Greenlight Reinsurance Ireland, Designated Activity Company

Solvency & Financial Condition Report

Year ended 31 December 2019

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Summary

Approval by the Board of Directors

This report was reviewed and approved by the Board of Directors of Greenlight Reinsurance Ireland dac on April 3rd 2020.

Independent auditors report

Narrative sections D, E.1, E.2, E.3 and E.6 of the Solvency and Financial Condition Report are subject to audit review by the Company's external auditors BDO.

The following Quantitative Reporting Templates ('QRTs'), which are included in the Appendix, are also subject to audit by BDO.

Template ref	Template Name
S.02.01.02	Balance Sheet
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Claims Information
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement
S.28.01.01	Minimum Capital Requirement

The Company's reporting currency is US dollars.

Key Solvency II Metrics

The Company has complied with the solvency capital requirement throughout the reporting period.

	2019		2018	
	SCR	MCR	SCR	MCR
	(US$ in thousands)		(US$ in thousands)	
Capital Requirement	22,032	5,508	23,785	5,946
Basic Own Funds	35,622	34,850	35,172	33,832
Surplus capital	13,590	29,342	11,388	27,886
Solvency cover	162%	633%	148%	569%

Components of the SCR:	2019 (US$ in thousands)	2018 (US$ in thousands)
Market risk	6,577	6,781
Health underwriting	2,015	1
Non-Life underwriting	14,554	17,449
Counterparty default risk	3,585	2,304
Overall diversification effect	(6,880)	(5,682)
Basic SCR	19,851	21,609
Operational risk	2,181	2,175
Loss-absorbing capacity of deferred taxes	—	—
SCR	22,032	23,784

Business and performance

Greenlight Reinsurance Ireland, dac ("GRIL" or the "Company") is an Irish designated activity company licensed by the Central Bank of Ireland (CBI) to write all classes of non-life reinsurance business. The ultimate parent company is Greenlight Capital Re, Ltd ("GLRE" or the "Parent"), which is a reinsurance group registered on the NASDAQ exchange in New York.

The principal activity of the Company is that of a Property and Casualty reinsurance business. The Company is based in Dublin, Ireland and focuses mainly on serving clients based in the European and US market.

The Company produces annual financial statements in accordance with Financial Reporting Standard FRS 102 & 103 ('FRS'). On this basis, the Company produced a pre-tax profit for the year ended 31 December 2019 of $1.4 million compared to $16.4 million loss in the prior period. Gross Written Premiums ("GWP") and Net Earned Premiums ('NEP') were $72.5 million and $32.3 million respectively compared to $73.8 million and $32.2 million in the prior period.

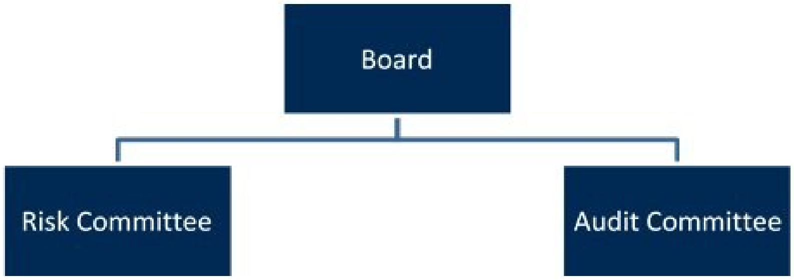
As at the period end the Company was rated 'A- Excellent' by A.M Best.

There were no material changes to the Company's business profile in 2019 or at the time of publication.

System of governance

The Company is subject to the various requirements set out by the Central Bank of Ireland ("CBI") including the Corporate Governance Requirements for Insurance Undertakings 2015, the Probability Risk and Impact system ('PRISM') as well as those requirements imposed as part of the Greenlight Re Group.

The Company's Board of Directors sets corporate objectives and strategy and is responsible for ensuring that the Company's system of governance is appropriately maintained and delivered. The Company has set up a governance structure comprising of the Board and sub-committees as follows:



The Board recognizes the importance of strong corporate governance and oversees the framework and operation of the system through its Audit and Risk sub-committees.

The Chief Executive Officer (‘CEO’) is responsible for the day to day management of risk control within the business operations as well as delivering the strategy set by the Board and optimizing business performance within the governance and risk framework set by the Board.

The Chief Risk Officer (‘CRO’) and Compliance Officer (‘CO’) are functions independent from the operational departments and provide assurance to the Risk and Audit committees with regard to the overall operation and effectiveness of the risk management system and provide an independent assurance to the Board that the Company is conducting its business in a compliant manner.

Risk management, compliance, actuarial and internal audit are key functions in our system of governance.

Each of these functions reports regularly to the Board, Risk Committee and/or Audit Committee.

Annual audits are carried out by the Internal Audit function. These provide the Board with an independent review of the activities of the Executive Management and operational departments. Findings and recommendations are reported directly to the Audit Committee.

All persons who are either involved in the day to day running of the Company or hold positions in key functions are required to demonstrate that they have the appropriate level of fitness and probity to fulfill the requirements of those roles. Those persons holding positions in key functions are subject to the CBI’s Pre-Approved Control Function (PCF) regime which requires pre-approval by the CBI before they can take up the position.

Other than the appointment of two new independent directors, and the appointment of a new Chair of the Board, there were no material changes made to the Company’s system of governance during 2019 or at the time of publication.

Risk profile

The Company maintains a risk register to identify and monitor all significant risks it is exposed to.

The Board of Directors set the Company’s risk appetite and assesses the risk profile on a regular basis. The Company carries out an Own Risk and Solvency Assessment (‘ORSA’) and calculates its Solvency Capital Requirement (‘SCR’) at least quarterly using the SII Standard Formula model.

The Board considers that the following key risks could either separately or in aggregate cause material impairment to capital:

- **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

- **Underwriting Risk**

Underwriting risk is the risk that the total cost of claims, claims adjustment expenses and premium acquisition expenses will exceed premiums received. It can arise as a result of numerous factors, including premium (pricing) risk, reserving risk, catastrophe risk and lapse risk (the risk of non-renewal of a material part of the portfolio).

- **Counterparty Risk**

Counterparty default risk is the risk that companies or individuals will be unable to make the required payments on their debt obligations.

These risks are monitored on a regular basis by our Risk Management function and more detail is described in Section C below.

The Company purchases both quota share and an aggregate loss reinsurance from a Group affiliated entity to limit risk exposure, reduce volatility and to maintain a level of capital above the Solvency II SCR, aligned to Board approved risk appetite. This level is set by the Risk Committee of the Board of Directors and is periodically reviewed in line with the Company's risk appetite and profile.

There were no material changes to the Company's risk profile during 2019.

In considering future changes to the Company's risk profile the Board has specifically considered the following risks:

Brexit

The Board has assessed the impact of the UK leaving the European Union in 2020 under the so- called 'hard Brexit' scenario. The Board continues to be of the opinion that this risk will not have a material impact on the Company's business objectives and strategy; nor does it inhibit access to cedants or the Company's ability to efficiently operate contracts of reinsurance.

COVID-19

On March 11th 2020, the World Health Organisation categorised COVID-19 as a pandemic. The Company has been monitoring the spread of the COVID-19 for some time and believes the implications will include:

- Operational issues - On March 12th 2020, following the recommendation of the Irish Government, the Company initiated a work from home policy. The Company has an IT infrastructure which facilitates remote working and we believe all key tasks can be completed remotely.
- Underwriting exposures - the Company has analysed its portfolio to determine potential underwriting exposure linked to COVID-19. It is likely exposure arises in two areas:
    - Event cancellation / contingency business - the Company provides Funds at Lloyds ("FAL") to a number of Lloyds syndicates who write event cancellation cover. As this is a small part

    of the Syndicates overall book and under the FAL structure we benefit from inuring reinsurance we do not expect this to be a material exposure.
  - Medical care - the Company provides medical cover to US individuals, under a specific contract. As the number of lives insured is small and the likely medical costs are relatively low, primary treatment is self-isolation, we do not believe this exposure will be material.
- Stock Market impact - the COVID-19 pandemic has resulted in a significant reduction in global equity markets. While this will have a negative impact on the Company's equity portfolio, the Company's investment portfolio is conservatively positioned with over 85% of the portfolio maintained in cash or cash equivalents.
- Global recession - the pandemic is likely to lead to a global recession. The impact of a global recession on the Company's portfolio is uncertain, although the Company's specialty portfolio is not directly correlated with economic activity.
- The Company has reinsurance agreements in place with a related company, Greenlight Reinsurance Ltd which is rated "A- Excellent" by A.M. Best. The Company stress tests the financial strength of Greenlight Reinsurance Ltd., at least quarterly, as part of its risk management process. At this early stage, it appears Greenlight Reinsurance Ltd.'s exposure to COVID-19 losses, is well within these stress tests and therefore we do not expect COVID-19 losses to have any impact on the collectability of our reinsurance.

Valuation for solvency purpose

Assets, technical provisions and other liabilities are valued in the Company's Solvency II Balance Sheet according to the Solvency II Directive and related guidance. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The Company carried out a reconciliation of differences between the valuation of assets and liabilities made under FRS and Solvency II. These include the valuation of technical provisions and reinsurance recoveries and the exclusion of certain assets and liabilities. The reconciliation for the year ended 2019 is disclosed in section D.

There were no material changes to the Company's method of valuation for solvency purpose during 2019, or at the time of publication.

Capital management

The Company aims to hold sufficient own funds in order that it maintains a margin to cover the Solvency Capital Requirement('SCR') and Minimum Capital Requirement ('MCR') in line with the Board approved risk appetite. Further details on capital management policies can be found in section E.

At 31 December 2019, the Company had Own Funds of US$35.6 million (2018: US$35.2 million) and a solvency capital requirement of US$22.0 million (2018: US$23.8 million), giving an SCR ratio of 162% (2018: 148%). The year over year decrease in required capital can be primarily attributed to increased diversification in the non-life underwriting portfolio resulting in a modest reduction in the risk charge.

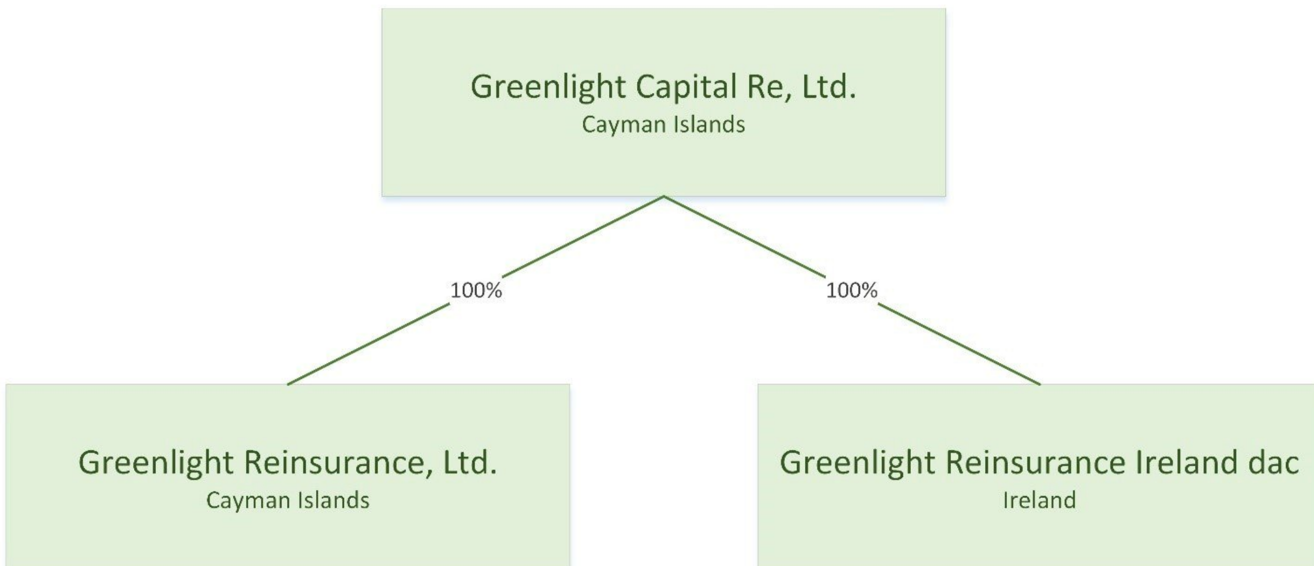
There were no material changes to the Company's method of capital management during 2019 or at the time of publication.

A. Business and Performance

A.1 Business

The Company was incorporated as a Private Limited Company under the Irish Companies Acts 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). As of December 31, 2019, the UK remained a member of the EEA but has subsequently decided to leave the EEA on January 31, 2020.

A breakdown of the underwriting performance of the Company by material line of business and geographical area for the years ending 31 December 2019 and 2018 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
D01 R5P3

External Auditors

BDO
Statutory Audit Firm
Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland
D02 DH60

Regulator

Central Bank of Ireland
New Wapping Street
North Wall Quay
PO Box 559
Dublin 1
Ireland
D01 F7X3

A.2 Underwriting performance

During the year ended 31 December 2019, the Company reported net written premiums of US$31.1 million (2018: US$32.8 million), net earned premiums of US$32.3 million (2018: US$32.2 million) and net losses incurred of US$(24.3) million (2018: US$(26.6) 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 2019 and 31 December 2018 were as follows:

Underwriting performance	**Year ended 31 December**	
	2019	**2018**
	(US$ in thousands)	
Gross premiums written	72,526	73,806
Ceded premiums written	(41,391)	(40,989)
Net premiums written	31,135	32,817
Net premiums earned	32,324	32,199
Losses incurred	(24,328)	(26,639)
Profit / (loss) before tax	788	(16,524)
Loss ratio	75.3%	82.7%
Acquisition cost ratio	17.5%	18.0%
Composite ratio	92.7%	100.7%
Underwriting expense ratio	6.9%	5.8%
Combined ratio	99.7%	106.5%

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 2019, gross premiums written were US$72.5 million compared to US $73.8 million for the year-ended 31 December 2018. Gross premiums written decreased by US$(1.3) million or (1.7)% mainly as a result of the non-renewal of a significant non-standard auto account, offset by growth in Funds at Lloyd's business and growth in London market specialty business.

The gross premiums written by lines of business during the years ending 31 December 2019 and 2018 were as follows:

GWP by Line of Business	**Year Ended 31 December**				
	2019		**2018**		
	US$ in thousands	**%**	**US$ in thousands**	**%**	**Movement**
Motor Vehicle Liability	32,869	45%	43,950	60%	(11,081)
Fire & Other Damage to Property	9,050	12%	925	1%	8,125
Other Motor	7,654	11%	10,846	15%	(3,192)
Medical Expense	5,274	7%	534	1%	4,740
NPR* - Marine, Aviation & Transport	4,226	6%	—	—%	4,226
NPR* - Property	4,020	6%	3,317	4%	703
Marine, Aviation & Transport	3,171	4%	4,773	6%	(1,602)
NPR* - Casualty	3,028	4%	—	—%	3,028
General Liability	2,433	3%	9,126	12%	(6,693)
Miscellaneous financial loss	799	1%	—	—%	799
Workers' Compensation	2	—%	335	—%	(333)
Total	72,526	100%	73,806	100%	(1,280)

** Non-Proportional Reinsurance*

Ceded premiums

For the year ended 31 December 2019, ceded written premiums were US$41.4 million compared to US$41.0 million for the year ended 31 December 2018. The ceded written premiums included US$23.6 million ceded to GRL, which is rated "A-" (Excellent) by A.M. Best, under two retrocession agreements (2018: US$15.5 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 2019, the Company ceded US$22.9 million (2018: US$14.8 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 specific premiums ceded by the Company to GRL. For the year ended 31 December 2019, the Company ceded US$0.7 million (2018: US$0.7 million) of written premiums to GRL under this contract.

The Company has also entered into non-affiliated retrocession of US$17.8 million (2018: US$25.5 million), which includes a quota share retrocession agreement with a US retrocessionaire rated "A (Excellent)" by

A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2019 and 2018, no provision for uncollectible losses recoverable was considered necessary.

Net premiums earned

For the year ended 31 December 2019, net premiums earned were US$32.3 million compared to US$32.2 million for the year ended 31 December 2018. Earned premiums on non-standard auto reduced by US$(2) million, offset by favorable premium variances on London market specialty business and an increase in the medical stop loss business in the current year.

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 2019, loss and loss adjustment expenses incurred, net of retrocession, were US$24.3 million (2018: US$26.6 million). The losses incurred reduced to 75.3% for the year ended 31 December 2019 from 82.7% for the prior year. The decrease in loss ratio was primarily due to an adverse loss development on a non-standard auto contract in 2018.

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

Losses incurred	**Year ended 31 December**	
	2019	**2018**
	(US$ in thousands)	
Loss and loss adjustment expenses paid, net	30,463	26,763
Change in the provision for claims, net	(6,135)	(124)
Loss and loss adjustment expenses incurred, net	24,328	26,639

For the year ended 31 December 2019, favourable loss development on prior year contracts amounted to US $4,742,335 (2018: US$(1,241,171) unfavourable) based on updated data received from the cedants and a reassessment in connection with the reserve analysis conducted by the Company.

Underwriting expenses

For the year ended 31 December 2019, included in the Company’s operating expenses of US$9.3 million (2018: US$(8.8) million), were US5.6 million of acquisition costs (2018: US$5.8 million). The ratio of acquisition costs relative to the net premiums earned increased marginally to 17.5% for the year ended 31 December 2019 from 18.0% for the prior year.

Underwriting performance by geographical area

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

2019 Geographical Performance	Total	USA	EEA	Other Non-EEA
	(US$ in thousands)			
Gross premiums written	72,526	41,406	26,497	4,622
Reinsurers' share premiums written	(41,391)	(15,899)	(21,583)	(3,908)
Net premiums written	31,135	25,507	4,914	714
Net movement in unearned premium reserves	1,190	2,440	(1,160)	(91)
Net premiums earned	32,325	27,947	3,754	623
Claims incurred net of reinsurance	24,328	26,302	1,540	(3,514)

2018 Geographical Performance	Total	USA	EEA	Other Non-EEA
	(US$ in thousands)			
Gross premiums written	73,806	55,330	18,476	—
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

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

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 2019 and 2018 is as follows:

Net Investment Income	**Year ended 31 December**	
	2019	**2018**
	(US$ in thousands)	
Realised gains and change in net unrealised gains and losses	—	(10,699)
Gain/(loss) from investment in related party investment fund	2,631	(1,992)
Interest and dividend income	585	996
Interest, dividend and other expenses	(8)	(854)
Investment advisor compensation	(521)	(570)
	2,687	(13,119)

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 2019, investment income, net of all fees and expenses, resulted in a gain of 6.6% on the investment portfolio. This compares to a loss of (23.8)% for the year ended 31 December 2018. For the years ended 31 December 2019 and 2018, the gross investment gain on the investment portfolio managed by DME Advisors, L.P. ("DME Advisors") (excluding investment advisor performance allocation) was 7.5% and (22.5)%, respectively. These ratios can be analysed as follows;

Investment performance by class	**Year ended 31 December**	
	2019	**2018**
Long portfolio gains (losses)	13.4%	(7.3)%
Short portfolio (losses)	(5.2)%	(14.0)%
Macro gains (losses)	0.7%	(0.9)%
Other income and expenses	(1.4)%	(0.3)%
Gross investment return	7.5%	(22.5)%
Net investment return	6.6%	(23.8)%

The investment gain for the year ended 31 December 2019 was driven by increases in the long positions offset by losses in the short positions.

The Company does not invest in securitisation investments.

A.4 Performance of other activities

The Company had no other activities during 2019.

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.

Board of Directors:

The following were members of the Board as at 31 December 2019;

Tim Courtis (Canadian)	(Non-Executive Director)
Bryan Murphy	(Non-Executive Director - Appointed Chairman 27 March 2019)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Lesley Caslin (British)	(Independent Non-Executive Director - Appointed 27 March 2019)
Michael Brady	(Independent Non-Executive Director - Appointed 27 March 2019)

Michael Brady is the Chair of the Audit Committee and Lesley Caslin is the Chair of the Risk Committee.

Edward Brady was the Company Secretary as at 31 December 2019.

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 principal 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;
- 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) review the Company's Risk Register at each Risk Committee meeting;
(d) liaise regularly with the Chief Risk Officer ("CRO") to ensure the development and maintenance of an effective risk management system;
(e) oversee the risk management function of the Company, which is managed on a day to day basis by the CRO;
(f) 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;
(g) review the Actuarial Function Report annually;
(h) review the Own Risk and Solvency Assessment on at least an annual basis;
(i) review the investment advisor evaluation on at least an annual basis;
(j) 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;

(k) 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;

(l) as a whole shall have relevant risk expertise; and

(m) 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 2019, 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 company, Greenlight Capital Re, Ltd (the "Parent"), a NASDAQ listed publicly held company. Cumulatively the directors beneficial interest in the Parent included 143,468 restricted shares subject to forfeiture and 718,521 ordinary shares held directly.

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 Company's Remuneration Policy establishes a Remuneration Framework that attracts, rewards and retains high performing employees while at all times aligning the interests of such employees with those of shareholders in a manner consistent with business strategy and within our stated risk appetite. 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 purposes;
- 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:

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

<u>Group Remuneration Committee</u>
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, but must be escalated in the event that a risk breaches the Red threshold (see Risk Appetite Statement). In the event of a risk escalation, the Executive Management Team shall 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 and monitors any escalated risks. The Risk Committee will determine whether a risk should be escalated to the Board. Ultimately, 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 Central Bank of Ireland within five business days of the Board becoming aware of the breach.

Risk Management Culture

The following activities were performed in 2019 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 is provided to the CBI, if requested. 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 accountabilty 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 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 Board 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, 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 rolling 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 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 Risk 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 Risk 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 Chairs 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 rolling 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 management and if appropriate outsourced service provider/s 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 pricing and GAAP reserving, performed by the Group Actuarial Department in GRL 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:		
GAAP Reserving	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 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.

<u>Risk mitigation</u>
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 a specific motor contract with effect 1 July 2017.

<u>Line of business</u>
See Section *A.2. Underwriting Performance* for a breakdown of the lines of business the Company wrote in 2019 and 2018.

<u>Geography</u>
See Section *A.2. Underwriting Performance* for a breakdown of the geographies the Company wrote in 2019.

<u>Target profitability</u>
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 2018 and 2019 underwriting performance.

<u>Underwriting process</u>

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.

<u>Risk factors</u>
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

AM Best affirmed the Company's rating at "A-" (Excellent) in May 2019, however the rating outlook was amended from Stable to Negative Outlook. A downgrade below "A-" is likely to have a significant negative impact on the Company and its ability to underwrite London market specialty business.

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:

- <u>Driverless cars</u> - A material 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.

- <u>Climate change</u> - 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.

- <u>Cyber risks</u> - 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.

- <u>Geopolitics</u> - President Trump has indicated that he will clamp down on offshore jurisdictions and the transfer of US business overseas. Currently, a material percentage 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.

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 2019, the Company's investment portfolio consisted primarily of an investment in Solasglas Investments L.P.("SILP"), which holds underlying equity securities and equity-based derivative instruments, 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 2019, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a loss of US$412k.

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 2019, SILP's investments included unhedged exposure to changes in pig prices, through derivative instruments with underlying exposure to changes in the price of pigs.

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 2019. 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)**	**%**
Lean hogs	35	0.2	(35)	(0.2)
Total	35	0.2	(35)	(0.2)

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect of net income and capital when measured in the Company's functional currency. The Company's cashflows and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of the Company's global reinsurance program. The Company's principal transactions are carried out in US dollars though it has exposure to foreign exchange risk principally with respect to Sterling and Euro.

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 schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended December 31, 2019:

Foreign Currency	**Assets**	**Liabilities and Equity**	**Surplus / (Deficiency)**
	US$	**US$**	**US$**
British Pound	48,519,314	33,867,551	14,651,763
Euro	5,362,004	4,862,480.0	499,524
United States Dollar	81,399,621	96,598,124	(15,198,503)
Other	4,205,430	4,158,214	47,216
Total	139,486,369	139,486,369	—

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against foreign currencies would have on the Company as of 31 December 2019:

Foreign Currency	10% increase in U.S. dollar	10% decrease in U.S. dollar
	Change in fair value	Change in fair value
	(US$ in thousands)	(US$ in thousands)
British Pound	1,465	(1,465)
Euro	50	(50)
Other	5	(5)
Total	1,520	(1,520)

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 the investment portfolio as of 31 December 2019:

	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)	%
Interest rate options	128	0.5	(128)	(0.5)
Net exposure to interest rate risk	128	0.5	(128)	(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 primarily of long and short equities. 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 the US\China trade war. 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 sister 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 2019, US $9,727k (2018: US$7,049k) 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 2019. 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 2019, collateral of US$27,605k (2018: US$26,854k) 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.

<u>Retrocession</u>

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.

<u>Reinsurance intermediaries</u>
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.

<u>Claims funds with third party claims administrators</u>
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 2019, 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 valueoriented 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 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$3,199k and does not impact the Company's liquidity risk.

C.5 Operational risk

Operational

Significant work was undertaken in the IT area in recent years to develop a multi-year IT strategy. Key elements of this strategy included:

- Develop strategy and have it peer reviewed by a technical expert (Deloitte undertook this review).
- Where possible, move infrastructure to Cloud to reduce the need for internal management of infrastructure.
- Enhance our Cybersecurity efforts and position Greenlight Re to be NIST /ISO Cybersecurity compliant.

2020 priorities are predominantly a continuation of the multi-year IT plan. Specific areas of focus will include:

- Move towards proactive management of outsourced providers as infrastructure is outsourced.
- Continuation of Cybersecurity efforts.
- Support Data and MI strategy.

The Greenlight Group is investing in developing a data warehouse to enhance our reporting capability. Initial work has focused on the Underwriting and Finance areas. We will look to enhance this further in 2020. One specific area of focus may be a review of Solvency II reporting and determining whether enhanced tools can improve our efficiency in Solvency II reporting.

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, it's rating was placed on negative outlook by A.M. Best in May 2019. 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. In May 2019 A.M. Best re-affirmed the Company's financial strength rating of "A- (Excellent)" but changed the outlook to a negative 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 provide the Company with various services, including legal, underwriting, actuarial, risk management, reserving and IT. This arrangement is formalised in a Service Level Agreement.

COVID-19

On March 11th 2020, the World Health Organisation categorised COVID-19 as a pandemic. The Company has been monitoring the spread of the COVID-19 for some time and believes the implications will include:

- Operational issues - On March 12th 2020, following the recommendation of the Irish Government, the Company initiated a work from home policy. While this is not ideal, the Company has an IT infrastructure which facilitates remote working and we believe all key tasks can be completed remotely.
- Underwriting exposures - the Company has analysed its portfolio to determine potential underwriting exposure linked to COVID-19. It is likely exposure arises in two areas:
    - Event cancellation / contingency business - the Company provides Funds at Lloyds ("FAL") to a number of Lloyds syndicates who write event cancellation cover. As this is a small part of the Syndicates overall book and under the FAL structure we benefit from inuring reinsurance we do not expect this to be a material exposure.
    - Medical care - the Company provides medical cover to US individuals, under a specific contract. As the number of lives insured is small and the likely medical costs are relatively low, primary treatment is self isolation, we do not believe this exposure will be material.
- Stock Market impact - the COVID-19 pandemic has resulted in a significant reduction in global equity markets. While this will have a negative impact on the Company's equity portfolio, the Company's investment portfolio is conservatively positioned with over 85% of the portfolio maintained in cash or cash equivalents.
- Global recession - the pandemic is likely to lead to a global recession. The impact of a global recession on the Company's portfolio is uncertain, although the Company's specialty portfolio is not directly correlated with economic activity.
- The Company has reinsurance agreements in place with a related company, Greenlight Reinsurance Ltd which is rated "A- Excellent" by A.M. Best. The Company stress tests the financial strength of Greenlight Reinsurance Ltd., at least quarterly, as part of its risk management process. At this early stage, it appears Greenlight Reinsurance Ltd.'s exposure to COVID-19 losses, is well within these stress tests and therefore we do not expect COVID-19 losses to have any impact on the collectability of our reinsurance.

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.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. Full details of the scenarios used and the impact on the Company's projected capital are set out in full in section E.1 of this report.

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 five categories:

1. Investing
2. Underwriting
3. Reserves
4. Counterparty
5. Operational

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="5">Stress Levels</th></tr>
<tr><th>Scenario</th><th>Investments</th><th>Underwriting</th><th>Reserves</th><th>Counterparty</th><th>Operational</th></tr>
<tr><td>1 (Base)</td><td colspan="5">None</td></tr>
<tr><td>2</td><td colspan="5">Adverse</td></tr>
<tr><td>3 (Run-off)</td><td>None</td><td colspan="4">Severe</td></tr>
<tr><td>4</td><td>Severe</td><td colspan="4">None</td></tr>
<tr><td>5 (Run-off)</td><td colspan="5">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 and 4 represent scenarios where we expect to have a SCR ratio in excess of 100% for the year in which the stress occurs.

In scenarios 3 and 5 which include a 25% write-off of uncollateralised reinsurance recoverables, a severe scenario, we may not have an SCR ratio in excess of 100%.

We apply the full stress to each year individually in all of the above scenarios.

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 18, 2019 discussed risk scenarios and stress factors in detail. The selection focused on historical Greenlight and industry performance (the Company has performed detailed analysis of historical underwriting and investment performance), combined with expert judgement.

Investments
Adverse: 15% loss to the Solasglas investment fund; 0% loss to the cash and fixed income portfolio.
Severe: 30% loss to the Solasglas investment fund; 0% 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 circa 50% higher than plan.

The aggregate stop loss (ASL) cover would be triggered in the event of a combined underwriting and reserve shock. This limits the exposure of the shock to 5% of the opening capital surplus in the year.

Counterparty
Adverse: 10% credit loss in relation to uncollateralised reinsurance recoverables (GRL).
Severe: 25% credit loss in relation to uncollateralised reinsurance recoverables (GRL).

Operational
Adverse: US$500,000 additional expense due to operational failure.
Severe: US$1,000,000 additional expense due to operational failure.

Capital risk thresholds
Our capital risk appetite is to maintain a SCR cover ratio in excess of 100% in going-concern scenarios. Under risk scenarios 3 and 5 (run-off) we would fall below 100% in all years. These scenarios are considered to be extreme as they contain severe counterparty default stresses.

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 2019, are prepared in accordance with Generally Accepted Accounting Practice in Ireland "Irish GAAP", FRS 102 and FRS 103.

Assets held by the Company as at 31 December 2019 and 2018 were as follows:

Assets	2019			2018		
	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	37,715	37,715	—	48,876	48,876	—
Reinsurance receivables	11,494	—	11,494	36,924	—	36,924
Reinsurance recoverables	51,091	39,227	11,864	54,299	27,024	27,275
Deposits to cedants	31,077	31,077	—	3,993	3,993	—
Cash & cash equivalents	5,343	5,343	—	1,110	1,110	—
Other assets	475	140	335	1,611	133	1,478
Deferred acquisition costs	1,325	—	1,325	1,298	—	1,298
Deferred tax assets	924	924	—	1,568	1,568	—
Fixed assets	43	43	—	70	70	—
Total assets	**139,486**	**114,468**	**25,018**	**149,749**	**82,774**	**66,975**

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.

Reinsurance receivables

Amounts receivable from reinsurance operations are valued at settlement amount and reviewed for impairment under FRS 102. At 31 December 2019 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 comprise of 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 2019 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	19,002	1,091	4,729	15,364
Non-proportional casualty reinsurance	7,935	192	6,193	1,934
Marine, aviation and transport insurance	7,129	86	6,232	983
General liability insurance	5,811	106	5,350	567
Non-proportional marine, aviation and transport reinsurance	5,756	157	4,613	1,300
Non-proportional property reinsurance	5,227	174	4,021	1,380
Fire and other damage to property insurance	4,966	63	4,369	659
Other motor insurance	5,147	191	2,248	3,089
Miscellaneous financial loss	852	60	674	238
Medical expense insurance	807	180	400	587
Workers compensation insurance	489	15	398	106
Total	**63,120**	**2,313**	**39,227**	**26,206**

** Any differences between totals and the individual items in the table above are due to rounding*

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	8,063	139	6,817	1,386
Motor vehicle liability insurance	7,700	1,630	3,986	5,345
Non-proportional property reinsurance	3,914	180	3,900	194
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
Total	**36,254**	**2,903**	**27,024**	**12,132**

** 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.

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), benchmark data 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.

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 Irish GAAP reserves are used as the starting point 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.

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 2018 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 2019 were as follows:

Other Liabilities	2019			2018		
	GAAP Accounting Basis	SII Valuation Principles	Difference in Valuation	GAAP Accounting Basis	SII Valuation Principles	Difference in Valuation
	(US$ in thousands)			(US$ in thousands)		
Reinsurance payables	13,317	—	13,317	19,162	—	19,162
Payables (trade, not insurance)	1,463	1,463	—	7,293	7,293	—
Deposits from reinsurers	11,798	11,798	—	923	923	—
Deferred tax liability	—	151	(151)	—	228	(228)
Total other liabilities	**26,578**	**13,413**	**13,166**	**27,377**	**8,443**	**18,934**

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

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 to 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 2019				
	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	50,984	50,984	—	—	—
Reconciliation reserve	(26,135)	(26,135)	—	—	—
An amount equal to the value of net deferred tax assets	772	—	—	—	772
Total Basic Own Funds	**35,622**	**34,849**	—	—	**772**

	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**

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

	2019		2018	
	SCR	MCR	SCR	MCR
	(US$ in thousands)		(US$ in thousands)	
Capital Requirement	22,032	5,508	23,785	5,946
Basic Own Funds	35,622	34,850	35,172	33,832
Surplus capital	13,590	29,342	11,388	27,886
Solvency cover	162%	633%	148%	569%

The reconciliation between equity in the financial statements and the basic own funds for solvency purposes, as at 31 December 2019 and 2018, is presented in the following tables:

Reconciliation between Equity & Basic Own Funds	**2019**	**2018**
	(US$ in thousands)	
Ordinary share capital (net of own shares)	10,000	10,000
Share premium account related to ordinary share capital	50,984	50,789
Surplus funds	(26,423)	(27,211)
Total equity in the financial statements	**34,562**	**33,578**
Differences in valuation of technical provisions	**1,212**	**1,822**
Differences in valuation of deferred tax asset	**(151)**	**(228)**
Total differences	**1,060**	**1,594**
Total basic own funds under Solvency II	**35,622**	**35,172**

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 2019, the Company has an SCR of US$22.0 million and MCR of US$5.5 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 2019 and 2018:

Components of the SCR:	2019 (US$ in thousands)	2018 (US$ in thousands)
Market risk	6,577	6,781
Health underwriting	2,015	757
Non-Life underwriting	14,554	17,449
Counterparty default risk	3,585	2,304
Overall diversification effect	(6,880)	(5,682)
Basic SCR	19,851	21,609
Operational risk	2,181	2,175
Loss-absorbing capacity of deferred taxes	—	—
SCR	22,032	23,784

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.

Market risk has remained relatively flat compared to the prior year as the Company continues to hold the majority of its assets in cash and cash equivalents. Health Underwriting risk has increased compared to the prior year as a result of the increased premium written in the medical stop loss business. Non-life underwriting risk has reduced due to reduced premium volumes in the non-standard auto business. The overall diversification applied to all risks (i.e. market, default, non-Life and health risk) has increased as a result of reductions in non-life underwriting risk with increased charges on the Health underwriting risks which results in higher 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 2019 and 2018:

	2019 (US$ in thousands)	Parameters % of SCR	2018 (US$ in thousands)	Parameters % of SCR
AMCR	4,015		4,074	
Cap	9,914	45%	10,703	45%
Floor	5,508	25%	5,946	25%
MCR	5,508		5,946	

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 2019, the Company's MCR is equal to the floor of the linear formula, being 25% of the SCR (2018: 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 non runoff 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
S.02.01.02
Balance sheet

Assets		**Solvency II value**
		C0010
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	924
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	43
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	37,715
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	10,110
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	27,605
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**	39,227
Non-life and health similar to non-life	**R0280**	39,227
Non-life excluding health	**R0290**	38,430
Health similar to non-life	**R0300**	797
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	31,077
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	5,343
Any other assets, not elsewhere shown	**R0420**	140
Total assets	**R0500**	114,468

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	65,433
Technical provisions – non-life (excluding health)	**R0520**	63,943
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	61,825
Risk margin	**R0550**	2,119
Technical provisions - health (similar to non-life)	**R0560**	1,490
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	1,295
Risk margin	**R0590**	194
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	11,798
Deferred tax liabilities	**R0780**	151
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**	1,463
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	78,846
Excess of assets over liabilities	**R1000**	35,622

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								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	Miscellaneous financial loss	Casualty	Marine, aviation, transport	Property	Total
		C0010	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0120**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written													
Gross - Direct Business	**R0110**												
Gross - Proportional reinsurance accepted	**R0120**	5,274	1	32,869	7,654	3,171	9,050	2,433	799				61,251
Gross - Non-proportional reinsurance accepted	**R0130**									3,028	4,226	4,020	11,274
Reinsurers' share	**R0140**	566	4	14,720	4,129	2,581	7,264	1,984	644	2,457	3,408	3,634	41,391
Net	**R0200**	4,708	-3	18,149	3,525	590	1,786	448	155	571	818	386	31,135
Premiums earned													
Gross - Direct Business	**R0210**												
Gross - Proportional reinsurance accepted	**R0220**	2,775	38	41,940	8,313	999	4,973	2,048	727				61,814
Gross - Non-proportional reinsurance accepted	**R0230**									3,768	4,122	2,994	10,884
Reinsurers' share	**R0240**	522	33	19,439	4,197	847	4,019	1,684	588	3,062	3,339	2,644	40,373
Net	**R0300**	2,254	4	22,502	4,116	152	954	364	138	706	783	350	32,324
Claims incurred													
Gross - Direct Business	**R0310**												
Gross - Proportional reinsurance accepted	**R0320**	2,203	-16	36,289	6,874	203	2,712	-1,651	340				46,956
Gross - Non-proportional reinsurance accepted	**R0330**									2,518	2,897	696	6,111
Reinsurers' share	**R0340**	549	6	17,096	3,491	434	2,319	-943	298	2,226	2,487	775	28,738
Net	**R0400**	1,654	-22	19,193	3,383	-231	394	-708	41	292	410	-79	24,328
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**	527	3	4,335	729	-41	57	-3	36	32	24	-26	5,674
Other expenses	**R1200**												
Total expenses	**R1300**												5,674

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

		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	IN	CH	KY	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**							
Gross - Proportional reinsurance accepted	**R0120**	12	41,330	16,714	1,877		691	60,624
Gross - Non-proportional reinsurance accepted	**R0130**		76	7,950	838	1,928	536	11,328
Reinsurers' share	**R0140**	9	15,899	19,731	2,171	1,928	1,695	41,435
Net	**R0200**	2	25,507	4,933	543	0	-468	30,517
Premiums earned								
Gross - Direct Business	**R0210**							
Gross - Proportional reinsurance accepted	**R0220**	115	49,848	9,968	702		173	60,806
Gross - Non-proportional reinsurance accepted	**R0230**		25	9,123	497	1,049	269	10,964
Reinsurers' share	**R0240**	92	21,925	15,339	964	1,049	1,069	40,439
Net	**R0300**	23	27,947	3,752	236	0	-627	31,331
Claims incurred								
Gross - Direct Business	**R0310**							
Gross - Proportional reinsurance accepted	**R0320**	70	43,412	2,199	653		121	46,456
Gross - Non-proportional reinsurance accepted	**R0330**		3	5,591	471		189	6,253
Reinsurers' share	**R0340**	56	17,113	6,232	899		4,540	28,839
Net	**R0400**	14	26,302	1,558	225		-4,230	23,869
Changes in other technical provisions								
Gross - Direct Business	**R0410**							
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**							
Net	**R0500**							
Expenses incurred	**R0550**	7	5,384	249	-93	-52	167	5,661
Other expenses	**R1200**							
Total expenses	**R1300**							5,661

Annex I
S.17.01.02
Non-life Technical Provisions

		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**	676	0	-842	864	-21	1,747	8	177	2,641	1,535	386	7,172
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-321	0	-299	695	295	1,657	560	125	1,821	1,172	214	5,920
Net Best Estimate of Premium Provisions	**R0150**	998	0	-543	169	-316	90	-552	52	820	363	172	1,253
Claims provisions													
Gross	**R0160**	130	489	19,844	4,283	7,149	3,219	5,803	675	5,294	4,221	4,840	55,947
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	721	398	5,028	1,553	5,937	2,712	4,790	549	4,372	3,440	3,807	33,307
Net Best Estimate of Claims Provisions	**R0250**	-591	91	14,816	2,730	1,212	507	1,013	126	922	781	1,034	22,640
Total Best estimate - gross	**R0260**	807	489	19,002	5,147	7,129	4,966	5,811	852	7,935	5,756	5,227	63,120
Total Best estimate - net	**R0270**	407	91	14,273	2,898	897	597	461	178	1,742	1,144	1,206	23,893
Risk margin	**R0280**	180	15	1,091	191	86	63	106	60	192	157	174	2,313
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**	986	503	20,094	5,337	7,215	5,029	5,917	912	8,127	5,913	5,400	65,433
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	400	398	4,729	2,248	6,232	4,369	5,350	674	6,193	4,613	4,021	39,227
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	587	106	15,364	3,089	983	659	567	238	1,934	1,300	1,380	26,206

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Underwriting year [UWY]

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

	Year		1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	**R0100**												**R0100**		
2010	**R0160**		8,796	10,834	206	-21	-14	62	-3	-42			**R0160**		19,816
2011	**R0170**		6,214	16,586	1,049	642	898	151	21	-260			**R0170**	-260	25,300
2012	**R0180**	193	27,227	30,633	2,990	780	988	30	-290				**R0180**	-290	62,552
2013	**R0190**	74	15,383	15,737	1,414	327	-125	-87					**R0190**	-87	32,723
2014	**R0200**	3,643	28,956	23,537	4,753	6,238	2,326						**R0200**	2,326	69,455
2015	**R0210**	6,217	27,218	8,406	4,386	3,266							**R0210**	3,266	49,492
2016	**R0220**	8,477	34,831	10,419	4,266								**R0220**	4,266	57,993
2017	**R0230**	4,815	23,192	44,318									**R0230**	44,318	72,325
2018	**R0240**	2,551	7,204										**R0240**	7,204	9,755
2019	**R0250**	3,036											**R0250**	3,036	3,036
												Total	**R0260**	63,780	402,447

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year		1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	**R0100**												**R0100**	
2010	**R0160**							0	0				**R0160**	
2011	**R0170**						438	281	269	-129			**R0170**	-128
2012	**R0180**					1,216	178	149	-1				**R0180**	-1
2013	**R0190**				1,020	-7	124	-111					**R0190**	-110
2014	**R0200**			9,638	5,075	21,271	8,957						**R0200**	8,710
2015	**R0210**		17,492	12,075	3,045	2,616							**R0210**	2,585
2016	**R0220**	16,471	26,811	4,100	5,158								**R0220**	5,094
2017	**R0230**	13,259	10,784	17,930									**R0230**	17,688
2018	**R0240**	8,434	15,687										**R0240**	15,215
2019	**R0250**	7,027											**R0250**	6,894
												Total	**R0260**	55,947

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	10,000	10,000			
Share premium account related to ordinary share capital	**R0030**	50,984	50,984			
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**	-26,135	-26,135			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	772				772
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**	35,622	34,850			772
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**	35,622	34,850			772
Total available own funds to meet the MCR	**R0510**	34,850	34,850			
Total eligible own funds to meet the SCR	**R0540**	35,622	34,850			772
Total eligible own funds to meet the MCR	**R0550**	34,850	34,850			
SCR	**R0580**	22,032				
MCR	**R0600**	5,508				
Ratio of Eligible own funds to SCR	**R0620**	161.68%				
Ratio of Eligible own funds to MCR	**R0640**	632.71%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	35,622
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	61,757
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	-26,135
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	3,199
Total Expected profits included in future premiums (EPIFP)	**R0790**	3,199

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	6,577		
Counterparty default risk	R0020	3,585		
Life underwriting risk	R0030			
Health underwriting risk	R0040	2,015		
Non-life underwriting risk	R0050	14,554		
Diversification	R0060	-6,880		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	19,851		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2,181
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	22,032
Capital add-on already set	R0210	
Solvency capital requirement	R0220	22,032
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	

		Yes/No
Approach to tax rate		C0109
Approach based on average tax rate	R0590	2 - No

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	5,218

		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**	407	4,708
Income protection insurance and proportional reinsurance	**R0030**		
Workers' compensation insurance and proportional reinsurance	**R0040**	91	
Motor vehicle liability insurance and proportional reinsurance	**R0050**	14,273	18,149
Other motor insurance and proportional reinsurance	**R0060**	2,898	3,525
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	897	590
Fire and other damage to property insurance and proportional reinsurance	**R0080**	597	1,786
General liability insurance and proportional reinsurance	**R0090**	461	448
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**	178	155
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**	1,742	571
Non-proportional marine, aviation and transport reinsurance	**R0160**	1,144	818
Non-proportional property reinsurance	**R0170**	1,206	386

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	**R0200**	

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	5,218
SCR	**R0310**	22,032
MCR cap	**R0320**	9,914
MCR floor	**R0330**	5,508
Combined MCR	**R0340**	5,508
Absolute floor of the MCR	**R0350**	4,038

		C0070
Minimum Capital Requirement	**R0400**	5,508