Greenlight Reinsurance Ireland, Designated Activity Company

Solvency & Financial Condition Report

Year ended 31 December 2018

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Summary

Greenlight Reinsurance Ireland, dac ("GRIL" or the "Company") is a wholly owned subsidiary of Greenlight Capital Re, Ltd ("GLRE" or the "Parent"), a NASDAQ listed publicly held company. The principal activity of the Company is that of a reinsurance business. The Company is based in Dublin, Ireland and focuses mainly on serving clients based in the European and US market.

The purpose of this report is to satisfy the public disclosure requirements under the Solvency II Directive which was transposed into Irish Law as the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) and the legislation entered into force on 1 January 2016. The Solvency II framework sets out strengthened requirements around capital, governance and risk management in all EU authorised (re)insurance undertakings. Solvency II also introduces increased regulatory reporting requirements and public disclosure requirements. The new requirements are intended to reduce the likelihood of an insurer failing and should also provide policyholders with increased protection.

The ultimate administrative body responsible for all of these matters is the Company's Board of Directors, assisted by various governance and control functions that it has put in place to monitor and manage the business.

At 31 December 2018, the Company had own funds of US$35.2 million (2017: US$52.9 million) and a solvency capital requirement of US$23.8 million (2017: US$39.4 million) , giving an SCR ratio of 148% (2017: 134%). As per the Company's audited statutory financial statements for the year ended 31 December 2018, the Company reported a net loss of US$(16.5) million, compared to a net loss of US$(3.7) million for the prior year.

The Board has put in place a strong corporate governance framework, including the establishment of an internal audit function and the implementation of a robust suite of risk management policies. The governance and risk frameworks are detailed further in this report.

The Company has complied with the solvency capital requirement throughout the reporting period. There were no significant business or events that occurred during the period under review that had a material impact on the undertaking.

During the year, the Company changed the structure of its investment arrangement from a joint venture arrangement to that of a limited partnership. The effective date for the change was 1 September 2018. The change in structure had no impact to the Company's investment strategy, investment guidelines, investment advisor, risk profile or SCR calculation. Under the new investment structure, all assets and liabilities in the limited partnership are reported as a collective investment undertaking on the Balance Sheet.

During the year, the Company has moved assets backing net insurance reserves into conservative short term funds and reduced the allocation of assets to a long short equity strategy. Historically, all assets were allocated to this strategy, however the Company reduced this to assets backing capital and surplus only. Assets backing reserves are now invested in a more traditional manner.

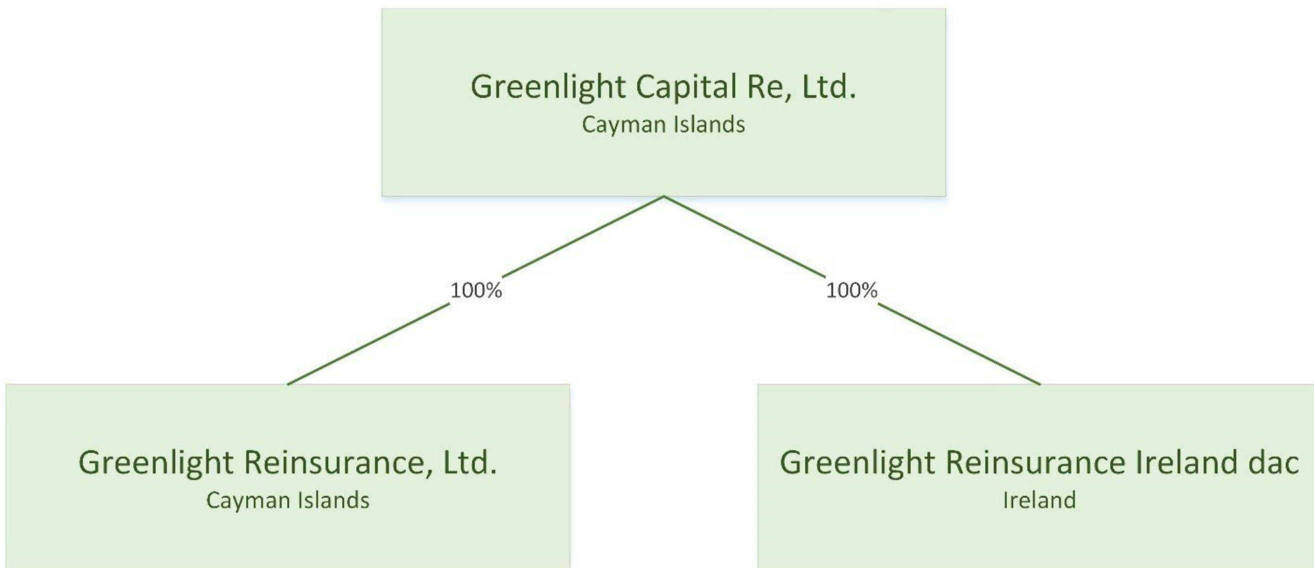
There were no further material changes during 2018.

A. Business and Performance

A.1 Business

The Company was incorporated as a Private Limited Company under the Companies Acts 1963 to 2013 on September 7, 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The Company provides multi-line property and casualty reinsurance.

Corporate Structure



Greenlight Reinsurance Ireland, dac is owned by a single shareholder being its parent company Greenlight Capital Re Limited ("GLRE" or the "Parent"), which is the largest company in the Group. The Company also has a related sister company Greenlight Reinsurance Ltd ("GRL" or the "Sister"). The audited consolidated financial statements of GLRE and GRL are publicly available on the website www.greenlightre.com.

The Company is licensed and regulated by the Central Bank of Ireland ("CBI"). The CBI's contact details can be obtained below. GRL is licensed and regulated by the Cayman Islands Monetary Authority ("CIMA").

There were no significant business or events that occurred during the period under review that had a material impact on the undertaking.

The Company mainly underwrites risks emerging from the United States and the European Economic Area (EEA). A breakdown of the underwriting performance of the Company by material line of business and geographical area for the years ending 31 December 2018 and 2017 is disclosed in Section A.2 of this report.

The Company does not have any related undertakings within the meaning of Regulation 215 of S.I. No. 485 of 2015.

Other business information

Registered Address

La Touche House
Ground Floor
IFSC
Dublin 1
Ireland

External Auditors

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

Regulator

Central Bank of Ireland
New Wapping Street
North Wall Quay
PO Box 559
Dublin 1
Ireland

A.2 Underwriting performance

During the year ended 31 December 2018, the Company reported net written premiums of US$32.8 million (2017: US$45.6 million), net earned premiums of US$32.2 million (2016: US$55.8 million) and net claims incurred of US$(26.6) million (2017: US$(45.2) million). Further detailed analysis of the Company's performance by Solvency II class of business and country is available in the forms S.05.01.02 and S.05.02.01 set out in Section F of this report.

The underwriting performance and combined ratios for the years ended 31 December 2018 and 31 December 2017 were as follows:

Underwriting performance	Year ended 31 December	
	2018	2017
	(US$ in thousands)	
Gross premiums written	73,806	71,094
Ceded premiums written	(40,989)	(25,493)
Net premiums written	32,817	45,601
Net premiums earned	32,199	55,753
Losses incurred	(26,639)	(45,208)
(Loss)/profit before tax	(16,524)	(3,726)
Loss ratio	82.7%	81.1%
Acquisition cost ratio	18.0%	16.9%
Composite ratio	100.7%	98.1%
Underwriting expense ratio	5.8%	3.4%
Combined ratio	106.5%	101.4%

Ratio Analysis

Due to the customised nature of our underwriting operations, the Company expects to report different loss and expense ratios from period to period depending on the mix of business.

The loss ratio is calculated by dividing loss and loss adjustment expenses incurred by net premiums earned.

The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. Acquisition costs are costs directly related to successfully binding a contract and generally includes ceding commissions, brokerage, and profit commissions relating to the contract.

The composite ratio is the ratio of underwriting losses incurred, loss adjustment expenses and acquisition costs, excluding underwriting related general and administrative expenses, to net premiums earned. The underwriting expense ratio is the ratio of underwriting related general and administrative expenses to net premiums earned.

The combined ratio is the sum of the composite ratio and the underwriting expense ratio. The combined ratio measures the total profitability of our underwriting operations and does not take into account corporate expenses, net investment income or any foreign exchange gain or loss.

Gross premiums written

During the year ended 31 December 2018, gross premiums written were US$73.8 million compared to US $71.1 million for the year-ended 31 December 2017. Gross premiums written increased by US$2.7 million or 3.8% mainly as a result of a US$3.4 million premium increase in London market specialty business offset by a US$0.7 million reduction in premium on US non-standard auto business.

The gross premiums written by lines of business during the years ending 31 December 2018 and 2017 were as follows:

GWP by Line of Business	**Year Ended 31 December**				
	2018		**2017**		
	US$ in thousands	**%**	**US$ in thousands**	**%**	**Movement**
Motor Vehicle Liability	43,949	60%	46,240	65%	(2,291)
Other Motor	10,846	15%	9,268	13%	1,578
General Liability	9,126	12%	4,876	7%	4,250
Marine, Aviation & Transport	4,773	6%	5,249	7%	(476)
NPR* - Property	3,317	4%	1,222	2%	2,095
Fire & Other Damage to Property	925	1%	3,612	5%	(2,687)
Medical Expense	534	1%	(5)	—%	539
Workers' Compensation	336	—%	351	—%	(15)
NPR* - Casualty	—	—%	282	—%	(282)
NPR* - Marine, Aviation & Transport	—	—%	—	—%	—
Total	73,806	100%	71,095	100%	2,711

** Non-Proportional Reinsurance*

Ceded premiums

For the year ended 31 December 2018, ceded premiums were US$41.0 million compared to US$25.5 million for the year ended 31 December 2017. The ceded premiums included US$15.5 million ceded to GRL, which is rated “A-” (Excellent) by A.M. Best, under two retrocession agreements (2017: US$13.7 million).

The Company has entered into a quota share retrocession agreement with GRL whereby the Company cedes to GRL a quota share portion of certain specified reinsurance contracts written by the Company. For the year ended 31 December 2018, the Company ceded US$14.8 million (2017: US$12.4 million) of written premiums to GRL under this contract. In addition, the Company has entered into a retrocession agreement with GRL whereby GRL provides an aggregate stop-loss protection to the Company in return for premiums ceded by the Company to GRL. For the year ended 31 December 2018, the Company ceded US$0.7 million (2017: US$1.3 million) of written premiums to GRL under this contract.

The Company has also entered into non-affiliated retrocession of US$25.5 million (2017: US$11.8 million), which includes a quota share retrocession agreement with a US retrocessionaire rated “A (Excellent)” by A.M. Best. The Company ceded US$23.7 million (2017: US$10.0 million) of written premiums under this contract.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2018 and 2017, no provision for uncollectible losses recoverable was considered necessary.

Net premiums earned

For the year ended 31 December 2018, net premiums earned were US$32.2 million compared to US$55.8 million for the year ended 31 December 2017. Earned premiums on non-standard auto reduced by US$24.5 million, which is primarily driven by the aforementioned 50% quota-share agreement with a non-affiliated US retrocessionaire, offset by favorable premium variances on London market specialty business and the internal aggregate stop-loss agreement.

Losses incurred

Net losses incurred include losses paid and changes in loss reserves, including reserves for IBNR, net of actual and estimated loss recoverables. For the year ended 31 December 2018, loss and loss adjustment expenses incurred, net of retrocession, were US$26.6 million (2017: US$45.2 million). Although the decrease in losses incurred is as a result of the reduction in net earned premiums, the ratio of losses incurred relative to the net premiums earned increased to 82.7% for the year ended 31 December 2018 from 81.1% for the prior year. The increase in loss ratio was primarily due to an adverse loss development on a non-standard auto contract offset by a release following favourable development on a cat contract compared to the prior year.

The breakdown of the net losses incurred is provided in the following table:

Losses incurred	**Year ended 31 December**	
	2018	**2017**
	(US$ in thousands)	
Loss and loss adjustment expenses paid, net	26,763	46,908
Change in the provision for claims, net	(124)	(1,700)
Loss and loss adjustment expenses incurred, net	26,639	45,208

For the year ended 31 December 2018, unfavourable loss development on prior year contracts amounted to US$1,241,171 (2017: US$1,681,530 unfavourable development) based on updated data received from the cedents and a reassessment in connection with the reserve analysis conducted by the Company.

Underwriting expenses

For the year ended 31 December 2018, included in the Company's operating expenses of US$8.8 million (2017: US$14.8 million), were US5.8 million of acquisition costs (2017: US$9.4 million). The ratio of acquisition costs relative to the net premiums earned increased to 18.0% for the year ended 31 December 2018 from 16.9% for the prior year. This increase is mainly to the sliding-scale ceding commission rate increases on favorable development on European non-proportional contracts in run-off, in addition to sliding-scale ceding commission rate reductions included in the prior year comparison due to US storms.

Underwriting performance by geographical area

The Company's underwriting performance by geographical area is analysed below by location of the ceding undertaking:

2018 Geographical Performance	Total	USA	EEA	Other Non-EEA
	(US$ in thousands)			
Gross premiums written	73,806	55,330	18,477	—
Reinsurers' share premiums written	(40,989)	(25,496)	(15,493)	—
Net premiums written	32,817	29,834	2,983	—
Net movement in unearned premium reserves	(618)	(649)	31	—
Net premiums earned	32,199	29,185	3,014	—
Claims incurred net of reinsurance	(26,639)	(24,020)	(2,631)	12

2017 Geographical Performance	Total	USA	EEA	Other Non-EEA
	(US$ in thousands)			
Gross premiums written	71,094	55,502	15,592	—
Reinsurers' share premiums written	(25,493)	(12,770)	(12,724)	1
Net premiums written	45,601	42,733	2,867	1
Net movement in unearned premium reserves	10,152	9,730	422	—
Net premiums earned	55,753	52,463	3,289	1
Claims incurred net of reinsurance	(45,208)	(40,012)	(5,201)	5

A full breakdown of the Company's underwriting performance by material business line and geographical area is disclosed in forms S.05.01.02 and S.05.02.01 as set out in Section F of this report.

A.3 Investment performance

During the year, the Company changed the structure of its investment arrangement from a joint venture arrangement to that of a limited partnership. The effective date for the change was 1 September 2018. The change in structure had no impact to the Company's investment strategy, investment guidelines, investment advisor, risk profile or SCR calculation. Under the new investment structure, all assets and liabilities in the limited partnership are reported as a collective investment undertaking on the Balance Sheet.

The Company records all realised and unrealised gains and losses in the statement of comprehensive income. A summary of net investment income for the financial years ended 31 December 2018 and 2017 is as follows:

Net Investment Income	**Year ended 31 December**	
	2018	**2017**
	(US$ in thousands)	
Realised gains and change in net unrealised gains and losses	(10,699)	1,332
Loss from investment in related party investment fund	(1,992)	—
Interest and dividend income	996	1,538
Interest, dividend and other expenses	(854)	(1,692)
Investment advisor compensation	(571)	(1,071)
	(13,119)	107

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2018, investment income, net of all fees and expenses, resulted in a loss of (23.8)% on the investment portfolio. This compares to a gain of 0.2% for the year ended 31 December 2017. For the years ended 31 December 2018 and 2017, the gross investment gain on the investment portfolio managed by DME Advisors, L.P. ("DME Advisors") (excluding investment advisor performance allocation) was (22.5)% and 1.7%, respectively. These ratios can be analysed as follows;

Investment performance by class	**Year ended 31 December**	
	2018	**2017**
Long portfolio gains	(7.3)%	17.9%
Short portfolio (losses)	(14.0)%	(14.9)%
Macro (losses) gains	(0.9)%	(1.2)%
Other income and expenses	(0.3)%	(1.6)%
Gross investment return	(22.5)%	1.7%
Net investment return	(23.8)%	0.2%

The investment loss for the year ended 31 December 2018 was driven by losses across all elements.

The Company does not invest in securitisation investments.

A.4 Performance of other activities

The Company had no other activities during 2018.

A.5 Any other information

All material information regarding the Company's business and performance has been disclosed in the above sections.

B. System of Governance

B.1 General information on the system of governance

Overview:

The Company is classified as a medium low risk firm under the CBI's risk-based framework for the supervision of regulated firms, known as PRISM or Probability Risk and Impact System and is subject to the CBI's Corporate Governance Requirements for Insurance Undertakings 2015.

For the majority of 2018 the Company's Board consisted of 5 members and had received approval from the CBI that it could carry out the functions which would otherwise be delegated to the Risk Committee. The Board also carried out the functions of the Audit Committee.

Board of Directors:

The following were members of the Board as at 31 December 2018;

Tim Courtis (Canadian)	(Non Executive Director - Appointed 19 April 2017)
Philip Harkin	(Independent Non-Executive Director and Chairman)
Bryan Murphy	(Non Executive Director - Appointed 5 December 2018)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non Executive Director - Appointed 5 December 2018)
Brendan Tuohy	(Independent Non-Executive Director)

Additionally, at the Board meeting on the 27 March 2019, Philip Harkin and Brendan Tuohy both resigned from the Board, having been members of the Board for 9 years, and were replaced by Lesley Caslin and Michael Brady (both as independent non-executive directors). Bryan Murphy was appointed Chair of the Board, Michael Brady was appointed Chair of the Audit Committee and Lesley Caslin was appointed Chair of the Risk Committee at the same meeting.

Edward Brady was the Company Secretary as at 31 December 2018.

The composition of the Board and Board succession are managed to maintain the range of skills and experience needed to direct and govern the affairs of the Company and to support and constructively challenge management. The Corporate Governance guidelines established by the Board of Directors provide a structure within which our Directors and management can effectively pursue the Company's objectives for the benefit of its shareholder. The Board intends that these guidelines serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. These guidelines should be interpreted in the context of all applicable laws. The principle activities of the Board include, but are not limited to, the following;

- Oversee management and evaluate strategy - exercise business judgment to act in what the Board reasonably believes to be the best interests of the Company and its shareholder;
- Monitor performance and ensure the Company operates in an effective, efficient and ethical manner;
- Select the Chairperson and Chief Executive Officer;
- Monitor and manage potential conflicts of interest;
- Ensure the integrity of financial information;
- The Audit Committee of the Board evaluates the integrity of the Company's annual financial statements;

- Monitor and evaluate the effectiveness of Board governance practices;
- Prepare, review and adopt operating and investment guidelines; and
- Monitor and manage succession planning of senior management.

Board Committees

Board Committees include the Audit Committee and Risk Committee. Terms of Reference (including composition, objectives and responsibilities) of these committees are clearly defined and approved by the Board of Directors. The Committee's Terms of Reference are reviewed periodically, at least annually. These Committees represent the Board sitting as sub-committees of the full Board. The Board receives regular reports on the activities of its Committees.

Audit Committee

The Audit Committee has been established to oversee the accounting and financial reporting processes of the Company and the audit of the Company's financial statements.

The primary responsibilities of the Committee are:

(a) monitoring the effectiveness and adequacy of the entity's systems of internal control, internal audit and IT systems;
(b) liaising with the external auditors particularly in relation to their audit findings;
(c) reviewing the integrity of the entity's annual financial statements and ensuring that they give a "true and fair view" of the financial status of the entity;
(d) reviewing financial and regulatory reports and recommending to the Board whether to approve the annual accounts;
(e) reviewing the Actuarial Review on Technical Provisions (ARTP) and Actuarial Opinion on Technical Provision (AOTP) reports on an annual basis;
(f) assessing external auditor's qualifications, independence and performance;
(g) performing such other functions as the Board may from time to time assign to the Committee;
(h) establishing the scope, authority and internal audit policy for the company and review and approval of the internal audit plan and all internal audit reports presented to the committee;
(i) review the policies and procedures that the Company has implemented regarding compliance with all applicable laws and regulations and monitor the effectiveness of those policies, and recommend any appropriate changes to such policies and procedures to the Board; and
(j) at least annually review with management the Company's various compliance programs.

The Audit Committee is comprised of 3 members, all of whom are non-executive directors with the majority being independent. The Chairperson is an independent non-executive director.

The Audit Committee meets as often as necessary but at least 3 times a year.

Risk Committee

The Risk Committee has been established for the purposes of providing oversight and advice to the Board on the current risk exposures of the Company and future risk strategy.

In addition to such other duties as the Board may from time to time assign, the Committee shall:

(a) advise the Board on risk appetite taking into account the current financial situation of the Company and having regard to the work of the Audit Committee and the external auditor;
(b) advise the Board on the risk tolerance for future strategy of the Company, taking account of the board's overall risk appetite, the current financial position of the Company and, drawing on the work of the Audit Committee and the external auditor, the capacity of the Company to manage and control risks with the agreed strategy;
(c) liaise regularly with the Chief Risk Officer ("CRO") to ensure the development and maintenance of an effective risk management system;
(d) oversee the risk management function of the Company, which is managed on a day to day

basis by the CRO;

(e) review, evaluate and advise the Board on the effectiveness of strategies and policies in maintaining adequate internal capital and own funds to cover the risks of the Company;
(f) review the Actuarial Function Report annually;
(g) review the Own Risk and Solvency Assessment on at least an annual basis;
(h) review the investment advisor evaluation on at least an annual basis;
(i) discuss with management the policies with respect to risk assessment and risk management. The Committee should discuss guidelines and policies to govern the process by which risk assessment and control is handled and review the steps management has taken to monitor the Company's risk exposure;
(j) review and approve any requested waivers by officers and directors of the Company's Code of Business Conduct and Ethics and recommend to the Board whether a particular waiver should be granted;
(k) as a whole shall have relevant risk expertise; and
(l) liaise regularly with the CRO to ensure the development and on-going maintenance of an effective risk management system within the Company that is effective and proportionate to the nature, scale and complexity of the risk inherent in the business.

The Risk Committee is comprised of 3 members, with a majority of non-executive directors. The Chairperson is an independent non-executive director.

The Risk Committee meets as often as necessary but at least 3 times a year.

Information on Director's shares and interests during the reporting period

The Directors and Secretary, who held office at 31 December 2018, had no beneficial interest in the share capital of the Company or any other group Company at any time during the financial year except that certain Directors had beneficial ownership in the Parent, a NASDAQ listed publicly held company. Mr. Roitman's beneficial interest in the Parent included 0 restricted shares subject to forfeiture and 325,000 ordinary shares held directly. Mr. Courtis' beneficial interest in the Parent included 71,492 restricted shares subject to forfeiture and 276,376 ordinary shares held directly. Mr. Murphy beneficial interest in the Parent included 6,840 restricted shares subject to forfeiture and 82,766 ordinary shares held directly. Mr. Harkin's, Mr. Tuohy's, Mr. O'Brien's and Mr. Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent.

Remuneration Policies & Practices

The Company offers a range of benefits to its employees, which include compensation based on salary, incentive compensation, health benefits, pension benefits, and group stock compensation in the form of restricted share units of the parent.

Remuneration plays an important behavioural role in the Company's risk management process. The Group's Compensation Policy, which applies to the Company, is designed to be consistent with our risk management objectives and ensure that excessive risk-taking is not encouraged. In particular, a significant portion of overall compensation is deferred and dependent on long-term financial performance.

The remuneration of the directors is set annually by the Shareholder and is externally benchmarked to ensure consistency with the market.

Further information on the following key functions can be found in the sections listed below;

- Risk-management function (see Section B.3)

- Compliance function (see Section B.4)

- Internal audit function (see Section B.5)

- Actuarial function (see Section B.6)

B.2 Fit and proper requirements

The Company's Fitness and Probity policy has been aligned with the CBI's Guidance on Fitness and Probity Standards 2018 ("F&P Standards") and Part 3 of the Central Bank Reform Act 2010 (the 'Act').

The Board will satisfy itself on reasonable grounds that a person complies with the F&P Standards before appointing that person to a controlled function ("CF"). The Board will not appoint a person to a pre-approval controlled function ("PCF"), until the CBI has approved the appointment in writing.

The following factors are taken into account when deciding whether an individual is fit and proper:

- their honesty, integrity and reputation;
- their competence and capability; and
- their financial soundness.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and also periodically thereafter.

The Compliance Function will assist the Board to comply with the obligations set out in the Act, some of which include:

- due diligence;
- outsourcing;
- continuing obligations;
- compliance with the Minimum Competency Code 2017;
- ensuring that Board members are pre-approved by the CBI prior to appointment;
- maintaining records of all persons performing CF's and PCF's; and
- verifying that persons in controlled functions have the necessary skills, experience and qualifications.

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

Risk Management System

Risk is not a concept that exists independently of people. We believe that our success will be determined by the strength of our people and we seek to employ a diverse array of talented and experienced people who perform well as a team. Our executive management team promotes a risk management culture and all staff are encouraged to be active participants in the management of risks faced by the Company.

We employ risk management as a continuous process to ensure we have an appropriate understanding of the nature and significance of the risks to which our business activities expose us, including our sensitivity to those risks and our ability to mitigate them. Risk management is used to provide a common 'risk language' within the Company. In particular, we transpose our business strategy into a Risk Appetite Statement that clearly captures the risks inherent in our strategy and our tolerance for those risks.

Risk Appetite Statement

The Risk Appetite Statement identifies the material risks, including emerging risks, inherent in our business strategy and model, and our appetite for those risks over a short, medium, and long-term horizon. The Risk Appetite Statement includes:

- Risk categories inherent in our business strategy and model, specifically;
    - Strategic
    - Governance
    - Risk management
    - Group support
    - Capital management
    - Underwriting
    - Investing
    - Reserving
    - Claims management
    - Counterparty default
    - Reputation
    - Regulatory
    - Operations
    - Legal
- Risk mitigation efforts to manage risk and aggregation of risk;
- Risk metrics and tolerances to measure risk;
- Solvency metrics to measure capital requirements arising from our planning and ORSA process; and
- Stress scenarios and the situations that would warrant ad-hoc stress tests.

Risk Management Policy

Annually, the Chief Risk Officer presents the Company's Risk Management Policy to the Board of Directors (the "Board") for review and approval. The goals of this policy are to:

- Set out the roles and responsibilities for:
    - Implementing and reviewing an effective Risk Management Framework;
    - Setting and communicating the risk appetite;
    - Instilling a risk culture within the Company;
    - Ensuring remuneration arrangements do not encourage excessive risk-taking;
    - Contingency planning;
    - Reviewing, approving and communicating of policies;
    - Putting appropriate controls in place;
    - The assessment and reporting of the Company's risk profile in relation to the risk appetite;
    - Escalated risks and remediation plans; and

- Ensuring sufficient knowledge, expertise and resources are available, and adequate procedures and communication channels are in place for risk management purpose;
- Set out the rights and powers of the Risk Management Function;
- Set out the elements of the Risk Management Framework;
- Set out the structure and contents of the Risk Appetite Statement; and
- Set out the risk escalation procedure.

The Board of Directors has overall responsibility for ensuring there is an effective Risk Management Framework. The Board receives regular reporting updates from the Chief Risk Officer. The Risk Management Framework is also managed through the following functions;

Risk Committee
The Risk Committee is responsible for advising the Board on matters relating to the Company's Risk Management Framework.

Group Remuneration Committee
The remuneration strategy is overseen at the Group level and adopted by the Company's Board of Directors. The Group Remuneration Committee, in conjunction with the Risk Committee, is responsible for ensuring that remuneration arrangements do not encourage excessive risk-taking.

Risk Management Function
The Risk Management Function is responsible for monitoring and advising the Executive Management team and Risk Committee of the Company's risk profile in relation to its risk appetite. This is done quarterly, or as soon as practicable, if there is a material change to the risk profile.

Other Functions and Organisational Units
Other functions and organisational units, such as Internal Audit, Compliance, Actuarial, Finance, Operations and Underwriting, are responsible for performing risk management related tasks as needed and providing the Executive Management team and Risk Management Function with pertinent, accurate and timely information.

Rights and Powers of the Risk Management Function

The Risk Management Function is a key function within the Company. The Chief Risk Officer has overall responsibility for the Risk Management Function. As such, the Chief Risk Officer has the right and power to ensure that:

- The Risk Management Function has sufficient resources;
- There are sufficient resources for other functions and organisational units to be able to effectively perform risk management related tasks as well as business tasks; and
- There are adequate policies and procedures in place so that information required from other functions and organisational units within the Company is pertinent, accurate and timely.

Risk Management Framework

Risk management does not exist in a vacuum, but is used to allow for an appropriate understanding of the nature and significance of the risks inherent in the business strategy and model. The elements of the Risk Management Framework are:

- Risk Appetite Statement (see above);
- Risk culture (including remuneration);
- Policies (including procedures therein);
- Contingency plans;
- Internal controls;
- Reporting - the reporting of appropriate information to allow effective governance of risks and the Risk Management Framework;
- Communication - the communication of the risk appetite, contingency plans, policies and any other appropriate information within the Company as a whole;
- Governance;
- Compliance; and
- Internal audit.

Risk Escalation

The escalation of a risk is the responsibility of the Executive Management team. A risk is escalated whenever deemed necessary by the Executive Management team. In the event of a risk escalation, the Executive Management team shall notify the Risk Committee which will determine if an ad-hoc meeting of the Risk Committee is warranted, or if the risk can be considered at the next scheduled Risk Committee meeting. The Executive Management team shall also draw up a remediation plan for the escalated risk and provide it to the Risk Committee.

The Risk Committee reviews any escalated risks and notifies the Board if it determines that a breach is significant. The Board subsequently determines if an ad-hoc meeting of the Board is warranted, or if the risk can be considered at the next scheduled Board meeting. The Risk Committee is responsible for reviewing and monitoring remediation plans.

The Board is responsible for determining if an escalated risk is a material breach of the Risk Appetite Statement. A material breach and appropriate remedy will be communicated to the CBI within five business days of the Board becoming aware of the breach.

Risk Management Culture

The following activities were performed in 2018 to promote a risk management culture, and will continue to be performed in the future:

- The Company held regular 'Town Hall' meetings;
- The Risk Appetite Statement was made available to employees;
- The ORSA was made available to employees; and
- Background check and due diligence was carried on all new hires.

Own Risk and Solvency Assessment

The Company is responsible for completing an Own Risk and Solvency Assessment ("ORSA"), which is not only an integral part the Company's overall Solvency II regime, but also of the Company's system of governance. The ORSA is reviewed and approved by the Board at least annually, or more frequently if there are significant changes to the Company's risk profile. The main purpose of the ORSA is to evaluate all material risks faced by the Company and assess whether the level of capital is adequate to cover the risks presented.

The material risks are fully documented in our Risk Appetite Statement and the review of the risk environment of the ORSA closely follows the structure of the Risk Appetite Statement. The ORSA also collates work performed in other areas of the risk management system and ensures that proper evaluation and reviews are being conducted in line with regulatory guidelines.

As part of the ORSA process, the Company examines the appropriateness of the use of the Standard Formula as a basis for calculating its solvency capital requirement and identifies areas where the application of the Standard Formula may be inappropriate. The ORSA reviews the level of surplus capital, produces reports and makes strategic recommendations on the adequacy of capital. The ORSA also applies stressed scenarios and considers adverse conditions the Company may face and determines measures to address the capital needs under these conditions.

While the Company feels that all material quantifiable risks are fully covered in the Standard Formula, certain underlying assumptions within the Standard Formula may not accurately reflect the risk profile of the Company. The most material differences that impact the Standard Formula are:

- Whole-account aggregate stop-loss - cannot be applied under the Standard Formula, in a manner which reflects the commercial effect of the cover
- Long-short equity investments - no credit is given for short positions or the ability to reallocate to other securities (such as cash or bonds) in a short time-frame.

The scope of the ORSA process includes, but is not limited to, the following list of inputs and procedures:

- Board evaluation of business strategy, objectives and draft business plan;
- Review of Risk Appetite Statement, risk profile and evaluation of key risks identified;
- Risk management system processes, policies and outputs;
- Consideration of the results of stress tests and pessimistic scenarios applied to each risk area;
- Deliberation on how additional capital can be sourced if required;
- The Company's investment strategy and risks;
- Consideration of how risk can be mitigated including through diversification;
- Review of the results of the SCR, MCR and appropriateness and compliance with the Standard Formula;
- Review of the competence and capability of the Actuarial and Risk Functions;
- Risk Committee review of risk tolerance limits set by the Board; and
- Decisions and action plans following the output of the ORSA process.

The results and conclusions from the ORSA process are communicated to senior management and key staff through the ORSA Report following Board approval, and a copy provided to the CBI. Following the ORSA assessments under the new Solvency regime, the Board has considered the level of capital held to be adequate.

B.4 Internal control system

The Company's Board has ultimate responsibility for the operation of the corporate governance framework. A corporate governance framework shall not remain effective unless it develops to take account of new and emerging risks, control failures, market expectations or changes in the Company's circumstances or business objectives. It is in this spirit that it is acknowledged that the effectiveness of the corporate governance framework needs to be reviewed on a continual basis.

The Board delegates its authority through a structure of committees and sub-committees which are there to facilitate the effectiveness and efficiency of operations and to assist in the compliance with laws and regulations. The committees of the Board currently comprise of the Audit Committee and the Risk Committee. However, despite delegating responsibilities, the overall board has collective responsibility and accountability for the corporate governance of the Company and this cannot be delegated.

Whilst certain decisions are reserved exclusively for the Board, an effective control system of delegated authority operates from top to bottom, within the Company, through Terms of Reference (TOR) for the committees and sub-committees and through individual job descriptions. These TOR's are reviewed, at least annually, to ensure they remain relevant by taking into account the continually evolving business environment.

The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting. The internal controls over financial reporting includes policies and procedures relating to maintenance of financial records; accurate recording of transactions and authorised processing of receipts and payments; and the prevention or detection of unauthorised use, purchase or sale of the Company's assets.

The Company maintains and evaluates the effectiveness of the financial reporting and disclosure controls annually as part of the Group's annual assessment of internal control over financial reporting.

The Company's internal controls are part of its Risk Management Framework, being the first line of defence in the 'three lines of defense' model the Company has implemented:

<u>1. Business Operations - Internal Controls</u>

Internal controls are the measures that are incorporated into systems and processes to control day-to-day activities. The internal controls for the Company are based on the Committee of Sponsoring Organisations of the Treadway Commission's (COSO's) Internal Control - Integrated Framework (2013 COSO Framework).

The objectives of internal controls are:

- Effective and efficient operations, including safeguarding of assets against loss;
- Internal and external financial and non-financial reporting, in accordance with the Company's policies and procedures; and
- Adherence to laws and regulations.

Components of internal controls include:

- Control environment;
- Risk assessment;
- Control activities;
- Information and communication; and
- Monitoring activities.

There are adequate controls implemented to ensure compliance and to highlight any significant breakdown in controls or inadequacy of process.

2. Oversight Functions
This includes the Compliance and Risk Functions. The Company has implemented policies which describe the Board's approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfills its responsibilities.

3. Independent Assurance Providers
The Internal Audit function prepares, with the approval of the Audit Committee, a three-year audit plan which covers all the key areas of the Company over the three year period. Additionally, the Audit Committee has the ability to request ad-hoc reviews to be conducted at any point during the year.

In addition, the external auditors provide an independent opinion that the audited financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland ("Irish GAAP") and that they have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities Regulations 2015.

The Compliance Function, in liaison with the Board, is responsible for ensuring that all Company policies are reviewed at least annually to make certain that they are still fit for purpose. Each relevant area of the business is responsible for ensuring that their procedure(s) are up to date and reflect how the business operates. All reviews are recorded and version control is maintained. All amendments to policies are submitted to the Board for approval.

There is a compliance monitoring programme in place to ensure that the Company has fulfilled all its legislative and regulatory requirements, and adheres to its policies and procedures. This is completed by the Compliance Function on a continuous basis and presented to the Board on a quarterly basis.

Compliance Function

The Company's Compliance Policy sets out the role and responsibilities of the Compliance Function and is reviewed by the Board on an annual basis. The role of the Compliance Function is to act as a defence, working alongside the Risk and Internal Audit Functions, for the business and its customers, and provide an independent assurance to the Board and Non-Executive Directors that the Company is conducting its business in a compliant manner. This is achieved by completing the following objectives:

- Developing a compliance audit plan to provide comfort to the Audit Committee on the Company's overall compliance with Board approved polices, the Companies Act 2014 ("the Act"), CBI requirements and other applicable legislation;
- Regular reporting to the Company's Audit Committee, senior management and Group personnel on compliance matters;
- Managing the Company's relationship with the CBI;
- Reviewing and developing policies required under the Corporate Governance Code and/or EIOPA guidelines for Board approval;
- Assisting the Company in complying with Solvency II requirements with a focus on Pillar 2 and Pillar 3 requirements; and
- Reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and advising on steps necessary to ensure compliance.

The Board supports the Compliance Function, makes available such resources as is necessary, and provides access to all relevant documentation and information from the business, in order that the Compliance Function can meet its objectives.

B.5 Internal audit function

The Company supports Internal Audit as an independent and objective assurance activity designed to add value and improve the Company's operations. It assists the Company in accomplishing its objectives by bringing an independent, systemic and disciplined approach to the process of evaluating and improving the effectiveness of the Company's risk management, control and governance processes.

Internal Audit derives its authority from the Board through the Audit Committee. The Internal Auditor reports functionally to the Audit Committee and administratively to the Chief Executive Officer (CEO). The Internal Auditor meets with the Audit Committee and the CEO to discuss all audits. The Internal Auditor operates with independence and authority in relation to audits carried out and has unrestricted access to the Chairman, the CEO, Chief Financial Officer and the Chairman of the Audit and Risk Committees. Internal Audit is authorised to examine any of the activities of the Company and has unrestricted access to all records, assets and personnel necessary to discharge its responsibilities.

The Company's Internal Audit function has been outsourced to EisnerAmper Ireland ("EisnerAmper"). A Partner at EisnerAmper is approved by the CBI for the PCF-13 (Head of Internal Audit) role. EisnerAmper prepares, with the approval of the Audit Committee, a three-year audit plan which covers all the key areas of the Company over the three year period. Additionally, the Audit Committee has the ability to request ad-hoc reviews to be conducted by EisnerAmper. EisnerAmper works closely with the management and any outsourced service provider of the Company and reports directly to the Audit Committee.

The purpose, scope, authority and responsibilities of the Internal Audit function are set out in full within the Internal Audit policy, which has been approved by the Board of Directors and which is reviewed and updated on an annual basis, or more frequently, if required. There have been no significant changes to the policy in the current year.

B.6 Actuarial Function

The Actuarial services to support the business are partially conducted internally and partially outsourced to a combination of:
a) Group Actuarial Department in GRL; and
b) Allied Risk Management.

The activities of the Actuarial Department are split between those involved in calculating and analysing, performed by the Reserving Actuary and those activities of the Actuarial Function, performed by the Head of Actuarial Function (HoAF), who provides independent oversight and validation. The role of the Head of Actuarial Function (HoAF) is outsourced to Allied Risk Management.

The Actuarial Function derives its authority from the Board through the Audit Committee. The Head of Actuarial Function (HoAF) reports functionally to the Audit Committee and administratively to the Chief Executive Officer (CEO).

The objective of the Actuarial Function is to ensure a standard and appropriate calculation of reserves, consistent with our business strategy and within our stated risk appetite. The detailed objectives are to:

- 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 cases where there is insufficient data quality (as set out in Article 82 of the Directive);
- 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, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

Each of these activities is undertaken on at least an annual basis and the outcome reported to the Board in an internal actuarial report.

In addition to responsibilities in relation to the technical provisions, and the requirements to express opinions on underwriting policy and reinsurance arrangements, the HoAF contributes to the effective implementation of the risk management system of the Company. In particular:

- In relation to the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), the HoAF reviews the output of the model used by the Company to calculate the SCR and MCR. Specifically, any perceived or possible inconsistencies or issues identified in the model results are raised.
- ORSA - the Chief Risk Officer and HoAF establish the requirements for the ORSA report, agree how the requirements will be satisfied and agree the format of the draft ORSA reports, the supporting appendices and working papers.

B.7 Outsourcing

The Company recognises the need for an Outsourcing Policy which is consistent with and promotes sound and effective risk management and enables the Company to identify, manage, monitor and report on such outsourcing risk to which it is or might be exposed. The Board have adopted this policy and it:

- Sets out the roles and responsibilities within the Company in relation to outsourcing;
- Sets out those functions which may be outsourced by the Company;
- Provides clarity on the set of principles on which the Company outsources material functions;
- Describes the processes and procedures that the Company carries out prior to outsourcing, including the assessment and impact of the outsourcing on its business; and
- Describes the processes and procedures post outsourcing, including the level of review, reporting and monitoring required by the Company.

The following is a list of the critical or important operational functions the Company has outsourced together with the jurisdiction in which the service providers of such functions or activities are located. The person within the Company with responsibility for these outsourced functions is the Chief Executive Officer. The

Company will not outsource a critical or important function where the outsourcing would materially impair the quality of the Company's system of governance, unduly increase operational risk, impair the ability of the CBI to review the Company's compliance with its obligations or undermine the continuous and satisfactory service to policyholders (Article 49(2) of the SII Directive).

Name of Service/Function	Name of Service Provider (SP)	Jurisdiction
External Outsourcing:		
Investment Advisor	DME Advisors, L.P.	USA
HoAF	Allied Risk Management	Ireland
Internal Audit	EisnerAmper Ireland	Ireland
Outsourcing to Group:		
Risk Management Function	Greenlight Reinsurance Ltd	Cayman Islands
GAAP Reserving Actuary	Greenlight Reinsurance Ltd	Cayman Islands
IT Management Function	Greenlight Reinsurance Ltd	Cayman Islands
Claims Function	Greenlight Reinsurance Ltd	Cayman Islands
Middle Office Function	Greenlight Reinsurance Ltd	Cayman Islands
Underwriting and Pricing Services	Greenlight Reinsurance Ltd	Cayman Islands

The Company has in place a number of controls which seek to mitigate the risks of outsourcing both critical and non-critical functions and activities:

- Due diligence is performed on all outsourced providers with enhanced requirements for critical functions;
- Both the CBI and the Board of Directors of the Company are required to approve the outsourcing of any critical functions and activities;
- Contractual arrangements are in place with each outsourced providers;
- An annual review of all outsourcing providers is carried out and presented to the Board of Directors of the Company; and,
- A log of outsourced activities is maintained and all outsourcing activities are monitored.

B.8 Any other information on governance

The Company has included all relevant information relating to its systems of governance and is satisfied with the adequacy of the system of governance, considering the nature, scale and complexity of the risks inherent in the business.

C. Risk Profile

Risk Management

The goal of the Company's management of risk is to set out the level of risk the Company is willing to assume in implementing its business strategy. The Company's business strategy cannot be implemented without taking any risks. The Company seeks to comprehensively quantify all risks inherent in the business strategy through scenario testing and ad-hoc stress tests, and where necessary apply risk mitigation techniques.

The Company implements appropriate polices, contingency plans and controls as part of the Company's overall risk management system. Further information is detailed in Section B.3 above.

C.1 Underwriting risk

The Company has a broad underwriting appetite for Property and Casualty business providing the pricing and risk selection is appropriate. In general, the Company will write business selectively and in those areas of the market believed to have the best risk-adjusted returns.

Risk mitigation
The Company has entered into two reinsurance contracts with its sister company, GRL:

1. An 80% quota share on non-U.S. business; and
2. An unlimited aggregate stop-loss which limits underwriting losses (including expenses, reserve deterioration, counterparty default and collateral drawdown) to 5% of the Company's surplus.

The Company has also entered into a 50% quota share agreement with a non-affiliated retrocessionaire rated "A (Excellent)" by A.M. Best on motor lines of business with effect 1 July 2017.

Line of business
See Section *A.2. Underwriting Performance* for a breakdown of the lines of business the Company wrote in 2018 and 2017.

Geography
See Section *A.2. Underwriting Performance* for a breakdown of the geographies the Company wrote in 2018.

Target profitability
We seek to underwrite a portfolio that is profitable and contributes to book value per share.

See Section *A.2. Underwriting Performance* for breakdown of the Company's 2017 and 2018 underwriting performance.

Underwriting process
The assessment and pricing of (re)insurance risk are key components of the Company's underwriting process. Each submitted transaction is underwritten and priced by an underwriting team consisting of at least one underwriter and actuary. If the underwriting team wishes to write the transaction, then it is peer-reviewed and a deal meeting with senior management, including the Chief Executive Officer, Chief Underwriting Officer, and Chief Risk Officer, is held to obtain approval before binding. The Board plays an active role in overseeing underwriting. The Board approves the Underwriting Plan and Underwriting Guidelines annually and is required to authorise deals which meet specific criteria. An underwriting update is provided to the Board quarterly.

Risk factors
Underwriting inherently involves assuming (re)insurance risk. Potential external risk factors that could impact our current or future underwriting portfolio are:
1. Rating downgrade
2. Emerging risks
3. Brexit

Rating downgrade

The Company was downgraded by AM Best from "A" (Excellent) to "A-" (Excellent) in November 2016. This downgrade did not have a significant impact on existing business or new business development opportunities and AM Best reaffirmed the rating in October 2018. However, any further downgrade below A- is likely to have a significant impact.

Emerging risks

Emerging risks are newly developing or changing risks which are difficult to quantify and which may have a major impact. The Company monitors the underwriting environment to track changes in innovation, climate, and political environment. Some of the initial emerging risks identified include:

- Driverless cars - The largest element of the Company's book is US non-standard auto contracts. The US motor insurance industry is likely to change significantly over the next ten to twenty years, with the introduction of self-driving or driverless cars. The Company does not believe this trend will have a significant impact on its book over the next five years, but we will continue to monitor progress in this area.

- Climate change - Global warming has the potential to have a significant impact on weather patterns and loss events. The Company writes some natural catastrophe reinsurance and some property exposures which could be impacted in the event of additional weather losses. To date, despite global warming, the occurrence of large insured natural catastrophe losses has been modest over the last 10 years and below historic norms, albeit 2017 saw the highest recorded year of nat cat losses and 2018 was also above average with hurricanes Florence and Michael, California wildfires and typhon Jebi. The Company will continue to closely monitor cat activity and amend its appetite for natural catastrophe business to reflect market conditions. As this business is short tail in nature, the Company can re-balance the portfolio quickly if required.

- Cyber risks - Cyber risk is considered as a major disruptor to financial services. Cyber risk threatens data integrity and business continuity in an ever-interconnected financial system. The use of cloud and the dependency on external service providers also adds to the complexity of managing this risk. The Company and its parent have agreed to implement the National Institute of Standards and

Technology ("NIST") Cybersecurity Framework. The Company is strengthening its IT controls with a view to being compliant with the NIST Cybersecurity Framework.

- Geopolitics - President Trump has indicated that he will clamp down on offshore jurisdictions and the transfer of US business overseas. Currently, over 70% of the Company's business is US business. The imposition of any levies, or prohibitions on placing this business offshore, could have a significant impact on the Company's ability to access US business. Additionally, the Company is reliant on the support of its parent and sister companies domiciled in the Cayman Islands. Any clamp down on offshore jurisdictions could impact the Cayman Islands and as a result the Company. The Company will continue to monitor developments in this area.

Brexit

There are several implications for the Company arising from Brexit:

- Potential inability to access business in the UK - Currently the Company can write reinsurance business from Ireland throughout the EU. The Company has written a number of contracts in the UK on a freedom of services basis from Ireland. In the event of a "hard" Brexit, the Company may lose the ability to access UK business under freedom of services. In this scenario it is likely the Company can continue to write UK business on a non admitted basis.

- Economic issues - Brexit could trigger an EU wide recession, which could have a negative impact on insurance demand throughout the EU.

- Regulatory / Staffing issues - Brexit could lead to a large number of UK insurers establishing operations in Ireland, in order to access the EU marketplace. This could place a strain on the resources of the Central Bank and could significantly increase demand for specialist insurance resources.

The Company has conducted a detailed analysis of the implications of Brexit and is closely monitoring developments. At this stage, we do not believe it will have a material impact on our business.

C.2 Market risk

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realised upon the sale of its holdings, as well as the amount of net investment income reported in the statements of comprehensive income. Management has regular dialogue with the Company's investment advisor to monitor the Company's positions and changes in market conditions.

Equity Price Risk

As of 31 December 2018, the Company's investment portfolio consisted primarily of an investment in SILP, which holds underlying equity securities and equity-based derivative instruments, as well as equity securities held in the Joint Venture, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2018, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$480,260 or 1.74% of the Company's investments in SILP and the Joint Venture.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Commodity Price Risk

Generally, market prices of commodities are subject to fluctuation. SILP's investments periodically include long or short investments in commodities or in derivatives directly impacted by fluctuations in the prices of commodities. As of 31 December 2018, SILP's investments included unhedged exposure to changes in gold prices, through physical gold holdings and derivative instruments with underlying exposure to changes in the price of gold.

The following table summarizes the net impact that a 10% increase and decrease in commodity prices would have on the value of the Company's investment in SILP as of 31 December 2018. The below table excludes the indirect effect that changes in commodity prices might have on equity securities in SILP's investments.

	10% increase in commodity prices		10% decrease in commodity prices	
Commodity	**Change in fair value**	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	(US$ in thousands)	**%**	**(US$ in thousands)**	**%**
Gold	249	0.9	(249)	(0.9)
Total	249	0.9	(249)	(0.9)

The Company along with its investment advisor, periodically monitor the Company's exposure to any other commodity price fluctuations and generally does not expect changes in other commodity prices to have a materially adverse impact on the Company's operations.

Foreign Currency Risk

Certain of the Company's reinsurance contracts provide that ultimate losses may be payable or calculated in foreign currencies depending on the country of original loss. Foreign currency exchange rate risk exists to the extent that there is an increase in the exchange rate of the foreign currency in which losses are ultimately owed. As of 31 December 2018, the Company had net loss reserves reported in foreign currencies of £1,612,108. As of 31 December 2018, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in additional estimated loss reserves of US$205,544 and a corresponding foreign exchange loss. Alternatively, a 10% increase in the U.S. dollar against the GBP would result in a reduction of US$205,544 in the Company's recorded loss reserves and a corresponding foreign exchange gain.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually monitors the exposure to potential foreign currency losses and would consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.
The Company is exposed to foreign currency risk through SILP's underlying cash, forwards, options and investments in securities denominated in currencies other than U.S. dollar. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short), speculative foreign currency options and cash positions due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of 31 December 2018, some of the Company's currency exposure resulting from foreign denominated securities (longs and shorts) was reduced by offsetting cash balances (shorts and longs) denominated in the corresponding foreign currencies.

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against select foreign currencies would have on the value of the Company's investment portfolio as of 31 December 2018:

	10% increase in U.S. dollar		**10% decrease in U.S. dollar**	
Foreign Currency	**Change in fair value**	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	(US$ in thousands)	**%**	**(US$ in thousands)**	**%**
British Pound	(9,555)	—	9,555	—
Euro	(5,438)	—	5,438	—
Other	9,401	—	(9,401)	—
Total	(5,592)	—	5,592	—

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

Interest Rate Risk

The Company's investment in SILP includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the market value of the Company's long fixed-income portfolio falls, and the opposite is also true as interest rates fall. Additionally, some derivative investments may also be sensitive to interest rates and their value may indirectly fluctuate with changes in interest rates.

The following table summarises the impact that a 100 basis point increase and decrease in interest rates would have on the value of investment in SILP as of 31 December 2018:

	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	(US$ in thousands)	%	(US$ in thousands)	%
Debt instruments - long and short, net	9	—	(9)	—
Interest rate options	130	0.5	(130)	(0.5)
Net exposure to interest rate risk	139	0.5	(139)	(0.5)

Prudent Person Principle

Our investment strategy seeks long term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. Investments are to be selected and monitored to balance the goals of safety, stability, liquidity, growth and after-tax total return with the need to comply with regulatory investment requirements.

We recognise that under the Solvency II Prudent Person Principle, assets held to cover the technical provisions must be invested "in a manner appropriate to the nature and duration" of the liabilities, and "in the best interest of all policyholders and beneficiaries taking into account any disclosed policy objectives" (Reg.141(2)(c) of S.I. 485 of 2015). Therefore, the assets covering the technical provisions takes account of the type of business carried on by the Company in such a way as to secure the safety, yield and marketability of its investments, which the Company will ensure are diversified and adequately spread. The Company, where applicable, and in accordance with A. 132(2) of the SII Directive, only invests in assets whose risks it can properly identify, measure, monitor, control, report and take into account in its ORSA.

Our equity portfolio consists of long and short equities and distressed debt, with a focus on developed markets. The Investment Advisor seeks to achieve capital appreciation by buying securities with trading values materially lower than their intrinsic values and by selling short securities with trading values materially higher than their intrinsic values. The portfolio aims to achieve high absolute rates of return while minimising the risk of capital loss. We seek to combine the analytical discipline of determining intrinsic value with a practical understanding of markets. We seek to invest in mispriced securities where we can ascertain the reason for the market's mispricing. Our approach is rooted in fundamental analysis and rigorous examination of financial statements.

In recognition of the Prudent Person Principle, during 2018 GRIL amended its portfolio so that assets backing net insurance reserves are held in cash or high grade bonds.

Emerging risks

As part of investing and overall portfolio management, global financial events are monitored and considered. Discussions were held with the investment manager on events such as Brexit and US mid-term elections. The Company's investment strategy is based on a value orientated investing strategy (i.e. buy undervalued securities (longs) and sell overvalued securities (shorts)). As such the portfolio is generally not heavily correlated with specific global events or market trends.

C.3 Credit risk

The Company conducts business with multiple external counterparties of various types. The unlimited aggregate stop-loss purchased from GRL limits the loss of default or collateral drawdown by clients, brokers, third party administrators and any other underwriting-related counterparties to 5% of the Company's surplus. However, the Company still seeks to reasonably minimise the risk of financial loss from counterparty default.

The Company's counterparty risk comes from various sources:

Investment and banking

- Prime brokers; and
- Derivative counterparties.

Client-related

- Letters of credit ("LOCs") provided to clients;
- Premiums receivable from clients;
- Commission adjustments on contracts with clients; and
- Retrocession.

Third party services

- Reinsurance intermediaries; and
- Claims funds with third party claims administrators.

The Company does not solely rely on the credit assessments of external rating agencies when assessing the credit worthiness of counterparties.

Prime brokers
Prime brokerage is the generic name for a bundled package of services offered by investment banks and securities firms to professional investors needing the ability to borrow securities and cash. The prime broker provides a centralised securities clearing facility for the investor so the investor's collateral requirements are netted across all investments handled by the prime broker. The Company closely and regularly monitors its concentration of credit risk with each prime broker and if necessary, will transfer cash or securities between prime brokers to diversify and mitigate its credit risk.

Derivative counterparties
The Company will enter into derivative transactions, such as equity swaps and currency options, with financial counterparties. The counterparties are typically large banks. The Company requires that any net exposure to a derivative counterparty is cash collateralised and collateral adjustments are made on a frequent basis.

Letters of Credit and Trusts
The Company's related company, GRL, issues LOCs on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these LOCs is also provided by GRL. In the event that the Company's insureds draw upon any LOCs, the Company shall be obligated to reimburse GRL the amount of the LOCs drawn by the insured. As of 31 December 2018, US $7,048,987 (2017: US$9,539,798) of LOCs were issued by GRL on behalf of the Company and no LOCs were drawn by the Company's insureds for the year ended 31 December 2018. In the event that GRL was unable to pledge its assets as security, the Company may have to pledge its own assets as security relating to the LOCs.

The LOCs are usually unconditional in that the client may drawdown the LOC at their sole option. The Company periodically amends the size of issued LOCs to ensure they do not materially exceed the size of the Company's obligations to clients. If a client were to inappropriately drawdown a LOC, the Company would offset its obligations against the amount drawn down, while seeking legal remedy for the unauthorised drawdown.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of 31 December 2018, collateral of US$26,854,030 (2016: US$20,326,573) was provided to cedents in the form of regulatory trust accounts.

Premiums receivable from clients
The Company's (re)insurance contracts include the right to offset losses against unpaid premium. The aggregate stop-loss agreement with GRL includes coverage for the risk of default by a client of the Company.

Commission adjustments on contracts with clients
On certain contracts, the client is paid a provisional commission which is adjusted at a pre-determined later date based on the actual losses incurred. The adjustment may result in commission becoming due back from the client. If the client is rated "A-" (Excellent) or higher by A.M. Best, collateral may not be requested. If the client is rated lower than "A-" (Excellent) or unrated, the client may be required to post collateral for the potential possible downward adjustment in commission.

Retrocession

Retrocession falls into one of three categories:

1. The retrocession is with a third party and is tied to an inwards transaction;
2. The retrocession is with a third party and stands alone; and
3. The retrocession is internal between the Company and its affiliates.

The retrocession is with a third party and is tied to an inwards transaction

The third party may or may not be affiliated with the client. If the retrocessionaire is affiliated with the client then the arrangement will usually be for the purposes of aligning the client's interest with that of the Company's, and the retrocessionaire will often be a captive.

The retrocession is with a third party and stands alone

The third party will typically be a professional reinsurer and the retrocession is likely to be on a segment of the Company's portfolio. The Company will assess the financial strength of any such counterparty as part of its counterparty due diligence.

The retrocession is internal to the Company

The Company purchases a quota share and unlimited aggregate stop-loss protection from its sister company, GRL.

Reinsurance intermediaries
Remittances payable and receivable under a reinsurance contract are typically made via a reinsurance intermediary. Usually, the contract specifies that payments by the insured to the reinsurer are deemed paid once the payment is received by the reinsurance intermediary, and payments made by the reinsurer to the insured are only deemed paid once the reinsurance intermediary has forwarded that payment to the insured.

The Company's exposure to intermediary counterparty risk is small owing to the following reasons:

- Payments are typically processed by intermediaries every month
- Payments are made on a net basis (premium less losses)
- The Company's business is primarily with large, well-established intermediaries.

The internal aggregate stop-loss includes coverage for the risk of default by an intermediary.

Claims funds with third party claims administrators
The Company will sometimes pre-fund claims accounts with third party claims administrators in order to make the claims payment process more efficient. Pre-funding amounts are restricted to 2-3 months of expected claims activity.

C.4 Liquidity risk

As of 31 December 2018, the majority of the Company's investments in SILP and the Joint Venture were valued based on quoted prices in active markets for identical assets (Level 1). Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's investments in SILP and the Joint Venture are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

The Expected Profits In Future Premiums ("EPIFP") US$3,630,047 and does not impact the Company's liquidity risk.

C.5 Operational risk

Operational

Data security and privacy requirements were a key focus in 2018. The Company is aware of the importance of strong data security and the increased focus in this area among regulators, including the CBI, and clients. The Company and its parent have agreed to implement the National Institute of Standards and Technology ("NIST") Cybersecurity Framework. The Company is strengthening its IT controls with a view to being compliant with the NIST Cybersecurity Framework by the end of 2019.

Another area the Company has prioritised for 2019 is to enhance our data and reporting strategy. Currently, we have a range of ad-hoc reporting taking place, using different data sets, different tools and different resources. We plan to centralise our efforts and build a data warehouse which will be a single source of truth and used for all reporting. The Company has hired a Senior Business Analyst to lead our efforts in this area.

Much of the reporting currently generated is financial reporting and we will look to:
a) Support our financial reporting with more financial analysis
b) Develop enhanced reporting in other areas of the business.

A key objective of this initiative is to automate repetitive activities, so our staff spend more time analysing data and less time preparing it.

C.6 Other material risks

Group Support

We rely upon the support of our parent company, GLRE, and our sister company, GRL, to pursue our business activities. While the financial position of the Group remains strong, and it's rating by A.M. Best has recently been affirmed, it's capital declined by 30% in 2018. Proactive monitoring of the financial strength of the Group will continue with the Company proactively monitoring our exposure to reinsurance recoverables from GRL.

Capital

GLRE is our source of capital. Capital is predominantly Tier 1 common equity.

Rating

A.M. Best provides the Group with a group rating that applies to both GRL and the Company. The group rating is mostly derived from GRL as it is a much larger company. The primary reason for the downgrade was the less favorable underwriting results of GRL in recent years. On 11 October 2018, A.M. Best re-affirmed the Company's financial strength rating of "A- (Excellent)" with a stable outlook.

Reinsurance

The Company has two reinsurance contracts with GRL and one reinsurance contract with a non-affiliated retrocessionaire as discussed in Section C.1. Remittances under the reinsurance agreements are made quarterly. GRL is required to provide collateral for any reinsurance recoverables as follows:

- None if it has an A.M. Best rating of "A"- or higher;
- 50% collateralisation if it has an A.M Best of "B++" or "B+"; and
- 100% collateralisation if it has an A.M Best of "B" or lower.

Services

GLRE and GRL may at times provide the Company with various services, including managerial, legal, underwriting, actuarial, risk management, reserving and IT. This arrangement is formalised in a Service Level Agreement.

C.7 Any other information

Anticipated/future risk exposures are not expected to be different from current exposures disclosed in Section C of this report (A.309(2)(a) of the SII Directive).

We use risk scenarios to stress our core underwriting (including reserving) and investment activities in order to determine the impact on capital.

Risk scenarios

We use risk scenarios to stress our core underwriting (including reserving) and investment activities and determine the impact on capital.

For the purposes of the scenarios, risks are divided into three categories:

1. Underwriting
2. Reserves
3. Investing

For each risk category, there are three stress levels:
1. No stress - expected risk levels
2. Adverse stress - 'unlikely but not remote' risk levels
3. Severe stress - 'remote' risk levels

Selected risk scenarios

There are five risk scenarios, comprising different combinations of stress factors, which are applied to the current and projected risk profiles.

<table>
<tr><th></th><th colspan="3">Stress Levels</th></tr>
<tr><th>Scenario</th><th>Investments</th><th>Underwriting</th><th>Reserves</th></tr>
<tr><td>1 (Base)</td><td colspan="3">None</td></tr>
<tr><td>2</td><td colspan="3">Adverse</td></tr>
<tr><td>3</td><td>None</td><td colspan="2">Severe</td></tr>
<tr><td>4</td><td>Severe</td><td colspan="2">None</td></tr>
<tr><td>5</td><td colspan="3">Severe</td></tr>
</table>

Scenario 1 is the three-year business plan and we aim to have a SCR ratio in excess of 130% in each year. Scenarios 2, 3 and 4 represent scenarios where we aim to have a SCR ratio in excess of 100% for the year in which the stress occurs.

In scenario 5 we may not have an SCR ratio in excess of 100%. Here we examine capital relative to all outstanding obligations, especially in relation to a GRL reinsurance default.

Selected stress factors

Risk scenarios and stress factors were chosen after internal dialogue with underwriters, actuaries, senior management and directors. The Board meeting held on September 20th 2018 discussed risk scenarios and stress factors in detail. The selection focused on historical Greenlight and industry performance (GRIL has performed detailed analysis of historical underwriting and investment performance), combined with expert judgement.

Investments
Adverse: 15% loss to the equity portfolio; 1% loss to the cash and fixed income portfolio.
Severe: 30% loss to the equity portfolio; 2% loss to the cash and fixed income portfolio.

Underwriting
Adverse: A non-catastrophe net composite ratio of 107.5% for the next 12 months and a 1-in-100-year occurrence natural catastrophe loss, before internal reinsurance.

Severe: A non-catastrophe net composite ratio of 120% for the next 12 months and a 1-in-250-year aggregate natural catastrophe loss, before internal reinsurance.

Reserves
Adverse: 10% deterioration in net reserves, before internal reinsurance.
Severe: 20% deterioration in net reserves, before internal reinsurance.

Example events that could lead to the severe losses chosen (reserves)
A 1-in-250 aggregate catastrophe loss would take multiple extreme catastrophe events such as a very strong hurricane directly hitting Miami and a very large earthquake hitting San Francisco, both in the same year.

A non-catastrophe net composite ratio of 120% would require, for example, that the composite ratio of the non-standard auto business run 30% - 33% absolute points higher than plan (depending on plan year). Non-standard auto represents 73% of gross earned premium in 2018 declining to 60% in 2021.
(GRL also participates on some of the same non-standard auto contracts as GRIL. It is worth noting that if the Group non-standard auto were to run 30% higher than plan, then the Group would lose 13.5% of surplus).

An overall 20% loss reserve deterioration driven by non-standard auto would require a deterioration in non-standard auto reserves of 58% - 43% (depending on plan year). Non-standard auto represent 35% of gross reserves in 2018 increasing to 46% in 2021.
(GRL also participates on some of the same non-standard auto contracts as GRIL. It is worth noting that if the Group non-standard Auto reserves were to deteriorate 20% then the Group would lose 4% of surplus).

Capital risk thresholds

Our capital risk appetite is to maintain a SCR cover ratio in excess of 100% in going-concern scenarios, and capital in excess of US$10m in the run-off scenario. In all scenarios in our 2018 stressed capital plan the SCR remains above 100%.

Dependencies between Risk Modules

The Company uses the Standard Formula model to calculate the SCR. The quantitative data necessary for determining the dependencies between risk modules and sub-modules of the BSCR are included in the model.

D. Valuation for Solvency Purposes

D.1 Assets

The Company's financial statements for the year ended 31 December 2018, were the first annual financial statements prepared in accordance with Generally Accepted Accounting Practice in Ireland "Irish GAAP", FRS 102 and FRS 103. Previously, the Company's accounts were prepared in accordance with IFRS. The date of transition to Irish GAAP was 1 January 2018. The transition from IFRS to Irish GAAP has not affected the reported financial position or financial performance for the years ended 31 December 2018 and 2017, and has not resulted in reclassifications to prior period amounts.

Assets held by the Company as at 31 December 2018 and 2017 were as follows:

	2018			2017		
Assets	**GAAP Accounting Basis**	**SII Valuation Principles**	**Difference in Valuation**	**GAAP Accounting Basis**	**SII Valuation Principles**	**Difference in Valuation**
	(US$ in thousands)			**(US$ in thousands)**		
Investments	48,876	48,876	—	118,807	118,807	—
Reinsurance receivables	36,924	—	36,924	28,895	—	28,895
Reinsurance recoverables	54,299	27,024	27,275	43,596	19,098	24,499
Cash & cash equivalents	1,110	1,110	—	13,629	13,629	—
Other assets	5,604	4,126	1,478	1,934	919	1,015
Deferred acquisition costs	1,298	—	1,298	1,389	—	1,389
Deferred tax assets	1,568	1,568	—	1,735	1,735	—
Fixed assets	70	70	—	97	97	—
Total assets	**149,749**	**82,774**	**66,975**	**210,083**	**154,285**	**55,798**

Investments

In the normal course of its business, the Company purchases and sells various financial instruments which include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards and other derivatives. As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39"). The Company's financial instruments are carried at fair value, and all unrealised gains or losses are included in investment income in the statement of comprehensive income.

Investments and Investments in Securities Sold, But Not Yet Purchased

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs). The fair values of listed equities that have restrictions on sale or transfer which expire within one year are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs. The fair values of debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships, and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximises the use of observable direct or indirect inputs (Level 2 inputs) when deriving the fair values for "other investments". For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments.

For securities classified as "trading securities", and "other investments", any realised and unrealised gains or losses are determined on the basis of the specific identification method (by reference to cost or amortised cost, as appropriate) and included in investment income in the statements of comprehensive income. Dividend income and expense are recorded on the ex-dividend date. The ex-dividend date is the date as of when the underlying security must have been traded to be eligible for the dividend declared. Interest income and interest expense are recorded on an accrual basis.

Derivatives

Irish GAAP requires that an entity recognise all derivatives in the statements of financial position at fair value. It also requires that unrealised gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivatives do not qualify as hedges for financial reporting purposes.

The Company enters into derivative contracts with counterparties as part of its investment strategy. Derivative contracts which may include total return swaps, credit default swaps ("CDS") purchased, futures, options, currency forwards and other derivative instruments are recorded at their fair value with any unrealised gains and losses included in investment income in the statements of comprehensive income. Derivative contracts receivable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be entitled to receive payments upon settlement of the contract. Derivative contracts payable represents derivative contracts whereby, based upon each contract's current fair value, the Company will be obligated to make payments upon settlement of the contract.

Total return swap agreements, included on the statements of financial position as derivative contracts receivable and derivative contracts payable, are derivative financial instruments whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company may not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on interest rates, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair value movements of the underlying security together with any other payments due. These contracts are carried at fair value, based on observable inputs (Level 2 inputs) with the resultant unrealised gains and losses reflected in investment income in the statements of comprehensive income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in investment income in the statements of comprehensive income.

Derivative contracts may also include exchange traded futures or options contracts that are based on the movement of a particular index, equity security, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company's obligations or rights on these contracts are recorded at fair value measured based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on actual transactions (Level 2). Amounts invested in exchange traded options and over the counter ("OTC") options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company may purchase a Credit Default Swap ("CDS") for efficient portfolio management and strategic investment purposes. The Company's investment guidelines prohibit the sale of CDS. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market (Level 2) or based on the current credit spreads on identical contracts (Level 2).

Reinsurance receivables

Amounts receivable from reinsurance operations are valued at settlement amount and reviewed for impairment under FRS 102. At 31 December 2018 there were no provisions required. These assets are reclassified to net technical provisions for Solvency II purposes, and discounted at the risk-free rate to the present value.

Reinsurance recoverables

Reinsurance recoverables form part of the reinsurers share of technical provisions under Solvency II, and is covered under the technical provisions note below.

Cash and cash equivalents

Cash and cash equivalents which are held by the Company comprise cash at a non-US bank and cash and cash equivalents held with prime brokers. All cash equivalents have an original maturity of three months or less.

Other Assets

Other assets include profit commissions receivable, prepayments, accrued income and deposits to cedents. For Solvency II purposes, profit commissions receivable have been excluded from other assets as they form part of technical provisions. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deferred acquisition costs

Deferred acquisition costs are commissions and brokerage costs directly related to writing business. These costs are amortised over the term of the related contract. Under Solvency II valuation rules, these costs are not recognised an an asset.

Deferred tax assets

Deferred tax assets are calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position, where transactions or events result in an obligation to pay less tax in the future. These obligations are recalculated based on the Solvency II Balance Sheet which gives rise to a different deferred tax asset or liability. Deferred tax assets have been recognised on the basis that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a forecast consistent with the operational plans prepared by the Company, which is subject to internal review and challenge. See Section D.3 for deferred tax liability recognised on Solvency II Balance Sheet.

Fixed assets

Fixed assets are measured at cost when acquired, less accumulated depreciation using a straight-line method.

D.2 Technical provisions

The technical provisions consist of the Best Estimate of the Liabilities and the Risk Margin. At 31 December 2018 the technical provisions split by line of business were:

Line of Business (SII)	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
		(US$ in thousands)		
Marine, aviation and transport insurance	9,320	127	6,933	2,514
General liability insurance	8,064	140	6,817	1,387
Motor vehicle liability insurance	7,701	1,630	3,986	5,345
Non-proportional property reinsurance	3,914	181	3,899	196
Non-proportional casualty reinsurance	2,790	192	2,235	747
Non-proportional marine, aviation and transport reinsurance	1,611	136	1,369	378
Other motor insurance	1,157	305	603	859
Fire and other damage to property insurance	683	48	625	106
Workers compensation insurance	546	20	407	159
Medical expense insurance	279	80	22	337
Miscellaneous financial loss	189	44	128	105
Total	**36,254**	**2,903**	**27,024**	**12,133**

** Negative figures in the above table are due to premiums receivable and payable not past due at 31 December 2018*
*** Any differences between totals and the individual items in the table above are due to rounding*

At 31 December 2017 the technical provisions split by line of business were:

Line of Business (SII)	Gross Best Estimate Liability	Risk Margin	Recoverables from Reinsurance Contracts and SPVs	Total Technical Provisions net of Recoverables
	(US$ in thousands)			
Motor vehicle liability insurance	10,335	495	8,789	2,041
Non-proportional property reinsurance	8,780	277	7,597	1,460
Marine, aviation and transport insurance	4,490	161	5,043	(392)
General liability insurance	1,797	2,870	(2,989)	7,656
Other motor insurance	1,345	91	1,037	400
Medical expense insurance	354	—	—	354
Non-proportional casualty reinsurance	267	103	162	208
Fire and other damage to property insurance	(84)	—	(25)	(59)
Workers' compensation insurance	(163)	469	(825)	1,130
Non-proportional marine, aviation and transport reinsurance	(566)	90	309	(786)
Total	**26,555**	**4,556**	**19,098**	**12,012**

** Negative figures in the above table are due to premiums receivable and payable not past due at 31 December 2017*
*** Any differences between totals and the individual items in the table above are due to rounding*

Technical provisions are calculated on a treaty-by-treaty basis. Future premium estimates are provided by the Company in accordance with the Company's calendarised plan as used for budgeting, the Company's ORSA process and the premium volume measure in the Company's SCR calculation.

Medical expense insurance is quota share reinsurance of US-based business. The claims provisions are calculated using Chain Ladder and Bornhuetter Ferguson methods applied to paid and incurred loss triangles. Much of this business is now in run-off with a small liability remaining.

Motor vehicle liability insurance and other motor insurance is quota share reinsurance of US non-standard auto business. The claim provisions were reviewed and validated by the Actuarial Function using a variety of actuarial methods - Chain Ladder, Bornhuetter Ferguson, Cape Cod and Average Cost per Claim - applied to paid and incurred loss triangles, segmented by business line.

Marine, Aviation and Transport, Fire and other damage to Property insurance, General Liability insurance and Non-proportional Casualty reinsurance arise from a number of reinsurance treaties of multi-line insurance/reinsurance companies. The claim provisions are based on a combination of the losses reported by the cedants (including cedant estimates of IBNR) and the Company's actuaries' view of the expected loss for these treaties. As the treaties mature more weight has been placed on the reported losses.

Non-proportional marine, aviation and transport reinsurance and non-proportional property reinsurance is characterised by large losses with short reporting delays and the claim provision is mainly based on reported claims.

For most treaties, the Company models the business using a simulation model with an actuarially derived distribution of future cash flows. The modelled loss ratio is applied to the unearned premium and future premium to calculate the premium provision for each treaty.

A loading for Events not in Data (ENID) is applied to the claim and premium reserves, and payables and receivables not past due are allocated to the technical provisions.

Risk Margin

The Risk Margin is in addition to the Best Estimate of Liabilities to ensure that the value of the technical provisions as a whole is equivalent to the amount that an insurance undertaking would be expected to require to take over and meet the insurance obligations of the Company.

The Company uses Method 1 listed in Guideline 62 of EIOPA's *Guidelines on the valuation of technical provisions* to calculate its risk margin; this is the most sophisticated of the simplifications permitted.

Difference in Bases of Valuation for Solvency Purposes and for the Financial Statements

The financial statement reserves are used as the basis for the claim provision.

The UPR in the financial statements is multiplied by the expected loss ratio (by treaty) to derive the premium provision in respect of written premium. Other adjustments included in the Solvency II technical provisions include:

- Inclusion of Written but not Incepted treaties;
- Inclusion of payables and receivables that are not past due, including future premiums;
- Addition of loading for ENID;
- Adjustment for retrocession default; and
- Inclusion of profit commission reserve.

The Solvency II technical provisions are discounted at the EIOPA-prescribed risk-free interest rate.

Uncertainty associated with Best Estimate of Liabilities

Projections of future ultimate losses and loss expenses for claim provisions are subject to considerable uncertainty, particularly for liability classes. The losses are affected by many factors, including emergence of latent claims or new types of claims, claims inflation, changes in court awards, legal judgements and reporting delays. To the extent that these factors are present in the historical data (including benchmark data) they are allowed for in the projections; in other cases, an additional loading for ENID is added where appropriate.

Premium provisions are subject to greater uncertainty - in addition to the factors above which apply equally to premium provisions, the premium provisions relate to future exposure periods and so are exposed to loss events, including catastrophe events, fire, windstorm, flood, hail, freeze etc. An additional loading for ENID is added where appropriate.

Other sources of uncertainty include payments being faster or slower than expected, expenses being different than expected or failure of a retrocession counterparty.

Claims Provisions

The main risks to the Company's claim provisions are:
- The emergence of large losses;
- Deterioration of existing losses; and
- Deterioration of reserves on existing treaties.

There is greater uncertainty attaching to the non-standard auto treaties than has previously been the case, due to change in underwriting and claim reserving systems at one large cedent; a sliding scale adjustable commission reduces this uncertainty to some degree.

There is also significant uncertainty in the claims provisions relating to reinsurance of London market business, which is written on both a proportional and non-proportional basis across a range of business lines.

Premium Provisions

The main risks to the Company's premium provisions are:
- Catastrophes/large losses on catastrophe transactions;
- Performance of the US non-standard auto treaties being worse than expected; and
- Performance of the London market transactions being worse than expected.

All of the above transactions have been modelled using simulation models that incorporate outcomes worse than has been experienced in the past. Nonetheless, the actual outcome could be any point in the distribution. In addition, a loading for ENID is added where appropriate.

Changes in Technical Provisions

There have been no material changes in the level of technical provisions other than organic changes as some treaties have run-off and other new business has been written or renewed. There have been no material changes in the relevant assumptions made in the calculation of the Technical Provisions compared to the calculation of Technical Provisions for the 2017 year-end.

Adjustments and Transitional Measures

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

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

Furthermore, the extrapolation of the risk-free interest rate term structure referred to in Article 77a of Directive 2009/138/EC is not applicable. Therefore, the assessments referred to in points (a), (b) and (c) of the first subparagraph of Article 44 of Directive 2009/138/EC were not necessary.

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

Retrocession Recoverables

The recoverables from reinsurance (retrocession) contracts in the Technical Provisions are from a number of Quota Share treaties and are calculated by application of the ceded proportion. Recovery from a whole-account stop loss has been calculated by application of the contract terms to the technical result.

D.3 Other liabilities

Other liabilities held by the Company as at 31 December 2018 were as follows:

Other Liabilities	2018			2017		
	GAAP Accounting Basis	SII Valuation Principles	Difference in Valuation	GAAP Accounting Basis	SII Valuation Principles	Difference in Valuation
	(US$ in thousands)			(US$ in thousands)		
Financial liabilities	—	—	—	45,210	45,210	—
Reinsurance payables	19,162	—	19,162	12,676	—	12,676
Other liabilities	—	—	—	21,535	21,535	—
Payables (trade, not insurance)	7,293	7,293	—	2,588	2,588	—
Deposits from reinsurers	924	924	—	483	483	—
Deferred tax liability	—	228	(228)	—	437	(437)
Total other liabilities	**27,378**	**8,444**	**18,934**	**82,494**	**70,255**	**12,239**

** Other liabilities does not include Technical Provisions (see Section D2)*

Financial liabilities

Financial liabilities include securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company's risk is that the value of the security will increase rather than decline. These liabilities are carried at fair value in accordance with IAS 39. The same fair value measurement applies under Solvency II.

Reinsurance payables

Reinsurance payables are reclassified to net technical provisions for Solvency II purposes, and discounted at the risk-free rate to the present value. Under Irish GAAP reinsurance payables are held at amortized cost.

Payables (trade, not insurance)

Trade payables comprise of trade accruals and other sundry payables not related to insurance. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Other liabilities

Other liabilities consist of amounts held at prime brokers, which the Company has pledged as collateral. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deposits from reinsurers

Deposits from reinsurers comprise of funds withheld pledged as collateral on reinsurance arrangements. Under Solvency II and Irish GAAP these amounts are measured at fair value.

Deferred tax liability

Deferred tax liabilities are calculated on all timing differences that have originated but not reversed at the reporting date. These obligations are recalculated based on the Solvency II Balance Sheet and may give rise an additional deferred tax asset or liability.

D.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

D.5 Any other information for valuation

All material information regarding the Company's valuation for solvency purposes is disclosed in the above sections.

E. Capital Management

E.1 Own funds

The Company's ordinary share capital and share premium is owned by a single shareholder being the immediate and ultimate parent of the Company. There were no restrictions on the availability of the Company's own funds to support the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR"). Own funds comprises the following tier structure;

	Basic Own Funds 31 December 2018				
	Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
		(US$ in thousands)			
Ordinary share capital (gross of own shares)	10,000	10,000	—	—	—
Share premium account related to ordinary share capital	50,789	50,789	—	—	—
Reconciliation reserve	(26,958)	(26,958)	—	—	—
An amount equal to the value of net deferred tax assets	1,341	—	—	—	1,341
Total Basic Own Funds	**35,172**	**33,831**	—	—	**1,341**

	Basic Own Funds 31 December 2017				
	Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
		(US$ in thousands)			
Ordinary share capital (gross of own shares)	10,000	10,000	—	—	—
Share premium account related to ordinary share capital	50,548	50,548	—	—	—
Reconciliation reserve	(8,924)	(8,924)	—	—	—
An amount equal to the value of net deferred tax assets	1,298	—	—	—	1,298
Total Basic Own Funds	**52,922**	**51,624**	—	—	**1,298**

The total eligible amount of basic own funds to cover the SCR and MCR is as follows:

	2018		2017	
	SCR	MCR	SCR	MCR
	(US$ in thousands)		(US$ in thousands)	
Capital Requirement	23,785	5,946	39,427	9,857
Basic Own Funds	35,172	33,832	52,922	51,624
Surplus capital	11,387	27,886	13,495	41,767
Solvency cover	148%	569%	134%	524%

The reconciliation between equity in the financial statements and the basic own funds for solvency purposes, as at 31 December 2018 and 2017, is presented in the following tables:

Reconciliation between Equity & Basic Own Funds	**2018**	**2017**
	(US$ in thousands)	
Ordinary share capital (net of own shares)	10,000	10,000
Share premium account related to ordinary share capital	50,789	50,548
Surplus funds	(27,211)	(10,686)
Total equity in the financial statements	**33,578**	**49,862**
Differences in valuation of technical provisions	1,822	3,498
Differences in valuation of deferred tax asset	(228)	(437)
Total basic own funds under Solvency II	**35,172**	**52,922**

There are no restrictions on the availability of the Company's own funds and no deductions have been applied. The Company does not hold any ancillary own funds and none of the Company's basic own funds are subject to transitional arrangements. The Company does not plan any material changes in the make-up of it's own funds over the future planning period. There were no dividends paid during the reporting period.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31 December 2018, the Company has an SCR of US$23.8 million and MCR of US$5.9 million. The Company has used EIOPA's Solvency II Standard Formula in determining the calculation of the SCR. The following table comprises the components of the SCR as at 31 December 2018 and 2017:

Components of the SCR:	**2018 (US$ in thousands)**	**2017 (US$ in thousands)**
Market risk	**6,781**	**23,365**
Health underwriting	**757**	**54**
Non-Life underwriting	**17,449**	**29,589**
Counterparty default risk	**2,304**	**1,328**
Overall diversification effect	**(5,682)**	**(11,624)**
Basic SCR	**21,609**	**42,712**
Operational risk	**2,175**	**2,347**
Loss-absorbing capacity of deferred taxes *	**—**	**(5,632)**
SCR	**23,785**	**39,427**

** The Company has reduced the loss absorbing capacity of deferred taxes to zero due to actual tax losses incurred in 2018 .*

The Company uses the Standard Formula calculation as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them to be appropriate for the Company. The Company has not used any simplified calculations or applied any Company specific parameters, and there were no capital add-ons requiring justification by the CBI.

Equity risk has reduced significantly in the year due to a change in the asset mix from equities to cash. Furthermore, investment losses incurred in the year have reduced the amount of invested assets. Underwriting risk has reduced in the year due to reduced net premium volume as a result of a new retrocession agreement with an AM Best A rated carrier together with other changes in the reserve risk charge due to premium receivable and payable. The overall diversification applied to all risks (i.e. market, default, non-Life and health risk) has increased as a result of reductions in market and underwriting, leaving less diversification of overall risks.

The table below shows the inputs into the MCR calculation and the Absolute Floor of the Minimum Capital Requirement ("AMCR") 31 December 2018 and 2017:

	2018 (US$ in thousands)	**Parameters % of SCR**	**2017 (US$ in thousands)**	**Parameters % of SCR**
AMCR	4,074		4,190	
Cap	10,703	45%	17,742	45%
Floor	5,946	25%	9,857	25%
MCR	5,946		9,857	

The AMCR is the US$ equivalent of €3.6 million, as defined for reinsurance undertakings in Article 129 (1d) (iii) of the Solvency II Directive. The MCR is the result of a specified linear formula subject to a floor of 25% and a cap of 45% of the SCR calculated based on the standard formula model. As at 31 December 2018, the Company's MCR is equal to the floor of the linear formula, being 25% of the SCR (2017: 25%).

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

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

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

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

The Company has been continuously compliant with both the MCR and the SCR throughout the reporting period. The Company has reviewed the possibility of non-compliance under several stresses in Section C.7. In all scenarios the Company's SCR and MCR remains in excess of 100%.

E.6 Any other information on capital management

Risks not covered by the Standard Formula Model

While the Company feels that all material quantifiable risks are fully covered in the Standard Formula, certain underlying assumptions within the Formula may not accurately reflect the risk profile of the Company. The most material differences that impact the Standard Formula are:

- Whole-account aggregate stop-loss - cannot be applied under the Standard Formula in a manner which reflects the commercial effect.
- Long-short equity investments - no credit is given for short positions or the ability to reallocate to other securities (such as cash or bonds) in a short time-frame.

All other material information on capital management has been disclosed.

F. Quantitative Reporting Templates

Annex I

All amounts are expressed in $000's

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	1,568
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	70
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	48,876
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	1,479
Equities - listed	**R0110**	1,456
Equities - unlisted	**R0120**	22
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	20,544
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	26,854
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**	27,024
Non-life and health similar to non-life	**R0280**	27,024
Non-life excluding health	**R0290**	26,595
Health similar to non-life	**R0300**	429
Deposits to cedants	**R0350**	3,993
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
paid in	**R0400**	
Cash and cash equivalents	**R0410**	1,110
Any other assets, not elsewhere shown	**R0420**	133
Total assets	**R0500**	82,774

Annex I
S.02.01.02
Balance sheet

All amounts are expressed in $000's

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	39,156
Technical provisions – non-life (excluding health)	**R0520**	38,231
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	35,429
Risk margin	**R0550**	2,802
Technical provisions - health (similar to non-life)	**R0560**	925
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	825
Risk margin	**R0590**	100
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	924
Deferred tax liabilities	**R0780**	228
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	7,293
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	47,601
Excess of assets over liabilities	**R1000**	35,172

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

All amounts are expressed in $000's

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted**							Line of business for:		
		Medical expense 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	Marine, aviation, transport	Property	Total
		C0010	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0150**	**C0160**	**C0200**
Premiums written											
Gross - Direct Business	**R0110**										
Gross - Proportional reinsurance accepted	**R0120**	534	336	43,950	10,846	4,773	925	9,126			70,489
Gross - Non-proportional reinsurance accepted	**R0130**									3,317	3,317
Reinsurers' share	**R0140**		260	20,815	5,190	3,925	758	7,336		2,705	40,989
Net	**R0200**	534	75	23,135	5,655	849	168	1,790		612	32,817
Premiums earned											
Gross - Direct Business	**R0210**										
Gross - Proportional reinsurance accepted	**R0220**	92	529	43,028	10,879	5,104	992	8,021			68,644
Gross - Non-proportional reinsurance accepted	**R0230**									3,864	3,864
Reinsurers' share	**R0240**		415	20,270	5,054	4,181	808	6,442		3,139	40,309
Net	**R0300**	92	114	22,758	5,825	923	184	1,579		725	32,199
Claims incurred											
Gross - Direct Business	**R0310**										
Gross - Proportional reinsurance accepted	**R0320**	-299	335	36,412	8,965	4,685	628	7,358			58,084
Gross - Non-proportional reinsurance accepted	**R0330**								-1,624	935	-688
Reinsurers' share	**R0340**		267	16,857	4,213	3,660	499	5,823	-1,299	736	30,756
Net	**R0400**	-299	68	19,556	4,752	1,025	129	1,535	-325	199	26,639
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**	113	36	4,259	1,116	-362	41	-131	406	311	5,788
Other expenses	**R1200**										0
Total expenses	**R1300**										5,788

Annex I
S.05.02.01
Premiums, claims and expenses by country

All amounts are expressed in $000's

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		US	GB	FR			
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120	954	55,330	14,205				70,489
Gross - Non-proportional reinsurance accepted	R0130			3,312	4			3,317
Reinsurers' share	R0140	800	25,496	14,689	4			40,989
Net	R0200	154	29,834	2,829	1			32,817
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220	1,454	53,999	13,191				68,644
Gross - Non-proportional reinsurance accepted	R0230			2,533	1,331			3,864
Reinsurers' share	R0240	1,218	24,814	13,164	1,114			40,309
Net	R0300	237	29,185	2,561	217			32,199
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320	910	45,079	12,529	-433			58,084
Gross - Non-proportional reinsurance accepted	R0330			2,449	-3,138			-688
Reinsurers' share	R0340	716	21,059	11,778	-2,808			30,745
Net	R0400	194	24,020	3,199	-763			26,651
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	45	5,512	123	109			5,789
Other expenses	R1200							0
Total expenses	R1300							5,789

Annex I
S.17.01.02
Non-life Technical Provisions

All amounts are expressed in $000's

		Direct business and accepted proportional reinsurance								Accepted non-proportional reinsurance			
		Medical expense 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	Miscellaneous financial loss	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0130**	**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**	-139	21	-4,363	-972	-783	-365	-243	5	-438	-326	-2,422	-10,026
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-59	-9	-2,724	-578	-1,317	-111	-152	9	-231	-171	-1,721	-7,065
Net Best Estimate of Premium Provisions	**R0150**	-80	30	-1,639	-393	534	-254	-91	-4	-206	-155	-701	-2,960
Claims provisions													
Gross	**R0160**	419	525	12,063	2,129	10,103	1,048	8,307	184	3,228	1,937	6,337	46,280
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	81	416	6,710	1,182	8,250	736	6,969	119	2,466	1,540	5,622	34,090
Net Best Estimate of Claims Provisions	**R0250**	337	110	5,354	947	1,853	313	1,338	65	762	397	715	12,190
Total Best estimate - gross	**R0260**	279	546	7,700	1,157	9,320	683	8,063	189	2,790	1,611	3,914	36,254
Total Best estimate - net	**R0270**	257	139	3,715	554	2,387	58	1,247	62	555	242	14	9,230
Risk margin	**R0280**	80	20	1,630	305	127	48	139	44	192	136	180	2,903
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	**R0290**												
Best estimate	**R0300**												
Risk margin	**R0310**												
Technical provisions - total													
Technical provisions - total	**R0320**	359	566	9,331	1,463	9,447	731	8,203	233	2,982	1,747	4,095	39,156
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	22	407	3,986	603	6,933	625	6,817	128	2,235	1,369	3,900	27,024
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	337	159	5,345	859	2,514	106	1,386	105	747	378	194	12,132

Annex I
S.19.01.21
Non-life Insurance Claims Information

All amounts are expressed in $000's

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]

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

		Development year												In Current year	Sum of years
	Year		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		
2009	R0160												R0160		
2010	R0170		8,796	10,834	206	-21	-14	62	-3	-42			R0170	-42	19,816
2011	R0180		6,219	16,641	1,064	673	913	159	22				R0180	22	25,691
2012	R0190	193	27,231	30,647	3,006	800	995	31					R0190	31	62,903
2013	R0200	74	15,383	15,737	1,414	327	-125						R0200	-125	32,810
2014	R0210	3,643	28,956	23,537	4,753	6,238							R0210	6,238	67,128
2015	R0220	6,220	27,248	8,475	4,451								R0220	4,451	46,394
2016	R0230	8,483	34,906	10,576									R0230	10,576	53,965
2017	R0240	4,824	23,261										R0240	23,261	28,085
2018	R0250	2,554											R0250	2,554	2,554
												Total	R0260	46,966	339,347

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
	Year		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	
2009	R0160												R0160	
2010	R0170							0	0				R0170	
2011	R0180						424	272	261				R0180	260
2012	R0190					1,205	172	145					R0190	144
2013	R0200				1,020	-7	124						R0200	122
2014	R0210			9,638	5,075	21,272							R0210	20,242
2015	R0220		17,432	12,043	3,048								R0220	2,983
2016	R0230	16,407	26,705	4,104									R0230	4,035
2017	R0240	13,151	10,790										R0240	10,579
2018	R0250	8,376											R0250	7,915
												Total	R0260	46,280

Annex I
S.23.01.01
Own funds

All amounts are expressed in $000's

		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	10,000	10,000			
Share premium account related to ordinary share capital	R0030	50,789	50,789			
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	-26,957	-26,957			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	1,341				1,341
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	35,172	33,832			1,341
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	35,172	33,832			1,341
Total available own funds to meet the MCR	R0510	33,832	33,832			
Total eligible own funds to meet the SCR	R0540	35,172	33,832			1,341
Total eligible own funds to meet the MCR	R0550	33,832	33,832			
SCR	R0580	23,785				
MCR	R0600	5,946				
Ratio of Eligible own funds to SCR	R0620	1.4788				
Ratio of Eligible own funds to MCR	R0640	5.6897				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	35,172	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	62,129	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	-26,957	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	3,630	
Total Expected profits included in future premiums (EPIFP)	R0790	3,630	

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

All amounts are expressed in $000's

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	6,781		
Counterparty default risk	**R0020**	2,304		
Life underwriting risk	**R0030**			
Health underwriting risk	**R0040**	757		
Non-life underwriting risk	**R0050**	17,449		
Diversification	**R0060**	-5,682		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	21,609		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	2,175
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**	23,785
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	23,785
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

All amounts are expressed in $000's

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	4,019

		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	257	534
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	139	75
Motor vehicle liability insurance and proportional reinsurance	R0050	3,715	23,135
Other motor insurance and proportional reinsurance	R0060	554	5,655
Marine, aviation and transport insurance and proportional reinsurance	R0070	2,387	849
Fire and other damage to property insurance and proportional reinsurance	R0080	58	168
General liability insurance and proportional reinsurance	R0090	1,247	1,790
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	62	
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150	555	
Non-proportional marine, aviation and transport reinsurance	R0160	242	
Non-proportional property reinsurance	R0170	14	612

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	4,019
SCR	R0310	23,785
MCR cap	R0320	10,703
MCR floor	R0330	5,946
Combined MCR	R0340	5,946
Absolute floor of the MCR	R0350	4,074
		C0070
Minimum Capital Requirement	R0400	5,946