



# Nautilus Indemnity Europe DAC

Solvency Financial Condition Report (“SFCR”)

for the financial year ended May 31, 2021

# CONTENTS

EXECUTIVE SUMMARY .....	3
<b>A BUSINESS AND PERFORMANCE</b>	
A.1 BUSINESS OVERVIEW .....	6
A.2 UNDERWRITING PERFORMANCE.....	9
A.3 INVESTMENT PERFORMANCE.....	10
A.4 PERFORMANCE OF OTHER ACTIVITIES .....	12
A.5 ANY OTHER INFORMATION .....	12
<b>B SYSTEM OF GOVERNANCE</b>	
B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE .....	13
B.2 FIT AND PROPER REQUIREMENTS.....	16
B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT .....	17
B.4 INTERNAL CONTROL SYSTEM .....	21
B.5 INTERNAL AUDIT FUNCTION .....	22
B.6 ACTUARIAL FUNCTION.....	23
B.7 OUTSOURCING .....	25
B.8 ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE .....	26
B.9 ANY OTHER MATERIAL INFORMATION.....	26
<b>C RISK PROFILE</b>	
C.1 UNDERWRITING RISK .....	27
C.2 MARKET RISK .....	29
C.3 CREDIT RISK .....	30
C.4 LIQUIDITY RISK.....	31
C.5 OPERATIONAL RISK.....	32
C.6 OTHER MATERIAL RISKS .....	33
C.7 AMOUNT OF EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS .....	34
C.8 ANY OTHER INFORMATION .....	35
<b>D VALUATION FOR SOLVENCY PURPOSES</b>	
D.1 ASSETS .....	37
D.2 TECHNICAL PROVISIONS.....	39
D.3 OTHER LIABILITIES.....	42
D.4 ALTERNATIVE METHODS FOR VALUATION FOR OTHER LIABILITIES .....	42
D.5 ANY OTHER INFORMATION.....	42
<b>E CAPITAL MANAGEMENT</b>	
E.1 OWN FUNDS .....	43
E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT .....	46
E.3 ANY USE OF THE EQUITY RISK SUB-MODULE .....	48
E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED .....	48
E.5 NON COMPLIANCE WITH THE MCR AND SCR .....	48
E.6 ANY OTHER INFORMATION .....	48
GLOSSARY.....	49

## **Executive Summary**

This document is the 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, 2021. 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 (“DTTL”), its insureds, on a Freedom of Services basis. 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 NIED is the provision of professional indemnity (PI) insurance and cyber coverage to the insureds.

NIED is managed by Marsh Management Services (Dublin) Limited based in Dublin. Certain employees of NIHL also perform functions for NIED such as the Chief Underwriting Officer and Senior 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.

## A. Business and Performance

NIED serves to provide insurance coverage for the insureds on a Freedom of Services basis. As at May 31, 2021, the Company provides PI insurance and cyber coverage only. There were no material changes to NIED's business and performance during FY2021. Further details are provided in Section A.

## B. System of Governance

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

### PCF roles performed by Third Parties

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

Activity	Provider	Location
Actuarial	Oliver Wyman	USA
Compliance	Marsh Dublin	Ireland
Risk	Deloitte Ireland	Ireland
Internal Audit	Deloitte Canada/Ireland	Canada/Ireland

Oversight of the activities carried out by third parties in their PCF roles is maintained by management and the NIED Board.

## **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 PI and cyber insurance; market risk; credit (counterparty default) risks; liquidity risks; operational; strategic and business risks. The impact of Covid-19 on NIED's operations and risk profile was closely monitored over the course of the last year. NIED's risk profile was not significantly altered as a result of Covid-19, however a strong risk management framework is in place to enable NIED to continue to identify any shifts in its risk profile and implement relevant response strategies to minimize our exposure. Further details are provided in Section C.

## **D. Valuation for Solvency Purposes**

The valuation for solvency purposes is 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.

In May 2020 a Capital Commitment Deed was entered into with NIHL and approved as Tier 2 ancillary own funds (AOF) by the CBI. In November 2020, in line with its capital management strategy, NIED made a call on the Deed and received a capital contribution of \$10m which, under the terms of the deed, was classed as Tier 1 unrestricted capital.

The ratio of eligible own fund to SCR at May 31, 2021 is 188% (130% at May 31, 2020), which is within the Company's Board approved risk appetite. Eligible Own Funds in the Solvency II balance sheet consist of Tier 1 capital and Tier 2 Capital. There is a small \$0.8m deferred tax asset which is classed as Tier 3 capital, but is not included in the eligible own funds available to cover SCR or MCR.

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](mailto:enquiries@centralbank.ie)

#### **A.1.3 External auditor of the undertaking**

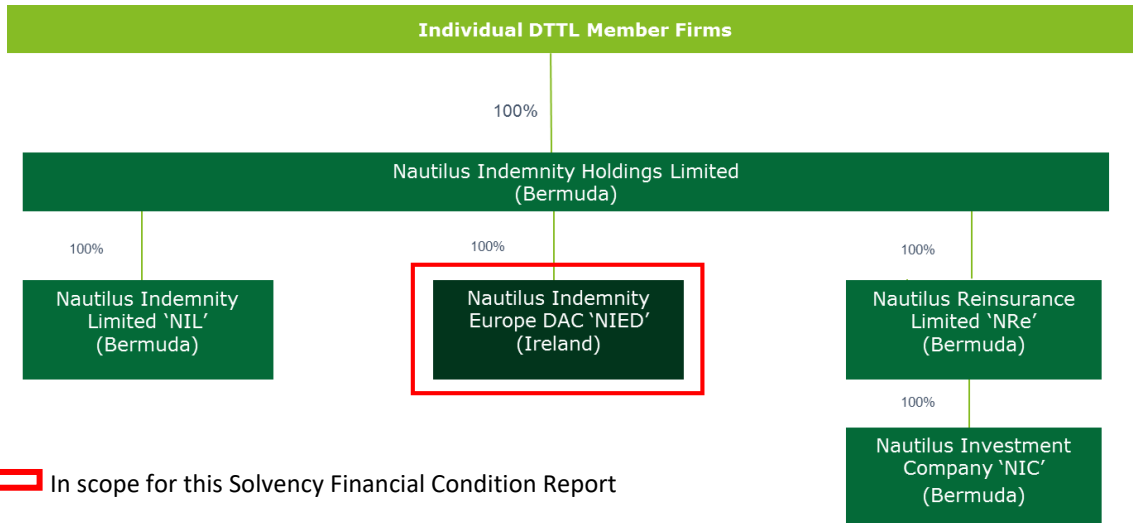
BDO  
Statutory Audit Firm  
Beaux Lane House  
Mercer Street Lower  
Dublin 2  
Ireland

#### **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.



### 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 PI insurance and cyber coverage 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**

The following significant events occurred during the reporting period:

<b>Capitalisation</b>	A capital contribution of \$10.0m was received from NIED's parent during the reporting period, and under the terms of the capital commitment deed in place, was classed as Tier 1 Unrestricted Own Funds.
<b>Board Changes</b>	Jane Kinney was appointed to the Board in February 2021 and was confirmed as Chairman (PCF-3) in July 2021. Laurent Joly resigned from his position on the Board and as Chairman (PCF-3) in July 2021.

#### **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).



## A.2 Underwriting Performance

The Company writes PI and 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, 2021 (based on IFRS):

	\$000s	
	2021	2020
<b>Underwriting Results</b>		
Gross premium written	33,584	33,147
Premiums ceded	(24,517)	(26,849)
Net premium revenue	9,067	6,298
Gross claims expense	(31,911)	(12,177)
Reinsurers' share	17,580	1,781
Net claims expense	(14,331)	(10,396)
Reinsurance commission income	1,839	2,148
Change in discount	1,129	(4,457)
Underwriting profit/(loss)	(2,296)	(6,407)

The gross premium written represents a 1.3% increase on 2020.

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.

NIED has experienced an underwriting loss during the year. This movement arises predominantly due to an increase in estimated ultimate claims for prior policy years. PI insurance is extremely long tailed and high severity, low frequency in nature. This means that claims can take many years to develop. It is therefore not unusual to observe large movements, both adverse and favourable, year on year.

## 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, 2021, the Company’s investment portfolio comprised the following asset classes:

\$000s		
	2021	2020
<b><i>Bonds</i></b>		
Sovereign bonds (US)	53,917	44,943
Sovereign bonds (EEA countries)	35,812	31,655
Sovereign bonds (other)	31,417	31,286
<b><i>Derivative financial instruments</i></b>		
Derivative assets (forward foreign currency contracts)	305	457
Derivative liabilities (forward foreign currency contracts)	(976)	(1,493)
Derivative assets (interest rate futures)	0	0
Derivative liabilities (interest rate futures)	0	(0)
<b><i>Other</i></b>		
Cash and custodial deposits	3,171	2,102
<b>Total</b>	<b>123,645</b>	<b>108,951</b>

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 and interest rate futures in order to hedge interest rate risk across the portfolio, gain long exposure in markets where deemed appropriate or facilitate cross market trades.

There have been no changes to the investment strategy over the period since May 31, 2020. 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 table below sets out the investment results:

	\$000s	
	2021	2020
<b>Investment Results</b>		
Interest income	2,024	2,252
Realized gains	(2,155)	3,464
Unrealized movements	599	4
<b>Total</b>	468	5,720

NIED's investment income includes interest from fixed interest securities and custodial deposits, realized and unrealized gains and losses. Total investment returns for FY21 were 0.4% (2020: 5.4%). This partially offsets the underwriting loss highlighted in section A.2 above. The return is broadly in line with the fund benchmark. 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 \$2.2m (2020: \$1.9m). This represents NIED's allocated share of Nautilus expenses as well as other fees and costs as set out below:

\$000s		
	2021	2020
<b>Operating expenses</b>		
Actuarial services	184	302
Management costs	1,063	866
Auditor's remuneration	66	56
Administration expenses	438	511
Consultancy fees	408	126
Directors' remuneration	89	95
Foreign exchange (gains)/losses	(4)	20
<b>Total</b>	<b>2,244</b>	<b>1,977</b>

Included within operating expenses is an amount of \$1.2m (2020: \$1.2m) paid to related entities.

## 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, tax and strategic experience. All Board Members are active or recently retired partners of DTTL Member Firms. The Board meets at least three times per year.

As at May 31, 2021, the directors were as follows:

Laurent Joly (Chair)  
James Engerran (Group and NIED CEO, Executive Director)  
Glenn Gillard (Non-Executive Director)  
Deirdre Power (Non-Executive Director)  
Jane Kinney (Appointed February 2021)

Laurent Joly resigned from his position on the Board and as Chairman (PCF-3) in July 2021, and was replaced by Jane Kinney who was appointed to the Board in February 2021 and confirmed as Chairman (PCF-3) in July 2021.

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 previously agreed thresholds; 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 model.

The first line 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 within NIED’s governance structure.

The second line 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 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 processes or controls which make up 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.

Note that NIED does not have any direct employees, therefore remuneration links to performance metrics, underwriting targets or risk exposures are not applicable.

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).

NIED's Fit and Proper ("F&P") Policy is aligned to the requirements set out by the CBI in its Fitness and Probity Standards.

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

In line with NIED's F&P Policy, an assessment of the fitness, propriety and good repute ("FPGR") of Board members is carried out prior to appointment and at a minimum of every three years thereafter, with FPGR status subject to validation on an annual basis via FPGR Confirmations.

The latest assessment 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; tax 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)	Senior 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, in conjunction with the Group 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.

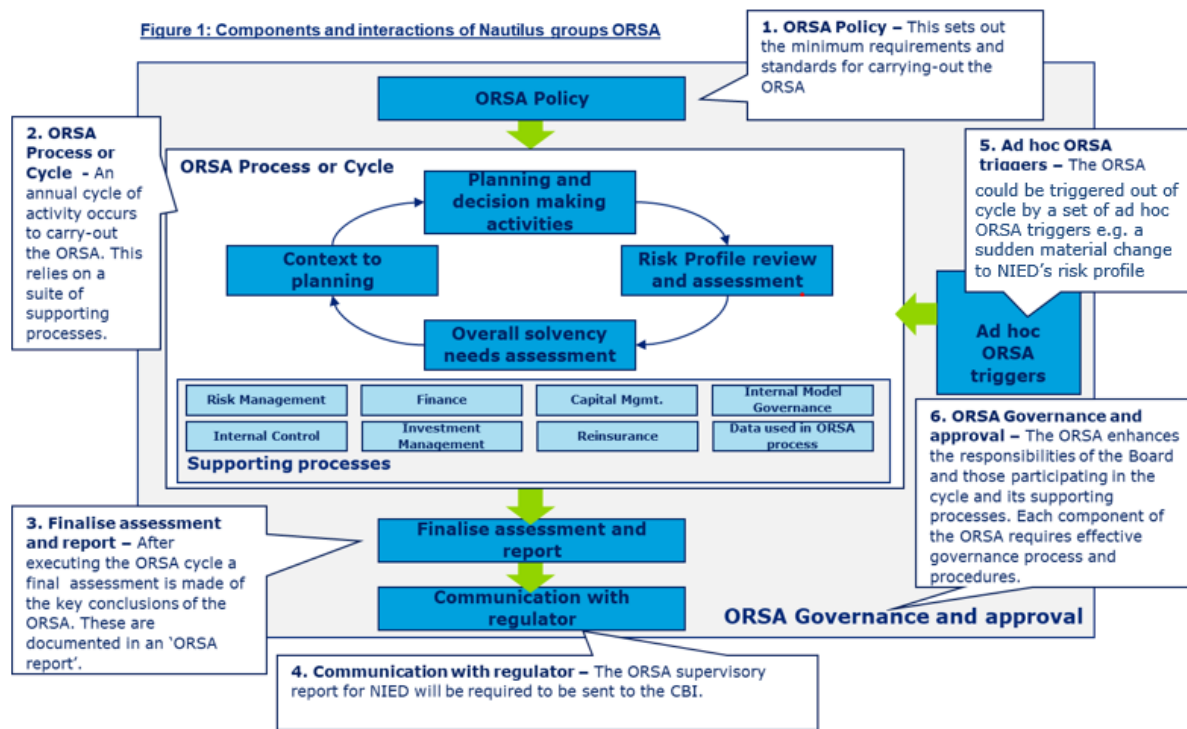
The outcome of these meetings is reported to the Board by the Chief Risk Officer.

### B.3.3 ORSA

#### B.3.3.1 ORSA process

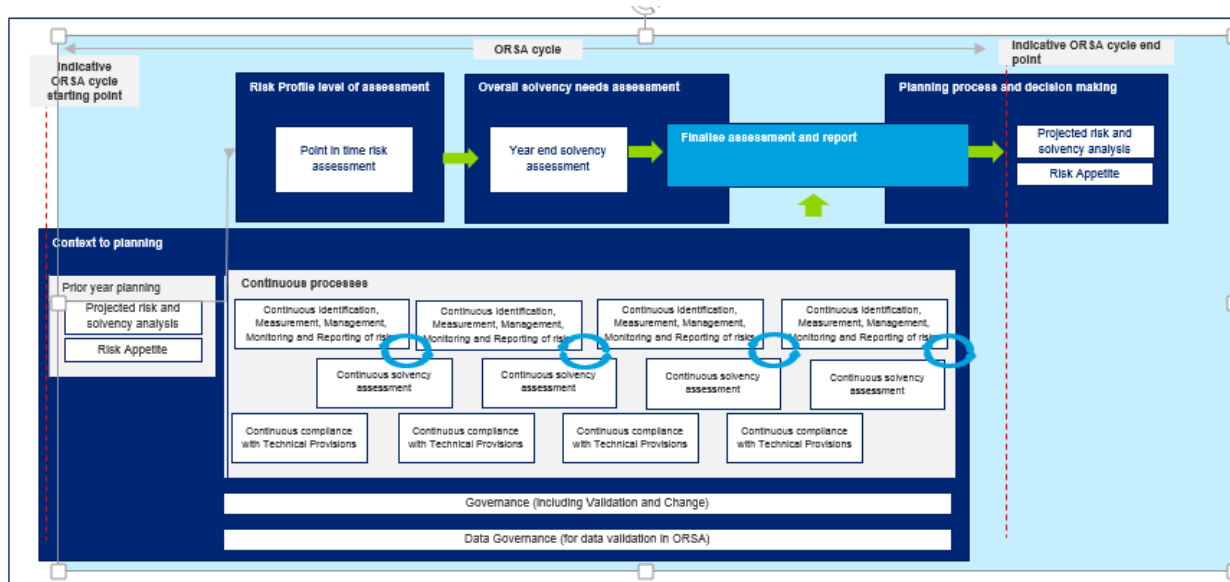
NIED’s ORSA is a risk and solvency assessment that relies upon a set of processes that are required to operate continuously throughout the year, whose outcome is documented in a report and is a key tool for the Board and senior management to make strategic decisions. The ORSA is both backward and forward 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. ORSA updates are provided to the Board during the year. The diagram sets out the components of the ORSA and how they interact.



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 Chief Risk Officer 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 Chief Risk Officer 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 Chief Risk Officer’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 December 2020.

## **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**

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 part 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 three 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), which is provided by Deloitte Canada 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 undertaken by 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. Mr Trichon 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 an 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 third party 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 arrangements consistently to third party providers including critical outsource providers, suppliers and other third party vendors.

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

Activity	Third party provider/ External Advisor	Location
Actuarial	Oliver Wyman	USA
Compliance	Marsh Dublin	Ireland
Risk	Deloitte Ireland	Ireland
Insurance management	Marsh Dublin	Ireland
Internal Audit	Deloitte Canada/Ireland	Canada/Ireland
IT support*	Marsh Dublin/ Deloitte Bermuda	Ireland/Bermuda
Portfolio management	JP Morgan	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 PI insurance and cyber coverage for the insureds to allow them to carry out their business.

Due to the low frequency, high severity, long tailed nature of PI 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 CUO 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.

In 2018, NIED's PI program 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.

NIED's manages its net exposure through the use of inter-company reinsurance. NIED's annual aggregate retention for the upcoming policy year is \$15m, which is the same structure as the latest policy year.

#### C.1.2 Risk concentrations

NIED is a mono-line insurer providing insurance to the insureds who are all members of the same network. 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 Nautilus Reinsurance Limited (NRe, a Nautilus group entity). NRe is well capitalized and reinsurance recoverables are collateralized.

**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 Senior 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. External legal counsel is also engaged, 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. PI 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. This limit on exposure is not contemplated in the Standard Formula calculation of reserve risk.

Increasing net reserves by \$6.9m (+10% increase in undiscounted claims reserves) reduces NIED's solvency capital ratio to 163% at May 31, 2021.

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.

A 0.5% decrease in USD yields (i.e. a downward shift of the yield curve) increases the net technical provisions by \$1.7m. This comprises of an increase in gross technical provisions and risk margin of \$11.0m, partially offset by an increase in the value of the reinsurance recoverable of \$9.3m.

A decrease in USD yields also impacts the interest rate risk charge, as described in Section C.2.5, and the reserve risk charge. The overall impact of 0.5% decrease in USD yields (considering both the asset and liability impact) reduces NIED's solvency capital ratio at May 31, 2021 to 181%, primarily due to the increase in net technical provisions.

## **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 primarily in 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 exposure.

### **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 limited asset classes 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 0.5% decrease in USD yields (i.e. a downward shift of the yield curve) increases the interest risk charge by circa \$37k.

The market risk exposure is also sensitive to the credit quality, duration and proportion of EEA bonds held in NIED's investment portfolio. Of these, the solvency capital ratio is most sensitive to the credit quality. Downgrading all the bonds in NIED's portfolio by one credit step would reduce the solvency capital ratio to 181% at May 31, 2021 as a result of an increase in the concentration and spread risk charges.

## **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, NIED/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 current 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 as part of the renewal process in May 2021 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.

A full exercise is currently being conducted as at May 31, 2021, considering a scenario involving a large level of claims and an economic downturn which results in the loss of part of Nautilus' commercial reinsurance panel. A scenario considering losses arising from a cyber attack on the network is also included.

The 2021 exercise is currently underway. The 2020 exercise demonstrated 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, 2021, the expected profit in future premiums (EPIFP) is \$930k (2020: \$1.05m). This is calculated as the premium yet to be collected for the 2021/22 policy year in excess of the best estimate of the losses for this policy year.

## C.8 Any Other Information

### Covid-19

The spread of Covid-19 worldwide and the measures taken to curb the contagion have implications for the economy and capital markets and are causing heightened vulnerability across all areas of our business. In making sure our business remains resilient to disruptions caused by this crisis, management has:

- Reviewed the impact of the Covid-19 on NIED's strategic objectives, business operations and systems;
- Identified key areas impacted by the Covid-19 and implemented immediate mitigating actions to minimise disruption;
- Considered short term and long term risks to identify shifts in Nautilus' risk profile and implemented relevant response strategies to minimise our exposure;
- Planned to refresh a Covid-19 scenario for the 2021 ORSA exercise that reflects revised 2020 Covid-19 scenario assumptions such as large PI claims and severity of market downturn which may result in an adverse impact on our investment portfolio and long term liquidity.

For each area of our business including Governance, Underwriting, Claims and Investments we considered short term and long term risks to identify shifts in Nautilus' risk profile and implement relevant response strategies to minimise our exposure.

Elements of Covid-19 remain emerging and, as such, remain within the emerging risk process, however crystallised elements of the pandemic are now managed as part of the business as usual risk management and ORSA processes.

## **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			
	2021		2020	
	Solvency II	IFRS	Solvency II	IFRS
Reinsurance assets	335.3	370.0	330.8	361.9
Insurance and other receivables	0.9	1.5	0.6	1.2
- Bonds	121.7	121.1	108.5	107.9
- Derivative financial instruments	0.3	-0.7	0.5	-1.0
- Other	3.2	3.2	2.1	2.1
Total investments	125.2	123.6	111.0	109.0
Any other assets	6.2	7.7	1.5	1.5
Total assets	467.5	502.8	443.9	473.5

### 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. The difference between the two bases relates to the presentation of accrued interest as discussed below.

### 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. The presentation of "accrued interest" differs under IFRS versus Solvency II reporting. There is therefore a difference of \$559k between the Solvency II and IFRS value of the bonds (\$590k at 2020).

### D.1.4 Derivative financial instruments

NIED uses derivatives in the form of forward currency contracts in order to hedge the currency exposure in the investment portfolio and interest rate futures in order to hedge interest rate risk across the portfolio, gain long exposure in markets where deemed appropriate or facilitate cross market trades. These contracts are measured at fair value under IFRS and Solvency II. For the purposes of Solvency II, the derivatives are shown gross with both an asset and an offsetting liability shown. The position is disclosed net under IFRS. At May 31, 2021, the derivative asset

shown on the Solvency II Balance Sheet is \$305k (2020: \$457k). The overall position is a net liability of \$671k (2020: liability of \$1,031k).

#### **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 it is 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.

A deferred tax asset of \$842k (2020: \$333k) has been recognized in respect of such losses and is included in the 'any other assets' balance discussed in section D.1.6 below.

#### **D.1.6 Any other assets**

"Any other assets" comprises of Cash and Cash Equivalents of \$4,855k, IPT prepayments of \$921k, deferred tax asset of \$842k and corporation tax recoverable of \$468k at May 31, 2021.

## 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 PI and cyber coverage business. As at May 31, 2021, the calculated technical provisions were:

	\$M	
	2021	2020
Gross Best Estimate	403.9	390.1
Reinsurance Recoverable	(335.3)	(330.8)
Net Best Estimate	68.7	59.3
Risk Margin (RM)	6.8	7.6
Net Technical Provisions inc RM	75.4	66.9

### 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 \$435.7m (2020: \$420.1m) and a reinsurance recoverable of \$370.0m (2020: \$361.9m), resulting in a net claims liability of \$65.8m (2020: \$58.2m) 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 75<sup>th</sup> 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.
- The premium provision for BBNI coverages as discussed in D.2.1.1.

### 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 Derivatives**

As discussed in section D.1.4, NIED's Solvency II balance sheet includes a derivative liability of \$976k (2020: derivative liability of \$1,488k) which nets off against the derivative asset balance for the purpose of IFRS reporting.

### **D.3.2 Other payables/liabilities**

The Solvency II balance sheet does not include premiums received in advance as this is accounted for in the premium provision discussed in D.2.3.

As at May 31, 2021 the value of other liabilities was minimal. The balances related to \$861k (2020: \$784k) of accrued expenses and insurance and trade payables of \$1.554m (2020: \$33k). The IFRS values of these amounts are used for Solvency II reporting purposes, with the exception of certain reinsurance payments made in relation to the upcoming policy year which are included in the Solvency II Technical Provisions. 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 instruments that provide protection and can be used to cover up to 50% of the Solvency Capital Requirement. 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.

In May 2020 a Capital Commitment Deed was entered into with NIHL and approved as Tier 2 ancillary own funds (AOF) by the CBI. In November 2020, in line with its capital management strategy, NIED made a call on the Deed and received a capital contribution of \$10m which, under the terms of the deed, was classed as Tier 1 unrestricted capital.

#### **E.1.2 Own funds analyzed by tiers**

Eligible Own Funds to cover the SCR as at May 31, 2021 of \$71.7m (2020: \$44.0m) is comprised of \$52.6m of Tier 1 unrestricted capital and \$19.1m of Tier 2 Ancillary Own Funds. The increase in eligible own funds from May 31, 2020 is largely attributed to NIED receiving supervisory approval to recognise its Capital Commitment Deed with NIHL as a Tier 2 Ancillary Own Funds (AOF) item. There were no dividends or other distributions to shareholders during the period.

There is a small \$0.8m deferred tax asset which is classed as Tier 3 capital, but is not included in the eligible own funds available to cover SCR or MCR.

There are no other planned changes to the level or nature of own funds over the five year projection period. Specifically there are no plans to 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	
	2021	2020
Tier 1	52.6	43.6
Tier 2	19.1	-
Tier 3	-	0.3
Total eligible own funds to meet SCR	71.7	43.9

None of the Tier 1 own funds is restricted capital. There is an upper limit of 50% of the SCR of the amount of Tier 2 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	
	2021	2020
Tier 1	52.6	43.6
Tier 2 (Basic)	-	-
Total eligible own funds to meet MCR	52.6	43.6

Note that only Basic Tier 2 Own Funds are eligible to meet the MCR. NIED's Tier 2 Capital is in the form of Ancillary Own Funds and therefore is not available to meet the MCR.

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 \$53.4m (2020: \$43.9m) compared with IFRS equity of \$59.1m (2020: \$52.7m). 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						
	2021			2020		
	SII	IFRS	Diff	SII	IFRS	Diff
Assets (exc reinsurance recoverables)	132.3	132.8	-0.6	113.1	111.7	1.5
Reinsurance recoverable	335.3	370.0	-34.7	330.8	361.9	-31.1
<i>Total assets</i>	<i>467.5</i>	<i>502.8</i>	<i>-35.3</i>	<i>443.9</i>	<i>473.5</i>	<i>-29.6</i>
Liabilities (exc claims liabilities)	3.4	8.0	-4.6	2.3	0.8	1.5
Claims liabilities	403.9	435.7	-31.8	390.1	420.1	-29.9
Solvency II risk margin	6.8	0.0	6.8	7.6	0.0	7.6
<i>Total liabilities</i>	<i>414.1</i>	<i>443.7</i>	<i>-29.6</i>	<i>400.0</i>	<i>420.8</i>	<i>-20.8</i>
<b><i>Assets – Liabilities</i></b>	<b><i>53.4</i></b>	<b><i>59.1</i></b>	<b><i>-5.7</i></b>	<b><i>43.9</i></b>	<b><i>52.7</i></b>	<b><i>-8.8</i></b>

The reconciliation reserve equals the total Solvency II excess of assets over liabilities reduced by share capital and other basic own-fund items. The reconciliation reserve is \$(7.4)M (2020: \$(6.4)M).

\$M		
	2021	2020
Assets over liabilities	53.4	43.9
Ordinary share capital	(1.0)	(1.0)
Initial funds	(49.0)	(49.0)
Capital Contribution	(10.0)	-
Net Deferred Tax Assets	(0.8)	(0.3)
<b><i>Reconciliation reserve</i></b>	<b><i>(7.4)</i></b>	<b><i>(6.4)</i></b>

**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 Tier 2 Ancillary Own Funds are described in section E.1.1 and E.1.2. There are no eligible 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, 2021:

	May 31, 2021 (\$000s)	May 31, 2020 (\$000s)
SCR	38,202	33,879
Total Eligible Own Funds to Cover SCR	71,702	43,922
Solvency Ratio	188%	130%
MCR	9,550	8,470
Total Eligible Own Funds to Cover MCR	52,601	43,922
MCR Coverage Ratio	551%	519%

NIED meets both its SCR and MCR at May 31, 2021.

### 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, 2021:

	May 31, 2021 (\$000s)	May 31, 2020 (\$000s)
Market Risk	12,194	10,037
Underwriting Risk	23,459	21,489
Counterparty Default Risk	709	328
Diversification Benefit	-6,977	-5,793
<b>BSCR</b>	<b>29,386</b>	<b>26,061</b>
Operational Risk	8,816	7,818
<b>SCR</b>	<b>38,202</b>	<b>33,879</b>
<b>MCR</b>	<b>9,550</b>	<b>8,470</b>
Total Eligible Own Funds to Cover SCR	71,702	43,922
Solvency Ratio	188%	130%
Total Eligible Own Funds to Cover MCR	52,601	43,922
MCR Coverage Ratio	551%	519%

The movement in the Solvency ratio over the year is driven primarily by the increase in eligible own funds from the capital contribution under the terms of the Capital Commitment Deed, and the recognition of the Deed as Tier 2 Ancillary Own Funds. This is partially offset by an increase in the market risk and underwriting risk charges in the SCR.

The increase in market risk charge is a function of the increased value of the investment portfolio (due to the capital contribution received during the financial year), and increased FX risk driven by an additional year of exposure to claims liabilities, a portion of which may be settled in currencies other than NIED's reporting currency (USD). The investment portfolio remains aligned with NIED's investment policy statement and market risk appetite.

The increase in underwriting risk charge is as a result of NIED assuming an additional year of exposure into the reserve risk charge.

The increase in the counterparty risk charge is as a result of an increased cash balance at May 31, 2021 and an increase in reinsurance recoverables owed, however this is heavily offset by the amount of collateral held in respect of this balance.

**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's 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 currently applies as at May 31, 2021.

The table below shows the inputs into the MCR calculation as at May 31, 2021.

	2021 (\$000s)	2020 (\$000s)
Net Technical Provisions ex Risk Margin	68,653	59,341
Net Premium Written	9,068	6,298
<b>MCR</b>	<b>8,259</b>	<b>6,937</b>
<b>MCR (subject to floor)</b>	<b>9,550</b>	<b>8,470</b>
SCR	38,202	33,879
Floor	9,550	8,470
Cap	17,191	15,246

**E.2.6 The Solvency Capital Requirement and Minimum Capital Requirement have increased over the year as a result of the increase in the market risk and underwriting risk charges, as discussed in E.2.2.**

### **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

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

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

**Annex I**

**S.02.01.02**

**Balance sheet**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>Assets</b>	
Goodwill	<del>R0010</del>
Deferred acquisition costs	<del>R0020</del>
Intangible assets	<del>R0030</del>
Deferred tax assets	R0040 842
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 122,011
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130 121,706
Government Bonds	R0140 121,706
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190 305
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 335,259
Non-life and health similar to non-life	R0280 335,259
Non-life excluding health	R0290 335,259
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
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 8,022
Any other assets, not elsewhere shown	R0420 1,400
<b>Total assets</b>	<b>R0500 467,534</b>

**Annex I**

**S.02.01.02**

**Balance sheet**

	<b>Solvency II value</b>
	<b>C0010</b>
<b>Liabilities</b>	
Technical provisions – non-life	<b>R0510</b> 410,701
Technical provisions – non-life (excluding health)	<b>R0520</b> 410,701
Technical provisions calculated as a whole	<b>R0530</b>
Best Estimate	<b>R0540</b> 403,912
Risk margin	<b>R0550</b> 6,789
Technical provisions - health (similar to non-life)	<b>R0560</b>
Technical provisions calculated as a whole	<b>R0570</b>
Best Estimate	<b>R0580</b>
Risk margin	<b>R0590</b>
Technical provisions - life (excluding index-linked and unit-linked)	<b>R0600</b>
Technical provisions - health (similar to life)	<b>R0610</b>
Technical provisions calculated as a whole	<b>R0620</b>
Best Estimate	<b>R0630</b>
Risk margin	<b>R0640</b>
Technical provisions – life (excluding health and index-linked and unit-linked)	<b>R0650</b>
Technical provisions calculated as a whole	<b>R0660</b>
Best Estimate	<b>R0670</b>
Risk margin	<b>R0680</b>
Technical provisions – index-linked and unit-linked	<b>R0690</b>
Technical provisions calculated as a whole	<b>R0700</b>
Best Estimate	<b>R0710</b>
Risk margin	<b>R0720</b>
Other technical provisions	<b>R0730</b>
Contingent liabilities	<b>R0740</b>
Provisions other than technical provisions	<b>R0750</b>
Pension benefit obligations	<b>R0760</b>
Deposits from reinsurers	<b>R0770</b>
Deferred tax liabilities	<b>R0780</b>
Derivatives	<b>R0790</b> 976
Debts owed to credit institutions	<b>R0800</b>
Financial liabilities other than debts owed to credit institutions	<b>R0810</b>
Insurance & intermediaries payables	<b>R0820</b> 1,554
Reinsurance payables	<b>R0830</b>
Payables (trade, not insurance)	<b>R0840</b>
Subordinated liabilities	<b>R0850</b>
Subordinated liabilities not in Basic Own Funds	<b>R0860</b>
Subordinated liabilities in Basic Own Funds	<b>R0870</b>
Any other liabilities, not elsewhere shown	<b>R0880</b> 861
<b>Total liabilities</b>	<b>R0900</b> 414,092
<b>Excess of assets over liabilities</b>	<b>R1000</b> 53,442

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

		Line of Business for: <b>non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)</b>										
		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
		<b>C0010</b>	<b>C0020</b>	<b>C0030</b>	<b>C0040</b>	<b>C0050</b>	<b>C0060</b>	<b>C0070</b>	<b>C0080</b>	<b>C0090</b>	<b>C0120</b>	<b>C0200</b>
<b>Premiums written</b>												
Gross - Direct Business	<b>R0110</b>								33,584			33,584
Gross - Proportional reinsurance accepted	<b>R0120</b>								0			0
Gross - Non-proportional reinsurance accepted	<b>R0130</b>											
Reinsurers' share	<b>R0140</b>								22,678			22,678
Net	<b>R0200</b>								10,906			10,906
<b>Premiums earned</b>												
Gross - Direct Business	<b>R0210</b>								33,584			33,584
Gross - Proportional reinsurance accepted	<b>R0220</b>								0			0
Gross - Non-proportional reinsurance accepted	<b>R0230</b>											
Reinsurers' share	<b>R0240</b>								22,678			22,678
Net	<b>R0300</b>								10,906			10,906
<b>Claims incurred</b>												
Gross - Direct Business	<b>R0310</b>								21,331			21,331
Gross - Proportional reinsurance accepted	<b>R0320</b>								0			0
Gross - Non-proportional reinsurance accepted	<b>R0330</b>											
Reinsurers' share	<b>R0340</b>								8,129			8,129
Net	<b>R0400</b>								13,202			13,202
<b>Changes in other technical provisions</b>												
Gross - Direct Business	<b>R0410</b>								0			0
Gross - Proportional reinsurance accepted	<b>R0420</b>								0			0
Gross - Non- proportional reinsurance accepted	<b>R0430</b>											
Reinsurers' share	<b>R0440</b>								0			0
Net	<b>R0500</b>								0			0
<b>Expenses incurred</b>	<b>R0550</b>								2,248			2,248
<b>Other expenses</b>	<b>R1200</b>											-4
<b>Total expenses</b>	<b>R1300</b>											2,244

Annex I  
S.17.01.02  
Non-life Technical Provisions

	Accepted provisions	Total Non-Life obligation
	General liability insurance	
	C0090	C0180
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>	
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	<b>R0050</b>	
<b>Technical provisions calculated as a sum of BE and RM</b>		
<b>Best estimate</b>		
Premium provisions		
Gross	<b>R0060</b>	19,124
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	<b>R0140</b>	20,048
Net Best Estimate of Premium Provisions	<b>R0150</b>	-924
<b>Claims provisions</b>		
Gross	<b>R0160</b>	384,788
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	<b>R0240</b>	315,211
Net Best Estimate of Claims Provisions	<b>R0250</b>	69,577
<b>Total Best estimate - gross</b>	<b>R0260</b>	403,911
<b>Total Best estimate - net</b>	<b>R0270</b>	68,653
<b>Risk margin</b>	<b>R0280</b>	6,789
<b>Amount of the transitional on Technical Provisions</b>		
Technical Provisions calculated as a whole	<b>R0290</b>	
Best estimate	<b>R0300</b>	
Risk margin	<b>R0310</b>	
<b>Technical provisions - total</b>		
Technical provisions - total	<b>R0320</b>	410,701
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	<b>R0330</b>	335,259
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	<b>R0340</b>	75,442



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

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

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

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	950	950			
R0030					
R0040	49,050	49,050			
R0050					
R0070					
R0090					
R0110					
R0130	-7,399	-7,399			
R0140					
R0160	842				842
R0180	10,000	10,000			

**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0220					
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**Deductions**

Deductions for participations in financial and credit institutions

R0230					
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**Total basic own funds after deductions**

R0290	53,443	52,601			842
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**Ancillary own funds**

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

R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390	19,100			19,100	
R0400	19,100			19,100	

**Total ancillary own funds**

R0400	19,100			19,100	
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**Available and eligible own funds**

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

R0500	72,543	52,601		19,100	842
R0510	52,601	52,601			
R0540	71,701	52,601		19,100	
R0550	52,601	52,601			

**SCR**

**MCR**

**Ratio of Eligible own funds to SCR**

**Ratio of Eligible own funds to MCR**

R0580	38,202				
R0600	9,550				
R0620	188%				
R0640	551%				

**Reconciliation reserve**

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

	C0060	
R0700	53,442	
R0710		
R0720		
R0730	60,842	
R0740		

**Reconciliation reserve**

R0760	-7,399	
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**Expected profits**

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

R0770		
R0780	930	
R0790	930	

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



S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplification
		C0110	C0090	C0090
Market risk	R0010	12,194	<del>          </del>	<del>          </del>
Counterparty default risk	R0020	709	<del>          </del>	<del>          </del>
Life underwriting risk	R0030	0	<del>          </del>	<del>          </del>
Health underwriting risk	R0040	0	<del>          </del>	<del>          </del>
Non-life underwriting risk	R0050	23,459	<del>          </del>	<del>          </del>
Diversification	R0060	-6,976	<del>          </del>	<del>          </del>
Intangible asset risk	R0070		<del>          </del>	<del>          </del>
<b>Basic Solvency Capital Requirement</b>	R0100	29,386	<del>          </del>	<del>          </del>

		C0110
Operational risk	R0130	8,816
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	
<b>Solvency Capital Requirement excluding capital add-on</b>	R0200	38,202
Capital add-on already set	R0210	
Solvency capital requirement	R0220	38,202
<b>Other information on SCR</b>		<del>          </del>
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**

MCR <sub>NL</sub> Result	<b>R0010</b>	<b>C0010</b>		
		8,259		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance	<b>R0020</b>			
Income protection insurance and proportional reinsurance	<b>R0030</b>			
Workers' compensation insurance and proportional reinsurance	<b>R0040</b>			
Motor vehicle liability insurance and proportional reinsurance	<b>R0050</b>			
Other motor insurance and proportional reinsurance	<b>R0060</b>			
Marine, aviation and transport insurance and proportional reinsurance	<b>R0070</b>			
Fire and other damage to property insurance and proportional reinsurance	<b>R0080</b>			
General liability insurance and proportional reinsurance	<b>R0090</b>	68,653	9,068	
Credit and suretyship insurance and proportional reinsurance	<b>R0100</b>			
Legal expenses insurance and proportional reinsurance	<b>R0110</b>			
Assistance and proportional reinsurance	<b>R0120</b>			
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0130</b>			
Non-proportional health reinsurance	<b>R0140</b>			
Non-proportional casualty reinsurance	<b>R0150</b>			
Non-proportional marine, aviation and transport reinsurance	<b>R0160</b>			
Non-proportional property reinsurance	<b>R0170</b>			

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

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

**Overall MCR calculation**

Linear MCR	<b>R0300</b>	<b>C0070</b>
		8,259
SCR	<b>R0310</b>	38,202
MCR cap	<b>R0320</b>	17,191
MCR floor	<b>R0330</b>	9,550
Combined MCR	<b>R0340</b>	9,550
Absolute floor of the MCR	<b>R0350</b>	4,524
		<b>C0070</b>
<b>Minimum Capital Requirement</b>	<b>R0400</b>	9,550