**R0200**	30,329
N-4	**R0210**			20,713	14,604	14,528							**R0210**	12,456
N-3	**R0220**		43,660	61,890	70,737								**R0220**	60,645
N-2	**R0230**	40,242	33,110	16,826									**R0230**	14,426
N-1	**R0240**	51,087	28,389										**R0240**	24,339
N	**R0250**	137,922											**R0250**	118,245
												Total	**R0260**	317,320

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	950	950			
Share premium account related to ordinary share capital	**R0030**					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	49,050	49,050			
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	-3,445	-3,445			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	46,555	46,555			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	46,555	46,555			
Total available own funds to meet the MCR	**R0510**	46,555	46,555			
Total eligible own funds to meet the SCR	**R0540**	46,555	46,555			
Total eligible own funds to meet the MCR	**R0550**	46,555	46,555			
SCR	**R0580**	21,851				
MCR	**R0600**	5,463				
Ratio of Eligible own funds to SCR	**R0620**	213%				
Ratio of Eligible own funds to MCR	**R0640**	852%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	46,555	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	50,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	-3,445	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	
Total Expected profits included in future premiums (EPIFP)	**R0790**	0	

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplification
		C0110	C0090	C0090
Market risk	R0010	6,739		
Counterparty default risk	R0020	1,145		
Life underwriting risk	R0030	0		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	13,139		
Diversification	R0060	-4,214		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	16,809		

		C0110
Operational risk	R0130	5,043
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	21,851
Capital add-on already set	R0210	
Solvency capital requirement	R0220	21,851
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	5,017

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**		
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**		
Other motor insurance and proportional reinsurance	**R0060**		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**		
Fire and other damage to property insurance and proportional reinsurance	**R0080**		
General liability insurance and proportional reinsurance	**R0090**	40,200	6,692
Credit and suretyship insurance and proportional reinsurance	**R0100**		
Legal expenses insurance and proportional reinsurance	**R0110**		
Assistance and proportional reinsurance	**R0120**		
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	5,017
SCR	**R0310**	21,851
MCR cap	**R0320**	9,833
MCR floor	**R0330**	5,463
Combined MCR	**R0340**	5,463
Absolute floor of the MCR	**R0350**	4,329

		C0070
Minimum Capital Requirement	**R0400**	5,463