WATFORD INSURANCE COMPANY EUROPE LIMITED

2019 SOLVENCY AND FINANCIAL CONDITION REPORT

17 April 2020

SOLVENCY AND FINANCIAL CONDITION REPORT

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SUMMARY

Watford Insurance Company Europe Limited ("WICE" or "the Company") is an insurance company licensed by the Financial Services Commission in Gibraltar. WICE was originally formed and capitalized in mid-2015 to conduct business in Europe. The Company targets both personal and commercial lines of Property and Casualty ("P&C") business across the European Union and provides direct capacity to carefully selected MGA business partners. This strategy has now been revised due to Brexit to focus solely on the UK market. WICE carries a financial strength rating of "A-" (Excellent) with a stable outlook from A.M. Best Company, or A.M. Best, which is the fourth highest of the 15 ratings that A.M. Best confers.

WICE is a wholly owned subsidiary of Watford Re Ltd ("WRL"), a reinsurance company licensed in Bermuda, and an ultimate subsidiary of Watford Holdings Ltd ("WHL" or "Watford"). WRL is a global property and casualty insurance and reinsurance company, with approximately $1.1 billion of capital as at December 31, 2019 with operations in Bermuda, the United States, and Europe.

Business, Strategy & Performance

During the year ended 31 December 2019, WICE wrote premium of £169.4 million (2018 – £133.9 million) and made a profit before tax of £1.4 million (2018 – £0.5 million). Premium written in the current year represents a growth in excess of 25% compared to the prior year as a result of two new capacity arrangements and the increase of capacity provision to existing books of business. Premium written by WICE consists primarily of motor insurance in the United Kingdom ("U.K."), with the motor and pet insurance business in the Republic of Ireland now in run off. WICE furthermore operates a branch in Romania which provides motor insurance.

WICE continues to purchase reinsurance on the business it writes to protect the Company against adverse performance and to efficiently manage capital. Reinsurance is purchased in the form of Excess of Loss covers which provide protection against large losses in excess of agreed limits; and Quota Share Reinsurance, which mitigates attritional losses and allows for efficient capital management. After consideration of the Excess of Loss and Quota Share reinsurance, the maximum retention for an individual claim for WICE is £100,000.

Systems of Governance

WICE has put in place a system of governance to ensure sound and prudent management of its operations. The system of governance is based on the principle of proportionality taking due account of the nature, scale and complexity of the operations.

WICE has continued to operate a largely outsourced business model and the Company's expenses therefore primarily reflect the charges from its outsourced service providers. In particular, day-to-day operational management is outsourced to WICE's insurance manager, Artex Risk Solutions (Gibraltar) Limited ("Artex"). The Company also outsources certain operational and management functions to Arch Underwriters Ltd ("AUL"), a company incorporated in Bermuda which is a wholly owned subsidiary of Arch Capital Group Ltd ("ACGL"). Outsourcing has the potential to create additional risk due to delegation of day-to-day control over the services. Therefore, there is significant focus within WICE's risk and governance framework on the oversight of its outsourced service providers.

WICE's Board of Directors during the year comprised seven directors. The Company does not operate via Sub-Committees and all functions are currently retained by the Board. WICE employs what it terms a "three lines of defence" model and the full governance structure is set out in Section B.

Risk Profile

WICE's risk appetite framework provides an expression of the level of risk the Company is willing to accept in pursuit of its strategic objectives. The risk appetite framework provides quantitative and qualitative statements which are used to define the general attitude within the organization towards the desired level of risk. It not only supports the Company's risk management framework, it also enables WICE to make informed business decisions with due regard to the key risks to which it may be exposed by such a decision.

In general, WICE has an appetite for insurance (underwriting) risk and a tolerance for other forms of risk. The risk philosophy of WICE encompasses all major risks and focuses on attaining the following business objectives:

- Underwrite business that meets agreed targeted returns
- Underwrite business with selected MGAs
- Underwrite only carefully selected business lines
- Manage underwriting volumes in line with the business cycle
- Limit the downside risk such that the Company maintains a sufficient solvency margin

Valuation for Solvency Purposes

WICE prepares its financial statements in accordance with Gibraltar Generally Accepted Accounting Principles (Gibraltar GAAP). The Company's Solvency II balance sheet is prepared on an economic fair value basis. The most significant differences between the GAAP and the Solvency II balance sheet arise from:

- Valuation of gross technical provisions
- Valuation of reinsurers' share of technical provisions
- Reclassification of insurance and intermediary receivables
- Reclassification of reinsurance payables and receivables
- Valuation of deferred costs

Capital Management

The Company's SCR coverage ratio as at 31 December 2019 was 188% (2018 – 168%), with own funds of £21,471,000 (2018 - £17,679,000) and a Solvency Capital Requirement (SCR) of £11,439,000 (2018 - £10,534,000). The Minimum Capital Requirement was £3,187,000 (2018 - £3,288,000). Own funds are composed entirely of Tier 1 funds. WICE has a strong capital base, enabling the Company to meet its regulatory solvency requirements, and its business plan shows it remaining continuously compliant with the solvency requirements.

SECTION A – BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 Name and Legal Form of the Undertaking

Watford Insurance Company Europe Limited ("WICE") is incorporated in Gibraltar (Registered Number: 112869) and is a company limited by shares. The address of the registered office of the Company is:

PO Box 1338
First Floor
Grand Ocean Plaza
Ocean Village
Gibraltar
GX11 1AA

This Solvency and Financial Condition Report covers WICE on a solo basis.

A.1.2 Insurance Supervisor and Group Supervisor

Insurance Supervisor
Gibraltar Financial Services Commission (GFSC)
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar
GX11 1AA

Group Supervisor
Bermuda Monetary Authority (BMA)
BMA House
43 Victoria Street
Hamilton HM 12 Bermuda

A.1.3 External Auditor

PricewaterhouseCoopers Limited
327 Main Street
Gibraltar
GX11 1AA

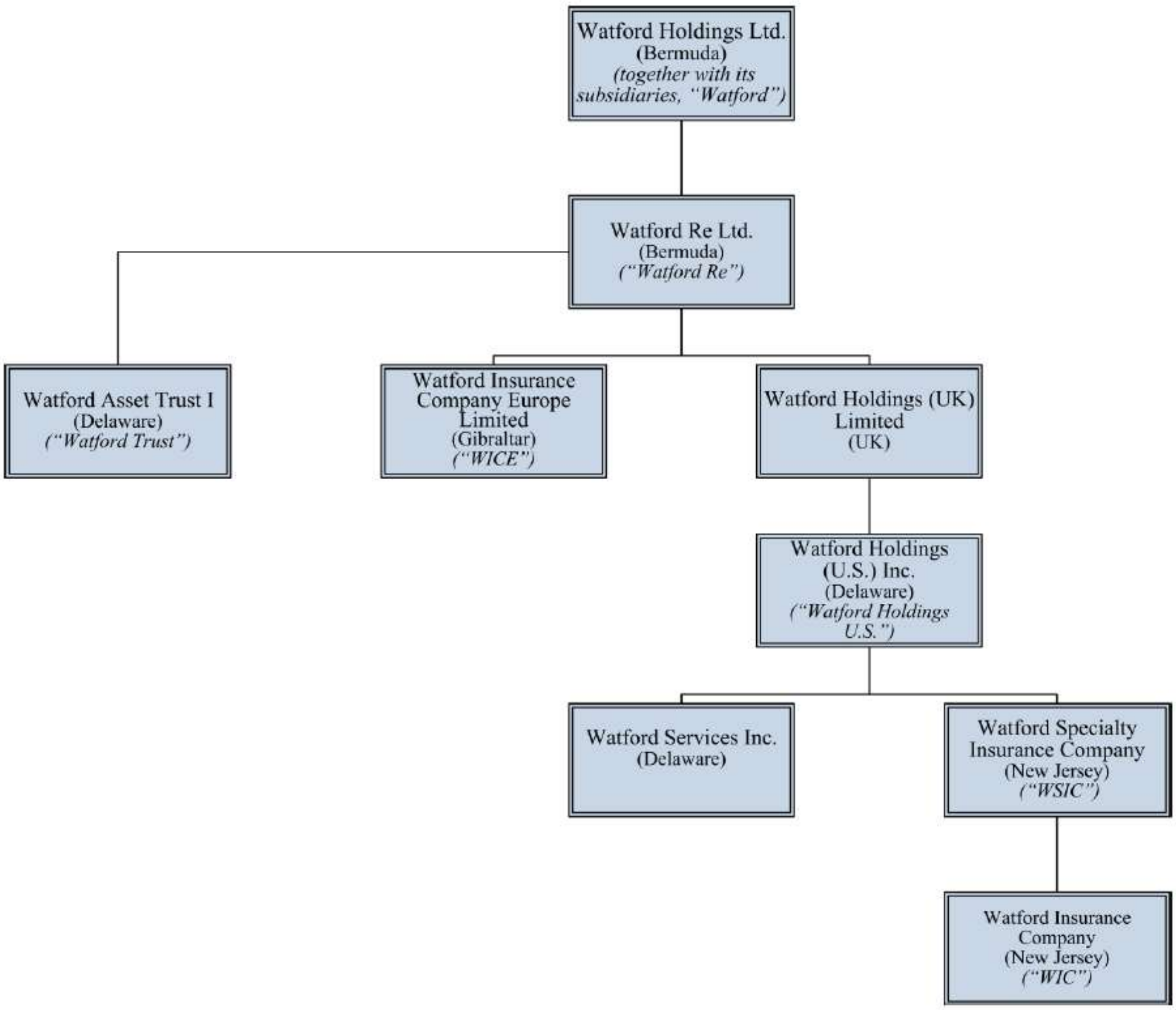
A.1.4 Description of the ownership details including proportion of ownership interest

WRL, a company incorporated in Bermuda, owns 100% of the equity share capital of the Company.

A.1.5 Group Structure

WICE's ultimate parent and ultimate controlling party is WHL, a company incorporated in Bermuda.

A complete organization chart of WHL and WICE's position in the Group can be found below. WICE operates a branch in Romania.



A.1.6 Material Lines of Business and Geographical areas where business is conducted

The following tables set forth summary information regarding gross premiums written, by segment and geographical region.

	As at 31 December 2019		As at 31 December 2018	
	Amount	% of Total	Amount	% of Total
	£'000	%	£'000	%
Gross Premium				
Gross written premiums - territory				
United Kingdom	143,355	85%	106,322	79%
Republic of Ireland	7,085	4%	24,059	18%
France	-	0%	- 0	0%
Romania	19,014	11%	3,569	0.026642314
Total	169,454	100%	133,949	100%
Gross written premiums - class				
Motor	166,867	98%	131,345	98%
Property	-	0%	2,605	2%
Pet	2,587	2%	-	0
Total	169,454	100%	133,949	100%

A.1.7 Significant Business or Other Events

As at the date of this report, the terms on which the United Kingdom (including Gibraltar) will withdraw from the European Union, remain uncertain, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

While the ability of Gibraltar insurers to write business into the UK will be secure, it is likely that passporting rights into other EU territories will not be retained. WICE wrote a significant volume of business into the Republic of Ireland until March 2019 and operates one branch in Romania. Due to the ongoing uncertainty around the outcome of Brexit, the Company has stopped writing new business in the Republic of Ireland as from 29 March 2019 and is now focused on an orderly run off of any existing policies and liabilities from this book of business. The former Irish business of WICE has been transferred to Arch Insurance (EU) dac ("AIEU"), an entity regulated by the Central Bank of Ireland. The Company continues to write business in Romania via its branch, as Romanian law has adopted EIOPA guidelines on Brexit which means the branch will have 12 months from the date single market access is lost to run off existing claims, however the board continues to monitor the situation closely. A portfolio transfer application will have to be made by 31 December 2020.

Watford Holdings Limited, the holding company of Watford Insurance Company Europe Limited ("WICE"), entered into an agreement to acquire Axeria IARD in December 2019, a P&C insurance company based in France. The completion of this acquisition is subject to regulatory approval and other customary closing conditions, and is expected to close second or third quarter of 2020. If this pending acquisition is consummated, the intention will be to transfer the Romanian business to Axeria IARD.

With the outbreak of COVID-19 in the United Kingdom management continue to closely monitor the behaviour of policyholders and activity within the claims environment. At the time of writing it is too early to draw any firm conclusions on the impact that this event will have on the future results of the Company. Due to WICE's strong capital position and its relationship with the wider Watford group the board of directors currently believe that the Company is in a relatively secure position to weather these events.

A.2 Underwriting Performance

WICE predominantly underwrote motor business during the year, with the majority in the U.K. WICE underwrote approximately 4% (2018 – 20%) of its total premium in the Republic of Ireland before ceasing to write Irish business on 29 March 2019. WICE operates one branch which underwrites motor insurance in Romania amounting to 11% of its total premium written (2018: 3%). The Company's French property-related business was discontinued in 2016. All business is written via capacity made available to MGA partners.

WICE mitigates its risk through appropriate reinsurance arrangements comprising both Excess of Loss and Quota Share reinsurance.

Since the Company prepares its financial statements in accordance with Generally Accepted Accounting Practice in Gibraltar (accounting standards issued by the Financial Reporting Council of the U.K., including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the U.K. and Gibraltar and referred to as "GAAP (Gibraltar)"), the underwriting performance information given in this section is on a GAAP (Gibraltar) basis. The following table summarizes the profit and loss account in GBP, by business line and geographical area, for the technical account for year ended 31 December 2019, with comparatives for 2018.

Premium written during the year increased significantly, reflecting growth in both the UK and the Romanian business. Loss ratios have continued to perform in line with expectations. WICE has maintained its profitable position in 2019 from 2018, after an underwriting loss in the previous financial year due to the front loading of administrative expenses.

Technical result by line of business

	As at 31 December 2019					
	Total Motor £'000	**Motor Liability £'000**	**Other Motor £'000**	**Property £'000**	**Pet £'000**	**Total £'000**
Gross written premiums	166,867	150,180	16,687	-	2,587	169,454
Outward reinsurance premiums	- 160,145	- 146,196	- 13,949	-	- 2,262	- 162,407
Net written premiums	6,722	3,984	2,738	-	325	7,048
Change in the gross provision of unearned premiums	- 16,376	- 14,738.64	- 1,638	134	314	- 15,928
Change in the provision for unearned premiums - reinsurers' share	- 16,528	- 15,103	- 1,425	124	199.16	- 16,204
Change in the net provision for unearned permiums	151	364	- 213	10	115	276
						-
Earned premiums, net of reinsurance	6,873	4,349	2,525	10	441	7,324
Claims incurred, net of reinsurance	- 6,073	- 3,862	- 2,210	- 23	- 227	- 6,323
Net operating expenses	- 363	1,283	- 1,645	- 7	- 220	- 590
Balance on the technical account	438	1,769	- 1,331	- 21	- 7	411

Technical result by geographical segment

	As at 31 December 2019				
	UK	**Ireland**	**France**	**Romania**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross written premiums	143,355	7,085	-	19,014	169,454
Outward reinsurance premiums	- 137,222	- 6,641	-	- 18,544	- 162,407
Net written premiums	6,133	444	-	470	7,048
Change in the gross provision of unearned premiums	- 20,509	10,642	134	- 6,194	- 15,928
Change in the provision for unearned premiums - reinsurers' share	- 20,131	9,948	124	- 6,145	- 16,204
Change in the net provision for unearned permiums	- 378	694	10	- 49	276
Earned premiums, net of reinsurance	5,755	1,138	10	421	7,324
Claims incurred, net of reinsurance	- 5,130	- 796	- 23	- 374	- 6,323
Net operating expenses	- 604	- 192	- 7	213	- 590
Balance on the technical account	21	150	- 21	261	411

Technical result by line of business

	As at 31 December 2018				
	Total Motor	**Motor Liability**	**Other Motor**	**Property**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross written premiums	131,345	118,210	13,134	2,605	133,949
Outward reinsurance premiums	- 124,537	- 113,811	- 10,726	- 2,230	- 126,767
Net written premiums	6,807	4,399	2,408	375	7,182
Change in the gross provision of unearned premiums	- 19,458	- 17,512	- 1,946	- 1,430	- 20,888
Change in the provision for unearned premiums - reinsurers' share	- 20,471	- 18,666	- 1,804	- 1,211	- 21,682
Change in the net provision for unearned permiums	1,013	1,154	- 141	- 219	794
					-
Earned premiums, net of reinsurance	7,820	5,553	2,267	156	7,976
Claims incurred, net of reinsurance	- 6,602	- 5,126	- 1,476	- 91	- 6,694
Net operating expenses	- 893	185	- 1,078	77	- 816
Balance on the technical account	325	612	- 287	141	467

Technical result by geographical segment

	As at 31 December 2018				
	UK	**Ireland**	**France**	**Romania**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Gross written premiums	106,322	24,059	- 0	3,569	133,949
Outward reinsurance premiums	- 99,811	- 23,223	0	- 3,733	- 123,034
Net written premiums	6,511	836	- 0	- 164	7,182
Change in the gross provision of unearned premiums	- 15,325	- 2,745	134	- 2,952	- 20,888
Change in the provision for unearned premiums - reinsurers' share	- 16,181	- 2,528	124	- 3,097	- 21,682
Change in the net provision for unearned permiums	856	- 217	10	145	794
Earned premiums, net of reinsurance	7,367	619	10	- 20	7,976
Claims incurred, net of reinsurance	- 5,800	- 862	- 47	16	- 6,694
Net operating expenses	- 1,488	646	- 3	30	- 816
Balance on the technical account	78	403	- 41	26	467

A.3 Investment Performance

At 31 December, WICE held U.K. treasuries valued at £20.6 million (2018 - £22.5 million), with remaining funds of £28.5 million (2018 - £15.7 million) held in cash.

WICE has not recognized any gains or losses directly to equity and does not hold any investments in securitizations.

The components of net investment income included in the statement of income and expenses are as per the table below:

	2019 £'000s	2018 £'000s
Fixed maturities	213	57
Term loan investments		
Equity securities		
Short-term investments		
Other	546	(127)
Gross investment income	759	(71)
Investment expenses	0	0
Net investment income	759	(71)

A.4 Performance of other activities

The following table summarizes the profit and loss account in GBP for the non-technical account for year ended 31 December 2019 and year ended 31 December 2018.

	As at 31/12/2019 £'000	As at 31/12/2018 £'000
Balance on the technical account	411	464
Other income	191	149
Net investment return including in the non technical	759	(71)
Profit (loss) on ordinary activities before taxation	**1,361**	**542**
Tax on profit (loss) on ordinary activities	0	0
Profit (loss) on ordinary activities after taxation	**1,361**	**542**

Other income refers to underwriting fee income received from the MGAs.

A.5 Any other information

Prior to 31 December 2019, WICE secured a further investment from its parent of £2.5 million in order to ensure that sufficient capital was available for the forecast growth in the business, such that the Company would continue to meet its solvency capital requirement ("SCR").

SECTION B – SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

B.1.1 Overview

WICE operates with a corporate governance structure consisting of the main Board of Directors (the "Board" or "Board of Directors"). The Company's Board is responsible for overseeing, controlling and directing the activities of the Company. The Board retains primary responsibility for corporate governance within the Company at all times. Senior Management at outsourced service providers also play an important role in ensuring effective governance.

The Board during the year comprised of seven Directors, three of whom are also Officers of WICE's ultimate parent company WHL, and one independent Non-Executive Director. Two executive Directors are employees of WICE's insurance manager, Artex. The Board of Directors as at 31 December 2019 was as follows:

- John Rathgeber (Watford)
- Jon Levy (Watford)
- Rob Hawley (Watford)
- Maamoun Rajeh (AUL)
- Paul Cole (Artex) (appointed 27 February 2019)
- Katja Spindler (Artex) (appointed 27 February 2019)
- Yvonne Chu (Independent Non-Executive)

Elisabeth Quinn and Steve Quinn resigned from the Board on 27 February 2019.

The Company Secretary is Raphy Abergel.

The presence of Watford Officers on the Board ensures that the Company's strategic direction remains aligned with the wider group and ensures there is continuous feedback between, and interaction with, WICE and its parent. This structure enables the group to retain an appropriate oversight of WICE's operations and to ensure that the business is aligned with the group's long term goals.

The presence of non-Watford Directors and Non-Executive Directors ensures that there is an appropriate element of independent challenge and oversight.

The Board is responsible for overseeing the business of WICE, supervising management, and providing oversight over its outsourced functions. The Board sets the standards of conduct of the Company, provides direction and oversight, and promotes a culture of integrity. The Board has not currently established any Committees and therefore retains collective responsibility for the Company.

The Board operates under agreed terms of reference and has the following key responsibilities:

- Ensuring the integrity and reliability of the Company's finances, including
    - Approving the annual budget and business plan
    - Ensuring that the Company's capital and solvency position is maintained

    - Reviewing financial performance
    - Determining Directors' remuneration
    - Determining the dividend policy
    - Establishing appropriate accounting policies
    - Approving the appointment of the external auditor
    - Monitoring the integrity of the financial statements and evaluating any significant judgements contained therein
    - Approving publicly reported documents
- Approving the underwriting strategy and policy and monitoring its implementation
    - Considering business opportunities and underwriting proposals presented by management
    - Overseeing the ongoing performance of all product lines and intermediaries/distributors
    - Managing intermediary/distributor relationship
    - Overseeing the implementation of the claims handling, reserving and settlement strategy
    - Setting the reinsurance strategy
    - Setting insurance risk strategy and appetite and limits
    - Monitoring and reporting on market trends and legislative and similar changes
- Approving the operational policies, including
    - Determining the strategic direction and objectives
    - Approving risk management strategies and policies, risk appetite and tolerance limits
    - Ensuring the effectiveness of the risk management framework, policies, processes and procedures
    - Establishing appropriate systems of control and monitoring their effectiveness
    - Approving significant ventures, partnerships, outsourced functions, disposals, acquisitions, alliances and any other transactions
    - Overseeing the internal audit function, their effectiveness and reviewing internal audit findings and recommendations
    - Overseeing the actuarial function
    - Ensuring compliance with statutory and regulatory requirements and its embedding into the culture of WICE, maintaining WICE's reputation and integrity at the highest possible standards
- Setting the investment strategy and monitoring investment performance
- Overseeing, guiding and challenging the ORSA process and approving the ORSA report
- Overseeing the calculation of the SCR and technical provisions
- Overseeing the completion of QRTs, the SFCR and the RSR

B.1.2 Code of Business Conduct

WICE has adopted WHL's Code of Business Conduct, which describes our ethical principles. The full text of our Code of Business Conduct is available upon request.

B.1.3 Independent Control Functions

The Company has in place four key independent control functions as required under the Solvency II Directive. These are:

- Risk Management
- Compliance
- Actuarial
- Internal Audit

These functions are responsible for providing oversight of the business and for providing assurance to the Board in relation to the Company's control framework.

All key functions are overseen by Directors of WICE, thus ensuring they all have the appropriate authority to carry out their roles and ensuring that the Board is fully informed of the discharge of the functions' duties.

B.1.4 Risk Management Function

The Risk Management Function is defined as a "Key Function" in Solvency II. The function is overseen by a Watford director, who is the Key Function Holder for Risk Management.

The function holder is supported in his role by outsourced service providers, including AUL and Artex, who provide ongoing input into, and assistance with, WICE's risk management.

Responsibility for risk management at an operational level rests with the executive management, including outsourced service providers. Risk management is overseen by the function holder, who reports to the Board on a regular basis. In addition, the Group oversees risk management.

B.1.5 Compliance Function

The Board follows the WHL Code of Business Conduct to ensure that the Company promotes an organizational culture that encourages the highest standards of ethical business conduct. In addition, the Board has approved the establishment of a compliance program to ensure the Company complies with all relevant laws, legislation, regulations and guidance. This is intended to ensure that WICE exercises appropriate care and diligence to prevent conduct which is in violation of its compliance program, thereby protecting WICE's reputation and good name.

The requirements of the compliance program apply to all employees, officers and directors of the Company and, where appropriate, to agents of the Company.

The Compliance Function is outsourced to WICE's insurance manager and is overseen by the Compliance Officer provided by WICE's insurance manager. Compliance services are provided by the insurance manager, with input from the AUL under a services agreement and from co-insurance and MGA partners where required. The insurance manager's compliance team is adequately resourced to provide the services and is not otherwise involved in the operational aspects of the Company.

B.1.6 Actuarial Function

The Actuarial Function is defined as a "Key Function" in Solvency II, with specific duties and responsibilities. The Actuarial Function services may be outsourced, but responsibility for the function rests with the Actuarial Function Holder ("AFH").

The Actuarial Function is overseen by a Watford Director. Actuarial Function supporting services are provided under a services agreement by the Arch group, which has appropriate actuarial resources and is entirely independent of operational aspects of the business.

Specific duties of the Actuarial Function include, but are not limited to:

- Coordinate the calculation of the firm's technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions against the data quality standards as set in Solvency II
- Inform the Board of the reliability and adequacy of the calculation of technical provisions
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to the effective implementation of the risk management system
- Prepare the Actuarial Function Report

B.1.7 Internal Audit

The Company has an Internal Audit Policy in place which sets out the objectives and responsibilities of the Internal Audit function, which is outsourced to KPMG. Internal Audit is discussed further in Section 2.5 below.

The Internal Audit function is overseen by a Watford Director, separately from the risk and actuarial functions. The Internal Audit function provided by KPMG is appropriately resourced with qualified and experienced individuals and is entirely independent of the Company's operation.

B.1.8 Material Changes

There have been no changes in the systems of governance. On February 27, 2019, Steve Quinn and Elisabeth Quinn resigned from the Board and Paul Cole and Katja Spindler were appointed to the Board of Directors.

B.1.9 Remuneration Policy and Practices

WICE only has Directors and no employees. Only the Independent Non-Executive Director receives remuneration from WICE, with the other Directors being remunerated under other arrangements with their respective employers. As a result, the Company does not have a separate Remuneration Committee, with responsibility for this area being retained by the Board.

The Independent Non-Executive receives a fee which is fixed and has no variable or performance-related elements. The remuneration of other Directors from their respective employers is not linked directly to the performance of WICE.

None of the Directors are entitled to share options or shares in the Company and none have any entitlement to pensions from WICE.

B.1.10 Material Transactions

During the year to 31 December 2019, WICE paid its insurance manager a fee of £0.3 million (2018 - £0.4 million) for the services provided. Two of WICE's directors are also directors of the insurance manager. At 31 December 2019, the balance owed by WICE was £0.03 million (£2018 - £0.03 million).

During the year, WICE paid £4.04 million (2018 - £4.38 million) to AUL, its underwriting manager, for services provided. One of WICE's directors is also a director of AUL. At 31 December 2019, the balance owed by WICE was £1.46 million (2018 - £1.4 million).

During the year, WICE ceded between 85% and 90% of its net retained business to WRL, a shareholder controller of the Company. The amount of premium ceded was £70.7 million (2018 - £69.6 million) and the net balance payable outstanding at 31 December 2019 was £16.3 million (2018 - £8.12 million).

On 23 December 2019, WRL injected £2.5 million Ordinary Share Capital into the Company based on forecast growth for solvency capital purposes.

B.2 Fit and proper requirements

B.2.1 Fit and Proper Processes

The Company's Fitness & Propriety policy sets out the guidelines to ensure that Directors and employees meet the fit and proper standards, both on entry and throughout their employment at the Company. The Compliance Officer is responsible for providing advice, implementing a monitoring program and ensuring the policy is reviewed at least annually.

The Compliance Officer ensures that appropriate Notification Documents are prepared for all individuals carrying out notifiable functions, and that these are submitted to the Gibraltar Financial Services Commission for regulatory approval.

In order to ensure that the Board have the required skills and knowledge, any recruitment takes due account of the individual's qualifications and experience. On an ongoing basis all individuals are required to ensure that they keep their skills and knowledge up-to-date and to confirm this annually.

Checks with regard to propriety are carried out by WICE's compliance function, which carries out appropriate checks prior to an individual being engaged and on an ongoing basis thereafter. In addition, each individual is required to complete an annual self-certification confirming their ongoing propriety. WICE's compliance function reports to the Board on these matters.

B.2.2 Professional Qualifications, Skills and Expertise

The Company ensures that all persons who hold key positions or functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

WICE fitness requirements ensure that the Board cover at least the following:

- Knowledge of insurance and financial markets
- Understanding of the business strategy and the business model
- Understanding of the systems of governance
- Knowledge of financial matters, actuarial analysis and management information
- Understanding of the regulatory framework and requirements

Propriety checks are carried out taking account of:

- The individual's character
- The individual's personal behavior
- The individual's business conduct
- Any criminal aspects
- Any financial aspects
- Any regulatory aspects

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk Management Process and Procedures

The following narrative provides an overview of the Company's Risk Management Framework, which describes the Company's methodology for identifying, measuring, managing and reporting on the key risks affecting WICE. It outlines WICE's approach to risk identification and assessment and how risk management is implemented and integrated into the organizational structure of the business.

Overview

WICE classifies its risks in the following categories:

- Underwriting Risk;

- Investment risk;
- Counterparty credit risk; and
- Operational, including governance, regulatory, business/strategic, reputational, and outsourcing risks.

The framework includes details of the Company's:

- Risk philosophy and policies to address the material risks confronting the Company; and
- Compliance approach and procedures to control and or mitigate these risks.

The actions and policies implemented to meet the Company's business management and regulatory obligations form the core of this framework. The Company has adopted a holistic approach to risk management by analysing risk from both a top-down and bottom-up perspective.

WICE has designed its system of governance to achieve the following:

- Maintain an adequately transparent organizational structure that has well-defined, clear, consistent and documented lines of responsibility across the Company's operations;
- Ensure personnel have the skills, knowledge and expertise necessary to properly discharge their assigned responsibilities;
- Establish and maintain processes to achieve effective internal reporting and communication of information at all relevant levels within the Company;
- Maintain information systems that produce sufficient, reliable, consistent, timely and relevant information concerning all business activities, the commitments assumed and the risks to which the Company is exposed;
- Safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question; and
- Ensure any outsourced responsibilities are delegated and managed appropriately, with ultimate responsibility vesting in the WICE Board of Directors.

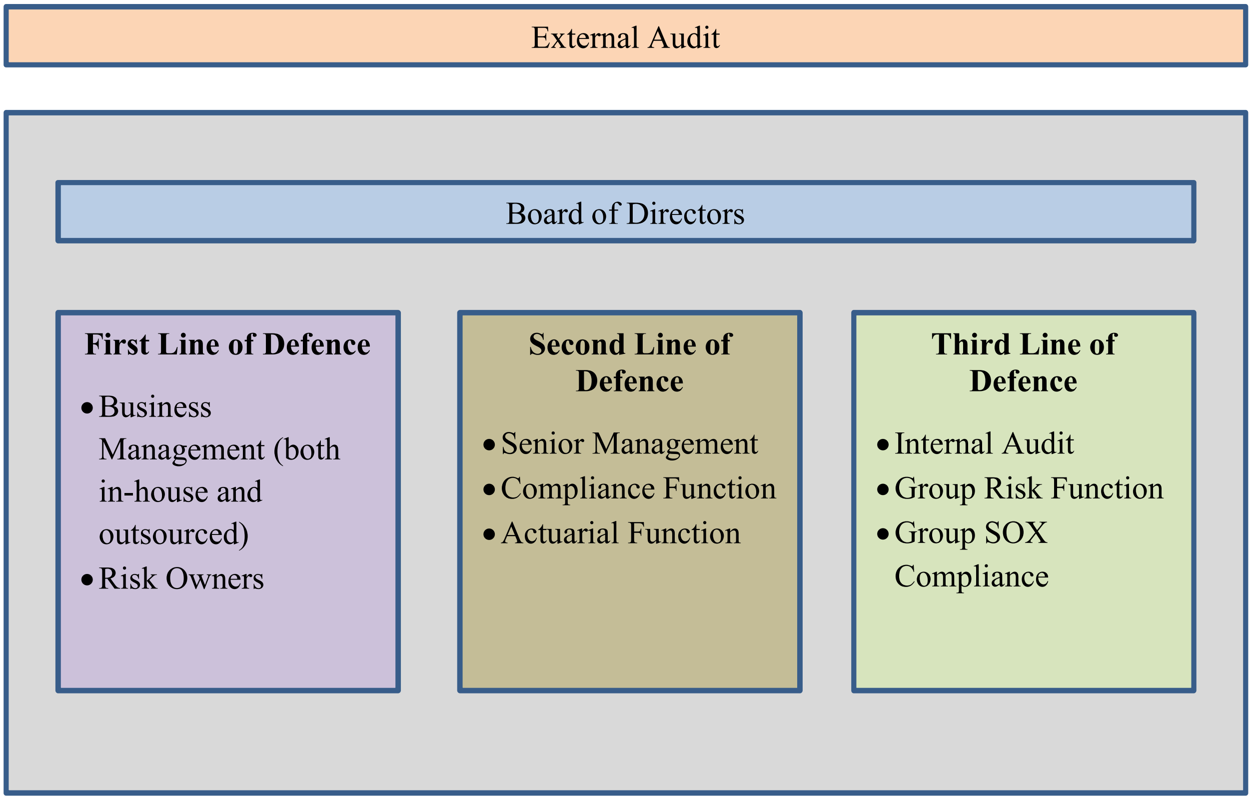
The system of governance is based on the principle of proportionality, such that systems and controls are proportionate to the nature, scale and complexity of the Company's operations. Appropriate and proportionate systems, resources and procedures are in place for WICE's operations.

Responsibilities

Responsibility for risk management ultimately rests with the Board. The Company has not appointed a Chief Risk Officer or established an Audit and Risk Committee and the Board retains day-to-day responsibility for the risk function including risk identification, assessment, monitoring and reporting.

Risk management is closely integrated into the Company's operations through oversight of the business partners, including outsourced service providers, as well as through appropriate structuring of contracts and agreements to take account of risk, and ongoing monitoring of underlying performance to ensure that risk appetite limits and capital buffers are not breached.

The Risk Management Framework follows the "Three Lines of Defence" model and fits into the overall governance structure as follows:



Risk Identification, Assessment, Monitoring and Reporting

WICE's risk philosophy and profile is defined in accordance with the wider Watford group risk philosophy and is evaluated, challenged and approved by the Board. The Board sets the overall risk appetite. Overall, WICE has an appetite for Underwriting Risk and a tolerance for other forms of risk. The rationale for the appetite and tolerances is articulated in the individual risk policies, which are reviewed and updated regularly. The overall risk appetite is articulated in the Company's Risk Appetite Statement document.

This approach results in the risk policies and inputs to the Risk Register, where all risks are defined and analyzed for potential impact to the Company. The Risk Register analysis includes all risks facing WICE and details the corresponding controls and or mitigation in respect of these risks. Qualitative and quantitative assessments of the impact and probability of all risks is contained within the Risk Register, which are part of a regular review process. The Risk Management function defines the risks in the Risk Register.

The Risk Register is a key input into the risk management regime, and any material changes in the underlying risks will be modelled for potential impact upon WICE's capital requirements. Such changes include, but are not limited to, changes in business mix, strategy and investment policy.

The controls identified in the Risk Register to monitor, mitigate and control the risks facing WICE are reviewed for continued relevance and documented in the process documents for each function. Compliance with the components of these controls is verified via the ongoing management reviews and Internal Audit reviews undertaken at WICE. This is undertaken on a group-wide basis and any issues are reported to the WICE board.

The result of this process is that all material risks are included within the Risk Register and also feed into the SCR calculations where appropriate, in some cases also being further investigated through stress testing. Inputs and outputs are owned by the appropriate function and are signed off by the Board.

B.3.2 Implementation and Integration of ORSA

The Company believes an integrated approach to developing, measuring and reporting its ORSA is an integral part of the Risk Management Framework. The ORSA process provides the link between the Company's risk profile, its Board-approved risk appetite including approved risk tolerances and limits, its business strategy and its overall solvency requirements.

The ORSA is the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short- and long-term risks the Company faces – or may face – and to determine the capital necessary to ensure that overall solvency needs are met at all times. The ORSA also makes the link between actual reported results and the capital assessment.

The ORSA process and reporting are integral parts of WICE's business strategy, tailored specifically to fit into WICE's organizational structure and risk management system with the appropriate techniques in place to assess its overall solvency needs, taking into consideration the nature, scale and complexity of the risks inherent in the business.

The Company also takes the results of the ORSA into account for its system of governance, including long-term capital management, business planning and new product development. It also contributes to various strategic decision-making including how best to optimize capital management and deciding whether to retain or transfer risks.

The ORSA is the basis for risk reporting to the Board and acts as a mechanism to embed the Risk Management Framework within the Company's decision making processes and operations. The Board oversees and supervises the ORSA, including regular reviews of the ORSA process and output.

The ORSA process operates continuously through the course of the year but is accompanied with periodic formal reporting. The formal ORSA report builds on the information viewed by management through the year in order to make strategic risk and capital decisions, supplemented with specific additional items.

The ORSA will be formally reported at least annually following the annual business planning process. In addition, an ORSA report will be produced on each occasion that the entity's risk profile changes significantly as set out below.

The ORSA is an ongoing process to ensure that WICE has the appropriate capital for its risk profile. However, a formal re-run will take place, at the Board's decision, following a significant change in WICE's risk profile including:

- Significant change in business
    - Including introduction of a significant new product (accounting for an increase of 15% or more in GWP)
    - Entering a material new line of business
    - Exiting a material existing line of business
- Material capital change, resulting in a drop of 5% or more in the market value of investments
- Significant market stress which directly impacts the Company
- SCR coverage falling below the stated risk appetite as per the previous ORSA

WICE records the actual performance of the overall solvency assessment and the assessment of any deviations in its risk profile from the assumptions underlying the SCR calculation to a level of detail that enables a third party to evaluate the assessments performed.

The Board receives periodic reports on risk management and the Risk Register is presented to the Board on an annual basis for approval. Any material changes in the risk management strategy, policies, processes, procedures and or SCR calculations are presented to the Board for approval.

WICE's Capital Management Plan is created with regard to and incorporates the output from the ORSA process, including requesting further capital injections if this is indicated as a result of the ORSA.

WICE reviews the appropriateness of its Risk Appetite Statements and the related Risk Limits and Tolerances during the analysis of the results and outputs of each ORSA process. If deemed necessary following a review, this Risk Appetite Statement will be revised and presented to the Board for approval.

B.3.3 Performance, Documentation and Review of the ORSA

A full ORSA cycle is performed at least annually and reported to the Board. The ORSA process is a circular process that relies on key elements of the business:

- **The Board outputs** – Strategy / Capital Management Plan / Board Risk Appetite
- **Business planning** – providing the basis for the base case projections
- **The Solvency II Pillar I standard formula** – 3 year outputs & base assumptions used
- **The Board** – who review, challenge and, as appropriate, approve the test scenarios, the ORSA process and output
- **The Actuarial Function** – who quantify technical provisions and provide other input into the Pillar I model
- **The Risk Function and Management** - who quantify the Pillar I capital requirements, assess the outputs and prepare the reports
- **ORSA Reporting to all stakeholders**

The Key Activities in the ORSA Process are:

- Strategy & Planning
- Pillar I base outputs and assumptions
- Risk identification & assessment
- Scenario setting
- Scenario testing through the Pillar I model & production of test output
- Review of test output & report preparation
- Management review & Board review & reporting

Each run of the ORSA process will be appropriately documented to evidence each of its constituent parts, and this record will be retained for any later scrutiny.

The documentation shall contain:

- The underlying business plan and strategy
- The Risk Appetite Statement
- The Pillar I standard assumptions & output
- The schedule of scenarios to be tested
- The scenario test results
- The ORSA report
- Any relevant minutes relating to scrutiny, review & challenge of the ORSA process & outputs

B.3.4 Relationship Between the ORSA, Solvency Needs, and Capital and Risk Management Systems

The Company has both a Capital Management Policy and Capital Management Plan in place. The Risk Management Function is responsible for developing and maintaining the Capital Management Plan. The Board reviews and monitors the plan.

The Capital Management Plan incorporates the output from the ORSA and associated reporting. The plan also sets out triggers for corrective capital actions relative to the Company's Solvency Ratios, which are based on the SCR and Minimum Capital Requirement ("MCR").

WICE's capital planning process aims to be dynamic and forward-looking in relation to WICE's risk profile and shall take into account the output from WICE's risk management activities and the ORSA process and associated reporting as part of capital planning activities.

As such, capital planning activities take into account any current or anticipated changes in WICE's risk profile, such as those reflected in its business plan, and forecasting the related impact on capital. In addition, as part of its capital planning, the Company integrates projected capital needs with its business planning and financial forecasting processes.

The Capital Management Plan identifies a number of potential sources of capital and associated corrective actions that may be utilised to restore sufficient capitalisation, depending on the severity of the capital requirements placed upon WICE.

When considering the sources of capital and corrective actions, WICE‘s plan incorporates the Solvency II Own Fund requirements.

Any material changes in the underlying risks, such as changes in business mix, reinsurance strategy and investment strategy, are modeled for potential impact upon WICE's capital requirements. The result of this process is to ensure that all material risks feed into the capital requirements analysis, and in some cases also trigger further investigation through stress testing.

B.3.5 Approval Process

The Board has responsibility for reviewing the risk management framework, policies, processes and procedures and for overseeing the annual ORSA process. The ORSA policy and the ORSA report are reviewed and challenged by the Board prior to approval.

The Board of Directors is the main governing body of WICE and has the following input and responsibilities to the ORSA:

- To evaluate, challenge and approve the Company's strategy, business plan and accompanying financial information, as proposed by Senior Management. This process will include:
  - Monitoring the performance of the Company against established Key Performance Indicators (KPIs)
  - Approving any material expansions and/or contractions of the Company
  - Approving any material expenditure and/or projects
- To evaluate, challenge and approve the Company's ORSA. As part of this approval of the ORSA, the Board will:
  - Approve the ORSA policy and process, including validating this process
  - Challenge the identification and assessment of risks, including any new risk management strategies to be implemented
  - Challenge assumptions on which the SCR calculation is based
  - Approve the long- and short-term capital management plan, having considered the ORSA outcome, business strategy and risk tolerance of the Company
  - Consider any risks outside of the ORSA process and the extent to which the SCR calculation accommodates these
  - Utilise the ORSA for strategic decision-making
- To evaluate, challenge and approve the Company's risk appetite and the associated risk tolerances and limits.

B.4 Internal control system

B.4.1 Internal Control System

WICE maintains an effective internal control system, which includes administrative and accounting procedures, an internal control framework, appropriate reporting arrangements and a compliance function.

The Board is responsible for monitoring the establishment and maintenance of the system of controls used to assess and manage exposure to all areas of risk. The objectives of these controls are to ensure that WICE's risk strategy is maintained and risk remains within the appetite and tolerances set by the Board.

WICE is part of Watford Group-wide compliance activities, including management's assessment to confirm the design and operating effectiveness of internal controls over financial reporting and the identification and testing of key internal controls, including any required remediation.

The Board has delegated management and oversight of certain controls to appropriate forums within the Watford Group. WICE's internal control framework provides an appropriate level of reporting on the control environment to the Board.

Controls are detailed in the Risk Register, which associates elements within the category of risk to one or more mitigating controls. WICE's internal control framework includes reviews of both the design and effectiveness of key controls, with results of this periodic evaluation regularly reported to the Board.

Watford's Sarbanes-Oxley (SOX) function's testing of internal control over financial reporting is a major element of the Company's monitoring activities. The focus of testing is to provide auditable evidence regarding the design and operating effectiveness of internal control over financial reporting. A major component of this process is the identification, tracking and disposition of internal control deficiencies that are assessed individually and in the aggregate. The results of the testing are continually communicated to stakeholders who include senior management, process/control owners and the Watford Group's Audit Committee.

B.4.2 Compliance Function

Implementation of the Compliance Function

As part of the Watford Group, WICE has implemented its compliance function taking due account of and in accordance with the overall group compliance structure.

The WHL Board has approved the establishment of a compliance and ethics program to ensure that all companies within the group promote an organizational culture that encourages the highest standards of ethical business conduct and compliance with the Group's Code of Business Conduct, policy statements and any laws and regulations which govern the Company's business activities (collectively referred to as the "Compliance Program"). The Compliance Program is intended to ensure that all companies within the group exercise appropriate due diligence to prevent conduct which is in violation of its Compliance Program thereby protecting the Group's reputation and good name.

WICE has implemented its compliance function through the services provided by its insurance manager. The function has established a compliance program to ensure compliance with all relevant laws, legislation, regulations and guidance. The Board promotes the highest standards of ethical business conduct, aimed at protecting the Company's reputation.

The requirements of the compliance program apply to all employees, officers and directors of the Company and, where appropriate, to agents of the Company.

The Compliance function is an integral element of WICE's risk management and internal control framework. The purpose of Compliance is to assist the Board in achieving its overall strategic objectives by promoting a culture of integrity, ethical conduct and compliance with the laws, regulations and administrative provisions that affect WICE. The compliance function also is responsible for the ongoing assessment of any possible impact of changes in the legal environment on WICE operations and for the identification and assessment of Legal / Litigation risk and for monitoring adherence to certain elements of the risk management framework and reporting thereon to the appropriate forums.

Independence and Authority

WICE has outsourced its compliance function to its insurance manager, thereby ensuring independence from other operational functions. Compliance attends Board meetings and reports to the Board on all relevant matters.

The Compliance function is authorized to review all areas of the Company and has full, free, and unrestricted access to all Company activities, records, property and personnel. Compliance has full and direct access to WICE's Board and the authority to escalate matters to WHL where required.

B.5 Internal audit function

The Watford group outsources internal audit services to KPMG Bermuda and WICE is included within the scope of the internal audit work carried out on behalf of the group.

The internal audit function is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps management the Board accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

KPMG, as a large audit practice, has an internal audit team that is adequately staffed by competent individuals and, being outsourced, is objective and independent of WICE's day-to-day activities.

Internal audit has appropriate access to all staff, Senior Management and records, including those relating to third party service providers. No restrictions are placed on the scope of the team's work. WICE management is required to inform internal audit of all noted control deficiencies, when losses are sustained and or of any definite suspicion of irregularities.

Internal audit's scope encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management and internal processes as well as the quality of management's performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives.

B.5.1 Internal Audit Reporting

Implementation of the Internal Audit function

Internal audit reports directly to the WICE Board. The Internal Audit Charter is reviewed periodically by the Board, which currently also retains responsibility for monitoring internal audit activities.

A report is issued for all internal audits conducted. The report includes a management response for all recommendations, including a target date for remediation. Each internal audit report is distributed to management and a copy is included in the Board meeting material.

Internal audit reports to the WICE Board as to whether:

- appropriate action has been taken on significant audit findings;
- audit activities have been directed toward highest exposures or risk and, secondarily, toward increasing efficiency, economy, and effectiveness of operations;
- internal, external and, when deemed appropriate, regulatory audits are coordinated, so as to avoid duplication;
- internal audit plans and resources are adequate;
- there is any unwarranted restriction on access by internal auditors to all of the Company's activities, records, property, and personnel; and
- the Company is in compliance with law, rules and regulations applicable to auditing functions and standards, including those related to fraud and other illegal acts.

The progress of all prior recommendations is monitored by internal audit and the Board. Management provides a status update for each quarterly board meeting, until the related management action plan is completed.

Independence of the Internal Audit Function

A key feature that ensures the independence of the Internal Audit function is its positioning outside of functional roles and responsibilities. Internal audit is outsourced to an external accountancy firm and is therefore not involved in any operational aspects of the business. WICE's internal audit charter specifically includes the following:

- Internal Audit shall have no direct responsibility or authority over any of the activities reviewed;
- Internal Audit shall not design and install procedures, prepare records or engage in any other activity that it would normally review, appraise or audit;
- Internal Audit is authorised to review all areas of the Company and to have full, free and unrestricted access to all Company activities, records, property and personnel;
- Internal Audit reports to and has full and independent access to the WICE Board and reports to the Watford Re Board for administrative purposes.

B.6 Actuarial function

WICE outsources Actuarial Function services to Arch Capital Group Limited ("ACGL") and Arch Underwriters Limited ("AUL") under oversight of the Actuarial Function Holder.

The Actuarial Function's primary responsibility is to the Board. The Actuarial Function in performing its duties acts independently of WICE's business units. The Board provides oversight to ensure the Actuarial Function has adequate resources and authority to operate effectively.

The main activities of the Actuarial Function in a Solvency II environment shall include the requirements of the Solvency II Directive, including:

- Coordinate the calculation of technical provisions;
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- Assess the sufficiency and quality of the data used in the calculation of technical provisions;
- Compare best estimates against experience;
- Inform the Board of the reliability and adequacy of the calculation of technical provisions;
- Oversee the calculation of technical provisions in the cases set out in the regulations;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system
- Provide an Actuarial Opinion on Technical Provisions; and
- Provide an Actuarial Report on Technical Provisions.

On an annual basis, the Actuarial Function will prepare an Actuarial Opinion on Technical Provisions and present the Actuarial Report on Technical Provisions to the Board of Directors. The report will be prepared in line with relevant regulatory and Actuarial Standards of Practice.

The Actuarial Function comprises experienced, fully qualified individuals with in-depth knowledge of actuarial and financial mathematics. The function is staffed appropriately given the nature, scale and complexity of the risks inherent in the integrated operations.

B.7 Outsourcing

B.7.1 Outsourcing Policy

WICE defines outsourcing as contracting out part or all of an otherwise internal business process to a third party provider (either outside or inside the Watford group). In this regard WICE may use the external service provider's processes and controls to perform the agreed services. However, WICE will retain all decision making and ultimate responsibility over the business function and maintain the appropriate monitoring mechanisms to ensure adherence to an appropriate service level agreement pursuant to a contractual arrangement.

The Company has an Outsourcing Policy in place which sets out the following:

- The definition of outsourcing

- Responsibility for implementation and operation of the policy and consequent controls and processes
- The criteria for outsourcing
- Due diligence on potential providers
- Establishment of appropriate contractual arrangements which clearly define responsibilities and allow adequate supervision and control
- Establishment of appropriate contingency planning, including terminating or exiting the arrangement
- Periodic audit requirements
- Records of outsourced arrangements
- The approval process
- Contract and legal requirements
- Risk assessment and risk mitigation measures
- Monitoring and on-going requirements

B.7.2 Outsourced Functions

The following table provides detail of the key functions which are outsourced by WICE.

Outsourced function or activity	Jurisdiction
Provision of business development, underwriting and pricing support; administration of contracts, agreements and other arrangements	Bermuda United Kingdom Republic of Ireland Romania
Policy administration	United Kingdom Republic of Ireland France Romania
Claims handling, reserving and settlement	United Kingdom Republic of Ireland France Romania
Accounting and financial support	Gibraltar Republic of Ireland

	Bermuda
Investment management services	Bermuda
Compliance services	Gibraltar
Actuarial function services, including Solvency II reporting	Bermuda Republic of Ireland
Assistance with risk management	Gibraltar Bermuda Republic of Ireland
Internal audit services	Bermuda
Company secretarial services	Gibraltar

B.8 Adequacy of Systems of Governance

WICE's systems of governance are as set out above. The Company does not have a complex business model and the systems of governance have been established taking due account of the principle of proportionality, being appropriate to the size, nature and scale of the operations. In addition, governance falls within the remit of both internal and external audit and the Risk Function continuously assesses relevant legislation, guidance, advice and best practice to ensure that the systems of governance remain up-to-date.

On this basis, the Board believes that the governance arrangements are adequate and appropriate for the business.

B.9 Any other information

No other material information to report as of December 31, 2019.

SECTION C – RISK PROFILE

Overview

WICE's risk appetite framework provides an expression of the level of risk the Company is willing to accept in pursuit of its strategic objectives. The risk appetite framework provides quantitative and qualitative statements which are used to define the general attitude within the organisation towards the desired level of risk. It not only supports the Company's risk management framework, it also enables WICE to make informed business decisions having regard to the key risks to which it may be exposed by such a decision.

In general, WICE has an appetite for insurance (underwriting) risk and a tolerance for other forms of risk. The risk philosophy of WICE encompasses all major risks and focuses on attaining the following business objectives:

- Underwrite business that meets agreed targeted returns
- Underwrite business with selected MGA's
- Underwrite only carefully selected business lines
- Manage underwriting volumes in line with the business cycle
- Limit the downside risk such that the Company maintains a sufficient solvency margin.

The following table shows the composition by sub-module of the SCR

Risk Category	Description	Allocated % of SCR as at 31-Dec-19	Allocated % of SCR as at 31-Dec-18
Underwriting Risk	Risk of losses from business already written or planned to be written over the next year	29.0%	30.2%
Market Risk	Risk of losses from market movements, including exchange rates and investment returns	7.8%	6.0%
Credit Risk	Risk of losses from counterparty defaults, including reinsurers and other counterparties	43.4%	43.9%
Operational Risk	Risk of operational losses	19.7%	19.9%

C.1 Underwriting Risk

C.1.1 Key Underwriting Risks

Underwriting risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing or risk quantification assumptions, which includes the fluctuations in the timing, frequency and severity of insured events. At a risk policy level, we consider underwriting risk is linked to reserving risk. Reserving Risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate reserving assumptions, which includes the fluctuations in the timing, frequency and severity of insured events.

WICE operates via MGA partners in the U.K. motor and liability markets and via a branch in Romania. It has operated in the Irish motor and French property market, although this business is now discontinued. The U.K. and Irish motor business is highly competitive and insurance companies have in the past struggled to achieve their target margin. The Romanian motor market is tariff-driven and appropriate risk selection is of key importance in ensuring target returns are achieved. Furthermore, the motor industry is materially exposed to regulatory, legislative and fiscal changes, economic factors, changes in policyholder and claimant lawyer behaviour and the actions of key service providers, such as claims management companies. These factors can lead to significant fluctuations in results.

The resulting key underwriting and reserving risks identified by management are:

- Risks are priced incorrectly
- Dependence on business partners
- Unpriced expansion of coverage due to unanticipated changes
- Accepted risks do not provide the required return on capital
- Unexpected concentration of risk exposures
- Insufficient reserves

C.1.2 Material Risk Concentrations

WICE currently writes mainly motor business, which leads to some degree of concentration of risk. However, within this category the Company writes different types of motor risks, from standard motor through specialized niche business and the Company uses a variety of co-insurance and MGA partners. There is therefore not considered to be a material underwriting risk concentration.

C.1.3 Underwriting Risk Mitigations

WICE purchases Excess of Loss reinsurance protection to mitigate the impact of large claims. In addition, inter-company Quota Share reinsurance and some external Quota Share reinsurance arrangements are in place to mitigate the impact of attritional losses.

Underwriting risk is further mitigated through the following:

- Business performance is monitored regularly, including consideration of market factors, pricing trends and strategic challenges
- Actual performance is compared against plan each quarter
- There is regular dialogue with and visits to lead underwriters and MGA partners and review of management information received
- Independent actuarial review of reserves by ACGL actuaries
- Periodic audits of claims handlers

C.1.4 Stress and Sensitivity Testing

Stress and scenario testing is carried out as part of the ORSA process, which is conducted at least annually. These tests consider moderate as well as extreme but plausible stresses and assess the impact on WICE's capital position.

A number of scenarios were considered in the ORSA which aim to reflect the underwriting and reserving risk to which the Company is exposed. These represent adverse scenarios to which the Company could be exposed, including poor loss ratio performance, unplanned growth and a highly adverse outcome for the largest book of business. The projected SCR and Own Funds were then calculated under each of these scenarios, allowing the capital impact to be assessed.

Due to the manner in which WICE structures its arrangements, while the stresses showed deterioration in the Company's capital position, only the most extreme modelled scenarios were considered likely to result in a breach of the SCR. The Company's underwriting risk profile is therefore considered to be resilient to most shocks.

C.2 Market Risk

C.2.1 Key Market Risks

Market Risk is the risk of changes in income or values of investment assets arising from fluctuations in political and economic variables (systemic), including interest rates, currency exchange rates, equity markets, commodity markets and real estate markets. It is the risk of loss, or adverse change, resulting directly or indirectly from fluctuations in the prices of assets. Market Risk includes the following specific components:

- Currency Risk
- Interest Rate Risk
- Spread Risk
- Equity Risk

Market Risk is also affected by:

- Concentration Risk: The risk that the Company will suffer losses from lack of diversification with regards to a particular sector, industry, geographic region, security, or asset class in the investment portfolio. Concentration Risk also includes the risk of failure to identify and manage correlation risk between insurance/reinsurance operations and invested assets.
- Investment Credit Risk: The risk of loss, or adverse change in financial condition, resulting from fluctuations in the credit standing of issuers of securities and counterparties to which undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentration risk.

WICE has a very conservative investment policy, focusing on capital preservation rather than investment return. The key market risks identified by management are:

- Invested assets lose value
- Insufficient diversification

- Risk that counterparties are unable or unwilling to fulfill debt obligations
- Failure of a counterparty

C.2.2 Material Risk Concentrations

WICE currently only invests in government securities with the remainder of investible assets held in deposits with banks. Therefore there are no material market risk concentrations.

C.2.3 Market Risk Mitigations

WICE mitigates investment risk through the implementation of appropriate controls. These include:

- Regular Board oversight;
- Formal agreements which delegate investment authority to the investment manager, Arch Investment Managers Ltd ("AIM"), a wholly-owned subsidiary of ACGL;
- Investment Guidelines which are structured to ensure sufficient liquidity and prevent over-exposure to any one risk sector;
- Quarterly Investment Guideline compliance confirmations issued by the Investment Manager;
- Utilisation of Company-approved brokers, investment managers and third party service providers;

C.2.4 Stress and Sensitivity Testing

WICE has limited exposure to market risk and hence a single scenario involving an investment shock was modelled. This modelled stress was not considered likely to result in a breach of the SCR and the Company is therefore considered to be highly resilient to market risk.

C.2.5 Prudent Person Principle

WICE seeks to manage investment assets subject to the Prudent Person Principle which states that the Board must discharge its duties with the care, skill, prudence and diligence that a prudent person acting in a similar capacity would use in the conduct of an enterprise of similar character and objectives.

- The Board of Directors of WICE has outlined the following risk management objectives in order to minimise its exposure to Investment Risk in line with the overall WICE Risk Appetite:

- WICE shall adopt a conservative approach to investments and seek to safeguard the assets of shareholders;
- WICE shall hold sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due; and,
- WICE shall ensure that there are appropriate policies, strategies and procedures in place to meet these objectives.

WICE adopts a conservative approach to investments and, as articulated in the Company risk management philosophy, limits Investment Risk such that the overall portfolio will consist of high quality fixed income securities and bank deposits, and limits the proportion of total investments that may be represented by other investments. New investment product initiatives fall into the category of other investments and include investments such as equities and all alternative investments. Participation in new investment products are subject to Board approval. In circumstances where new products are being considered by the Company, the following steps will be undertaken:

- Detailed information will be provided describing the nature of the investment such that the Board has full information to properly evaluate the risk
- The Finance Function will document the impact of the new product, including an assessment of whether it complies with the prudent person principle
- A presentation will be made to the Board to explain the rationale for the proposed investment
- The Board separately review the material and consider the impact on WICE's risk appetite and risk profile

If the proposed investment is approved, WICE's Finance and Compliance Functions will liaise with AIM to revise or develop bespoke Investment Guidelines for the new product where appropriate. In certain circumstances, such as in the case of an investment in a fund, this may not be required.

C.3 Credit Risk

C.3.1 Key Credit Risks

WICE has a low appetite for credit risk, which is approved by the Board.

WICE is exposed to credit risk from the following sources:

- Investments in fixed income securities
- Deposits with banking counterparties
- Reinsurance counterparties – internal from the Quota Share arrangement
- Reinsurance counterparties – external
- Premiums collectable from lead insurers and MGA partners.

The key risk is that one or more of these counterparties fail.

C.3.2 Material Risk Concentrations

As at 31 December 2019, WICE used two banking counterparties, thus resulting in risk concentration. Reinsurance credit concentration was also high, due to the inter-group Quota Share arrangement. Premium receivable-related debtor credit exposure is diversified.

C.3.3 Credit Risk Mitigations

WICE mitigates credit risk through the implementation of appropriate controls, processes and procedures.

At purchase, securities must have a designation from the Securities Valuation Office (SVO) of 1 or 2, or, in the absence of such rating, a credit rating equal to BBB/Baa2 or higher in the long-term or short-term investment rating agency category by at least two of the US nationally recognized statistical rating organizations (NRSROs). If more than two agencies rate the security the mid rating shall apply, if only two agencies rate the security and these are split, then the lower rating shall be used to determine whether the security is eligible. If only one of the NRSRO agencies rate a security, the rating must be no lower than the minimum rating required by the Investment Guidelines. Only issuers from the European Economic Union are permitted.

Reinsurance and premium receivables are closely monitored and controlled, with short credit periods mitigating any risk exposure. Furthermore, other than the WRL Quota Share reinsurance, other reinsurance arrangements are spread across a number of counterparties, thereby reducing single name exposure. The Company cedes some of its business via external Quota Share arrangements. All external Quota Share partners are currently at least AA rated, in line with the Company's low credit risk appetite.

C.3.4 Stress and Sensitivity Testing

Due to the high level of reinsurance ceded, WICE is exposed to a material amount of counterparty default (credit risk). As one of the Company's most material risks, a downgrade of the Quota Share reinsurers was therefore modelled as a stress test, as well as a downgrade of the five largest counterparties. This showed that the Company was able to withstand such a modelled stress for the immediate period following such downgrades, but would have to take action to rectify the position after this.

C.4 Liquidity Risk

Liquidity risk is the risk of the Company's inability to realise investments and other assets in order to settle its financial obligations when they fall due. Liquidity risk has low materiality for the Company. One of the objectives of the investment risk policy of the Company is that the Company shall hold sufficient investment values and investment liquidity to ensure all liabilities are met as they fall due. To achieve this objective, the investment risk appetite permits only highly rated securities to be purchased. Risk limits and tolerances have been also set in respect of (i) asset-liability duration matching and (ii) availability of liquid assets. The Company considers that the composition of its investment assets in terms of their nature, duration and liquidity are appropriate in order to meet its obligations as they fall due.

C.4.1 Risk Exposure and Material Risk Concentrations

The Company considers its exposure to this risk as relatively low. The Company monitors its liquidity in compliance with its investment risk policy and stated limits and tolerances in respect of the percentage of assets which are invested in liquid investments.

C.4.2 Risk Mitigation

Liquidity risk is mitigated by the cash held in investments and bank accounts.

C.4.3 Expected Profit in Future Premium

As of 31 December 2019, the expected profit in future premium is £294,764.

C.5 Operational Risk

C.5.1 Key Operational Risks

Operational Risk means the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

It also includes the risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations, and the exposure to litigation from all aspects of business activities.

Within Operational Risk, WICE also includes:

- Group Risk: Risks related to unregulated entities within the Group, implicit or explicit exposure to losses throughout the group ("contagion risk"), risks related to inter-company transactions and double gearing, the extent to which practical, legal, or regulatory barriers to the transfer of capital between group members exist, and other additional risks which individual members of a group face by virtue of their group membership.
- Strategic Risk: Risk that strategic business decisions prove to be ill-founded or poorly executed. Examples of such risk include mergers and acquisitions, moving into new markets, business lines, or regions, changes to the operating model, or failing to anticipate or react to a more general shift in the economic environment, demographics, etc.
- Reputational Risk: The potential adverse impact of an economic loss through deterioration of reputation, credibility or standing with coinsurance and MGA partners, other customers, brokers and the investor community.

WICE's management has identified the following key operational risks:

- Lack of requisite personnel (including at outsourced service providers), risk appetites or information to execute on the strategy
- Lack of understanding of the key risks or mechanisms to respond effectively
- Failure to manage conflicts of interest
- Adverse impact through the deterioration in reputation caused by acts of the Company
- Possible rating downgrade
- Breach of legal requirements through lack of policies or non-compliance with policies
- Outsourced providers performing duties at below acceptable levels
- WICE no longer viewed as an acceptable capacity provider for business partners
- Failure to respond to insurance market factors impacting return on capital
- Failure to respond to changes in the investment and credit markets
- The Company not properly assessing the risks of new initiatives
- Incentives of AUL not aligned with those of the Company
- Risks external to WICE but internal to the Watford Holdings Group

Those risks classified under the Operational Risk profile have been identified, assessed and articulated in the WICE Risk Register. Relevant risk and control owners report to the Board and the Risk Function holder, and are responsible for identifying new, emergent or changing risks and any consequent control changes required to realign the risks with the risk appetite.

With respect to Legal Risk, WICE's Compliance Officer has the responsibility for monitoring new and pending legislation from the Gibraltar Financial Services Commission ("GFSC") or Gibraltar government, the European Insurance and Occupational Pensions Authority ("EIOPA") and relevant bodies in other applicable jurisdictions for items that could potentially impact the Company.

In addition, applicable international risks are identified through discussions, meetings and memos with/from law and accounting firms within the jurisdiction of all group entities.

C.5.2 Material Risk Concentrations

There is no Operational Risk concentration.

C.5.3 Operational Risk Mitigations

WICE has put in place a strong internal control framework which mitigates operational risk. In particular, the following are key controls in managing this risk:

- Appropriate segregation of duties across all functions
- Systems access controls
- Four-eyes oversight of all key areas
- Regular management accounting process including reconciliations and checks

- Business Continuity and Disaster Recovery Plans
- All outsourced arrangements conducted under formal agreements and in accordance with the Outsourcing Policy
- Ongoing oversight and regular audits of outsourced service providers
- All material contracts reviewed by the AUL Counsel, Watford Counsel, or both on behalf of WICE
- Appropriate reporting to Watford group on all relevant matters to enable oversight
- Business plans and budgets reviewed quarterly
- Appropriate governance structures, including quarterly Board meetings

C.5.4 Stress and Sensitivity Testing

Operational risk is included in the Standard Formula. However, as part of its ORSA process, WICE also considers those areas of operational risk which may not be adequately covered, such as loss of a service provider and assesses its impact on the capital position. In addition, operational risk is indirectly stress tested through other risks, such as a credit down-grade of the inter-company Quota Share partners.

Operational risk comprises a moderate part of WICE's risk profile and the stress tests prove the Company's capital buffer to be sufficiently resilient to withstand this risk.

C.6 Other Material Risks

C.6.1 Overview

A number of other risks are considered to be relevant for the Company, namely, group risk, strategic risk, reputational risk, regulatory risk and compliance risk. These risks do not lend themselves to quantification but are included within the Own Risk and Solvency Assessment.

Risk Exposure and Material Risk Concentrations
The Company considers the most material exposures in this category of risk are (i) the potential for inappropriate business strategy and (ii) the potential for regulatory breaches.

Risk Mitigation
Risk controls, risk monitoring and reporting are considered to be the main method of risk mitigation.

WICE considers the following to be additional potentially material risks to the business.

C.6.2 Brexit

As at the date of this report, the terms on which the United Kingdom (including Gibraltar) will withdraw from the European Union, remain uncertain, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

While the ability of Gibraltar insurers to write business into the UK will be secure, it is likely that passporting rights into other EU territories will not be retained. WICE wrote a significant volume of business into the Republic of Ireland during 2019 and operates one branch in Romania. Due to the ongoing uncertainty around the outcome of Brexit, the Company has stopped writing new business in the Republic of Ireland on 29 March 2019 and the company will focus on an orderly run off of any existing policies and liabilities from this book of business. All new business in the Republic of Ireland is now written via Arch Insurance (EU) dac ("AIEU"), an entity regulated by the Central Bank of Ireland. The Company continues to write business in Romania via its branch, as Romanian law has adopted EIOPA guidelines on Brexit which means the branch will have 12 months from the date single market access is lost to run off existing claims. A portfolio transfer application will have to be made by 31 December 2020.

Watford Holdings Limited, the holding company of Watford Insurance Company Europe Limited ("WICE"), entered into an agreement to acquire Axeria IARD in December 2019, a P&C insurance company based in France. The completion of this acquisition is subject to regulatory approval and other customary closing conditions, and is expected to close in the second quarter of 2020. If this pending acquisition is consummated, consistent with WICE's business model, our strategy will be to work closely with Arch to enable Axeria IARD to grow its existing business in France as well as to develop new insurance opportunities throughout the European Union.

C.6.3 Market Developments and Covid 19

WICE is exposed to potentially adverse developments within the wider insurance and financial markets.

At the time of writing this report, large parts of Europe have been put into lockdown due to the Coronavirus 19 pandemic outbreak. This is expected to negatively and significantly impact on the world economy. At this stage it is impossible to predict the impact these developments will have on WICE's ability to underwrite profitable business in the short to medium term. A certain amount of business will almost certainly be lost in a global economic downturn, however Motor insurance remains a compulsory insurance cover which provides some certainty over volumes. The impact on claims is at this point uncertain but could be positive due to the restrictions currently placed on citizens' movements around Europe. From an operational point of view, WICE depends heavily on its outsourced service providers. Most service providers have now invoked their BCP plans and staff are working remotely to ensure the ongoing provision of services to the Company. The Company continues to closely monitor the situation particularly in the UK, where most of its business is now placed. While the impact of such events and changes is difficult to predict, WICE maintains contacts through the Watford Group and the wider Arch group in all major jurisdictions, thus ensuring that the Company is well-placed to react promptly to any adverse developments.

During 2019 the Government Actuary Department completed a review of the Ogden rate that is used to set compensation amounts in respect of certain injury claims. In July 2019, it was announced that the rate would be raised from minus 0.75% to minus 0.25%; this increase being smaller than industry expectations as many market participants expected a nil or small positive rate. Given the smaller than expect increase in the Ogden rate, insurers our now faced with higher than expected reinsurance costs in 2020 due to the resultant impact on claims costs.

C.7 Any other information

No other material information to report as of 31 December 2019.

SECTION D – VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

The table below sets out the value of the material assets of the Company (except for reinsurance technical provisions) as at 31 December 2019 under Solvency II and GAAP:

Assets	2019 Solvency II £'000	2019 GAAP £'000	2018 Solvency II £'000	2018 GAAP £'000
Reinsurer's Share of Technical Provisions	172,833	207,729	111,954	140,497
Deferred Tax Asset	215	0	163	0
Investments (including accrued interest)	20,738	20,552	22,679	22,501
Insurance and intermediaries receivable balances	0	12,441	4,381	6,666
Reinsurance Receivables *	0	0	0	0
Deposits to Cedants	5,317	5,988	5147.662	5,148
Other assets and non-insurance receivables	2	202	0	199
Cash & Cash Equivalents	28,522	28,522	15,734	15,734
Deferred Acquisition Costs / Goodwill **	0	11,336	0	9,738

The following are the bases, methods and main assumptions used for valuation of each material class of assets for Solvency II purpose.

D.1.1 Deferred acquisition costs

In the financial statements, acquisition costs which represent commission and other related expenses are deferred over the period in which the related premiums are earned. To the extent that acquisition costs are deferred and considered irrecoverable against the related unearned premiums, they are written off to net operating expenses as incurred.

The Solvency II balance sheet is prepared based on the best estimate of future cash flow basis. As deferred acquisition costs do not result in future cash flows, these amounts are therefore excluded from the Solvency II balance sheet.

There has been no change in the recognition and valuation basis during the period.

D.1.2 Deferred tax assets

Deferred tax assets are the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts under Solvency II or GAAP. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if they relate to income taxes levied by the same taxation authority on the same taxable entity.

The valuation of deferred tax assets is consistent with the accounting valuation under GAAP.

D.1.3 Investments (other than holding in related undertaking)

Investment assets are comprised mainly of Government bonds, with an insignificant amount held in money market funds. The Company's investments are externally managed. The Company receives quarterly reports detailing the underlying assets and their performance. Whilst Coronavirus has given rise to market volatility in financial markets, the Company's investment portfolio has held up well in Q1 2020, as the company's investment portfolio comprises of UK Government bonds.

The investments are valued at fair value under GAAP and Solvency II based on market prices at the reporting date, which are quoted prices in active markets for identical assets. No significant estimates or judgements have been used in the valuation of investments.

There has been no change in the recognition and valuation basis during the period and the valuation of investments under Solvency II is consistent with the accounting valuation under GAAP.

D.1.4 Deposits to Cedants

As at 31 December 2019, deposits to cedants represent cash floats held by MGA partners for the settlement of claims. These balances are valued at fair value reflecting the amount held at 31 December 2019, translated at the closing exchange rate for balances not denominated in the reporting currency. No estimates or judgements are required in the valuation.

The Company is exposed to timing issues in respect of the funding requirements on the claims accounts, where WICE is paying the total funding requirement of the claims account and then collecting the amounts attributable to the Quota Share partners in the following accounting period. Such timing delays give rise to an increased credit exposure to the reinsurance partners. The calculation of the Counterparty default risk under the standard formula has been adjusted to account for the rating of the Quota Share partners.

There has been no change in the recognition and valuation basis during the period and there are no differences between the valuation for Solvency II and the GAAP valuation, other than the grossing up of these items for Solvency II purposes.

D.1.5 Insurance and intermediaries receivables

Insurance and intermediaries receivables balance represents premiums owed from lead insurers and MGA partners less related acquisition costs. Outstanding premiums are valued at fair value, being the amount recoverable, and due to the short-term nature of the receivable no adjustments to valuation, estimates or judgements are required.

There has been no change in the recognition and valuation basis during the period and the valuation of insurance and intermediaries receivables under Solvency II is consistent with the accounting valuation under GAAP. However, for Solvency II purposes, these amounts are reduced by the amount not yet due on the valuation date and are included in technical provisions. At 31 December 2019 there were no overdue receivables.

D.1.6 Reinsurance receivables

Reinsurance receivables represent premiums owed from Quota Share and Excess of Loss reinsurers. These balances are valued at fair value, being the amount recoverable, and due to the short-term nature of the receivable no adjustments to valuation, estimates or judgements are required.

There has been no change in the recognition and valuation basis during the period and the valuation of reinsurance receivables under Solvency II is consistent with the accounting valuation under GAAP. However, for Solvency II purposes, these amounts are set against reinsurance technical provision cash flows to the extent that they are not overdue. At 31 December 2019 there were no overdue receivables.

D.1.7 Cash and cash equivalents

As at 31 December 2019, the Company had £28.5 million (2018 – £15.7 million) held as cash and cash equivalents with banking counterparties. The majority of these accounts are held in GBP, with a small balance held in EUR and RON. Most accounts are held in the UK, with RON accounts held in Romania. The non-GBP balances are translated into GBP at the balance sheet closing rate.

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Company receives monthly statements at the period end to confirm the balances held. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset.

There has been no change in the recognition and valuation basis during the period and the valuation of cash and cash equivalents under Solvency II is consistent with the accounting valuation under GAAP.

D.2 Technical provisions

D.2.1 Results summary

A summary of the technical provisions results for the Company as at 31 December 2019 is set out below, split by material lines of business:

31 December 2019 Net of Retrocession and inter-company Quota Share	Claims Provisions (£'000)	Premium Provisions (£'000)	Risk Margin (£'000)	Solvency II Technical Provisions (£'000)
Fire and other damage to property	69	188	8	**264**
General liability	0	0	0	**0**
Other motor insurance	1,096	37	185	**1,318**
Motor vehicle liability insurance	7,420	3,850	1,239	**12,510**
Miscellaneous financial loss	13	209	70	**292**
Grand Total	8,597	4,284	1,502	**14,384**

31 December 2018 Net of Retrocession and inter-company Quota Share	Claims Provisions (£'000)	Premium Provisions (£'000)	Risk Margin (£'000)	Solvency II Technical Provisions (£'000)
Fire and other damage to property	24	603	10	**636**
General liability	0	0	0	**0**
Other motor insurance	964	314	147	**1,424**
Motor vehicle liability insurance	7,448	2,437	1,204	**11,089**
Miscellaneous financial loss	0	0	0	**0**
Grand Total	8,435	3,354	1,360	**13,150**

D.2.2 Calculation Methodology

Under Solvency II an economic balance sheet is required – which requires a market valuation of technical provisions. The overarching principle for valuing technical provisions under Solvency II is the current amount undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another undertaking.

The starting point for valuing the Company's Technical Provisions (TPs) is the Company's GAAP basis reserves for loss and allocated loss adjustment expenses (Loss Reserves). Cash flows associated with those Loss Reserves, along with unearned premium reserves and provisions for other components of economic basis TPs, are calculated for each homogenous risk group using the approach outlined below.

(1) Best Estimate Liability

The best estimate liability ("BEL") is calculated from the cashflows in respect of the claims provisions and premium provisions. The best estimate liability represents the present value of future cashflows. The present value is calculated based on the timing of cashflows and on yield curves provided by EIOPA. The best estimate liability is determined on a gross, ceded and net basis for both the claims provisions and the premium provisions.

(2) Premium Receivable

Premium receivable in respect of the portion of the GAAP premium receivable not yet due on the valuation date is included in the premium provisions cashflows. A consistent approach is applied to calculation of ceded premium payable.

(3) Premium in respect of Bound But Not Yet Incepted Business

The Company's technical provision calculation allows for business that is bound but not yet incepted ("BBNI") at the valuation date.

The premium provisions include the future premium cashflows in respect of the BBNI business up to the relevant contract boundary.

(4) Future loss and allocated loss adjustment expense

Future loss and allocated loss adjustment expense cashflows are projected in respect of the GAAP Loss Reserves in order to calculate claims provisions. The Company does not consider that there are any implicit or explicit margins in the GAAP Loss Reserves.

Future loss and allocated loss adjustment expense cashflows are projected in respect of the GAAP unearned premium reserves and BBNI premium in order to calculate premium provisions. The projection uses business planning assumptions in respect of future loss ratios on unearned premium reserves and not yet incepted business.

(5) ENIDs

The Solvency II technical provisions must allow for events not in data ("ENIDs"). These are possible future events which are not included in historical data. An ENID loading has been derived by the Company using a truncated distribution approach and is applied to future claim cashflows in both the claims provisions and premium provisions.

(6) Expenses

Acquisition costs directly attributable to the future premium receivable are determined based on the terms of the contracts which generate the premium receivable.

In addition, an allowance for unallocated loss adjustment expenses, administrative expenses and investment management expenses associated with the settlement of the best estimate liabilities is included in the technical provisions.

The Quota Share with Watford Re has been endorsed to clarify inclusion in the cover up to a maximum percentage of the incurred loss in case of the commencement of Run-Off for the Company. The Company is currently not in Run-Off.

(7) Impact of Reinsurance

The Company’s reinsurance program consists of proportional reinsurance and non-proportional cover. Fixed percentage ceding acquisition expenses apply to the proportional reinsurance cover. In general, ceded cashflows are derived proportionally from gross cashflows. Exceptions to this approach are (i) ceded acquisition costs which are derived from the product of ceded premiums and the ceded acquisition expense percentage, and (ii) GAAP ceded balances receivable / payable which are analysed by their settlement terms to determine the portion of the balance not yet due for settlement and which should be included in ceded technical provisions.

(8) Adjustment for counterparty default

An adjustment for counterparty default is applied to the ceded technical provisions. The adjustment for counterparty default uses the Probability of Default (“PD”) consistent with the Credit Quality Steps specified in EIOPA guidance in respect of the AM Best financial strength rating for reinsurance counterparties. An assumption was made in this adjustment that the Loss Given Default (“LGD”) in the case of a counterparty defaulting on its obligations would represent 50% of the amount of exposure to that counterparty.

(9) Risk margin

The Risk Margin is calculated based on the Level 3 of Simplifications in the EIOPA guidance which projects future SCR values based on the assumption that the SCR to Net BEL ratio is constant through time. A ratio of SCR to Net BEL is determined as of the valuation date. This ratio is applied to future BEL estimates at each 1 year interval until liabilities are fully runoff to estimate future SCR requirements. A 6% cost of capital is applied to all SCR estimates through time to estimate the cost of capital to support the liabilities. The resulting series of costs of capital requirements are present valued to the valuation date using the yield curve for the reporting currency of the company with a 1-year lag per the EIOPA guidance material.

(10) Allocation to Lines of Business

WICE writes motor business, which for Solvency II reporting purposes is required to be split into Motor Liability and Other Motor. It is not common practice in the UK and Irish markets to rate motor business on this basis.

The split between Liability and Other has therefore been derived by reference to claims heads of damage, with Third Party Property Damage and Bodily Injury being allocated to Liability and Accidental Damage, Windscreen, Fire and Theft being allocated Other Motor.

D.2.3 Material Changes since Last Reporting Period

There have been no material changes in the basis for calculation of technical provisions during the period.

D.2.4 Level of Uncertainty

Uncertainty in technical provisions arises from a number of sources:

- The estimates for outstanding losses are based on known information at the balance sheet date. Ultimate settlement of these claims may differ from these estimates
- The estimates for future losses on both expired and unexpired business are based on actuarial assumptions reflecting past performance and anticipated future changes. These assumptions may ultimately prove to differ from actual experience
- The estimates for expenses are based on reasonable judgement reflecting past experience and on assumptions as to the run-off period. Either of these factors may differ from ultimate experience
- Events not in data are, by their nature unpredictable and any allowance made could prove to be over-prudent or insufficient
- The legislative and market environment in which WICE operates has been subject to material changes in the past, which could impact best estimates and projected future cash flows

WICE follows a robust process in determining the appropriate assumptions underlying the calculation of technical provisions. Actual performance is monitored against expectations on an ongoing basis to ensure assumptions are updated as required.

Stress testing was performed on the Solvency II Technical Provisions as at 30th September 2019 in order to give an indication of sensitivity around loss ratio assumptions.

The following table shows net TPs in stressed scenarios (loss ratios 5% and 10% higher than expected). The table takes account of sliding scale commissions, which provide the Company with some protection against moderate loss ratio movements.

	Base Case (£'000)	Losses +5% (£'000)	Losses +10% (£'000)
Net Best Estimate Liabilities	12,882	13,337	13,896
Impact		456	1,014

The above results of sensitivity testing should be considered in the context of the Company's solvency profile. As at December 31st 2019, the Company's SCR was £11.4m, against which it held eligible own funds of £21.5m, equating to SCR coverage of 188%. Without considering the impact on the SCR, the more extreme of the scenarios above (losses 10% higher than expected), would reduce the SCR coverage ratio to 180%.

D.2.5 Material Differences between GAAP and Solvency II

Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the existing GAAP rules, there are other rules where there will be significant changes. These include:

- Movement to a cash flow basis for valuation of both gross business and reinsurance;
- Removal of any implicit or explicit margins within technical provisions to give a "true best estimate" for solvency purposes, defined as the mean of the full range of possible future outcomes;
- Introduction of the valuation of very low probability extreme events including latent claims, referred to as an allowance for "events not in data" or ENIDs;
- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are replaced by "premium provisions", valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows;
- Movement to recognising contracts on a "legal obligation basis". This will mean the inclusion of business currently not valued as part of technical provisions – for example 1 January renewals entered into prior to a 31 December valuation, also referred to as "bound but not incepted" business;
- Inclusion of run-off expenses in technical provisions;
- Introduction of discounting of cash flows, leading to increased volatility in reserves;
- Setting off of insurance and intermediaries receivables and reinsurance receivables and payables against gross technical provisions and reinsurance technical provisions;
- Introduction of the principle of a market consistent basis and calculation of a "risk margin"; and
- Valuation of liabilities segmented by at least Solvency II lines of business.

The table below shows the movement from GAAP gross technical provisions to Solvency II gross technical provisions. Note that an audit adjustment was made to the final GAAP financials to reflect payments from claims agents in the period. This was an accounting adjustment made outside of our data warehouse and therefore is not reflect in the Technical Provisions. This adjustment was a reallocation and did not impact Own Funds.

2019 Technical Provisions GAAP to Solvency II	Gross £'000	Ceded £'000	Net £'000
Claims Provisions	133,071	124,473	8,597
Premium Provisions	52,644	48,360	4,284
Risk Margin	1,502	-	1,502
Solvency II Technical Provisions	**187,217**	**172,833**	**14,384**
GAAP Reserves (Losses and ALAE)	134,716	127,697	7,019
Remove margins	-	-	-
Allowance for ENID	2,011	1,907	105
Change of Expense Basis	2,694	1,128	1,566
Adjustment for Counterparty Default	-	(70)	70
Reinsurance Receivables/Payables	-	-	-
Discounting impact	(6,351)	(6,186)	(164)
Currency Revaluation			-
Remove booked ULAE			-
Solvency II Claims Provisions	**133,071**	**124,476**	**8,595**
GAAP Reserves (Unearned Premium)	283,229	80,016	203,213
Remove Unearned Premium Reserve	(283,229)	(80,016)	(203,213)
Future Premium (net of Acquisition Costs)	(1,417)	(1,256)	(161)
Future Losses and ALAE	65,180	62,198	2,982
Remove margins	-	-	-
Allowance for ENID	968	924	44
Change of Expense Basis	1,304	14	1,290
Adjustment for Counterparty Default	-	(11)	11
Premium Receivables	(12,441)	(12,622)	181
Reinsurance Receivables/Payables	-	-	-
Discounting impact	(949)	(885)	(64)
Solvency II Premium Provision	**52,644**	**48,361**	**4,283**

This compares to the following corresponding table as at 31 December 2018:

2018 Technical Provisions GAAP to Solvency II	Gross €'000	Ceded €'000	Net €'000
Claims Provisions	82,263	73,828	8,435
Premium Provisions	41,480	38,125	3,354
Risk Margin	1,360	0	1,360
Solvency II Technical Provisions	**125,103**	**111,954**	**13,150**
GAAP Reserves (Losses and ALAE)	83,356	76,685	6,671
Remove margins	-	-	-
Allowance for ENID	1,249	1,149	100
Change of Expense Basis	1,667	-	1,667
Adjustment for Counterparty Default	-	(149)	149
Reinsurance Receivables/Payables	-	-	-
Discounting impact	(4,009)	(3,849)	(160)
Currency Revaluation			-
Remove booked ULAE			-
Solvency II Claims Provisions	**82,263**	**73,837**	**8,427**
GAAP Reserves (Unearned Premium)	194,466	63,812	130,655
Remove Unearned Premium Reserve	(194,466)	(63,812)	(130,655)
Future Premium (net of Acquisition Costs)	(1,279)	(1,084)	(195)
Future Losses and ALAE	50,324	47,637	2,687
Remove margins	-	-	-
Allowance for ENID	743	703	40
Change of Expense Basis	1,006	-	1,006
Adjustment for Counterparty Default	-	(100)	100
Premium Receivables	(6,666)	(6,460)	(206)
Reinsurance Receivables/Payables	-	-	-
Discounting impact	(2,649)	(2,567)	(82)
Solvency II Premium Provision	**41,480**	**38,130**	**3,350**

D.2.6 Transitional Adjustments

WICE does not make use of any transitional adjustments with regard to the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or transitional deduction.

D.3 Other liabilities

The table below sets out the value of the material liabilities of the Company as at 31 December 2019 under Solvency II and GAAP:

Other Liabilities (in GBP 000s)	2019 Solvency II	2019 GAAP	2018 Solvency II	2018 GAAP
Insurance & intermediaries payables	3,078	3,078	3,340	3,340
Reinsurance payables	10,329	22,870	9,051	11,130
Payables (trade, not insurance)	5,531	5,531	4,483	4,483
Other Liabilities **	-	13,690	-	11,080
Total Other Liabilities	18,939	45,170	16,874	30,032

The following are the bases, methods and main assumptions used for valuation of each material class of other liabilities for Solvency II purpose.

D.3.1 Insurance and Intermediaries Payables

As at 31 December 2019, the Company had £3.1 million (2018 - £3.3 million) of insurance and intermediaries payables, representing net amounts owed to business partners with respect to funds held for future sliding scale and profit commission shares together with any related interest charges. These items are valued at fair value, being amounts assessed as payable based on the contract terms.

Key judgements and estimates involved in deriving the value of these items are the best estimate loss ratios of the underlying business, which are based on actuarial reviews.

There has been no change in the recognition and valuation basis during the period and the valuation under Solvency II is consistent with the accounting valuation under GAAP.

D.3.2 Reinsurance Payables

As at 31 December 2019, the Company had £10.3 million (2018 - £9.0 million) of reinsurance payables, being balances due to reinsurers. The Solvency II balance represents those amounts which are technically considered to be overdue, as WICE settles the inter-company Quota Share balance on a periodic basis, but not necessarily monthly. Hence the amount effectively considered to be overdue will vary over time.

The balance is valued at fair value, being the total amount payable above the reinsurer's share of premiums still to be collected, and does not require significant estimates or judgements in the valuation.

There has been no change in the recognition and valuation basis during the period and there are no differences between the valuation for Solvency II and the GAAP valuation. However, for Solvency II purposes, the amounts not considered overdue are set against technical provisions recoverable from reinsurers.

D.3.3 Trade Payables

As at 31 December 2019, the Company had trade payables of £5.5 million (2018 - £4.5 million), comprising IPT, other amounts owed and accrued expenses due post the reporting date. There are no estimations or judgements required for these items.

There has been no change in the recognition and valuation basis during the period and there are no differences between the valuation for Solvency II and the GAAP valuation.

D.3.4 Deferred ceded acquisition costs

As at 31 December 2019, the Company had deferred ceded acquisition costs of £13.7 million (2018 - £11.1m). In the financial statements ceded acquisition costs which represent commission and other related expenses are deferred over the period in which the related reinsurers' share of premiums are earned. To the extent that ceded acquisition costs are deferred and considered irrecoverable against the related reinsurers' share of unearned premiums, they are written off to net operating expenses as incurred.

The Solvency II balance sheet is prepared based on the best estimate of future cash flow basis. As deferred ceded acquisition costs do not result in future cash flows, these amounts are therefore excluded from the Solvency II balance sheet.

There has been no change in the recognition and valuation basis during the period. The Solvency II balance represents the grossing up of items owed to business MGA partners.

D.4 Alternative methods for valuation

None.

D.5 Any other information

No other material information to report as of December 31, 2019.

SECTION E – CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Management of Own Funds

The Company has adopted a capital management policy setting out the methodology and procedures to provide oversight of the Company's own funds. The strategic objectives articulated in the capital management policy are (i) to ensure compliance with the Company's regulatory capital requirements, (ii) to manage and allocate capital efficiently to achieve sustainable returns and facilitate growth objectives as articulated in the Company's business plans; and (iii) to ensure access to capital markets on competitive terms, so that the Company's overall cost of capital is minimised. To achieve these objectives, the Company strives to maintain capital levels that are consistent with its risk appetite, corporate strategy and statutory minimum requirements, at both a point in time and on a forward-looking basis. The Company's time horizon for business planning is one year, however the capital planning horizon spans three years.

The Company has adopted a capital management plan which is reviewed annually and sets out the methodology and procedures to provide oversight of the Company's own funds. The capital management plan articulates solvency capital thresholds, corrective actions to be taken if the thresholds are reached and potential sources of capital for the Company and their estimated timeframe of realisation.

High level roles and responsibilities in relation to capital management activities are outlined below.

- Board. Sole responsibility for approving the capital management policy and plan. Overall responsibility for monitoring capital management. Reviews the capital management policy and plan. Responsible for reviewing and monitoring the key capital management metrics and tolerances and presenting key capital management information. Responsible for monitoring the alignment of the investment strategy with the capital management policy and plan, ensuring appropriate levels of capital to meet the Company's obligations.
- Finance Function. Responsible for producing the reports necessary for appropriate monitoring that the capital management policy is being followed and monitoring execution of the capital management plan.
- Risk Management Function. Responsible for maintaining and developing the capital management policy and plan. Responsible for maintaining the SCR and MCR calculations.

There have been no material changes to capital management during 2019.

E.1.2 Classification Own Funds

The Company's own funds consist mostly of Tier 1 own funds. It is comprised of paid-in ordinary share capital, economic surplus and deferred tax.

Composition of Own Funds	Year Ended 31/12/2019				Year Ended 31/12/2018			
Own Funds (£'000)	**Total**	**Tier 1**	**Tier 2**	**Tier 3**	**Total**	**Tier 1**	**Tier 2**	**Tier 3**
Paid-in ordinary share capital	22,351	22,351			19,851	19,851		
Share premium account related to ordinary share capital	0	0			0	0		
Reconciliation Reserve:	-1,095	-1,095			-1,933	-1,933		
Net Deferred Tax Assets	215			215	163			163
Total Own Funds	**21,471**	**21,256**	**-**	**215**	**18,081**	**17,918**	**-**	**163**

The reconciliation reserve equals the excess of assets over liabilities less other own funds items as at the reporting date and represents retained earnings less adjustments from GAAP to Solvency II valuation.

There are no foreseeable or planned dividends.

E.1.3 Terms and Conditions of Own Funds

Own funds do not have any terms or conditions attached, as they comprise solely of ordinary share capital, the reconciliation reserve and deferred tax. As such, the own funds are not redeemable and do not carry any guaranteed dividend or other return and are fully loss absorbing.

E.1.4 Differences in Own Funds between Financial Statements and Solvency II Valuation

The difference between the equity shown in the Company's financial statements and the excess of the assets over liabilities as calculated for solvency purposes arises due to the valuation of technical provisions, the ineligibility of the deferred acquisition costs and the adjustment to the deferred tax asset.

Differences in Own Funds (£'000)	Year Ended 31/12/2019	Year Ended 31/12/2018
Equity shown in Financial Statements	23,407	19,546
Asset Valuation	186	178
Technical Provisions Valuation	(3,920)	(2,742)
Receivables & Payables	(571)	(206)
Deferred Tax Asset	215	163
Deferred Acquisition Costs Eligibility	(11,336)	(9,738)
Other	13,490	10,880
Excess of Assets over Liabilities for solvency purposes	**21,471**	**18,081**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Calculation of SCR and MCR

In respect of the calculation of the SCR and MCR:

- The Company uses the Standard Formula.
- Undertaking-specific parameters are not used.
- No capital add-ons are applied to the SCR figures.
- The simplifications outlined in Articles 107, 108, 110, 111 and 112 Commission Delegated Regulation (EU) 2015/35 apply to the Counterparty default risk sub-module.
- No simplifications have been used in the other risk sub-modules.
- The MCR is calculated initially based on the calculation of the Linear MCR based on the best estimate technical provisions and the net written premiums in the last 12 months. Then a floor of 25% of the SCR and a cap of 45% of the SCR is applied with an absolute floor of €3.7m also applied to derive the final MCR requirement.

E.2.2 Amount of SCR and MCR

As at 31 December 2019, a breakdown of SCR by risk category is set out in the following table:

Risk Category	2019 SCR (£'000)	2018 SCR (£'000)
Market risk	1,046	733
Counterparty default risk	5,808	5,346
Life underwriting risk	0	0
Health underwriting risk	0	0
Non-life underwriting risk	3,876	3,681
Diversification	(1,931)	(1,658)
Basic Solvency Capital Requirement	**8,799**	**8,103**
Operational risk	2,640	2,431
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	11,439	10,534

WICE's SCR has increased during the period as a result of the additional business volumes written during 2019. The MCR has changed as a result of the change in the official exchange rate during the year.

E.2.3 Inputs used to Calculate the MCR

The following inputs have been used to calculate the MCR:

MCR Calculation (GBP 000s) Year-End 2019 Line of Business	Net of Reinsurance Best Estimate TPs	Net written premiums last 12 months
Motor vehicle liability	11,270	5,754
Other motor	1,132	987
Fire and other damage to property	257	-
Other liability	-	-
Miscellaneous financial loss		
Linear MCR		1,752
SCR		11,439
Combined MCR		2,860
Absolute Floor of the MCR		3,187
Minimum Capital Requirement		**3,187**

The comparative for 31 December 2018 was:

MCR Calculation (GBP 000s) Year-End 2018 Line of Business	Net of Reinsurance Best Estimate TPs (£'000)	Net written premiums last 12 months (£'000)
Motor vehicle liability	9,885	6,233
Other motor	1,278	812
Fire and other damage to property	626	118
Other liability	-	-
Miscellaneous financial loss		
Linear MCR		1,651
SCR		10,534
Combined MCR		2,633
Absolute Floor of the MCR		3,288
Minimum Capital Requirement		**3,288**

E.2.4 SCR ratio and MCR ratio

As at 31 December 2019, the ratio of eligible own funds to SCR and MCR is summarized in the following table.

Solvency Coverage	2019 (£'000)	2018 (£'000)
Total eligible own funds to meet the SCR	21,471	18,081
Total eligible own funds to meet the MCR	21,256	17,918
SCR	11,439	10,534
MCR	3,187	3,288
Ratio of Eligible own funds to SCR	**188%**	**172%**
Ratio of Eligible own funds to MCR	**667%**	**545%**

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

The duration-based equity risk sub-module is not used in the calculation of the SCR.

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

Not applicable.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Company complied with the Solvency Capital Requirement and Minimum Capital Requirement during 2019.

E.6 Any other information

No other material information to report as of December 31, 2019.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES

Annex I
S.02.01.02
Balance sheet
Amounts in GBP Thousands

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	215
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**	20,738
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	20,738
Government Bonds	**R0140**	20,738
Corporate Bonds	**R0150**	-
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	-
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	172,833
Non-life and health similar to non-life	**R0280**	172,833
Non-life excluding health	**R0290**	172,833
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**	5,317
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	**R0400**	-
Cash and cash equivalents	**R0410**	28,522
Any other assets, not elsewhere shown	**R0420**	2
Total assets	**R0500**	227,627

Annex I
S.02.01.02
Balance sheet
Amounts in GBP Thousands

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	187,217
Technical provisions – non-life (excluding health)	**R0520**	187,217
TP calculated as a whole	**R0530**	-
Best Estimate	**R0540**	185,715
Risk margin	**R0550**	1,502
Technical provisions - health (similar to non-life)	**R0560**	-
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	-
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	3,078
Reinsurance payables	**R0830**	10,329
Payables (trade, not insurance)	**R0840**	5,531
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	**R0860**	-
Subordinated liabilities in BOF	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	-
Total liabilities	**R0900**	206,156
Excess of assets over liabilities	**R1000**	21,471

Annex I
S.05.01.02
Premiums, claims and expenses by line of business
Amounts in GBP Thousands

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	-	-	-	150,180	16,687	-	-	-	-
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	-	-	-	146,196	13,949	-	-	-	-
Net	**R0200**	-	-	-	3,984	2,738	-	-	-	-
Premiums earned										
Gross - Direct Business	**R0210**	-	-	-	135,442	15,049	-	134	-	-
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	-	-	-	131,093	12,524	-	124	-	-
Net	**R0300**	-	-	-	4,349	2,525	-	10	-	-
Claims incurred										
Gross - Direct Business	**R0310**	-	-	-	121,732	13,526	-	313	-	-
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-	-	-	117,869	11,315	-	289	-	-
Net	**R0400**	-	-	-	3,862	2,210	-	23	-	-
Changes in other technical provisions										
Gross - Direct Business	**R0410**	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	-	-	-	-	-	-	-	-	-
Net	**R0500**	-	-	-	-	-	-	-	-	-
Expenses incurred	**R0550**	-	-	-	(1,283)	1,645	-	7	-	-
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	-	-	2,587					169,454
Gross - Proportional reinsurance accepted	**R0120**	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0130**				-	-	-	-	-
Reinsurers' share	**R0140**	-	-	2,262	-	-	-	-	162,407
Net	**R0200**	-	-	325	-	-	-	-	7,048
Premiums earned									
Gross - Direct Business	**R0210**	-	-	2,902					153,526
Gross - Proportional reinsurance accepted	**R0220**	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0230**				-	-	-	-	-
Reinsurers' share	**R0240**	-	-	2,461	-	-	-	-	146,203
Net	**R0300**	-	-	441	-	-	-	-	7,324
Claims incurred									
Gross - Direct Business	**R0310**	-	-	1,440					137,010
Gross - Proportional reinsurance accepted	**R0320**	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0330**				-	-	-	-	-
Reinsurers' share	**R0340**	-	-	1,213	-	-	-	-	130,687
Net	**R0400**	-	-	227	-	-	-	-	6,323
Changes in other technical provisions									
Gross - Direct Business	**R0410**	-	-	-					-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**				-	-	-	-	-
Reinsurers'share	**R0440**	-	-	-	-	-	-	-	-
Net	**R0500**	-	-	-	-	-	-	-	-
Expenses incurred	**R0550**	-	-	220	-	-	-	-	590
Other expenses	**R1200**								-
Total expenses	**R1300**								590

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**									
Net	**R1700**									
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									

Annex I
S.05.02.01
Premiums, claims and expenses by country
Amounts in GBP Thousands

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010						C0070
	R0010		FR	IE	RO	GB	SS	
		C0080						C0140
Premiums written								
Gross - Direct Business	R0110		-	7,085	19,014	143,355		169,454
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140		-	6,641	18,544	137,222		162,407
Net	R0200		-	444	470	6,133		7,048
Premiums earned								
Gross - Direct Business	R0210		134	17,727	12,820	122,846		153,526
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240		124	16,589	12,399	117,091		146,203
Net	R0300		10	1,138	421	5,755		7,324
Claims incurred								
Gross - Direct Business	R0310		313	11,057	10,499	115,141		137,010
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340		289	10,261	10,125	110,011		130,687
Net	R0400		23	796	374	5,130		6,323
Changes in other technical provisions								
Gross - Direct Business	R0410		-	-	-	-		-
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440		-	-	-	-		-
Net	R0500		-	-	-	-		-
Expenses incurred	R0550		7	192	(213)	604		590
Other expenses	R1200							-
Total expenses	R1300							590

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
								C0210
	R1400		FR	IE	RO	GB	RO	
								C0280
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610							
Reinsurers' share	R1620							
Net	R1700							
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900							
Other expenses	R2500							
Total expenses	R2600							

Annex I
S.17.01.02
Non-life Technical Provisions
Amounts in GBP Thousands

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	-	-	-	46,486	5,243	-	538	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-	-	-	42,636	5,206	-	350	-	-
Net Best Estimate of Premium Provisions	**R0150**	-	-	-	3,850	37	-	188	-	-
Claims provisions										
Gross	**R0160**	-	-	-	118,481	13,783	-	454	-	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-	-	-	111,061	12,688	-	386	-	-
Net Best Estimate of Claims Provisions	**R0250**	-	-	-	7,420	1,096	-	69	-	-
Total Best estimate - gross	**R0260**	-	-	-	164,967	19,026	-	993	-	-
Total Best estimate - net	**R0270**	-	-	-	11,270	1,132	-	257	-	-
Risk margin	**R0280**	-	-	-	1,239	185	-	8	-	-
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions - total										
Technical provisions - total	**R0320**	-	-	-	166,207	19,212	-	1,000	-	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-	-	-	153,697	17,894	-	736	-	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-	-	-	12,510	1,318	-	264	-	-

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**	-		377	-	-	-	-	52,644
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-		167	-	-	-	-	48,360
Net Best Estimate of Premium Provisions	**R0150**	-		209	-	-	-	-	4,284
Claims provisions									
Gross	**R0160**	-		351	-	-	-	-	133,071
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	-		339	-	-	-	-	124,473
Net Best Estimate of Claims Provisions	**R0250**	-		13	-	-	-	-	8,597
Total Best estimate - gross	**R0260**	-		728	-	-	-	-	185,715
Total Best estimate - net	**R0270**	-		222	-	-	-	-	12,882
Risk margin	**R0280**	-		70	-	-	-	-	1,502
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	**R0320**	-		798	-	-	-	-	187,217
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-		506	-	-	-	-	172,833
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-		292	-	-	-	-	14,384

Annex I
S.19.01.21
Non-life Insurance Claims Information
Amounts in GBP Thousands
Total Non-Life Business

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

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

		Development year												In Current year	Sum of years (cumulative)
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**												**R0100**		
N-9	**R0160**												**R0160**		
N-8	**R0170**	0	0	0	0	0	0	0	0	0			**R0170**	0	0
N-7	**R0180**	0	0	0	0	0	0	0	0				**R0180**	0	0
N-6	**R0190**	0	0	0	0	0	0	0					**R0190**	0	0
N-5	**R0200**	0	0	0	0	0	0						**R0200**	0	0
N-4	**R0210**	7	2,737	2,191	1,524	444							**R0210**	444	6,904
N-3	**R0220**	4,173	17,444	13,695	5,619								**R0220**	5,619	40,930
N-2	**R0230**	1,833	17,386	5,310									**R0230**	5,310	24,529
N-1	**R0240**	15,567	53,559										**R0240**	53,559	69,126
N	**R0250**	16,204											**R0250**	16,204	16,204
												Total	**R0260**	81,137	157,694

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**												**R0100**	
N-9	**R0160**												**R0160**	
N-8	**R0170**						0	0	0	0			**R0170**	0
N-7	**R0180**					0	0	0	0				**R0180**	0
N-6	**R0190**				0	0	0	0					**R0190**	0
N-5	**R0200**			0	0	0	0						**R0200**	0
N-4	**R0210**		4,557	2,803	1,777	1,684							**R0210**	1,591
N-3	**R0220**	8,810	31,629	28,563	24,526								**R0220**	23,253
N-2	**R0230**	9,643	12,511	11,566									**R0230**	10,196
N-1	**R0240**	43,422	65,319										**R0240**	62,107
N	**R0250**	36,326											**R0250**	35,923
												Total	**R0260**	133,071

Annex I
S.23.01.01
Own funds
Amounts in GBP Thousands

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	22,351	22,351			
Share premium account related to ordinary share capital	R0030	-	-			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-				
Subordinated mutual member accounts	R0050	-				
Surplus funds	R0070	-				
Preference shares	R0090	-				
Share premium account related to preference shares	R0110	-				
Reconciliation reserve	R0130	(1,095)	(1,095)			
Subordinated liabilities	R0140	-				
An amount equal to the value of net deferred tax assets	R0160	215				215
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	21,471	21,256	-	-	215
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	21,471	21,256	-	-	215
Total available own funds to meet the MCR	R0510	21,256	21,256	-	-	
Total eligible own funds to meet the SCR	R0540	21,471	21,256	-	-	215
Total eligible own funds to meet the MCR	R0550	21,256	21,256	-	-	
SCR	R0580	11,439				
MCR	R0600	3,187				
Ratio of Eligible own funds to SCR	R0620	188%				
Ratio of Eligible own funds to MCR	R0640	667%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	21,471
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	22,566
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	(1,095)
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	295
Total Expected profits included in future premiums (EPIFP)	R0790	295

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula
Amounts in GBP Thousands

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,046		
Counterparty default risk	R0020	5,808		
Life underwriting risk	R0030	-		
Health underwriting risk	R0040	-		
Non-life underwriting risk	R0050	3,876		
Diversification	R0060	(1,931)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	8,799		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2,640
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	11,439
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	11,439
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement 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
Amounts in GBP Thousands
Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	1,752

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	-	-
Income protection insurance and proportional reinsurance	**R0030**	-	-
Workers' compensation insurance and proportional reinsurance	**R0040**	-	-
Motor vehicle liability insurance and proportional reinsurance	**R0050**	11,270	5,754
Other motor insurance and proportional reinsurance	**R0060**	1,132	987
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	-	-
Fire and other damage to property insurance and proportional reinsurance	**R0080**	257	-
General liability insurance and proportional reinsurance	**R0090**	-	-
Credit and suretyship insurance and proportional reinsurance	**R0100**	-	-
Legal expenses insurance and proportional reinsurance	**R0110**	-	-
Assistance and proportional reinsurance	**R0120**	-	-
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	222	234
Non-proportional health reinsurance	**R0140**	-	-
Non-proportional casualty reinsurance	**R0150**	-	-
Non-proportional marine, aviation and transport reinsurance	**R0160**	-	-
Non-proportional property reinsurance	**R0170**	-	-

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	0

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	1,752
SCR	**R0310**	11,439
MCR cap	**R0320**	5,148
MCR floor	**R0330**	2,860
Combined MCR	**R0340**	2,860
Absolute floor of the MCR	**R0350**	3,187
		C0070
Minimum Capital Requirement	**R0400**	3,187