

# **WAUSAU INSURANCE COMPANY (UK) LIMITED**

## **Solvency and Financial Condition Report**

**April 2020**

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**Approval by the Wausau Insurance Company (UK) Ltd Board of Directors  
of the Solvency and Financial Condition Report (SFCR)  
For the financial year ended 31<sup>st</sup> December 2019**

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in Directors' Report of the UK GAAP financial statements, confirm that, to the best of their knowledge:

- (a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
- (b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the board.



Director

N Davenport



Director

J Reeves

24 April 2020

## **About this document**

This document fulfils the requirements for the submission of information to national competent authorities in the relevant EIOPA Guidelines on Submission of Information to National Competent Authorities (EIOPA CP 13/010).

The document follows the same structure as the Solvency & Financial Condition Report (“SFCR”) reporting set out in the Delegated Acts as adopted by the European Commission in October 2014.

The content of this Solvency and Financial Condition Report has also been guided by the Prudential Regulation Authority’s SS4/13.

## Summary

Solvency Financial Condition Report (SFCR) for Wausau Insurance Company (UK) Limited for the year ending 31 December 2019.

The SFCR provides public reporting on the following key areas:

### **A. Business and Performance**

#### **Company Summary**

Wausau Insurance Company (UK) Ltd (Wausau) formerly underwritten marine, aviation, transport and non-marine business through Willis Faber Underwriting Management Ltd Pool. The company ceased underwriting this business in 1991 and completed the run-off of nearly all of those liabilities. The company retains some potential residual liabilities in respect of employer's liability cover provided prior to 1991. However, in line with our knowledge and understanding of the risks underwritten, along with the claim's history, we are confident there will be no further claims made.

As such, the company's strategy has been aligned to the nature of the business, performing a predominantly administrative role in the management of the business assets and liabilities. The company will remain in run-off, with no plans to underwrite any insurance risks in the short to medium term future.

Wausau's investment portfolio is made up of cash, cash equivalents and deposits other than cash equivalence.

There has been not been any significant events resulting in a material effect on the solvency and financial condition that have occurred over the reporting period.

### **B. System of Governance**

Wausau have two executive directors and four key functions (risk management, compliance, internal audit and actuarial) in place.

As Wausau do not directly employ staff; any staff engaged on Wausau matters are covered under the London Speciality Markets Limited ("LSML") remuneration policy. The 'Fit and Proper' requirements are considered and again are leveraged from LSML.

Wausau have a risk management system in place that includes conducting an ORSA at least once annually.

### **C. Risk Profile**

Wausau have a relatively benign risk profile, given the small scale and simplicity of the business. Furthermore, all insurance risks are being ceded 100% to a third party.

Wausau are exposed to the following risks:

- **Foreign exchange risk** which relates to holding cash and cash equivalents in pound sterling and US dollars.

- **Counterparty risk** in relation to bank accounts held with two banks (HSBC & Lloyds Bank) and reinsurance held with one Reinsurance provider (Nationwide)
- **Outsourcing risk** driven by outsourced service providers.

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

Wausau's Solvency II balance sheet is made up of cash and cash equivalents, deposits other than cash equivalents, technical provisions and other liabilities (accrual), which consists of audit fees and PwC consulting fees. These items are relatively simple to value.

#### **E. Capital Management**

Wausau's has an SCR ratio of 1054%, noting that the business does not use the Volatility Adjustment or Matching Adjustment. The ratio to MCR, the active solvency measure, is 125%. Wausau only hold Tier 1 own funds made up of reconciliation reserve.

	\$
<b>SCR</b>	488,457
<b>MCR</b>	4,126,980
<b>Total Eligible Own Funds to Cover SCR (Tier 1)</b>	5,148,776
<b>Total Eligible Own Funds to Cover MCR (Tier 1)</b>	5,148,776

The SCR calculated for Wausau is significantly below the minimum MCR for a liability insurer of €3.7m<sup>1</sup>. As such, we note Wausau holds capital at the minimum MCR level, which translates to \$4,126,980 at the EIOPA defined exchange rate on 31st December 2019.

There have been no instances of non-compliance with the MCR and SCR by Wausau in 2019.

During the 2019 financial year, there were no material changes to the business and performance, system of governance, risk profile or valuation for solvency purposes.

No changes have been made in the year to the capital management processes undertaken by the business.

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<sup>1</sup> Article 129(1)(d)(i) – (iii)

## A. Business and Performance

### A1. Business

#### Company Information:

**Wausau Insurance Company (UK) Limited:** 20 Fenchurch Street  
London  
EC3M 3AW  
Company Number:  
Firm Reference Number: 2020127  
Legal Entity Identifier:  
2138005BZ4Z6CP6U3L69

**External auditors:** Ernst and Young LLP  
  
25 Churchill Place  
Canary Wharf  
London  
  
E14 5EY

**Regulator (financial supervision)** Prudential Regulatory Authority  
Bank of England  
Threadneedle St  
London  
EC2R 8AH

**Regulator (conduct supervision)** Financial Conduct Authority  
25 The North Colonnade  
London  
E14 5HS

Wausau Insurance Company (UK) Limited (“Wausau”) is a wholly owned subsidiary of Liberty Mutual Insurance Company incorporated in the USA. Wausau formerly underwrote marine, aviation, transport and non-marine business through the Willis Faber Underwriting Management Ltd (“WFUM”) Pool. The company ceased underwriting this business in 1991 and completed the run-off of nearly all of those liabilities. The company retains some potential residual liability in respect of employers’ liability cover provided prior to 1991. The company has no plans to resume



underwriting. Wausau is a limited liability company incorporated in England, with its registered office based in London.

The ultimate parent undertaking and controlling party is Liberty Mutual Holding Company Inc, a company incorporated in the United States. The ultimate controlling entity's accounts are available on application to the company secretary at:

175 Berkeley Street  
Boston, Massachusetts 02116,  
USA  
Phone: +1-617-357-9500  
Also at: [www.libertymutualgroup.com](http://www.libertymutualgroup.com)

Wausau's functional currency and reporting currency is US Dollar.

## **A2. Underwriting Performance**

Wausau is a closed book business. Wausau originally sold a wide range of general insurance products, but the only remaining business on the books is General Liability insurance. The business was primarily sold to small shops/businesses in the UK.

Wausau stopped writing new business and entered run-off in 1991. It is thought that there have been no known claims observed on the book since the early 1990s.

The business is 100% reinsured and, should any claims arise, they would fall to be dealt with under a claims handling agreement between Wausau with a subsidiary of the reinsurer.

## **A3. Investment Performance**

Wausau's investment portfolio is made up of cash and cash equivalents and held in both Pounds Sterling and US Dollars; assets total of \$6,589,649 for 2019 (2018: \$6,459,751). Over the year the investment portfolio has earned investment income of \$57,379 (2018: \$40,828) through interest received.

All financial assets held by Wausau are in cash, cash equivalents and deposits other than cash equivalents and no investments are held in securitisations.

## **A4. Performance of other activities**

Wausau does not receive any other material income and expenses; as such there is no information to report on the performance of other activities.

## **A5. Any other information**

The rapid spread of the COVID-19, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the COVID-19 and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. Wausau is closely monitoring developments and the impact of the spread of infection and its operations.

## **B. System of Governance**

### **B1. General information on the system of governance**

Wausau has one executive director, and there have been no changes in both the systems of governance and board of directors from prior year.

#### **Remuneration Policy**

Wausau does not directly contract any staff. Liberty Speciality Markets Limited (“LSML”) provide staff to Wausau on a secondment basis. As such Wausau staff are covered by the LSML remuneration policy.

There have been no material transactions with shareholders, members of the management body, or those exerting a significant influence over the insurer during the reporting period.

#### **Material Transactions**

There are no material transactions to report with shareholders, members of the management body, or those exerting a significant influence over the insurer.

#### **Adequacy of system of Governance**

Wausau’s governance structure is designed to reflect the relatively simple and low risk business profile. Wausau does not have any additional executive or Board committees and therefore all items of business are dealt with by the Board directly for review, challenge and approval.

#### **Key Functions**

The four key functions Wausau have in place are as follows:

- The risk management function;
- The compliance function (which falls within the area of internal control);
- The internal audit function (which is independent of other operational functions); and
- The actuarial function.

#### **Operational Independence**

Due to the nature, size and complexity of Wausau, there is one function holder for all four of the key functions identified by the PRA.

Furthermore, Wausau falls under the scope of Liberty Group Corporate Internal Audit (CIA), who can review the operational independence of the key function holders at any time.

Wausau has considered the other functions identified by the PRA that firms may consider to be key:

- Claims
- Reinsurance
- Underwriting
- Investments
- IT

Given the size, scale and nature of Wausau, and applying the principle of proportionality, we do not consider it to be necessary or operationally practical for Wausau to introduce these functions. As such, these functions are not classified as key by Wausau. If these functions were required, it is expected that they would be provided by Liberty Mutual Group.

## **B2. Fit and proper requirements**

The members of Wausau's Board collectively possess appropriate qualifications, experience and knowledge regarding:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

In deciding whether a person is fit and proper, Wausau must be satisfied that the person:

- has the personal characteristics (including being of good repute and integrity);
- possesses the level of competence, knowledge and experience;
- has the qualifications; and
- has undergone or is undergoing all training, required to enable that person to perform his or her function effectively and in accordance with any relevant regulatory requirements and to enable sound and prudent management of Wausau.

Wausau assesses the fitness & propriety of a person when that person is being considered for any SIMF, key function or notified NED position and on an ongoing basis thereafter. The ongoing evaluation is performed at least annually and consists of, as a minimum, a performance assessment and a self-certification.

Wausau leverages the fit and proper procedures and assessments of LSML.

## **B3. Risk Management System including the ORSA**

The risk management function of Wausau is responsible for:

- Monitoring the general risk profile of the insurer as a whole;

- Reporting on risk exposures to the Board;
- Identifying and assessing emerging risks; and
- Oversight of the ORSA process and production of the ORSA report.

The risk management function holder is accountable for the responsibilities of the function listed above. They will update the Board on an annual basis with regards to risk management issues and following any material change in the risk profile. The risk function holder can call for an ad hoc Board meeting to address risk management issues where they deem this to be appropriate.

### **Risk identification**

It is the responsibility of the risk function to monitor the risk profile of the business and identify and escalate new risks to the business as needed. Where a new or escalating risk is deemed to be material to the business, the risk function holder will escalate this to the Board for further consultation.

The risk function holder will provide an update to the Board on an annual basis and has the ability to call an ad hoc Board meeting to address material risks to the business where they deem appropriate.

The risk management and actuarial functions will also review, agree and assess the risk profile of Wausau during the ORSA process, reporting on any new or changing risks.

Wausau do not have an internal model, thus there is no further governance or approval in this regards.

### **ORSA**

Wausau's Own Risk and Solvency Assessment (ORSA) provides an internal assessment of Wausau's current and future capital requirement, taking into consideration the specific risk profile and strategy of the firm. Thus, it considers areas not fully reflected in the Solvency Capital Requirement (SCR).

The ORSA considers business strategy and risk appetite in assessing Wausau's on-going solvency. The ORSA framework is a series of processes to enable Wausau to manage its risk profile against risk appetite and ensure there is appropriate capital to cover the risk faced in the medium term.

Given Wausau is in run-off and will not be underwriting any new insurance risks, the Board manage the business and have based risk appetites upon capital management and impact on capital.

The overall risk appetite of the business is low. The Board will review risk appetites at least once per year to ensure they reflect the current strategy of the firm. There were no breaches of risk appetite in 2019.

### **Governance**

The Board is responsible both for approving the ORSA policy and reviewing, challenging and signing off the ORSA outputs. The Board remains the principal audience for the ORSA. The

Board requests and directs additional testing or alternative representations of risk, as needed, that they feel will provide a clearer representation of the risks faced by Wausau.

The quality of data used during the ORSA process is vital. Each ORSA report will contain a statement attesting to the data quality checks that have been carried out over the data used in the report, also confirming that a review has taken place to ensure compliance with the LSM Data Policy.

Technical provisions are a key input to the ORSA. As such, each report will contain a statement from the Actuarial function holder confirming the technical provisions have been calculated in accordance with best estimates and reserving best practice and are in line with required Technical Accounting Standards (TASs).

### **ORSA Process**

The ORSA process enables the Wausau Board to ensure risks are effectively managed and appropriate capital is held within the business. The process is reviewed at a minimum of at least once annually by management to ensure process remains up to date and fits in with the profile of the business. In addition, the ORSA process will help to identify weaknesses, and future emerging risks and uncertainties. The following elements make up the Wausau ORSA process:

1. **Strategy and business planning**  
Wausau's Board will meet and confirm the strategy and business plan for the forthcoming year. The strategy and business plan have remained consistent in recent years, which is to run-off the business, reinsuring all insurance risk 100% to a third party.
2. **Risk appetite**  
The Board reviews risk appetites annually and will amend the appetite and tolerance thresholds where they deem necessary to better manage the business.
3. **Risk and capital management**  
Wausau's risk function will produce a risk assessment, documenting emerging risks, as well as assessing the impact of risks already identified, and the potential impact to Wausau. This will also include proposed risk management, monitoring and mitigation proposals.

The risk function will also assess potential loss events that could lead to a breach of the SCR and MCR capital holdings. Wausau considers capital at a regulatory level, determined using the Standard Formula. As part of this process, a review is performed to ensure the assumptions underlying the SCR calculation are appropriate in view of the risk appetite and profile of Wausau.

4. **Forward looking assessment**  
Wausau also considers capital requirements from a forward-looking perspective. This view will be formed based upon Wausau's understanding and predictions of the future economic and insurance environment.
5. **Solvency analysis (including stress & scenario testing)**

Wausau's risk function will also provide solvency analysis, which will include an assessment of the amount and quality of own funds held using testing of tiering. Stress and scenario testing will also be performed to provide analysis of how robust the solvency position of the company is in line with the SCR and current risk profile. The outcome of the internal solvency analysis will help Wausau to ensure that they are able to continuously comply with regulatory Solvency Capital Requirements and Technical Provisions.

### ***Frequency of ORSA***

This section outlines the frequency with which the ORSA is performed and defines the circumstances which may trigger an 'ad-hoc' ORSA. The Solvency II Directive states that the ORSA shall be performed 'regularly and without any delay following any significant change in (the insurer's) risk profile.

#### *Normal course of business*

As a minimum, the ORSA process in entirety, including the production of a formal ORSA report will be conducted at least once annually.

#### *Significant event*

Following a significant event, Wausau will consider whether or not the activities within the ORSA need to be revised to ensure that they are still suitable to assess any potential impact on the level of capital and own funds necessary to meet the SCR. In some instances, all activities within the ORSA process will require revision, however when less material, it may only be necessary to review some of the ORSA components.

The following three types of event will require Wausau to consider the materiality of the event:

1. External factors: Significant changes in the external environment.
2. Internal changes: Significant changes in internal strategy, process or risk profile.
3. Supervisory request: A direct request from the Regulators to re-run all or part of the ORSA

In the instance of the first two factors, Wausau's Board will be required to make a judgement on the materiality of the factors/changes and determine whether or not it is necessary to perform an ad hoc ORSA.

#### *Materiality factor and process*

Wausau will follow the below process when determining whether or not a factor/change is material and subsequently whether all or only part of the ORSA should be revisited:

- Board member or outsourced team member identified the occurrence of a significant change in external environment / internal strategy in the context of Wausau's defined materiality
- The Board will assess the impact upon Wausau
- If the effect to Wausau is deemed to be significant, the Board will consider the extent to which the ORSA process needs to be revisited and revised

As guidance, Wausau considers the following to be a significant change to factors and processes that would require a full or partial Ad Hoc ORSA:

- A change in the SCR or MCR of > 15%
- A variation of any risk component in terms of total impact of >15%
- A significant change to the business plan

#### **B4. Internal Control System**

Wausau's internal control system is robust and appropriate for the nature, scale and complexity of the business. The internal control system includes financial reporting controls, operationally independent key functions and support provided by external firms as required.

##### **Compliance Function**

The compliance function is responsible for:

- Assessing the adequacy of the measures adopted by the insurer to prevent non-compliance with regulatory requirements;
- Administrative and accounting procedures;
- Internal control framework; and
- Appropriate reporting arrangements.

The compliance function holder will provide a compliance update to the Board on an annual basis. The compliance function holder has the ability to call for an ad hoc Board meeting to address compliance issues where they deem this to be appropriate.

#### **B5. Internal Audit Function**

The internal audit function at Wausau is fulfilled by Liberty Mutual Group Corporate Internal Audit (CIA), an objective body independent from the other operational functions. CIA conducts reviews in line with group materiality and the group internal audit plan. The internal audit function holder has the ability to request internal audit to conduct a review where they deem necessary, outside of the internal audit plan. CIA reports its findings to the Board who determine what actions are to be taken as a result of those findings and shall ensure any actions are completed.

#### **B6. Actuarial Function**

Wausau has an effective actuarial function, which is responsible for:

- Coordinating and overseeing the calculation of technical provisions ("TPs");
- Ensuring appropriateness of methodologies, models and assumptions used in the calculation of the TPs;
- Assessing the adequacy and quality of the data used in calculation of the TPs;
- Comparing best estimates against experience;
- Informing the Board of the reliability of the TPs;
- Providing opinion on adequacy of reinsurance arrangements; and
- Contributing to the modelling of risk in respect of the ORSA and MCR and SCR calculations.

The actuarial function holder is able to call upon the skills and expertise of qualified actuaries at PwC when he deems this necessary, in line with the outsourcing agreement.

The actuarial function holder will report on the Technical Provisions and regulatory capital requirements to the Board on an annual basis. The actuarial function holder has the ability to call for an ad hoc Board meeting where they deem necessary.

## **B7. Outsourcing**

### **Introduction**

The purpose of this policy is to provide a framework for the assessment and review of outsourcing arrangements.

### **Definition**

Wausau defined outsourcing as the contracting of work or resources to a third-party provider.

### **Materiality**

Wausau defines an outsourcing contract to be material when either the quantitative or qualitative metrics are met. They are:

- Quantitative: where the cost of the proposed outsourcing contract in any one year is planned to be or is greater than 25% of the Operating Expenses of Wausau; and
- Qualitative: where it is deemed by the Board that the cessation of the outsourcing would have a material impact on the risk profile.

The Board is satisfied the criteria is appropriate and reviews the criteria on an annual basis.

### **Material contracts**

In line with the clearly defined criteria, the following outsourcing arrangements are deemed to be material as of December 2019:

- Nationwide Mutual Insurance Company – Administrative services with regards to the reinsurance arrangements; and
- PricewaterhouseCoopers LLP – Financial and regulatory advisory services.

### **Outsourcing guidelines and processes**

For the renewal of material outsourcing arrangements, the following process will be adhered to prior to contractual agreement:

1. Review of the terms of business in line with Solvency II requirements by the compliance function
2. Board level discussion covering commercial factors and prior performance

For the procurement of new material outsourcing contracts, the following process will be adhered to prior to contractual agreement:



1. Reasonable level of due diligence performed over the third-party provider – criteria to be defined on a case by case basis by the Board
2. Review of the terms of business in line with Solvency II requirements by the compliance function
3. Board level discussion covering commercial factors and any previous interactions with the company in question

### **Service level agreements (SLA)**

A service level agreement (“SLA”) must be in place for all outsourcing arrangements which details the terms and scope of the arrangement in accordance with this policy. The SLA must be signed by both counterparties before the service commences.

The SLA must include terms stating that the outsourced service provider will adhere to all Wausau policies and procedures which are appropriate to the outsourcing arrangement and will be defined in the SLA.

### **Board responsibilities**

The Board establishes and monitors an appropriate governance and operational structure for Wausau for the purposes of ensuring the sound and prudent management of the Company. The Board has responsibility for:

- Ensuring sufficient and appropriate due diligence is performed over potential outsourcing providers before entering into an SLA
- Providing prior approval for all material outsourcing arrangements
- Monitoring adherence to policies, including code of conduct and outsourcing.

### **B8. Any other information**

Wausau does not have any other material information to disclose on the system of governance.

## C. Risk Profile

Wausau has a relatively benign risk profile, given the small scale and simplicity of the business, also taking into account all insurance risks have been ceded 100% to a third party.

### C1. Underwriting Risk

The underwriting risk to Wausau is negligible as they have not written new business in 2019 and this has been the case since 1991 where Wausau ceased underwriting business and subsequently completed run-off of nearly all of its liabilities.

Wausau has not experienced any known claims in over 20 years. It is expected that any claims would be handled and paid by the reinsurer. However, the company maintains adequate own funds to discharge any responsibilities as they fall due.

### C2. Market Risk

Wausau's exposure to Market Risk is entirely composed of Foreign Exchange risk, as its assets are either cash or deposits other than cash held in Pounds Sterling and US Dollars.

### C3. Credit Risk

Wausau's exposure to Credit Risk is entirely composed of Counterparty risk, in relation to bank accounts held with two banks (HSBC & Lloyds Bank). This is monitored on an ongoing basis.

### C4. Liquidity Risk

Wausau carries minimal exposure to Liquidity risk as all assets are either cash or cash equivalents.

### C5. Operational Risk

Wausau's operational risk exposure is purely driven by the services provided by the outsourced service providers.

### C6. Other Material Risks

There are no other material risks to consider.

### Risk Exposure

It is the responsibility of the risk function to monitor the risk profile of the business and identify and escalating or new risks to the business. Where a new or escalating risk is deemed to be material to the business, the risk function holder will escalate this to the Board for further consultation.

The risk function holder will provide an update to the Board on risk on an annual basis and has the ability to call and ad hoc Board meeting to address material risks to the business where they deem appropriate.

The risk management and actuarial functions will also monitor the risk profile of Wausau during the ORSA process, reporting on any new or changing risks.

### *Prudent Person Principle*

Wausau hold all of their investment assets in cash and cash equivalents, hence does not require an investment advisor to make a decision. The investment is classed as prudent and the type of investment fits in with the nature of the business.

### **Risk Concentration**

The management of Wausau do not consider there to be any material risk concentrations.

### **Risk Mitigation**

For background on Wausau's risk mitigation processes and monitoring of their continued effectiveness, see section B3.

### **Risk Sensitivities**

Wausau carries out stress and scenario testing as part of its approach to managing risk. Results are presented annually to the Board and considered as part of the ORSA process. For the 2019 ORSA, the analysis indicated that Wausau is sufficiently capitalised and able to withstand the shocks, without breaching its SCR.

### **Methodology**

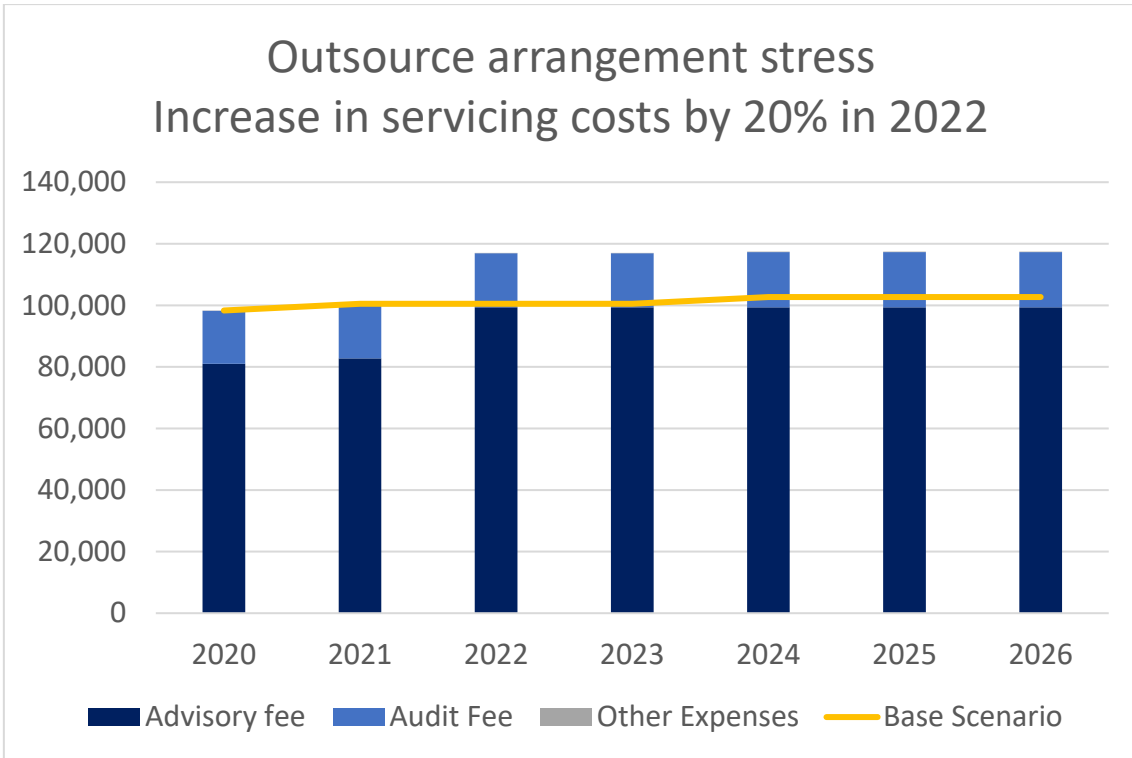
We have considered the most significant liability within the technical provisions of Wausau, which is the assumed spend on external service provider's fees (audit fee and advisory fees). As such, we have considered two scenarios whereby we have added stresses to these liabilities and highlight the impact on the capital requirement.

We have used a projection period of 7 years for the stress and scenario testing, which is aligned to the medium to long term planning horizon.

### **Stress and Scenario Tests**

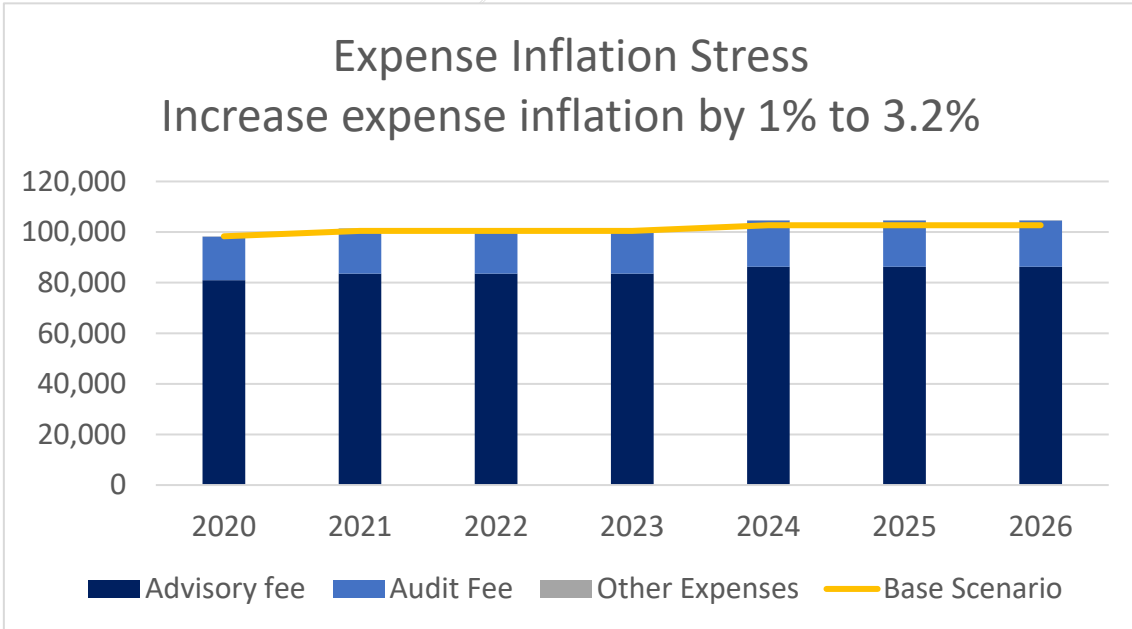
#### **Increase in third party professional services fees by 20%**

As a stress test, we have considered a scenario where midway through the projection period, the ongoing Solvency II support arrangement is terminated, and the cost of a new vendor is 20% higher to represent the initial and ongoing increase in costs (which is maintained through the projection period). This stress increases the technical provisions by c.\$110k, which in turn reduces the free capital by the same amount (which represents a c.11% reduction in the free surplus). This stress is relatively severe, and the technical provisions do show material sensitivity to this change. This has been considered in the risk management of the business.



**The RPI inflation assumption remains level at 2.2% throughout the projection period.**

This assumption is key to the latter end of the projection period for the audit and advisory expenses within the best estimate calculation. Increasing the expense inflation by 1% produces the following expenses profile:



This stress caused an increase in technical provisions of \$12k, which in turn reduces the free capital by the same amount (which represents a c.1% reduction in the free surplus). The business is well placed to meet the requirements of this stress.

### **Risk Free Rate changes**

As per regulatory requirement, stress testing has been conducted on the risk free rate. This curve determines the level of discounting applied to future cash flows, such that the Solvency II balance sheet reflects the time value of money.

The results of the stress testing of both a flat increase and flat decrease in the risk free rate is shown below:

	<b>Best Estimate Liability (\$)</b>	<b>Risk Margin (\$)</b>	<b>Free capital (\$)</b>	<b>Change in FC (\$)</b>
<b>Base</b>	879,385	72,949	1,021,796	-
<b>RFR +1%</b>	846,087	68,225	1,059,818	+ 38,022
<b>RFR -1%</b>	914,697	78,119	981,314	- 40,482

Wausau therefore note that there is sensitivity of the solvency position to the risk-free rate, as expected. As part of risk management processes, this will be considered as part of regular risk monitoring and management.

The Board have considered the outcomes of the stress and scenario testing when reviewing the current capital position and are comfortable that the current capital holding remains appropriate. The Board will continue to review the outcomes of the stress and scenario testing plan when reviewing the capital position and considering capital distributions.

## C7. Any Other Information

COVID-19 has crystallised as a risk. Whilst the nature of the pandemic does not have an impact on the liabilities of Wausau, there have been secondary impacts to consider for Wausau in terms of the below risk area:

Business Continuity and wider operational risks: given the impact on working practices, Liberty have successfully enacted the Business Continuity Plan. Furthermore, our third-party suppliers have also enacted their business continuity plan, which has led to minimal disruption in service. Other operational risks are being monitored, including key person dependency.

Financial risk: Financial markets have seen some disruption due to decreased consumer confidence and reactions of governments, NGOs and the public to the pandemic. As a result, there has been a sharp reduction in stock markets, a reduction in liquidity in credit markets and various financial responses by the Bank of England (including reducing interest rates). Given Wausau's business model:

Cash and cash like assets are held in credit worthy organisations. Wausau have monitored credit ratings to ensure that they remain appropriately in line with risk appetite. Due to the nature of the assets, Wausau also maintain sufficient liquidity.

Wausau hold no other investments, and as such are not overly exposed to credit risk in the form of bonds. We will continue to monitor the creditworthiness of the reinsurer.

In the previous year, Wausau has reduced exposure to currency risk by changing reporting currency to USD. Currency markets have seen some fluctuations, but Wausau remains relatively protected from volatility in foreign exchange rates.

From a liability perspective, there is limited exposure due to the nature of the business sold.

Wausau continue to monitor the risks and impacts emerging from COVID-19.

## D. Valuation for Solvency Purposes

The Company's Solvency II assets and liabilities are presented on an economic basis consistent with the "fair value" accounting concept. The Company's GAAP valuation is used where consistent with Solvency II's economic basis. Assets and liabilities measured at cost or amortised cost in the Company's financial statements have been revalued to economic value. Solvency II also requires specific valuation approaches for some assets and liabilities, which have been followed. The Company prepares its statutory financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and follows those parts of the UK's Companies Act 2006 applicable to companies reporting under UK GAAP. Full details of the basis for the preparation of the Company's financial statements, critical accounting estimates and judgements and key accounting policies are set out in Note 1 to those financial statements.

The Company exercises judgement in selecting each of its accounting policies. Company law and GAAP require management to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent when preparing the financial statements, and the Company has followed a consistent approach in selecting its valuation approaches for Solvency II. These judgements and estimates are based on management's knowledge as well as current factors and circumstances that may impact business performance, together with appropriate predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. To the extent that actual experience differs from the assumptions used, the Company's financial position, results of operations and cash flows could be materially affected.

The following sections describe the valuation approaches used by the Company for valuing its assets and liabilities.

### D1. Assets

The material class of assets shown on Wausau's Solvency II Balance Sheet are cash, cash equivalents and deposits other than cash equivalents. All other Solvency II balance sheet asset lines have a zero balance. The Solvency II values and the corresponding UK GAAP values are summarised in the table below:

£'000s	December 2018 Solvency II	December 2019 Solvency II	Difference Solvency II	December 2018 UK GAAP	December 2019 UK GAAP	Difference UK GAAP
Deposits other than cash equivalents	414	433	(19)	333	349	(16)
Cash and cash equivalents	6,045	6,157	(112)	6,126	6,240	(114)
<b>Total assets</b>	<b>6,459</b>	<b>6,590</b>	<b>(131)</b>	<b>6,459</b>	<b>6,589</b>	<b>(130)</b>

The following sections provide further details on the specific valuation policies that the Company has applied to produce its Solvency II balance sheet.

## Cash and Cash Equivalents

For Solvency II purposes, in addition to the assets held within investment accounts, the cash deposit accounts with a specific maturity date have been classified as Deposits other than cash equivalents (Investments), in line with the Solvency II classifications. For statutory reporting purposes, Wausau has classified all assets held within investment and corporate markets accounts as an investment, with all remaining cash and cash deposits classified as Cash and Cash Equivalents, in line with UK GAAP.

## D2. Technical provisions

### Composition of Technical Provisions

The technical provisions of Wausau at year end 2019 are primarily held for the various expenses that are required to administer the insurance policies. There remains a small risk margin due to the presence of non-hedgeable risk (more specifically, the standard formula charge associated with operational risk). Expenses are therefore the key driver of the technical provisions. There was no material change to the methodology and assumptions applied to calculate the technical provisions and risk margin from 2018.

Technical Provisions	December 2019 Solvency II Value (\$'000)	December 2018 Solvency II Value (\$'000)
Best Estimate	879	1,127
Risk Margin	72	102

It has been assumed that the business will continue for 7 years, on the basis that the business will be wound up at this point. Thus, the cash flows have been projected under this assumption. Note that if management choose to operate the business beyond this point, it will start to erode the free surplus available.

The cash flows have been discounted using the EIOPA basic risk-free curve for USD across all modelling of technical provisions. This has been applied without the use of the Volatility Adjustment.

### Risk Margin

The risk margin has been calculated in accordance with the Solvency II regulations.

A key element of the calculation is the projection of the Solvency Capital Requirement. Given that there is no claims or premium provisions within the technical provisions, the assumption has been taken to run-off the non-hedgeable portion of the SCR according to the expenses profile of the business. This is deemed appropriate as the expenses are the key component of the technical provisions and will dictate the level of risk margin.

As the SCR itself is small in the context of the overall Solvency II balance sheet, and as a function of the SCR, the resulting risk margin calculated is also small.



## Claims provision

Wausau stopped writing insurance business in 1991 and has not received any known claims for over 20 years. In line with the nature of the insurance risks underwritten and the opinions of Senior Management, Wausau do not expect to receive any future claims. It is therefore an assumption within the best estimate that the provisions held with respect to claims is zero.

This assumption has been used over the projection period.

## Premiums provision

All premiums received have been fully earned and no future premiums are expected, so no provision is required with respect to experience on either unearned business or future premiums payable. This is an assumption that is applied throughout the projection period.

## Expenses provisions

Expenses provisions are the most material element of the best estimate liabilities within Wausau, and are calculated using the following methodology:

- 1) All expenses related to the running of the company have been identified and quantified using the underlying contractual agreements (note that all of these contracts are held/with PwC, aside from the audit fees). These expenses are associated with the running of Wausau, and do not pertain to claims expenses (as there are no assumed claims within the future).
- 2) Expenses are split according to their purpose. Note that there is no segmentation required between product lines as Wausau have one product type. The three key expenses are outlined below:
  - a) Audit fees – the annual audit is performed by EY and a fee is agreed annually. This rate is therefore subject to inflation and the competitive nature of the audit industry.
  - b) Ongoing Solvency II support – PwC provide advisory services regarding compliance with Solvency II regulations.
- 3) Given the assumed projection period of the business, the expenses associated with these arrangements have been projected using the following methodologies:
  - a) Audit fees – the audit fee is assumed to remain relatively constant, with an uplift to reflect inflation every 3 years. This is based on PwC's economic assumptions.
  - b) Ongoing Solvency II support – estimated fees provided by PwC assume little change in the scope of services they provide in future years. We have assumed the fee will increase to reflect inflation every 3 years throughout the projection period.

The methodology creates an expected expense profile throughout future years as shown below: Whilst there is a degree of uncertainty involved in any actuarial liability projection, Wausau have assessed the level of uncertainty within the technical provisions as being medium to high. The technical provisions for Wausau on a gross basis (i.e. gross of reinsurance) can be broken down into two key components:

Expenses: The expenses of running Wausau constitute a large proportion of the technical provisions. These can be broken down into three key areas:

- a) Audit fees – the annual audit is performed by EY and a fee is agreed annually. This rate is therefore subject to inflation and the competitive nature of the audit

industry. As these are contractually included, we can be certain that they will be charged as per the agreed amount.

- b) Ongoing Solvency II support – in 2015 we engaged PwC to provide advisory support to comply with Solvency II regulations. These services are charged on a time and materials basis. The engagement is reviewed on an annual basis, including discussions on scope and fees, neither of which we anticipate will change materially for the projection period.

Claims: Wausau stopped writing insurance business in 1991 and has not received any known claims for over 20 years. In line with the nature of the insurance risks underwritten and the opinions of Senior Management, Wausau do not expect to receive any future claims. It is therefore an assumption within the best estimate that the provisions held with respect to claims is zero. It is therefore an assumption within the best estimate that:

We can be confident therefore that if any claims were to arise on this business, no liability will be created due to the reinsurance arrangement. Furthermore, any claims would fall to the handler under a claims handling agreement with a subsidiary of the reinsurer, under which Wausau should not incur any claims handling expenses.

#### *SCR projection simplification for risk margin*

As Wausau do not project the SCR forward using more sophisticated methods, the SCR is projected according to the projected expense profile. This is because the expenses are a major proportion of the technical provisions and will therefore shape the business profile in the future. This is known as the Level 2 simplification as defined within Valuation of Technical Provisions guidelines.

No other simplifications are used in the calculation of technical provisions.

Wausau do not apply approval-dependent provisions of Solvency II.

#### **UK GAAP & Solvency II Reconciliation**

Under UK GAAP Wausau do not hold any reserves as no future claims are expected.

The closed book business held by Wausau Insurance Company is categorised as the “General Liabilities” Line of Business for the purposes of Solvency II. These are mostly comprised of the expenses provisions required to administer and audit the business. There is no claims reserve on a net basis due to the reinsurance agreement with Nationwide, and the recent claims experience.

The risk margin is a relatively small element of the technical provisions due to the comparably small amount of non-hedgeable risk within the Solvency Capital Requirement.

Technical provisions should provide a best estimate of the liabilities, and as such should not include prudence margins – all technical provisions items have been calculated from first principles, and there remains no prudence margins in the assumptions used.

Discounting as stated within “*composition of technical provisions*” section above is conducted in line with the EIOPA provided risk free rate. These rates are term dependent, and do not include adjustments related to the matching adjustment or volatility adjustment (as these are non-applicable to the business of Wausau).

Simplifications – Wausau itself has a simple business model. The approach therefore to modelling reflects this, but there are no specific approximations as outlined within Solvency II guidance.

Uncertainty – Wausau has a very stable business model, given that the policies on which liabilities could emerge at present are not expected to result in claims. The key uncertainty is therefore in the expenses that Wausau will be required to pay in order to ensure that the business is adequately managed. Stress testing has considered events that may cause this to increase throughout the projection period.

Reliability and adequacy of the assumptions used to underpin the Technical Provisions – specific comments regarding the reliability and adequacy of each element of the technical provisions are discussed within this section.

Homogenous risk groups – as policies all fall within the definition of employer’s liability insurance, there is no need to further segregate the policies.

### D3. Other liabilities

<b>\$'000</b>	<b>December 2018 Solvency II</b>	<b>December 2019 Solvency II</b>	<b>Difference Solvency II</b>	<b>December 2018 UK GAAP</b>	<b>December 2019 UK GAAP</b>	<b>Difference UK GAAP</b>
<b>Other Liabilities</b>	335	489	(154)	335	489	(154)

Other liabilities on both balance sheets are an accrual made for professional service fees in 2019 (This relates to the provision of Regulatory services by PwC and the audit of the Statutory Accounts by EY), as well as an intercompany balance.

### D4. Alternative methods for valuation

Wausau does not use any alternative valuation methods.

### D5. Any other information

The company’s management do not consider any other material information regarding the Solvency II valuation of assets and liabilities is required.

## E. Capital Management

### E1. Own funds

Every quarter and annually as part of the ORSA process, Wausau Senior Management review its own funds against the risk profile of the business. This includes review against the MCR and SCR requirements. Any movements in capital are also reviewed against risk appetite.

As part of this process, senior management also consider the best estimate of the future capital requirements of the business against the capital position. Where senior management are concerned there may not be sufficient capital available in the future to meet capital requirements, or in the event of a breach to the SCR / MCR, management would consider all options available to ensure sufficient capital be made available, including but not limited to injecting additional capital into the business.

Wausau's own funds comprise mostly of reconciliation reserves, which are classified as a Tier 1 unrestricted own funds. This includes:

- Sufficient duration;
- Absence of incentives to redeem;
- Absence of mandatory service costs; and
- Absence of encumbrance.

There were no material changes to the capital management processes for Wausau in 2019.

Tier	Instrument(s)	December 2018 (\$'000)	December 2019 (\$'000)	Difference (£'000)
Tier 1	Ordinary paid up share capital	0	0	0
	Reconciliation reserve	4,895	5,149	254
	<b>Total own funds to cover MCR</b>	<b>4,895</b>	<b>5,149</b>	<b>254</b>
	<b>Total own funds to cover SCR</b>	<b>4,895</b>	<b>5,149</b>	<b>254</b>

The primary drivers of the increase in own funds from prior year is as follows:

- Reduction in the annual MCR
- Small increase in the Risk Free interest rates used to discount the future expenses

#### Reconciliation of GAAP Equity and Solvency II excess over assets

	\$'000
Financial reserves and retained earnings from UK GAAP financial statements	6,101
Difference in valuation of Technical Provisions	952

Excess of assets over liabilities under Solvency II	<b>5,149</b>
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The key difference in technical provisions balances arises from recognition of future professional fee payments under Solvency II, which are not included in the UK GAAP balance sheet.

## E2. SCR and MCR

The SCR and MCR as at 31<sup>st</sup> December 2019 and a comparison to prior year is shown in the table below:

	<b>December 2018 (\$'000)</b>	<b>December 2019 (\$'000)</b>	<b>Difference</b>
<b>SCR</b>	691	488	(203)
<b>MCR</b>	4,188	4,127	(61)

### SCR

The SCR is calculated using the Standard Formula as defined within the Solvency II Directive and the Delegated Acts. The calculations have yielded a counterparty risk charge associated with the cash bank accounts with Lloyd's Bank and HSBC.

There is also a non-life capital charge with respect to non-life obligations. Overhead expenses have to be allocated either a claims or premiums provision, which feeds into the calculation of the non-life SCR.

There is also a reinsurance contract with Nationwide, which covers 100% of insurance liabilities. Given that there are no expected claims (as discussed in section D.2), there is no perceived loss given default (given the view of the insurance liabilities), and therefore under Solvency II rules this does not generate a capital charge.

The capital charge relating to currency risk has reduced at year end 2019 due to the continued management of asset and liability matching within the business.

The table below provides a breakdown as at 31 December 2019, of the SCR split by risk category. Further detail is provided in Appendix A (S.25.01.21).

<b>December 2019</b>	<b>\$'000</b>
<b>Market risk</b>	289
<b>Counterparty default risk</b>	9
<b>Life risk</b>	0
<b>Health risk</b>	0
<b>Non-life underwriting risk</b>	290

<b>Diversification</b>	(126)
<b>Intangible asset risk</b>	0
<b>Operational risk</b>	26
<b>Basic Solvency Capital Requirement</b>	<b>488</b>

The Actuarial function have also reviewed the other areas of the where there is no capital required and have deemed this as appropriate.

### **MCR**

The table in Appendix A (S.28.01.01) sets out the information on the inputs used by Wausau to calculate the MCR.

The MCR absolute floor of €3.7m defined by EIOPA is converted at the exchange rate prescribed by the PRA for regulatory reporting purposes, giving rise to an MCR of \$4,126,980.

### **E3. Use of the duration-based equity risk sub-module in the calculation of the SCR**

The duration-based equity risk sub-module is not applicable to Wausau as a General Liability Insurer.

### **E4. Differences between the Standard Formula and any internal model used**

At the present time Wausau do not use an internal model to calculate the SCR and MCR. Wausau do not intend to apply for an internal model. The Standard Formula is deemed appropriate for the risk profile of the business.

### **E5. Non-compliance with the MCR and Non-compliance with the SCR**

There have been no instances of non-compliance with the MCR and SCR by Wausau. Wausau do not anticipate any non-compliance with the MCR or SCR during their business planning horizon or during any stage of run-off. Management continue to monitor the risk of non-Compliance arising from exposure to the EUR exchange rate and its impact on MCR.

### **E6. Any Other Information**

There is no other material information for Wausau to report regarding the capital management.

# Appendix A

## 02.01.02 Balance Sheet

		Solvency II value C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	433
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	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	433
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	-
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	-
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	-
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	6,157
Any other assets, not elsewhere shown	R0420	-
<b>Total assets</b>	<b>R0500</b>	<b>6,590</b>
<b>Liabilities</b>		
Technical provisions – non-life	R0510	952
Technical provisions – non-life (excluding health)	R0520	952
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	879
Risk margin	R0550	73
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	-
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	489
<b>Total liabilities</b>	<b>R0900</b>	<b>1,441</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>5,149</b>

05.01.02 Premiums, claims and expenses

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				Total	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
<b>Premiums written</b>																		
Gross - Direct Business	R0110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Premiums earned</b>																		
Gross - Direct Business	R0210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Claims incurred</b>																		
Gross - Direct Business	R0310	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Changes in other technical provisions</b>																		
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expenses incurred</b>	R0550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161
<b>Other expenses</b>	R1200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	R1300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161



# 17.01.02 Non-life Technical Provisions

	Direct business and accepted proportional reinsurance												accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170		C0180
<b>Technical provisions calculated as a whole</b>	R0010																	
Direct business	R0020																	
Accepted proportional reinsurance business	R0030																	
Accepted non-proportional reinsurance	R0040																	
<b>Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole</b>	R0050																	
<b>Technical provisions calculated as a sum of BE and RM</b>																		
<b>Best estimate</b>																		
<b>Premium provisions</b>																		
Gross - Total	R0060																	
Gross - direct business	R0070																	
Gross - accepted proportional reinsurance business	R0080																	
Gross - accepted non-proportional reinsurance business	R0090																	
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100																	
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110																	
Recoverables from SPV before adjustment for expected losses	R0120																	
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140																	
<b>Net Best Estimate of Premium Provisions</b>	R0150																	
<b>Claims provisions</b>																		
Gross - Total	R0160							879										879
Gross - direct business	R0170																	
Gross - accepted proportional reinsurance business	R0180																	
Gross - accepted non-proportional reinsurance business	R0190																	
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200																	
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210																	
Recoverables from SPV before adjustment for expected losses	R0220																	
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240																	
<b>Net Best Estimate of Claims Provisions</b>	R0250																	
<b>Total Best estimate - gross</b>	R0260							879										879
<b>Total Best estimate - net</b>	R0270							879										879
<b>Risk margin</b>	R0280							73										73
<b>Amount of the transitional on Technical Provisions</b>																		
<b>TP as a whole</b>	R0290																	
<b>Best estimate</b>	R0300																	
<b>Risk margin</b>	R0310																	
<b>Technical provisions - total</b>																		
Technical provisions - total	R0320							952										952
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340																	
<b>Line of Business: further segmentation (Homogeneous Risk Groups)</b>																		
Premium provisions - Total number of homogeneous risk groups	R0350																	
Claims provisions - Total number of homogeneous risk groups	R0360																	
<b>Cash-flows of the Best estimate of Premium Provisions (Gross)</b>																		
<b>Cash out-flows</b>																		
Future benefits and claims	R0370																	
Future expenses and other cash-out flows	R0380																	
<b>Cash in-flows</b>																		
Future premiums	R0390																	
Other cash-in-flows (incl. Recoverable from salvages and subrogations)	R0400																	
<b>Cash-flows of the Best estimate of Claims Provisions (Gross)</b>																		
<b>Cash out-flows</b>																		
Future benefits and claims	R0410																	
Future expenses and other cash-out flows	R0420							879										879
<b>Cash in-flows</b>																		
Future premiums	R0430																	
Other cash-in-flows (incl. Recoverable from salvages and subrogations)	R0440																	
<b>Percentage of gross Best Estimate calculated using approximations</b>	R0450																	
<b>Best estimate subject to transitional of the interest rate</b>	R0460																	
Technical provisions without transitional on interest rate	R0470																	
<b>Best estimate subject to volatility adjustment</b>	R0480																	
Technical provisions without volatility adjustment and without others transitional measures	R0490																	

23.01.01 Own Funds

		Total	Tier 1 -	Tier 1 -	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	0.001	0.001			
Share premium account related to ordinary share capital	R0030					
Initial 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	5,148	5,148			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>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</b>						
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					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	R0290	5,148	5,148			
<b>Ancillary own funds</b>						
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					
<b>Total ancillary own funds</b>	R0400					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	5,148	5,148			
Total available own funds to meet the MCR	R0510	5,148	5,148			
Total eligible own funds to meet the SCR	R0540	5,148	5,148			
Total eligible own funds to meet the MCR	R0550	5,148	5,148			
<b>SCR</b>	R0580	488				
<b>MCR</b>	R0600	4,127				
<b>Ratio of Eligible own funds to SCR</b>	R0620	1054%				
<b>Ratio of Eligible own funds to MCR</b>	R0640	125%				
		C0060				
<b>Reconciliation reserve</b>						
Excess of assets over liabilities	R0700	5,149				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	1				
Adjustment for restricted own fund items in respect of matching adjustment por	R0740					
<b>Reconciliation reserve</b>	R0760	5,148				
<b>Expected profits</b>						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non-life business	R0780					
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790					

## 25.01.21 Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	289	
Counterparty default risk	R0020	9	<del></del>
Life underwriting risk	R0030	-	
Health underwriting risk	R0040	-	
Non-life underwriting risk	R0050	290	
Diversification	R0060	-126	<del></del>
Intangible asset risk	R0070	-	<del></del>
<b>Basic Solvency Capital Requirement</b>	R0100	462	<del></del>

		Value
		C0100
Operational risk	R0130	26
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
<b>Solvency Capital Requirement excluding capital add-on</b>	R0200	488
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	488
<b>Other information on SCR</b>		<del></del>
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

## 28.01.01 Minimum Capital Requirement

### Linear formula component for non-life insurance and reinsurance obligations

		<b>C0010</b>
MCR <sub>NL</sub> Result	<b>R0010</b>	91

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance	<b>R0020</b>	-	-
Income protection insurance and proportional reinsurance	<b>R0030</b>	-	-
Workers' compensation insurance and proportional reinsurance	<b>R0040</b>	-	-
Motor vehicle liability insurance and proportional reinsurance	<b>R0050</b>	-	-
Other motor insurance and proportional reinsurance	<b>R0060</b>	-	-
Marine, aviation and transport insurance and proportional reinsurance	<b>R0070</b>	-	-
Fire and other damage to property insurance and proportional reinsurance	<b>R0080</b>	-	-
General liability insurance and proportional reinsurance	<b>R0090</b>	879	-
Credit and suretyship insurance and proportional reinsurance	<b>R0100</b>	-	-
Legal expenses insurance and proportional reinsurance	<b>R0110</b>	-	-
Assistance and proportional reinsurance	<b>R0120</b>	-	-
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0130</b>	-	-
Non-proportional health reinsurance	<b>R0140</b>	-	-
Non-proportional casualty reinsurance	<b>R0150</b>	-	-
Non-proportional marine, aviation and transport reinsurance	<b>R0160</b>	-	-
Non-proportional property reinsurance	<b>R0170</b>	-	-

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

		<b>C0040</b>
MCR <sub>L</sub> Result	<b>R0200</b>	0

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

### Overall MCR calculation

		<b>C0070</b>
Linear MCR	<b>R0300</b>	91
SCR	<b>R0310</b>	488
MCR cap	<b>R0320</b>	220
MCR floor	<b>R0330</b>	122
Combined MCR	<b>R0340</b>	122
Absolute floor of the MCR	<b>R0350</b>	4,127
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>C0070</b> 4,127