UKNV

Solvency and Financial Condition Report

UK P&I Club N.V.

Year ended 20th February 2021

UK P&I CLUB IS MANAGED BY **THOMAS MILLER**

Contents

Summary

This document is the second Solvency and Financial Condition Report ("SFCR") of UK P&I Club N.V. It explains the company performance over the second underwriting year of the company, ending 20th February 2021. This document covers UKNV's business and performance, its system of governance, risk profile, valuation for solvency purposes and capital management.

The ultimate Administrative Body that has the responsibility for all of these matters is the UKNV's Management Board, under supervision of the Supervisory Board. The Management Board has installed various governance and control functions to monitor and manage the business.

During this second accounting year, the Brexit process was finalised with the United Kingdom formally withdrawing from the European Union on 1st February 2020 and finally severing links with Europe at the end of the transition period on 31st December 2020. UKNV was fully prepared. Two Fronted Clubs (P&I and ITIC) had already started underwriting via UKNV in November 2019 and three other Fronted Clubs (TT, UK War and Pamia) followed on 1st January 2021. The 2021 P&I Renewal at 20th February 2021 was successfully completed for the second consecutive time. For the TT Club, a large number of renewals were completed at 1st January 2021, as a result of which UKNV had a significant TT portfolio on its books when it closed the second accounting year. The ITIC portfolio of UKNV grew steadily as renewals concluded through the year. The UK War Risks Club's EEA portfolio was renewed into UKNV at 20th February 2021. The PAMIA portfolio of EEA business was still in its infancy at the UKNV year end.

To support business continuity for existing EEA claims, a Part VII policy portfolio transaction of UKC's historic EEA claims was completed during the year, thus transferring UKC's existing EEA claims as well as future claims to UKNV. This Part VII portfolio transfer was supported by a capital injection of $29m by its shareholder in November 2020.

UKNV's SCR ratio is well above the regulatory minimum at 170%. Eligible funds stood at US$63.9m. The MCR ratio is 679%.

UKNV has a low risk appetite and manages its business in a prudent manner. Risks caused by the Covid-19 pandemic are unlikely to have a severe impact on UKNV's business model or its solvency levels in the foreseen future.

Management Board's Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the DNB Rules and the Solvency II Regulations. We are satisfied that:

a) throughout the financial year in question, UKNV has complied in all material respects with the requirements of the DNB Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that UKNV has continued so to comply subsequently and will continue so to comply in future.

For and on behalf of the UK P&I Club N.V.

31st May 2021

A. Business Model and Strategy

A1. Business and Perfomance

Corporate information
The UK P&I Club N.V. ("UKNV") is an insurance company having received its insurance license in the Netherlands in March 2019. It is regulated by De Nederlandsche Bank (DNB) for prudential purposes and by Authoriteit Financiele Markten (AFM) for conduct purposes. UKNV is part of a Group which is under supervision of the UK-based Prudential Regulation Authority.

UKNV is a wholly owned subsidiary of the United Kingdom Mutual Steam Ship Assurance Association Limited ("UK Club" or "UKC"), which is incorporated in England and Wales as a company limited by guarantee without share capital. With effect from 20th February 2021 the name of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited has changed to The United Kingdom Mutual Steam Ship Assurance Association Limited.

The UK Club is a mutual Club with the objective of providing mutual marine insurance cover to its members for protection and indemnity (P&I) risks.

Regulators
UKNV is regulated by De Nederlandsche Bank (DNB) in the Netherlands. The Club as a whole is regulated by the UK Prudential Regulation Authority (PRA). UKC's entities are regulated by various other authorities.

Table 1: Regulatory authorities

Entity	Regulator
UKC	Prudential Regulation Authority Financial Conduct Authority National Association of Insurance Commissioners
Hong Kong	Hong Kong Insurance Authority
Japan	Japan Financial Services Agency
Singapore	Monetary Authority of Singapore
UKB	Bermuda Monetary Authority Isle of Man Financial Services Authority
UKL	Prudential Regulation Authority Financial Conduct Authority
UKNV	De Nederlandsche Bank Autoriteit Financiële Markten
Hydra	Bermuda Monetary Authority

The principal activity of the UKNV is the insurance and reinsurance of risks on behalf of the Fronted Clubs.

The authority responsible for the prudential supervision of the RSR and SFCR documents is De Nederlandsche Bank (DNB), located in Amsterdam. UKNV is also regulated by Autoriteit Financiele Markten (AFM), located in Amsterdam.

The external auditor of UKNV is BDO Audit & Assurance B.V., based in the Netherlands. The external auditor's mandate does not cover an audit on the information disclosed in this SFCR nor in the Regular Supervisory Report (RSR) other than the QRTs disclosed in the Annex to this report.

Business activities
UKNV provides the following products for EEA based risks:

- Protection and Indemnity (P&I) cover for ship owners and charterers. These are generally large risks with relatively high premium volumes per member Transport Liability for ports and terminals as well as freight forwarders, ship operators and transport & logistic operators.

- Professional indemnity cover for intermediaries, such as shipping agents, naval architects and surveyors. These are generally smaller risks with lower premium volumes per member. The number of members is larger than for UKNV's P&I business.

- Protection of ships against loss of or malicious damage caused by a third party in case of war risks.

- Professional indemnity insurance to patent and trade mark attorneys in private practice.

During this accounting year, the Brexit process was finalised with the United Kingdom formally withdrawing from the European Union on 1st February 2020 and finally severing links with Europe at the end of the transition period on 31st December 2020. UKNV was fully prepared. Two Fronted Clubs (P&I and ITIC) had already started underwriting via UKNV in November 2019 and three other Fronted Clubs (TT, UK War and Pamia) followed on the 1st of January 2021. UKNV experienced a smooth P&I renewal at 20th of February 2020 during which the parent company renewed its EEA members into UKNV. The 2021 P&I Renewal as at 20th February 2021 was also successfully completed; focussing on an increase of premium levels to ensure premium adequacy of the portfolio as a whole. For the TT Club, a large number of renewals were completed at 1st January 2021, as a result of which UKNV had a significant TT portfolio on its books when it closed the second accounting year. The ITIC portfolio of UKNV grew steadily as renewals concluded through the year. The UK War Risks Club's EEA portfolio was renewed into UKNV at 20th February 2021. The PAMIA portfolio of EEA business was still in its infancy at the UKNV year end.

To support business continuity for existing EEA claims of the UK P&I Club, a Part VII policy portfolio transaction (as described in Part VII of the Financial Services and Markets Act 2000 has been completed per 31st December 2020 to transfer P&I's historical EEA claims to UKNV from UKC). This will ensure service continuity post-Brexit for EEA claims.

As part of normal course of business, UKNV also received claims which were handled in line with the approved claim processes. Further details are set out in template S.19.01 (Appendix 5).

Accounting period
UKNV has an accounting year that is aligned to that of the parent company. The accounting year runs from 20th February in any particular year to 20th February of the next year. The accounting year matches the policy year of the P&I insurance cover fronted for the parent company. Other Fronted Clubs may have different accounting years as well as policy periods.

For its first year of operation, UKNV had an extended accounting year, running from the incorporation date of 28th November 2018 until 20th February 2020. The comparative figures in this report relate to this extended period.

Outsourcing
UKNV's main operational processes are outsourced to Thomas Miller B.V. (TMBV) that also holds a delegated underwriting authority. In addition, TMBV seconds staff to UKNV and provides full support facilities. Where outsourcing contracts have been signed, the Management Board remains fully responsible for the effectiveness of the operational processes. In order to monitor the effectiveness of those processes, the Management Board has implemented a monitoring framework whereby the outsourced service providers report their performance on a quarterly basis using a predefined KPI framework. Some of the processes are sub-outsourced to Thomas Miller in the United Kingdom with the benefit of maximising the experience already in place in managing the specific membership base of the Fronted Clubs. UKNV has also entered into an outsourcing agreement with Thomas Miller Investments for the management of its investment portfolio.

A.2. Underwriting Performance

Underwriting performance measures
For the Fronted Clubs, the target is to call sufficient premium to cover their claims and expenses as measured by the combined ratio.

S.05.02.01 (Appendix 3) includes a geographical split of the UKNV's business based on the regional spread of the risks insured.

Recent underwriting performance
During this second financial year UKNV has completed the Brexit transition and has underwritten business for all Fronted Clubs, that are all insurance mutuals based in the UK. UKNV's clients are EEA based Members of the respective Fronted Clubs.

In addition to the underwriting activities, claims management increased in importance during the year. Due to Covid-19, the cruise shipping business came to a near complete standstill. This has resulted in a significant reduction in risk and a consequent discount on the full trading premium for cruise ships. The risk does not reduce to zero, as the cruise ships have to maintain fairly high crew levels even when not trading. Prior to the cessation of cruise activity there were two large claims involving Covid-19 outbreaks. The subsequent reduction in activity means that the cruise book has developed favourably for the remainder of the year.

Over the past ten years the P&I industry has experienced a gradual shift in the profile of its claims. The number of low severity but high frequency claims has dropped dramatically (as much as 60%) but in contrast the severity (but not the frequency) of the large claims has increased. This has placed stress on the traditional approach to underwriting by record as individual records have been improving over this period as claims frequency has dropped. As a result, the industry has largely reverted to traditional general increases to raise premium at the 2021 Renewal. This trend has not caused financial issues for UKNV as the risks are fully reinsured. Moreover, this did not cause any issues for the other product lines that UKNV operates in, such as ITIC and TT where claims developed in line with expectations.

Appendix 2 provides premiums, claims and expenses per line of business, whereas Appendix 3 provides the same for the main geographical areas where the company is active. Table 2 provides an overview of the underwriting performance.

Table 2: UKNV's underwriting performance 2021

TECHNICAL ACCOUNT

Amounts in US$000	2021	2020
Income		
Gross premium written	93,495	3,718
Reinsurance premium payable	(84,455)	(2,363)
	9,040	1,355
Changes in technical provisions (Unearned Premiums)		
Change technical provision unearned premium	(25,465)	(3,227)
Change reinsurance share technical provision unearned premium	21,519	2,003
	(3,946)	(1,224)
Net earned premium	**5,094**	**131**
Other income	5,181	5,842
Investment return transferred from the non-technical account	1,008	541
Claims incurred		
Claims paid	(50,269)	(2)
Reinsurance recoveries	50,269	2
	–	–
Changes in claims provision	(48,098)	(236)
Changes in reinsurance share of claims provision	48,098	236
	–	–
Net claims incurred	**0**	**0**
Net continuity credit		
Continuity credit raised	(3,028)	(897)
Deferred continuity credit	1,499	819
	(1,529)	(78)
Total income	**9,754**	**6,436**
Acquisition cost	(6,012)	(458)
Deferred acquisition cost	2,447	405
Operating expenses	(5,499)	(4,895)
Total expenses	**(9,064)**	**(4,948)**
Result technical account	**690**	**1,488**

NON-TECHNICAL ACCOUNT

Amounts in US$000	2021	2020
Balance on technical account	690	1,488
Net investment return	1,008	541
Investment return transferred to the technical account	(1,008)	(541)
Investment management fee	(100)	(2)
Net income before taxation	**590**	**1,486**
Taxation	(127)	(371)
Net income after tax	**463**	**1,115**

A.3. Investment Performance

UKNV maintains a very prudent investment strategy with its main objective being capital protection. Its assets are mainly US Treasury Bills. During the start-up phase however small interest rate risks may arise. These are closely managed and underpinned by surplus capital on the balance sheet. During this year, UKNV realised $1,0m investment income, mainly on its bond portfolio. The investment related expenses were investment management fees.

Table 3: Investment income during 2021

Amounts in US$000	2021	2020
Total realised investment income	1,015	392
Total unrealised investment income (loss)	(7)	149
Total investment income	**1,008**	**541**

Asset allocation

According to the UKNV investment mandate, the investments are US treasury bonds, money market instruments and cash.

Table 4: Realised investment income during 2021

Amounts in US$000	2021	2020
Dividend from shares	–	1
Interest from fixed income securities	451	384
Foreign exchange (losses)/gains	378	6
Realised on sale of fixed income securities	186	1
Total realised investment income	**1,015**	**392**

A.4. Performance from Other Activities

As noted in A.2. all of the UKNV's activities relate to its core business.

A.5. Any Other Information

The year 2020 had been characterised by the Covid-19 pandemic. At the time of writing, the pandemic is ongoing, and its longer-term effects are unknown and uncertain. However, the Covid-19 pandemic could have a significant adverse effect on the global economy and the insurance industry. These effects could potentially reduce the financial strength of the UK P&I Club as a whole and have an adverse effect on its day-to-day operation. This could potentially have spill over consequences for UKNV. For example:

- Greater risk of default of payment from third parties, notably from external reinsurers
- Reduced demand for shipping and transport, changing the needs of our members. This has been the case for cruise operators but less so for cargo
- Uncertainties around insurance claims, although lower shipping and transport volumes would tend to bring down the frequency of insurance claims
- Increased operational risks in our day-to-day activities. The year 2020 has been concluded in a working-from-home setting during the various stages of lockdowns in the major countries UKNV operates from. We have not experienced any breakdowns of processes or events that were attributed to Covid-19.

Due to the set-up and structure of UKNV, Covid-19 will not impact the financial position nor the year end financial statements. According to the current risk management view there is a very low risk of business interruption from the pandemic.

B. System of Governance

B.1. General Information on the System of Governance

B.1.1. Overview
UKNV has a two-tier board structure with a separate Management Board and Supervisory Board.

The Management Board directs and has day-to-day responsibility for all activities of UKNV. The Supervisory Board maintains an overview of the performance of the Management Board. It also monitors the effectiveness of the risk management framework and the functioning of governance arrangements within UKNV.

The Supervisory Board has installed an Audit & Risk Committee to closely monitor and advise on risk management, compliance, actuarial, financial and audit matters.

The Management Board considers that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing UKNV.

UKNV maintains a decision matrix in accordance with the RACI structure to identify who or what body has decision making authority for a wide list of topics.

B.1.1.1. Outsourcing
UKNV outsources all functions, including controlled functions, to Thomas Miller B.V. (TMBV), except for for the investment function, which is outsourced to Thomas Miller Investment.

TMBV acts as a service provider in three ways:
- It acts as an authorised agent for insurance operations
- It provides staff and facilities to support the business
- It is an outsourcing service providers for certain activities of UKNV

The outsourcing is subject to strict monitoring of the Management and Supervisory Board and underpinned by an outsourcing policy in line with the Solvency II requirements and DNB regulations.

B.1.2. Remuneration
UKNV outsources all executive matters to TMBV in accordance with Management Agreements. TMBV operates on a formal performance and merit based remuneration policy. This policy promotes the long-term interest of the business and competitive rates. TMBV staff receive remuneration that fits within the policies of corporate governance that encourages sound business behaviour.

B.1.3. Related party transactions
UKNV is wholly owned by UKC. Some of the Supervisory Board members are also members of the P&I Club and ship owners. The transactions between SB members and UKNV are insurance transactions and payment of their fees. Ship owners have no direct interest in UKNV other than the insurance of their ships, which is arranged on an arm's length basis.

B.2. Fit and Proper Requirements

UKNV has in place a Fit & Proper Policy that sets out its approach to the fitness and propriety of the persons responsible for running the company, including executive senior management and key function holders.

All persons within the scope of the UKNV's Fit and Proper policy must have the professional qualifications, knowledge and experience and demonstrate the sound judgement necessary to discharge their areas of responsibility competently. They must be of good repute and demonstrate in their personal behaviour and business conduct character, integrity and honesty. As part of the assessment consideration will be given to potential conflicts of interest and financial soundness. This is screened by an independent screening agency.

The Fit & Proper Policy applies to:
- All Directors of the Club as a whole and its Committees;
- All employees of TMBV; and
- Persons within the TMBV or Thomas Miller responsible for key functions.

B.3. Risk Management System

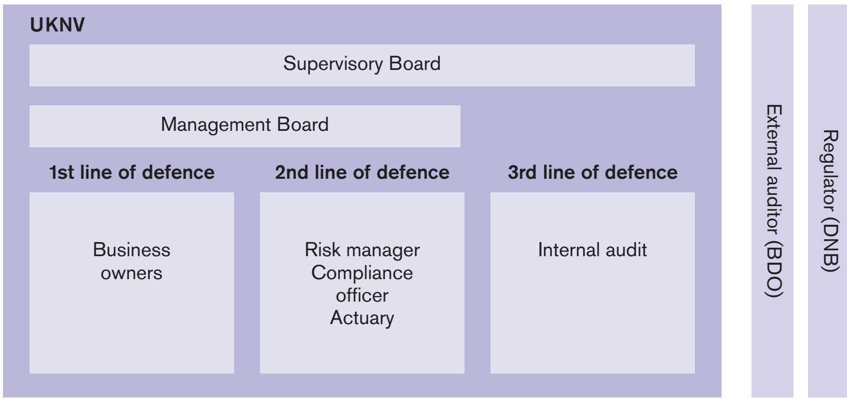
The UKNV Risk Management System
UKNV uses a Risk Management Framework to design an effective risk management system with an integrated approach to risk management and the application of the three lines of defence:

- 1st line of defence: management board members and business line managers. They are risk owners in the risk management framework

- 2nd line of defence: risk management and compliance functions

- 3rd line of defence: internal audit

Figure 1: Three lines of defence model for UKNV



The risk management system incorporates the accurate and appropriate identification, recording, analysis, reporting and mitigation of risk. The Management Board has:
- a clearly defined and well-documented risk management strategy;
- adequate written and documented policies;
- appropriate processes and procedures;
- appropriate reporting procedures;
- a suitable Own Risk and Solvency Assessment (ORSA); and
- reports on the material risks and the effectiveness of the risk management system.

As part of the risk management framework, UKNV employs a risk management process to identify, measure, manage, monitor and report risks in a consistent and continuous manner. Risks are assessed against the Risk Appetite set by the Management Board.

The risk management system not only covers the risks included in the calculation of the Solvency Capital Requirement but also other risks to which UKNV is exposed and which are considered to be materially relevant to its business.

The cornerstones of risk management in the first line of defence are the business processes and procedures. UKNV stores these on the Electronic Quality Management System (EQMS) system from where they are monitored and updated on an annual basis.

Risk appetite
UKNV's risk appetite is articulated in the Risk Appetite Statement, which is a document owned by the Management Board and reviewed on a regular basis as new risks emerge, or at least annually. The Risk management function supports the Management Board to achieve that objective.

Own Risk and Solvency Assessment (ORSA)
The ORSA is the process used by UKNV to manage its financial and solvency position over the period of its Business Plan. This process results in an annual ORSA Report approved by the Management and reviewed by the Supervisory Board. As such it is an essential part of UKNV's strategic planning process.

Risk mitigation
One of UKNV's key risk mitigation techniques is reinsurance. UKNV reinsures a significant part of the underwriting risks to the Fronted Club. Also, it is part of the International Group Pool of reinsurance that shares the largest risks between the IG P&I Club members. As part of that, the International Group also arranges an excess of loss reinsurance programme to cover the risks at higher levels. On an annual basis, the Management Board assesses the adequacy of the reinsurance programme and the related concentration and credit risks.

Other risk mitigation techniques may be utilised from time to time, for example the use of hedging instruments to mitigate the risk of volatility in foreign exchange rates. During the year 2020 this has not been the case.

Operational risk is mainly managed by processes and procedures and monitored by a risk control plan that is overseen by the risk management function.

B.4. Internal Control System

Internal control is defined as a continually operating process effected by UKNV's Management Board, the business line managers, all staff and outsourced service providers in achieving the business objectives and manage the inherent risks.

Control environment
TMBV and other outsourced service providers are responsible for establishing and maintaining an effective control environment throughout the organisation. In furtherance of that, there is a culture which values the highest levels of integrity in the staff, together with openness and honesty in relation to the conduct and reporting of all activities. Policies, procedures and processes are designed to define and support effective, efficient and appropriate activities at every level of the business.

Internal Audit is authorised to investigate and challenge any actions or concerns without influence from the business; be independent of operational business functions and without undue influence from the Management Board or other functions/management; have unfettered and direct access to all activities in its area of responsibility, including all documentation, systems, staff, Management, Management and Supervisory Board members.

Compliance function
The Management Board bears ultimately responsibility for regulatory compliance, and is supported by the compliance officer. UKNV takes a risk-based approach to regulatory compliance, focussing on preventing breaches to regulatory principles and other rules and informing the relevant regulators of any that are material, or must be reported to regulators on a mandatory basis.

The Compliance Function advises on and promotes compliance with applicable laws, regulatory requirements and administrative provisions and coordinates and monitors implementation of policies, processes and procedures to achieve compliance across the business, and manages regulatory compliance risk.

B.5. Internal Audit Function

Internal Audit is the "third line of defence" (see Figure 1) in UKNV's internal control framework, established to provide independent assurance that the systems of internal control established by management ("first line") and the monitoring and oversight provided by the Risk Management and Compliance Functions ("second line") are fit for purpose and operating effectively.

The Internal Audit function is outsourced to Thomas Miller Holdings, based in London, who report to the Chair of the ARC. The internal audit function may engage third party expertise or skills to conduct specific audits if required.

The Internal Audit Function is independent from the organisational activities audited and free to exercise its assignments without impairment and on its own initiative in all areas.

B.6. Actuarial Function

The Actuarial function is outsourced to Thomas Miller Holdings, based in London. One person serves as actuarial function holder, but there is a larger team available to perform operational first and second line actuarial work. This person oversees the adequacy of the work required by Solvency II.

The Actuarial Function is independent of the Management Board and therefore able to undertake its duties in an objective, fair and independent manner. However, for operational purposes, the Actuarial Function has been integrated into the internal control system through frequent meetings and attendance of ARC meetings.

B.7. Outsourcing

UKNV's business model relies on outsourcing of the main operational processes to Thomas Miller B.V. which has the authority to subcontract parties if it sees fit. The Management Board is responsible for the ultimate results as well as monitoring the adequacy of the outsourcing arrangements. The major outsourcing takes place within the Group allowing in-depth monitoring as well as regular performance reporting.

UKNV has in place an outsourcing policy directed at managing services or activities that are particularly important or critical to the business.

B.8. Adequacy of System of Governance

UKNV considers the system of governance adequate and proportional to the risks underlying the business and the business model. The Supervisory Board is responsible for an annual assessment of the system of governance as part of its monitoring role.

B.9. Any Other Information

UKNV considers no other information material to be disclosed.

C. Risk Profile

The key areas of risk impacting UKNV can be classified as follows:

1. Underwriting risk – incorporating underwriting and reserving risk

2. Market risk – incorporating investment risk, interest rate risk and currency rate risk

3. Credit risk – being the risk that a counterparty is unable to pay amounts in full when due

4. Liquidity risk – being the risk that cash may not be available to pay obligations as they fall due

5. Operational risk – being the risk of failure of internal processes or controls

UKNV uses the Solvency II Standard Formula to assess its financial and underwriting risks. The outcome of this formula is the basis for regulatory reporting and ORSA.

C.1. Underwriting Risk

Underwriting risk is the risk that the net insurance obligations (i.e. claims less premiums) are different to expectations. UKNV considers the risk of existing obligations (Reserve Risk) separately to the risk of future obligations (Premium Risk).

Reserve risk is managed by the reserving policy. UKNV establishes technical provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions.

The Management Board considers that the liability for insurance claims recognised in the statement of financial position is adequate.

Premium risk is managed by an underwriting policy which establishes robust underwriting practices in order to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach undertaken as part of the ORSA process.

The underwriting process is based on a thorough understanding of the risk accepted. This understanding is enhanced as:

- UKNV is part of the UK Club, which has provided broadly the same cover for over 150 years

- The Supervisory Board includes representatives of the shipping community so giving insight into changes in the risk accepted

Underwriting Risk is mitigated via the reinsurance programme, comprising of reinsurance to the Fronted Club, and in respect of P&I-risks to the International Group pooling arrangement and excess of loss reinsurance cover purchased jointly with the International Group. The excess of loss reinsurance cover purchased jointly with other members of the International Group provides cover for claims arising from mutual business which exceed $100 million up to a limit of $3.0 billion. This makes it the largest marine reinsurance programme in the world.

C.2. Market Risk

Market risk arises through fluctuations in market valuations, interest rates, corporate bond spreads and foreign currency exchange rates. UKNV operates a prudent investment policy with exposure to interest rates and foreign exchange only.

The prudent person principle
All of the investments are invested and managed in accordance with the 'prudent person principle', meaning that duties of the Investment Managers are discharged

with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims.

The Investment Mandate provides a framework to the Investment Managers for the management and stewardship of the assets in conformity with the business and investment objectives and sets the parameters within which UKNV's assets may be invested. It is considered and approved by the Management Board on an annual basis.

C.3. Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. UKNV's objective is to manage credit risk through the risk management techniques discussed below.

UKNV is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. UKNV has the following reinsurance counterparties:

- UKC
- ITIC
- TTI
- UK War
- Pamia
- IG Pool members
- External reinsurers provided for by the groups reinsurance programme to which UKNV is a joint assured

In order to manage these risks, the Management Board has set limits and selection criteria whereby each market reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made.

Amounts due from members represents premium owing to UKNV in respect of insurance business written. UKNV manages the risk of member default through a screening process to ensure the quality of new entrants and the ability to cancel cover and outstanding claims to members that fail to settle amounts payable. There are limits on the reliance on any single member.

Exposure to bank balances, however, is more concentrated, with one main counterparty and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

Table 5 shows the assets by counterparty rating as at 20th February 2021. The debt securities are only US Treasuries, divided over five different maturities. UCITS are two money market funds. The amount due from members consists of recently issued debit notes and these amounts relate to unrated members.

Table 5: Outstanding amounts per rating class

As at 20th February 2021 Amounts in US$000	**AAA**	**AA**	**A**	**Not readily available/ not rated**	**Total**
Debt securities	12,056				12,056
UCITS				29,451	29,451
Cash at bank and in hand			15,815		15,815
Investments in funds				21,474	21,474
Amounts due from members				35,528	35,528
Amounts due from reinsurers	–	–	610	268	878
Total of assets subject to credit risk	**12,056**	**0**	**16,425**	**86,721**	**115,202**

UCITS: Undertaking for Collective Investments in Transferable Securities

C.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. UKNV has adopted an investment strategy which requires the maintenance of significant holdings in cash and money market funds to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Moreover, the reinsurance agreements with the Fronted Club are such that urgent liquidity needs will be satisfied when due. Short-term cash needs are monitored to ensure the most efficient investment of cash balances. Table 6 outlines the future maturity of assets held.

The amount of Expected Profit in Future Premium (EPIFP) is 12,069 for policies running over multiple years.

Table 6: Outstanding amounts per 20th February 2021 over time

As at 20th February 2021 Amounts in US$000	**Short term assets**	**Within 1 year**	**1-2 years**	**Total**
Debt securities	–	1,232	10,824	12,056
UCITS	29,451	–	–	29,451
Cash at bank and in hand	15,815	–	–	15,815
Investment in funds	21,474	–	–	21,474
Amounts due from members	35,528	–	–	35,258
Amounts due from reinsurers	878	–	–	878
Total assets	**103,146**	**1,232**	**10,824**	**115,202**

UCITS: Undertaking for Collective Investments in Transferable Securities

C.5. Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In order to mitigate such risks UKNV has engaged TMBV to document all key processes and controls in a procedural manual. With the growing business volumes and processes, this manual has been updated in the second half of 2020. It is embedded into the organisation and available to all staff and outsourced service providers.

C.6. Other Material Risks

UKNV has not identified any other material risks that it considers necessary for disclosure.

C.7. Any Other Information

Stress and scenario testing
Stress and scenario tests are presented within ORSA. They are based upon the business plan and projects the financial and capital position over the next four years and considers its solvency position relative to its overall risk appetite statement.

D. Valuation for Solvency Purposes

D.1. Assets

Table 7 presents amounts at Solvency II and Dutch GAAP valuation bases respectively. For classification purposes an aggregated Solvency II classification of amounts has been used in order to best demonstrate any valuation differences between the two valuation bases. The main difference between the Solvency II presentation and the Dutch GAAP presentation is that the assets in the Dutch GAAP balance sheet do not include a reinsurance recoverable as this amount is set off against the gross technical provision under liabilities.

Table 7: Reconciliation of Assets between Solvency II and Dutch GAAP

As at 20th February 2021 Amounts in US$000	**Solvency II**	**Dutch GAAP**
Assets		
Deferred acquisition costs	0	2,901
Financial investments	63,058	63,058
Reinsurance receivable	15,702	10
Reinsurance recoverable	186,931	0
Insurance receivables	4,276	35,393
Trade receivables	878	923
Other receivables	0	0
Cash and cash equivalents	15,815	15,815
Total assets	**286,660**	**118,100**

Refer to Appendix 1 (template S.02.01) for a full Solvency II balance sheet. UKNV's assets are valued using the following principles:

Investments
Investments are carried at market value. The market value is calculated using the bid price at the close of business on the balance sheet date. The market value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

Fair values of investments traded in active markets are measured at bid price. Since all investments are traded in active markets (bonds and money market funds), it is not deemed necessary to employ different valuation bases such as reference values or independent valuation reports. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive or less liquid.

Reinsurance share of technical provisions
Reinsurance share of technical provisions is valued consistent with gross technical provisions. Refer to D.2. for further details.

Cash and cash equivalents
Cash and cash equivalents include cash at bank or in hand. The carrying value of these balances is considered a suitable proxy for fair value.

Insurance and reinsurance receivables
These represent balances that are due for existing insurance and reinsurance contracts. Due to the short-term nature of these balances, the carrying amount is considered a suitable proxy for its fair value. When these amounts are not yet due, they are included as a future cash flow in the calculation of technical provisions. Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Receivables (trade, not insurance)
This balance includes sundry, short-term receivable balances the value and settlement of which contains little to no uncertainty. Due to the short-term nature of these items, the carrying amount is considered a suitable proxy for its fair value.

Any other assets not elsewhere shown
These represent all asset balances not included above. These items are all of a short-term nature, and as such their carrying amounts are considered to be a suitable proxy for its fair values. There are no material differences between the valuation used for Solvency purposes and the valuation used in the financial statements.

D.2. Technical Provisions

Table 8: UKNV technical provisions

As at 20th February 2021 Amounts in US$000	**Solvency II**	**Dutch GAAP**
Premium provisions		
Gross best estimate premium provisions	-10,063	
Recoverables from reinsurance, after adjustment for counterparty default risk	-8,116	
Net best estimate premium provision	-1,947	
Claims provision		
Gross best estimate claims provisions	195,490	
Recoverables from reinsurance, after adjustment for counterparty default risk	195,048	
Net best estimate claims provision	442	
Risk margin	4,376	
Total gross technical provisions (net for Dutch GAAP)	**189,802**	**2,901**

Refer to Appendices 4 (template S.17.01.01) and 5 (template S.19.01) for further details on technical provisions.

The Dutch GAAP gross technical provisions in the balance sheet are net of reinsurance, whereas the reinsurance receivables are reflected as Assets under Solvency II.

Technical provisions
This relates to the insurance liabilities, which fall under the “marine, aviation and transport” or “general indemnity” lines of business under Solvency II. These relates to claims arising from the members of the Fronted Clubs. In addition, UKNV also participates in the International Group of P&I Clubs and so shares claim amounts above a certain level with other participating P&I clubs. These are fully reinsured back to UKC.

Solvency II requires the technical provisions to be calculated as the sum of a best estimate and a risk margin. The best estimate is valued as the probability-weighted average of future cash flows, taking account of the time value of money, and the risk margin is calculated on a cost-of-capital basis. In addition, for the best estimate, there are three elements to consider: claims, premiums and expenses. The calculation of the different elements of the technical provisions is discussed below.

Claims provision
The key assumptions underlying the calculation of the claims provision are the gross loss ratios. The claims element of the best estimate is calculated using the experience data from the respective Fronted Clubs’ claims experience. Since each of the Fronted Clubs is managed by Thomas Miller, UKNV has access to the relevant data of the Fronted Clubs. In addition to the regular claims experience, UKNV received one large claim for P&I and one for ITIC. Claims reserves have been adjusted to reflect this.

As a result of the Part VII transaction described in the business activities paragraph, on 1st January 2021 $148.6m has been added to the claims provision without a corresponding movement in the profit and loss account.

Premiums
The premiums element of the best estimate covers (i) the outstanding instalments of premium on expired business that are payable but not yet due on the valuation date (corresponding to the provision for claims outstanding); and (ii) the premium payable but not yet due on bound but not incepted business (corresponding to the premium provision).

Nearly all of the UKNV's marine P&I and UKWR policies are coterminous with its financial year. As such, the renewal is completed and therefore bound before the financial year end. The consequence is that nearly a full year's worth of business is recognised as bound but not incepted business. TT and ITIC related business renews throughout the year and consequently incurs a premium provision.

Expenses
When calculating the best estimate, a provision is made for all expense cash flows incurred in servicing insurance obligations. This includes both direct and overhead expenses, as well as investment management expenses. The provision is calculated directly in respect of the provision for claims outstanding (for expired business) and a corresponding amount is derived in respect of the premium provision (for bound but not incepted business).

Risk margin
The risk margin is calculated based on the requirement to hold capital to meet the SCR until all claims liabilities are settled and a cost-of-capital rate of 6% per annum in line with the Solvency II requirements. The SCR in this context is made up of Underwriting Risk, Counterparty Default Risk and Operational Risk only; assets are assumed to be invested in such a way that Market Risk will be zero. The SCRs in future time periods have been calculated based on the expected run-off of underwriting risk and operational risk and assuming counterparty default risk run-off in line with the run-off of the best estimate reinsurance recoverables.

Reinsurance recoverables
This relates to the expected recoverables from its reinsurance arrangements at the valuation date. It is made up of two elements: reinsurance payments and reinsurance premiums. These are valued on a consistent basis with the corresponding claims and premiums elements of the technical provisions. In addition, an adjustment is made to take account of expected losses due to default of the reinsurance counterparties.

Differences between GAAP and Solvency II technical provisions
Table 8 provides a reconciliation of Dutch GAAP technical provisions to Solvency II technical provisions.

D.3. Other Liabilities

Table 9 presents amounts at Solvency II and Dutch GAAP valuation bases respectively. For classification purposes an aggregated Solvency II classification of amounts has been used in order to best demonstrate any valuation differences between the two bases. The liabilities are valued using the principles laid out below.

Table 9: Total liabilities

As at 20th February 2021 Amounts in US$000	**Solvency II**	**Dutch GAAP**
Technical provisions	189,802	2,901
Provisions other than technical provisions	0	243
Reinsurance payables	26,617	42,100
Other liabilities	6,309	6,035
Total liabilities	**222,728**	**51,279**

Technical provisions
The valuation principles of technical provisions are further detailed in D.2. As explained in section D1 and D2, the Dutch GAAP technical provision is net of reinsurance.

Reinsurance payables
These represent balances that are due to be paid for existing reinsurance contracts. When these amounts are not yet due to be paid, they are included as a future cash flow in the calculation of reinsurance technical provisions.

Under statutory accounting requirements, these balances are presented separately on the face of the balance sheet whether they are due or not yet due.

Any other liabilities not elsewhere shown
Under statutory accounting requirements, these balances include intercompany payables under the reinsurance arrangement and fronting fee arrangements. However when not yet due, these amounts are included as a future cash flow in the calculation of reinsurance technical provisions under Solvency II requirements.

All other amounts comprise balances not included in liabilities above. Due to its short-term nature, the carrying amount is considered a suitable proxy for its fair value.

D.4. Alternative Methods of Valuation

UKNV does not utilise any alternative methods of valuation. UKNV does not apply matching adjustments or volatility adjustments as referred to in art. 77 of the Solvency II Directive. UKNV applies the regular published risk-free term structure.

D.5. Any Other Information

UKNV has not identified any other information that it considers material to be disclosed.

E. Capital Management

E.1. Own Funds

Table 10: Own funds specification

As at 20th February 2021 Amounts in US$000	**2021**	**2020**
Solvency Capital Requirement (SCR)	37,665	14,919
Eligible Own Funds	63,931	38,465
Excess (/ shortfall)	26,266	23,546
SCR ratio	**170%**	**258%**
Minimum Capital Requirement (MCR)	9,416	4,127
Eligible Own Funds	63,931	38,465
Excess (/ shortfall)	54,515	34,338
MCR ratio	**679%**	**932%**

Table 10 show the available capital in relation to the capital requirements. UKNV is well capitalised and meets all regulatory requirements. UKNV's capital structure consists of only Tier 1 Basic Own Funds. Please consult Appendix 6 (template S.23.01) for more information.

As can be seen in table 10, the Eligible Own Funds have increased significantly compared to last year end, due to a US$29m capital injection which was made over the year to prepare for an anticipated increase in the SCR. Please refer to caption E.2 for an explanation of the latter increase.

No items have been deducted from own funds and there are no significant restrictions affecting the availability and transferability of own funds.

Information, objectives, policies and processes for managing own funds
The objective under its Business Plan is to maintain its total capital resources (own funds) in line with its risk appetite statement over the insurance cycle. UKNV forecasts its capital over a four-year planning horizon as part of its ORSA process.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR
Table 11 summarises the Solvency Capital Requirements for the current period. Further details can be found in Appendices 7 (template S.25.01) and 8 (template S.28.01).

Table 11: SCR composition

As at 20th February 2021 Amounts in US$000	**2021**	**2020**		
Market risk	2,291	1,453		
Counterparty default risk	19,740	13,717		
Underwriting risk	16,429	1,367		
Diversification effect	-6,358	-1,643		
Basic-SCR			32,102	14,894
Operational risk			5,563	25
Total Solvency Capital Requirement (SCR)			**37,665**	**14,919**
Minimum Capital Requirement (MCR)			**9,416**	**4,126**

The SCR has been calculated using the standard formula as described in section E.4.

The inputs into the MCR are net written premium and net technical provisions as further detailed in Appendix 8 (template S.28.01).

The SCR has increased significantly compared to last year end, this increase was expected and a $29m capital injection was made over the year to prepare for this.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

This sub-module is not used by UKNV since UKNV does not invest in equities.

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

UKNV applies the Standard Formula to calculate SCR. Undertaking-specific parameters or simplified calculations are not applied.

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

UKNV has fully complied with the SCR and MCR requirements during the period under review. Refer to section E.1 for results of the SCR / MCR Calculations.

E.6. Any Other Information

The Association considers no other information material that should be disclosed.

Appendices

1. Balance Sheet

Solvency II template S.02.01

As at 20th February 2021, amounts in US$000

Assets	
Goodwill	0
Deferred acquisition costs	0
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant and equipment held for own use	0
Investments (other than assets held for index-linked and unit-linked contracts)	0
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
– Equities – listed	0
– Equities – unlisted	0
Bonds	0
– Government bonds	12,056
– Corporate bonds	0
– Structured notes	0
– Collateralised securities	0
Collective investments undertakings	51,002
Derivatives	0
Deposits other than cash equivalents	0
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	0
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	0
Non-life and health similar to non-life	0
– Non-life excluding health	186,931
– Health similar to non-life	0
Life and health similar to life, excluding index-linked and unit-linked	0
– Health similar to life	0
– Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	0
Insurance and intermediaries receivables	4,276
Reinsurance receivables	15,702
Receivables (trade, not insurance)	878
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	15,815
Any other assets, not elsewhere shown	0
Total assets	**286,660**

As at 20th February 2021, amounts in US$000	
Liabilities	
Technical provisions – non-life	189,802
Technical provisions – non-life (excluding health)	189,802
– TP calculated as a whole	0
– Best estimate	185,426
– Risk margin	4,376
Technical provisions – health (similar to non-life)	0
– TP calculated as a whole	0
– Best estimate	0
– Risk margin	0
Technical provisions – life (excluding index-linked and unit-linked)	0
Technical provisions – health (similar to life)	0
– TP calculated as a whole	0
– Best estimate	0
– Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	0
– TP calculated as a whole	0
– Best estimate	0
– Risk margin	0
Technical provisions – index-linked and unit-linked	0
– TP calculated as a whole	0
– Best estimate	0
– Risk margin	0
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	0
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	0
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	0
Insurance and intermediaries payables	1,436
Reinsurance payables	26,617
Payables (trade, not insurance)	4,869
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	4
Total liabilities	**222,728**
Excess of assets over liabilities	**63,931**

2. Premiums, Claims and Expenses by Line of Business

Solvency II template S.05.01

As at 20th February 2021 Amounts in US$000	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				
	Motor vehicle liability insurance	**Marine, aviation & transport insurance**	**Fire & other damage to property insurance**	**General liability insurance**	**Total**
Premiums written					
Gross – Direct business	754	69,552	905	19,257	90,467
Gross – Proportional reinsurance accepted					
Gross – Non-proportional reinsurance accepted					
Reinsurers' share	754	66,458	791	16,452	84,455
Net	0	3,094	114	2,804	6,012
Premiums earned					
Gross – Direct business	82	59,418	128	6,873	66,502
Gross – Proportional reinsurance accepted					
Gross – Non-proportional reinsurance accepted					
Reinsurers' share	82	56,930	111	5,813	62,936
Net	0	2,488	17	1,061	3,566
Claims incurred					
Gross – Direct business	65	93,557	62	4,683	98,367
Gross – Proportional reinsurance accepted					
Gross – Non-proportional reinsurance accepted					
Reinsurers' share	65	93,557	62	4,683	98,367
Net	0	0	0	0	0
Expenses incurred	-52	4,428	-42	1,001	5,335
Investment management expenses					
Gross – Direct business	0	87	0	12	100
Acquisition expenses					
Gross – Direct business	0	2,488	17	1,061	3,566
Overhead expenses					
Overhead expenses – Gross – Direct business	7	4,770	11	712	5,499
Reinsurers' share	58	2,918	70	784	3,830
Net	-52	1,853	-60	-72	1,669
Total expenses					5,335

3. Premiums, Claims and Expenses by Country

Solvency II template S.05.02.01

As at 20th February 2021 Amounts in US$000	Home country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total top 5 and home country
		MT	IT	CY	FR	GR	
Premiums written							
Gross – Direct business	6,473	16,978	10,687	10,140	8,882	8,801	61,961
Reinsurers' share	6,140	15,981	9,842	9,491	8,439	8,525	58,418
Net	334	998	844	649	442	276	3,543
Premiums earned							
Gross – Direct business	4,854	16,775	7,352	8,865	4,770	8,537	51,154
Reinsurers' share	4,690	15,825	6,752	8,545	4,625	8,301	48,739
Net	164	951	600	320	145	236	2,415
Claims incurred							
Gross – Direct business	724	10,605	3,969	18,844	2,232	4,441	40,815
Reinsurers' share	724	10,605	3,969	18,844	2,232	4,441	40,815
Net	0	0	0	0	0	0	0
Changes in other technical provisions							
Gross – Direct business							0
Reinsurers' share							0
Net	0	0	0	0	0	0	0
Expenses incurred	389	1,346	590	711	383	685	4,104
Other expenses							
Total expenses							4,104

4. Non-life Technical Provisions

Solvency II template S.17.01.02

As at 20th February 2021
Amounts in US$000

	Direct business and accepted proportional reinsurance				
	Motor vehicle liability insurance	**Marine, aviation & transport insurance**	**Fire & other damage to property insurance**	**General liability insurance**	**Total non-life obligation**
Technical provisions calculated as a sum of BE and RM					
Best estimate premium provisions					
Gross – Total	-138	-8,984	-203	-738	-10,063
Gross – Direct business	-138	-8,984	-203	-738	-10,063
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	-120	-6,600	-203	-702	-7,625
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	-120	-6,600	-203	-702	-7,625
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-121	-6,648	-203	-1,144	-8,116
Net best estimate of premium provisions	-17	-2,336	0	406	-1,947
Claims provisions					
Gross – Total	69	190,194	65	5,162	195,490
Gross – Direct business	69	190,194	65	5,162	195,490
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	69	190,194	65	5,162	195,490
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	68	190,019	65	4,895	195,048
Net best estimate of claims provisions	0	175	0	267	442
Total best estimate – Gross	-69	181,210	-138	4,423	185,426
Total best estimate – Net	-17	-2,161	0	673	-1,505
Risk margin	30	4,021	14	310	4,376
Technical provisions – Total	-39	185,231	-123	4,734	189,802
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – Total	-52	183,371	-138	3,751	186,931
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – Total	13	1,860	15	983	2,871

5. Non-life Insurance Claims

Solvency II template S.19.01 per underwriting year

As at 20th February 2021, amounts in US$000

Gross Claims Paid (non-cumulative)

	Development year																
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**In current year**	**Sum of years (cum.)**
N-14	10,147	10,247	8,707	9,979	1,649	722	249	672	239	235	2,054	162	7	16	29	29	45,113
N-13	8,759	26,205	11,674	12,255	4,741	5,229	2,385	887	1,203	276	210	-91	77	1,560		1,560	75,368
N-12	8,268	15,699	14,544	8,571	4,401	2,606	3,883	1,714	979	115	312	758	126			126	61,975
N-11	6,216	10,612	11,913	4,558	4,270	1,264	1,326	1,518	356	262	10	49				49	42,353
N-10	10,924	41,300	32,339	11,702	7,971	3,470	11,210	1,830	3,214	3,658	123					123	127,740
N-9	7,061	12,968	8,781	8,015	2,869	2,306	-3	139	27	84						84	42,248
N-8	8,494	16,879	6,813	3,306	2,905	1,789	921	1,682	226							226	43,015
N-7	12,106	17,279	13,846	5,613	25,632	8,144	2,834	1,683								1,683	87,138
N-6	11,514	10,332	7,968	3,290	2,421	10,741	1,674									1,674	47,941
N-5	6,899	9,682	9,364	4,870	3,708	919										919	35,443
N-4	18,110	11,122	6,882	5,220	2,357											2,357	43,690
N-3	11,435	8,855	3,824	3,908												3,908	28,022
N-2	10,104	16,846	9,213													9,213	36,163
N-1	5,634	6,541														6,541	12,176
N	48,558															48,558	48,558
															Total	77,048	776,943

The years prior to N-1 reflect the portfolio transferred from the parent company at 31 December 2020.

As at 20th February 2021, amounts in US$000

Gross Undiscounted Best Estimate Claims Provisions per Underwriting Year

	Development year															
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**>14**
Prior	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,729
N-14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	297	
N-13	0	0	0	0	0	0	0	0	0	0	0	0	0	558		
N-12	0	0	0	0	0	0	0	0	0	0	0	0	1,433			
N-11	0	0	0	0	0	0	0	0	0	0	0	572				
N-10	0	0	0	0	0	0	0	0	0	0	8,235					
N-9	0	0	0	0	0	0	0	0	0	847						
N-8	0	0	0	0	0	0	0	0	978							
N-7	0	0	0	0	0	0	0	12,736								
N-6	0	0	0	0	0	0	5,564									
N-5	0	0	0	0	0	34,221										
N-4	0	0	0	0	9,022											
N-3	0	0	0	21,409												
N-2	0	0	26,945													
N-1	250	29,434														
N	42,705														**Total at year end for all underwriting years**	197,937

The years prior to N-1, from development year 1 onwards, reflect the portfolio transferred from the parent company at 31st December 2020.
Best estimates are not available for that portfolio for the years prior to N.

6. Own Funds

Solvency II template S.23.01

As at 20th February 2021
Amounts in US$000

Basic own funds before deduction for participations in other financial sector as forseen in article 68 of Delegated Regulation 2015/35	**Total**
Ordinary share capital (gross of own shares)	606
Share premium account related to ordinary share capital	64,696
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	0
Subordinated mutual member accounts	0
Surplus funds	1,519
Preference shares	0
Share premium account related to preference shares	0
Reconciliation reserve	-2,890
Subordinated liabilities	0
An amount equal to the value of net deferred tax assets	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0
Deductions	
Deductions for participations in financial and credit institutions	0
Total basic own funds after deductions	63,931
Ancillary own funds	0
Available and eligible own funds	63,931
Total available own funds to meet the SCR	63,931
Total available own funds to meet the MCR	63,931
Total eligible own funds to meet the SCR	63,931
Total eligible own funds to meet the MCR	63,931
SCR	37,665
MCR	9,416
Ratio of eligible own funds to SCR	170 %
Ratio of eligible own funds to MCR	679 %

Reconciliation reserve	
Excess of assets over liabilities	63,931
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	
Other basic own fund items	66,821
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	-2,890
Expected profits	
Expected profits included in future premiums (EPIFP) – Life business	
Expected profits included in future premiums (EPIFP) – Non- life business	12,069
Total expected profits included in future premiums (EPIFP)	12,069

7. Solvency Capital Requirement

Solvency II template S.25.01

As at 20th February 2021 Amounts in US$000	Article 112 – **Regular reporting** **Net solvency capital requirement**	**Gross solvency capital requirement**
Market risk	2,291	2,291
Counterparty default risk	19,740	19,740
Life underwriting risk	0	0
Health underwriting risk	0	0
Non-life underwriting risk	16,429	16,429
Diversification	-6,358	-6,358
Intangible asset risk	0	0
Basic solvency capital requirement	32,102	32,102
Calculation of solvency capital requirement		
Adjustment due to RFF/MAP nSCR aggregation	0	
Operational risk	5,563	
Loss-absorbing capacity of technical provisions	0	
Loss-absorbing capacity of deferred taxes		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0	
Solvency capital requirement excluding capital add-on	37,665	
Capital add-ons already set	0	
Solvency capital requirement	37,665	

8. Minimum Capital Requirement

Solvency II template S.28.01

As at 20th February 2021
Amounts in US$000

Linear formula component for non-life insurance and reinsurance obligations

MCR_{NL} Result	852,530

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	0	
Income protection insurance and proportional reinsurance	0	
Workers' compensation insurance and proportional reinsurance	0	
Motor vehicle liability insurance and proportional reinsurance	0	54
Other motor insurance and proportional reinsurance	0	
Marine, aviation and transport insurance and proportional reinsurance	0	3,122
Fire and other damage to property insurance and proportional reinsurance	0	70
General liability insurance and proportional reinsurance	673	2,563
Credit and suretyship insurance and proportional reinsurance	0	
Legal expenses insurance and proportional reinsurance	0	
Assistance and proportional reinsurance	0	
Miscellaneous financial loss insurance and proportional reinsurance	0	
Non-proportional health reinsurance	0	
Non-proportional casualty reinsurance	0	
Non-proportional marine, aviation and transport reinsurance	0	
Non-proportional property reinsurance	0	

Overall MCR calculation

Linear MCR	853
SCR	37,665
MCR cap	16,949
MCR floor	9,416
Combined MCR	9,416
Absolute floor of the MCR	4,328
Minimum capital requirement	9,416

9. List of Assets

Solvency II template S.06.02 (summary)

As at 20 February 2021, amounts in US$

Asset ID code	Custodian	Quantity	Par amount	Acquisition value	Total Solvency II amount	Accrued interest	Item title	Issuer name	Currency	External rating	Nominated ECAI	Duration
IE0003763251	Goldman Sachs Group Inc/The	11,301,428		11,301,428	11,301,428		GS USD LIQ RSRV-INST DIS	Goldman Sachs Group Inc/The	USD			0.08
IE00B44BQ083	BlackRock Inc	18,151,004		18,151,004	18,151,004	0	ICS USD LIQ-PRM DIST	BlackRock Inc	USD			0.08
US912828W895	The Bank of New York Mellon SA/NV London Branch		5,270,000	5,279,675	5,412,572	38,819	US Treasury Note	United States of America	USD	AA+	S&P Global Ratings Europe Limited	1.10
US912828XD79	The Bank of New York Mellon SA/NV London Branch		5,270,000	5,279,470	5,411,246	22,260	US Treasury Note	United States of America	USD	AA+	S&P Global Ratings Europe Limited	1.27
US9128285A44	The Bank of New York Mellon SA/NV London Branch		1,200,000	1,223,859	1,232,403	14,403	US Treasury Note	United States of America	USD	AA+	S&P Global Ratings Europe Limited	0.56
US4642874576	BlackRock Inc	249,500		21,604,647	21,549,315		iShares 1-3 Year Treasury Bond	BlackRock Inc	USD			
CASHUSD	Citibank Europe plc		120,013		120,013		Cash	Citibank Europe plc	USD			
25493	Citibank Europe plc		5,858,027		5,858,027		N50 EUR Citibank Current 266071279	Citibank Europe plc	EUR			
25494	Citibank Europe plc		259		259		N50 GBP Citibank Current 108743417	Citbank Europe plc	GBP			
25495	Citibank Europe plc		1,199,817		1,199,817		N50 USD Citibank Current 108531649	Citibank Europe plc	USD			
25499	Citibank Europe plc		22,664		22,664		N51 EUR Citibank Current 2032293544	Citibank Europe plc	EUR			
25611	Citibank Europe plc		279,076		279,076		N51 GBP Citibank Current 108732520	Citibank Europe plc	GBP			

Asset ID code	Custodian	Quantity	Par amount	Acquisition value	Total Solvency II amount	Accrued interest	Item title	Issuer name	Currency	External rating	Nominated ECAI	Duration
25765	Citibank Europe plc		160		160		N54 USD Citibank Current 108732555	Citibank Europe plc	USD			
25620	Citibank Europe plc		5,594,800		5,594,800		N51 USD Citibank Current 108732563	Citibank Europe plc	USD			
25496	Citibank Europe plc		510,808		510,808		N52 EUR Citibank Current 2032293501	Citibank Europe plc	EUR			
25497	Citibank Europe plc		217		217		N52 GBP Citibank Current 108732490	Citibank Europe plc	GBP			
25498	Citibank Europe plc		328,911		328,911		N52 USD Citibank Current 108732539	Citibank Europe plc	USD			
25742	Citibank Europe plc		1,093,854		1,093,854		N53 EUR Citibank Current 2032293528	Citibank Europe plc	EUR			
25745	Citibank Europe plc		53,039		53,039		N53 GBP Citibank Current 108732504	Citibank Europe plc	GBP			
25746	Citibank Europe plc		752,034		752,034		N53 USD Citibank Current 108732547	Citibank Europe plc	USD			
25763	Citibank Europe plc		1,355		1,355		N54 EUR Citibank Current 2032293536	Citibank Europe plc	EUR			
25764	Citibank Europe plc		217		217		N54 GBP Citibank Current 108732512	Citibank Europe plc	GBP			

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