Solvency Financial Condition Report

StarStone Insurance Europe AG (SIE)

STARSTONE

Part of the Enstar Group

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About this document:

General:

This Solvency and Financial Condition Report (SFCR) is prepared by StarStone Insurance Europe (the Company) in accordance with the requirements and principles of Article 35 of the Insurance Directive 2009 commonly referred to as the Solvency II Directive.

Article 35 requires the Company to ensure that its SFCR takes into account:

(a) qualitative or quantitative elements, or any appropriate combination thereof;

(b) historic, current or prospective elements, or any appropriate combination thereof; and

(c) data from internal or external sources, or any appropriate combination thereof.

And that the information referred to shall comply with the following principles:

(a) it must reflect the nature, scale and complexity of the business of the undertaking concerned, and in particular the risks inherent in that business;

(b) it must be accessible, complete in all material respects, comparable and consistent over time; and

(c) it must be relevant, reliable and comprehensible.

The Company's Reporting and Disclosure Policy follows these requirements and principles and the full requirements of the Solvency II Directive as they relate to the SFCR.

The SFCR is subject to the external audit requirements and the Board of Directors is required to approve the submission.

Date approved by the Board:	15 May 2017
Quantitative data as at date:	31 December 2016
Currency:	USD (the Company's functional reporting currency is US Dollars)
Consistency:	This report contains information which is consistent with the Annual Report for the year ended 31 December 2016.

Materiality principle:

The information disclosed in the solvency and financial condition report is considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities.

Company Information:

Registered Office

Zollstrasse 82
9494 Schaan
Liechtenstein

Company Registered Number:
FL-0002.204.512-3

Regulator:
FMA Liechtenstein, Landstrasse 109, 9490 Vaduz, Liechtenstein

External Auditors:
KPMG (Liechtenstein) AG
Landstrasse 99, 9494 Schaan

Summary

Background

StarStone Insurance Europe AG ("the Company") is authorised by the Finanzmarktaufsicht Liechenstein ("FMA") to conduct general insurance business. The Company is ultimately owned by Enstar Group Limited ("Enstar"), a company domiciled in Bermuda and which is publicly quoted on the NASDAQ stock exchange in the USA. The Bermuda Monetary Authority ("BMA") is the Group Supervisor for Enstar and its subsidiaries.

The principal activity of the Company is the underwriting of specialty insurance and reinsurance business.

Business and Performance

The GAAP result of the Company for the year show a net profit on ordinary activities before tax of USD 9.5m (2015 – loss USD 0.5m). The Company's Solvency II technical results for the year, as set out in section A Business and Performance, was a profit of USD 8.3m (2015 – loss USD 2.3m)

The Company's financial performance for the year was positively impacted by lower net losses, lower administrative expenses and higher net premiums. Further detail is provided in Section A.

The Company's Own Funds measured on a solvency II valuation basis increased from USD 29.5m to USD 39.5m at 31 December 2016. The movement of USD 10m is due to the following:

- Profits during the year of USD 9.5m as reported in the Company's audited financial statements which includes investment income and positive technical result.
- Changes in the differences between Solvency II and LI GAAP valuations which decreased Own Funds by USD 0.8m. This was largely due to:
    - Decrease in future cost of reinsurance
    - Increase in premium provisions as a result of an increase in unearned premium reserve (UPR)
    - Decrease in expenses
    - Increase in the net UPR written off
- A decrease in the risk margin which increased Own Funds by USD 1.3m. The risk margin is an estimate of the cost of providing an amount of own funds equal to the Solvency Capital Requirements necessary to support the Company's insurance obligations over their lifetime.

Solvency Position

The Company considers that the Standard Formula methodology prescribed by EIOPA is an appropriate basis for calculating the Company's Solvency Capital Requirement (SCR). Using this methodology, the Company's SCR is calculated to be USD 27.6m (2015 – USD 25.5m). The increase in SCR between 2015 and 2016 is mainly due to an increase in counterparty default risk. The increase in counterparty default risk is mainly due to the KaylaRe reinsurance contract that was entered into during the year.

The following table shows the Company's solvency position as at 31 December 2016, with a comparison to the prior year.

	2016 USD'000	2015 USD'000
Eligible Own Funds	39,532	29,555
Solvency Capital Requirement	27,633	25,493
Minimum Capital requirement	6,908	6,373
Ratio of Own Funds to SCR	143%	116%
Ratio of Own Funds to MCR	572%	464%

Further details of the Company's Own Funds and SCR are provided in Section E.

Systems of Governance

The Company is a specialty insurance provider and the system of governance is proportionate to the nature, scale and complexity of these activities.

The Company has a unitary board comprised of a combination of executives, non-executives, and independent non executives. All executives are selected on the basis of their skills, competence and experience. Together these make up the administrative, management and supervisory body (AMSB) of the Company.

The Company considers that its key functions are:

- Risk management function – dealing with the risk management and internal control systems
- Compliance function – dealing with legal, regulatory, administration and supervisory compliance
- Internal Audit function – dealing with the evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance
- Actuarial function – dealing with reserving & capital modelling and data

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing (where relevant) and reporting. All governance documentation is reviewed at least annually by either an executive committee or the Board according to its nature. Section B provides a more detailed overview of the Company's systems of governance. The Company's IT infrastructure supports all of its key functions.

There have been no significant changes to the Company's systems of governance during the year 2016. In Q1 2017 SISE applied to the FMA re-domicile in Liechtenstein. This was approved in Q2 with SISE now being regulated by the FMA.

Risk Profile

The Company's business model and risk profile has not materially changed over the reporting period and can be summarised with the following risks:

(a) Underwriting Risk
(b) Market Risk
(c) Credit Risk
(d) Liquidity Risk
(e) Operational Risk

(f) Other Material Risk

Other significant events during the SFCR review period having a material impact on the Company on a forward looking basis

On 15 December 2016, and with an effective date of 1 January 2016, the Company entered into a 35% Quota Share reinsurance arrangement with KaylaRe Ltd. KaylaRe is a Bermuda-based Class 4 reinsurer offering a diversified range of specialty reinsurance to the global insurance market. For the year ended 31 December 2016 the Company ceded USD 20.3 million of premium written, USD 7.4 million of net incurred losses and LAE and USD 7.6 million of acquisition costs to KaylaRe Ltd under the KaylaRe-StarStone QS. Enstar Group Limited, the ultimate parent company and the ultimate controlling party of the Company, own approximately 48.4% of KaylaRe's common shares.

During the year, the existing intragroup reinsurance arrangements with the Company's parent, SIBL, were maintained at the same levels, with 100% of technical transactions relating to Discontinued lines of business and 95% of technical transactions relating to Continuing lines of business being ceded.

Section A Business and Performance

A1 Business

StarStone Insurance AG ("the Company") is a limited liability company incorporated in Liechtenstein and StarStone Insurance Bermuda Limited (100%) is the immediate parent company. The Company is ultimately owned by Enstar Group Limited (59%), Stone Point Capital (via Trident V Funds) (39.3%) and Dowling Capital Partners (1.7%). Enstar Group Limited and StarStone Insurance Bermuda Limited are located at Windsor Place, 22 Queen Street, Hamilton, HM11, Bermuda.

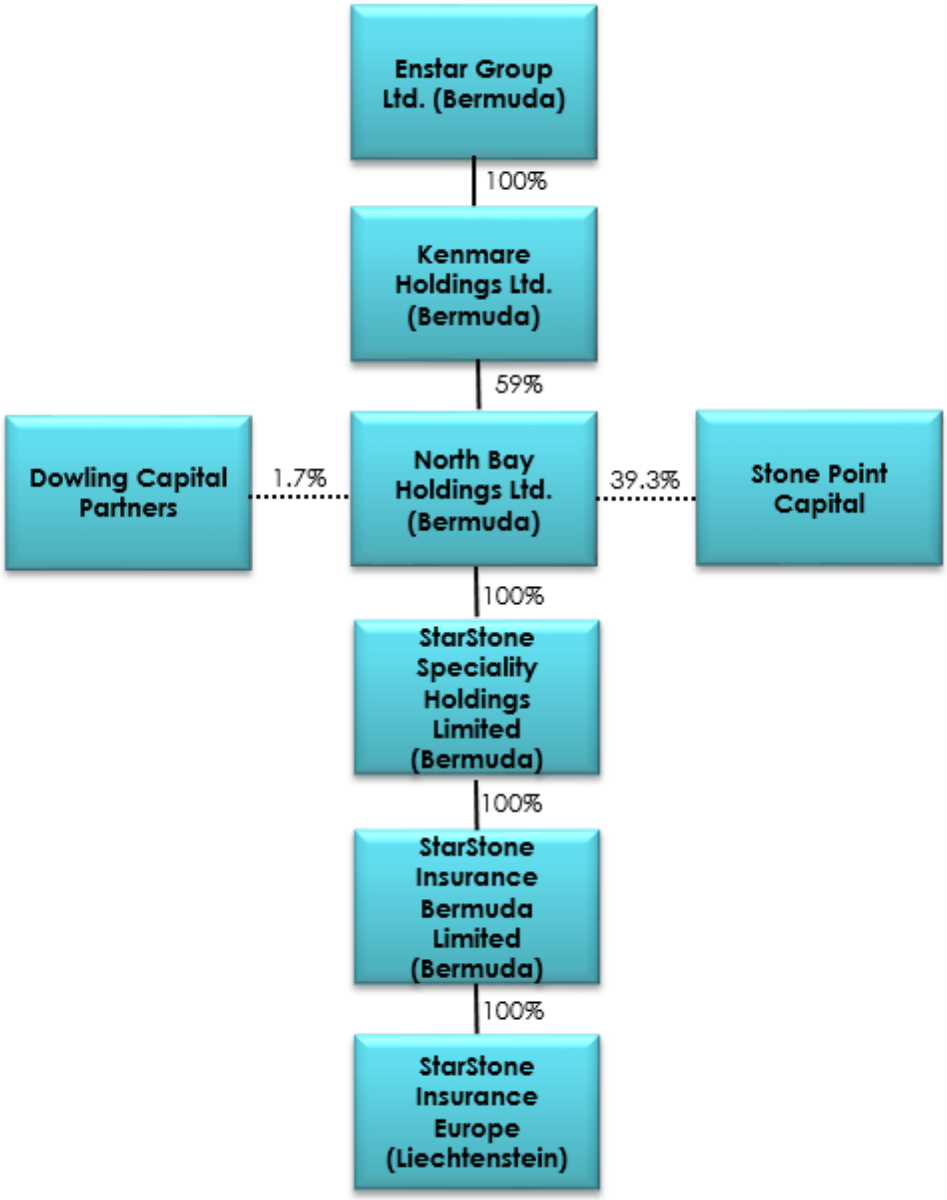
The principle activity of the Company is the underwriting of specialty insurance and reinsurance business. The main lines of business written are: Marine (Hull, Cargo and Liability), Casualty (Directors and Officers, Professional Indemnity and Accident and Health) and Aviation (Airlines and Aviation Products). The Company mainly writes business in continental Europe.

As at reporting reference date, 31 December 2016, the Company was regulated in Liechtenstein by Financial Market Authority (FMA). The FMA is located at Landstrasse 109, 9490 Vaduz, Liechtenstein.

The Company's ultimate parent, Enstar Group Limited, is supervised in Bermuda by the Bermuda Monetary Authority who are located at BMA House, 43 Victoria Street, Hamilton, Bermuda. Further details of the Enstar Group and its operations and entities are available at www.enstargroup.com.

The name and contact details of the Company's external auditor is KPMG (Liechtenstein) AG, Landstrasse 99, 9494 Schaan, Liechtenstein.

The Company's ownership structure is as follows:



Key developments in the year

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During the year, the existing intragroup reinsurance arrangements with the Company's parent, SIBL, were maintained at the same levels, with 100% of technical transactions relating to Discontinued lines of business and 95% of technical transactions relating to Continuing lines of business being ceded.

A2 Underwriting Performance

Below is profit and loss (technical) by Solvency II lines of business

Figures expressed in USD'000	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	For the year ended 31 December 2015
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Casualty	Marine, aviation and transport	Property		
Premium written								
Gross - Direct Business	32,532	893	11,987				45,412	
Gross - Proportional reinsurance accepted	15,927	1,710	601				18,238	66,989
Gross - Non-proportional reinsurance accepted				784	3,262	1,209	5,255	
Reinsurers' share	45,615	2,450	11,848	738	3,071	1,138	64,860	66,297
Net written premium	**2,844**	**153**	**740**	**46**	**191**	**71**	**4,045**	**692**
Premium earned								
Gross - Direct Business	34,950	1,231	10,988				47,169	
Gross - Proportional reinsurance accepted	24,151	1,015	440				25,606	93,956
Gross - Non-proportional reinsurance accepted				769	4,301	667	5,737	
Reinsurers' share	56,635	2,153	10,951	736	4,122	639	75,236	92,699
Net earned premium	**2,466**	**93**	**477**	**33**	**179**	**28**	**3,276**	**1,257**
Claims Incurred								
Gross - Direct Business	16,514	543	9,033				26,090	
Gross - Proportional reinsurance accepted	15,502	16	(43)				15,475	82,623
Gross - Non-proportional reinsurance accepted				(34)	2,371	443	2,780	
Reinsurers' share	33,097	578	9,294	(35)	2,451	458	45,843	80,671
Net claims incurred	**(1,081)**	**(19)**	**(304)**	**1**	**(80)**	**(15)**	**(1,498)**	**1,952**
Expenses incurred	**(6,055)**	**146**	**(963)**	**31**	**(440)**	**(136)**	**(7,417)**	**1,635**
Net technical result	**9,602**	**(34)**	**1,744**	**1**	**699**	**179**	**12,191**	**(2,330)**
GLR	**54%**	**25%**	**79%**	**-4%**	**55%**	**66%**	**56%**	**88%**
NLR	**-44%**	**-20%**	**-64%**	**3%**	**-45%**	**-54%**	**-46%**	**155%**

The Solvency II technical result of the Company for the year was a net profit of USD 8,346k (2015 - loss USD 2,330k).

The Company's financial performance for the year was positively impacted by lower net losses, lower administrative expenses and higher net premiums.

Gross premiums written were 3% higher in 2016 as compared to 2015 with the motor property damage, Accident and Health business, new to the Company in April 2015, adding additional premium with its first full year of underwriting.

Marine, Aviation and Transport Insurance continued to be the main class of business written by the Company representing 70% of total gross premiums written for the year. Within this class, Airlines and Products continued to experience rate reductions as the soft rating market persists. As a combined class, rate reductions were on average 6% down in the year. The class of business experienced a relatively benign loss record compared to the number of large losses incurred in 2015.

The Marine, Aviation and Transport Insurance class also includes Hull, Cargo and Liability lines. Overall, premium rates for these lines were generally stable with total premiums written in 2016 higher with additional premium coming from the European motor property damage business written for the first time in 2015 via an acquired agency. The existing marine book written across the network of European offices also showed an increase in premium following a successful change in strategy in 2015.

The Company's General Liability class includes Directors and Officers, Professional Indemnity and Accident and Health risks. Premiums in this class represented 18% of the total gross premiums written by the Company in 2016 at USD 12,588k.

In 2016 the Company has also written USD 4.6m of new premium sourced from a multi-class London market master facility. The multi-class facility writes across a diverse range of lines of business following approved leaders in the market.

The net loss ratio incurred by the Company on a Solvency basis was -46% in 2016 as compared with 155% in 2015. 2016 has been a relatively benign year for losses with 2015 being impacted by a number of large airline losses including German Wings A321, Asiana and Lufthansa.

Below is the summary profit and loss (technical) by material countries

Figures expressed in USD'000	Liechtenstein	United States of America	France	Italy	Netherlands	Russia	Total
Premium written							
Gross - Direct Business	-	17,168	14,462	11,144	702	1,886	45,362
Gross - Proportional reinsurance accepted	-	917	221	-	6,569	2,782	10,489
Gross - Non-proportional reinsurance accepted	-	639	36	-	1,071	1,962	3,708
Reinsurers' share	-	17,625	13,855	10,490	7,852	6,241	56,063
Net written premium	-	**1,099**	**864**	**654**	**490**	**389**	**3,496**
Premium earned							
Gross - Direct Business	-	9,765	14,360	9,609	881	12,453	47,068
Gross - Proportional reinsurance accepted	-	923	279	-	6,901	2,127	10,230
Gross - Non-proportional reinsurance accepted	-	640	46	-	1,125	1,164	2,975
Reinsurers' share	-	10,855	14,072	9,208	8,535	15,088	57,758
Net earned premium	-	**473**	**613**	**401**	**372**	**656**	**2,515**
Claims Incurred							
Gross - Direct Business	-	6,975	11,628	4,209	(1,164)	4,379	26,027
Gross - Proportional reinsurance accepted	-	213	2,517	-	7,803	(145)	10,388
Gross - Non-proportional reinsurance accepted	-	35	793	18	1,243	(101)	1,988
Reinsurers' share	-	6,840	14,147	4,003	7,465	3,915	36,370
Net claims incurred	-	**383**	**791**	**224**	**417**	**218**	**2,033**
Expenses incurred	-	**(4,058)**	**(1,317)**	**(789)**	**373.00**	**678.00**	**(5,113)**

A3 Investment Performance

The Company's investment income (gross of expenses) for the year was USD 662k (2015 – USD 314k) which is analysed in table below (expressed in USD'000)

Figures expressed in USD'000	2016				2015			
Asset category	Interest	Net gains and losses	Unrealised gains and losses	Total	Interest	Net gains and losses	Unrealised gains and losses	Total
Government bonds	62	36	(23)	**75**	35	22	(22)	35
Corporate bonds	418	46	8	**472**	429	(218)	(39)	172
Collateralised securities	230	(82)	(49)	**99**	266	(94)	(72)	100
Cash and deposits	16	-	-	**16**	7	-		7
Total	**726**	-	**(64)**	**662**	**737**	**(290)**	**(133)**	**314**

There was in improvement of investment income during the year compared to 2015 and this was mainly driven by a slight increase in interest income and a reduction in realised and unrealised losses.

There were no gains or losses recognised directly in the Company's equity.

The Company holds the majority of its investments in US dollar denominated instruments and in the following proportions.

	2016		2015	
Asset Categories	Amount USD'000	Proportion %	Amount USD'000	Proportion %
Government bonds	2,765	8%	3,966	10%
Corporate bonds	12,640	35%	16,495	41%
Collateralised securities	5,868	16%	7,586	19%
Deposits other than cash equivalents	7,559	21%	-	-
Total investments	**28,832**	**80%**	**28,047**	**70%**
Cash and cash equivalents	7,147	20%	11,994	30%
Cash and investments	**35,979**	**100%**	**40,041**	**100%**

The Company holds 16% of its investment in securitised securities and these are mainly asset-backed and mortgaged-backed securities. These investments are mainly those issued by US agencies, Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

A4 Performance of other activities

The company reported a foreign exchange gain of USD 946k (2015 – USD 1,416k) due to changes in the value of the US dollar against other currencies.

A5 Any other information

Nothing else to report.

Section B System of Governance

B1 General information on the System of Governance

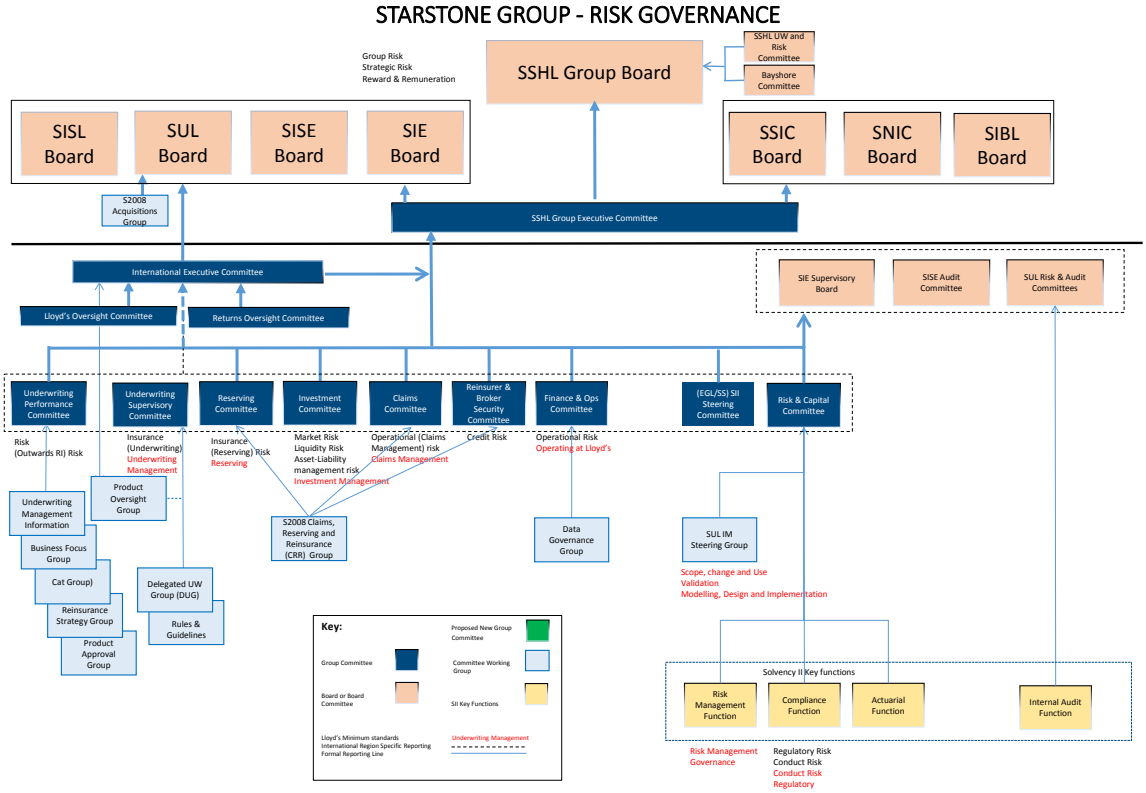
The Company's system of governance is proportionate to the nature, scale and complexity of the company's activities. The Company has a unitary board comprised of a combination of executives, non-executives, and independent non executives. All executives are selected on the basis of their skills, competence and experience. Together these make up the administrative, management and supervisory body (AMSB) of the Company.

Governance Structure

The StarStone International entities (SISE, SIE, SUL and SISL) share an executive committee referred to as the "International Executive Committee". This Committee may constitute and dissolve working groups as it considers appropriate to address particular business concerns or needs.

Functional business units report directly to the respective Board and Audit Committee, (i.e. each entity Board retains oversight and responsibility for the respective Company's activities), via an Executive Director.

The structure of Management Committees and their reporting lines are shown in the Risk Governance diagram below:



Each Management Committee is operationally responsible for their respective risk categories as detailed in their terms of reference. Group risk, strategic risk and reward & remuneration are retained by the Board. It is the responsibility of the relevant Management Committee to maintain the appropriate policy and procedures documentation.

The Supervisory Board is an exception to these conditions and operates as an independent Committee.

The governance structure provides for effective decision making by allocation of segregated responsibilities and accountability which provides for operational independence between functional responsibilities.

No material changes were made to the governance structure during the reporting period. In Q1 2017 SISE applied to the FMA re-domicile in Liechtenstein. This was approved in Q2 with SISE now being regulated by the FMA.

During the year, the existing intragroup reinsurance arrangements with the Company's parent, SIBL, were maintained at the same levels, with 100% of technical transactions relating to Discontinued lines of business and 95% of technical transactions relating to Continuing lines of business being ceded.

Key Functions

The Company considers its key functions to be comprised of:

Risk Management

The Company has a separate Risk Management Function. This reviews the effectiveness of the activities and processes undertaken to identify, measure, monitor, manage and report on risk exposures and internal controls. The Risk Management Function challenges risk owners, control owners and senior management on the effectiveness of such activities and methodologies and escalates areas of significant concern to the relevant risk-owning committee, the risk and capital committee or to the Board as appropriate.

Annually, as part of the business planning process, the risk management function produces an Own Risk and Solvency Assessment (ORSA report) for the Company. This assesses the Company's overall solvency needs, taking into account the specific risk profile; approved risk tolerance limits; and the business strategy of the undertaking. It also considers its compliance, on a continuous basis, with the capital requirements and the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the Solvency Capital Requirement. In the event of a significant change in the Company's risk profile the Risk Management Function would perform another ORSA assessment for the Board.

Compliance Function

The Company has a separate Compliance Function advising the Board and other Committees on compliance with the laws, regulations and administrative provisions. The Compliance Function also includes an assessment of the possible impacts of any changes in the legal environment on the operations of the Company.

The Company has an effective control system which includes administrative and accounting procedures, an internal control framework and appropriate reporting arrangements at all levels.

Internal Audit Function

The Internal Audit Function within the Company is a Group function, independent of the Board and other functions. Their work is governed by an annual audit plan, which is agreed with the Audit Committee.

The internal control system (further described in section B4) and other areas of the system of governance are subject to periodic evaluation of their adequacy and effectiveness. The results of these evaluations are reported to the Audit Committee and the Board.

Actuarial Function

The Company has a group Actuarial Function that undertakes the reserving valuation; ensures the appropriateness of the assumptions made in the reserving process; assesses the sufficiency and quality of the data used in the valuation; and compares best estimates against experience.

The Actuarial Function produces a written report (the Actuarial Function Report) to the Reserving Committee and the Board informing them of the reliability and adequacy of the valuation. In the Actuarial Function

Report the Actuarial Function also opines on the underwriting policy and the adequacy of reinsurance arrangements.

Key Function Responsibilities

All key functions maintain organisational charts which describe the reporting lines and the level of resources and independence between key functions.

It is the responsibility of the relevant Key Function owner to maintain the appropriate policy and procedures documentation which incorporates the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing (where relevant) and reporting. All governance documentation is reviewed at least annually by either the Executive Committee or the Board according to the relevant terms of reference.

Remuneration

Remuneration is determined in accordance with the Group remuneration policy which is applies to employees, but not to external directors whose remuneration is set directly by the Board. The Group Remuneration Committee oversees the remuneration policy. The policy is designed to achieve the following:

- To attract, develop and retain the appropriate calibre of staff necessary to deliver the Company's key business strategies
- To provide employees with a competitive and market-aligned remuneration package which includes compensation made up of an appropriate balance of fixed and variable components
- To create a strong positive performance ethic within a risk aware environment
- To reward achievement of meaningful goals and objectives over both the short and long term
- To reflect the Company's objectives for sound and corporate governance and risk management including not to encourage excessive risk-taking and to avoid conflicts of interest
- To align with the business strategy of the Company and the Enstar Group

For all full time employees, the remuneration policy and practice provides for:

- An annual appraisal and performance review;
- A balance of fixed and variable performance-based remuneration;
    - The fixed remuneration component of the total remuneration package forms a sufficiently high proportion of the total compensation to ensure that conflicts of interest are avoided and excessive risk taking is not encouraged;
    - Variable compensation is discretionary and can include the possibility of a bonus not being paid to an individual;
    - Variable element is not excessive;
    - In certain circumstances, a material element of the variable compensation may be deferred for a minimum of three years;
- The employer's contribution to a defined contribution 3rd party administered pension scheme;
- Certain SAYE and salary sacrifice schemes;
- Certain medical and related service benefits; and
- A range of employee engagement benefits such as sports club, CTW scheme etc.
  Severance payments are related to performance achieved over the whole period of activity and are designed in a way that does not reward failure

B2 Fit and Proper Requirements

The Company has arrangements in place to ensure the fitness, competence and propriety of persons effectively running the business (as set out in the Governance map) and other employees who work in the business.

All employees operate under a 'Fit and Proper' policy and are subject to certain codes of conduct and other policies which relate to:

- Skills, qualifications, competency & experience;
- Effective decision making procedures, reporting lines, functional responsibilities;
- Effective co-operation, internal reporting and communication;
- Awareness of procedures for the discharge of responsibilities including the avoidance and prevention of financial crime;
- Production of complete, reliable, timely information on activities and risks exposed;
- Maintenance of orderly records of the business and internal matters;
- Safeguarding of security, integrity and confidentiality of information; and
- Avoidance / disclosure of conflicts of interest.

Employees are required to comply with the Company's System of Governance, the Governance Map, and related policies (which may include Enstar Group policies). Fitness and propriety and adherence to policies and procedures is assessed on an annual basis as part of the employees' performance review. An annual Board performance and effectiveness review is also undertaken.

Key other human resources policies and processes which relate to the Fit & Proper requirements are:

- Employment manual;
- Code of Conduct and Ethics;
- Financial Crime Training;
- Record Keeping; and
- Remuneration Policy.

Notification of failure to meet ongoing Fit and Proper Requirements

Directors and Senior Managers must immediately inform the Compliance Department of any event that may result in them no longer being able to meet the Fitness and Propriety criteria.

Where it has been assessed that a Director or Senior Manager is no longer fit and proper for a position, the Board of the relevant company shall take reasonable steps to remove the person from such position as soon as practicable and in the interim, institute necessary measures to mitigate risks associated with the person continuing to hold the position.

B3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

As noted in section B1, Risk Management is one of the key functions. The main responsibilities of the Risk Management Function are:

- To maintain an appropriate culture and the infrastructure for risk management processes for identifying, assessing, managing and monitoring risk for the Company;
- To integrate risk management with strategy setting and business planning and provide guidance and direction to the Company and its Board on risk management matters;
- To develop, maintain and report on the Company's risk appetite framework;
- To review and oversee the risk reporting process ensuring appropriate information is presented to senior management and Board;

- Performance of the firm's Own Risk and Solvency Assessment (ORSA). This is to be carried out jointly with the appropriate executives; and
- To report any issues to the Risk and Capital Committee (RCC) and assist the RCC to execute their responsibility for establishing an appropriate, consistent and co-ordinated approach to Risk Management and ensuring the risks are monitored and reviewed as appropriate.

Effective risk oversight is a priority for the Company Board and there is a strong emphasis in place on ensuring we operate a robust risk management framework to identify, measure, manage, report and monitor risks that affect the achievement of all strategic, operational and financial objectives.

The overall objective of the Risk Management system and framework is to:

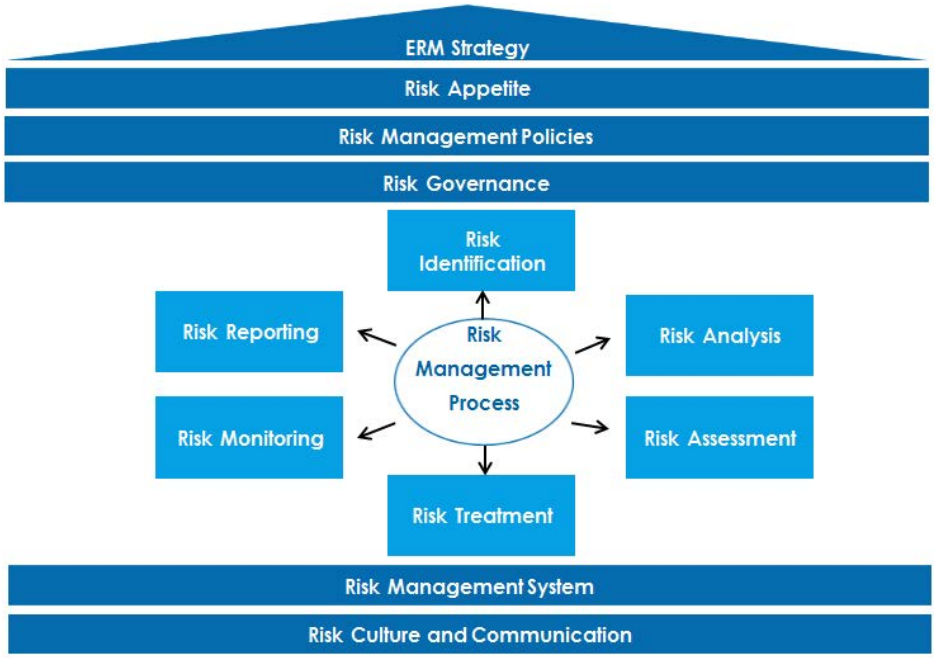
- Support good risk governance;
- Support the achievement of business objectives and provide overall benefits to the Company; and
- Add value to the control environment.

The Company uses its risk management capabilities in a strategic context to support the following three activities related to the Group's operations:

- Identify, assess and measure risks to understand value creating and value destroying risks and their associated risk levels for the purpose of capital allocation and business planning;
- Establish a risk appetite and underlying risk tolerances for key risks undertaken for the purpose of maintaining and controlling risk levels to be aligned with the Groups' business strategy; and
- Monitor and report risk levels and returns relative to those risk levels as a key means to evaluate the Group's performance and business strategy.

The Risk Management Framework (RMF) consists of numerous processes and controls that have been designed by senior management and the risk management team with oversight by the Board and its Committees, and implemented by employees across the organization. Risk assumption is inherent in the business (and supporting strategies) and appropriately setting risk appetite and executing business strategies in accordance therewith is key to performance.

The key components of the RMF are as follows:



Risk Appetite

Our risk appetite considers material risks relating to, among other things, strategic risk, insurance risk, market risk, liquidity risk, credit/counterparty risk, operational risk, and regulatory/reputational risk. Our risk appetite is established at the Group level and represents the amount of risk that we are willing to accept compared to risk metrics based on our shareholders equity, capital resources, potential financial loss, and other risk-specific measures. Risk levels are monitored and any deviations from pre-established levels are reported in order to facilitate responsive action.

Risk Management Policy

The Company maintains a number of specific Risk Management Policies. It is the policy of the Company and each of its subsidiaries to:

- Be proactive and consistent in their approach to the identification, assessment and management of risks across operations;
- To manage risks within the limits of its prescribed risk appetite; and
- To notify the relevant entity Board, Management Committee and the Risk Management Function where events may have, or are likely to, breach risk appetite.

Risk Governance

The Board are ultimately responsible for establishing and maintaining a sound Risk Management Framework.

The Company operates a three lines of defence model in providing assurance to the business over the effectiveness of its Risk Management framework.

Board (oversight)		
1st Line	**2nd Line**	**3rd Line**
• Management Committee(s) • Risk Owners • Control Owners	• Risk and Capital Committee • Risk Management Function • Compliance Function • Actuarial function	• Internal Audit • External Audit
Board(s)	• Business & Risk Strategy • Overall Risk Appetite(s) • Approves Business Plan(s)	
1st Line	• Control & Risk owners – those managing risk on a day to day basis • Management Committees (Risk Dashboard, Minimum standards, Policy and process review)	
2nd Line	• Risk management risk overview • Scenario setting • Risk reports and ORSA's	
3rd Line	• StarStone entity audit committees • Enstar Group Limited Audit Committee • Internal Audit/External Audit reports	

Adopting this framework ensures appropriate ownership of the risk from the business and allows for sufficient challenge from the second and third lines.

Risk Management System

The Company's risk and control registers are maintained and managed in the risk management software system which records:

- Key business activities/ processes identified in discussion with management and recorded in process flow/policy documentation;
- Risks associated with those business processes and the relevant risk owners;
- Controls that are in place to mitigate those risks and the relevant control owners;
- Quarterly risk assessments – Inherent (gross) i.e. before controls and residual (net) after controls;
- Actions generated and their status; and
- Key Risk Indicators – measures actual against tolerance.

The Risk Management System acts as an interface between the business functions (with risk and control owners), the Risk Management Function and the Board and Senior Managers. Risk Managements system is aligned with the key processes from which risk may arise, therefore the design of the system allows the Company to effectively identify, measure, monitor, manage and report, on a continuous basis, the risks on an individual and aggregated level.

A feedback loops operates such that conclusions and actions (which are all recorded and shared through the ORSA and risk reporting) ensure that Risk Management attention can be directed to improvements or remediation.

The system therefore allows the Risk Management Function:

- To be proactive and consistent in their approach to the identification, assessment and management of risks across operations;
- To ensure risks are managed within the limits of the Company's prescribed risk appetite; and
- To notify the relevant governance body where events may have, or are likely to, breach risk appetite.

On a quarterly basis the Board receives a risk report which is discussed with members of the Risk Management Function. Minutes of the discussions are circulated and actions included in future meetings.

Emerging Risk Management

Emerging risks are defined as 'Risks which may develop or which already exist that are difficult to quantify, may not be fully understood and may have a high future loss potential. They are marked by a high degree of uncertainty'.

Although such risks are associated with a high degree of uncertainty they are monitored by the relevant risk owner(s) via the standard risk assessment process.

The following step process for example is followed for the management of emerging risks:

- Evaluate the scope of a specific risk (from economic, technological, environmental and socio-political developments);
- Assess the most probable areas of impact to the Company and the likelihood and speed of emergence;
- Assign responsibilities and report to the appropriate governing bodies;
- Establish guidelines (if appropriate);
- Determine the response and business strategy regarding a specific risk; and

- Establish risk appetite/tolerance regarding a specific risk.

Own Risk and Solvency Assessment

In order to demonstrate appropriate solvency and sound risk management strategies the ORSA framework incorporates assessment of the following:

Annual Business Processes	Ongoing Business Processes
• Strategy Setting & Business Planning • Risk Appetite/Tolerance Setting • Risk Identification & KRIs • Stress & Scenario Analysis • Financial Risk Mitigation Analysis • Reverse Stress Testing • Technical Provisions Calculation • Own Fund Projections • Capital Management/Liquidity Contingency Plans • Comparison of relevant Regulatory, Rating Agency and Economic Capital measures to determine risk coverage appropriateness and solvency • Review of overall annual exceedance and/or adherence to stated strategic risk profile • Strategic opportunity assessment	• Strategy Setting & Business Plan Risk Monitoring • Risk Appetite/Tolerance Monitoring • Risk Identification, Assessment & Monitoring • Emerging Risk Identification, Assessment and Management • Internal Control Assessment & Monitoring • Stress and Scenario Assessment • Own Fund and Solvency Assessments • Review of compliance with relevant Regulatory Capital Requirements • Technical Provisions Assessment & Monitoring, including compliance with requirements • Data Quality Assessments

Through an iterative process of information gathering, output and use, the Company seeks to develop the ORSA to support its strategic plans and objectives within the context of a consistent and company-wide view of the potential risks and solvency impacts, and the Company's appetite and tolerance to assuming such risks.

The ORSA process and report are an integral part of the business planning cycle providing an assessment of the risk associated with elements of the plan and corresponding solvency capital required for the short and long term using different scenarios and relative to the company's appetite for risk. The ORSA contributes further to the business planning cycle by facilitating understanding of the company's risk profile as planned into the future, identifying risk drivers and their relationship with the company's risk appetite and the capital resources required to support current and emerging risks.

The ORSA process is the combination of the processes by which the Board satisfies itself that it has appropriate capital (or plans for managing capital) in order to support the business and its risks on a forward looking long-term basis and credible processes for managing risks. The ORSA is the means by which management demonstrates to the Board that the risk profile and risk based capital position of the company is clearly reflected and understood and the results have been validated.

The ORSA policy sets out the process for determining its capital needs linked to its risk profile. The risk profile is determined by the Company with the assistance of the Risk Management Function and is recorded in the Risk Management System. The Company uses the Standard Formula according to the requirements and also performs an Own Economic Capital Assessment (OECA) and reports both measures in the ORSA. An appropriateness exercise is performed on the main capital drivers which ensures that risks are considered alongside, capital and the appropriateness assessments. A forward looking assessment of both the capital measures is made and actual performance is compared with forecast over time.

The Risk Management System records the Company's risk profile and (following management discussions) allocates risk ownership to individuals who are required to assess, monitor and sign off on a quarterly basis.

The Risk Management System has a similar process for recording internal controls which are matched to risks. The data in the Risk Management System is analysed and reported to the Board on an annual basis through the ORSA.

The ORSA process operates continuously throughout the course of the business year and ORSA reports are produced on an annual and ad hoc basis:

- A full annual ORSA is produced in line with the annual business planning process and the setting of regulatory capital. The ORSA report will be provided to the entity Board on at least an annual basis;
- A summary 6 monthly ORSA is produced mid-way through the ORSA cycle reflecting SCR calculation, risk monitoring, risk appetite statements and ad hoc analysis performed during the period since the full ORSA;
- Continual Ad hoc ORSA reporting – following the occurrence of a trigger event; the ORSA processes are performed to assess the impact of the event on the risk profile and capital and solvency position. The ORSA processes performed will be proportionate to the significance of the trigger event and may result in an ad hoc ORSA report.

The annual ORSA is approved by the Board for submission to the FMA and is not a public document.

Standard Formula Appropriateness

Standard Formula appropriateness is reviewed annually in conjunction with the ORSA production. To ensure sufficient focus is given to the process of verifying appropriateness of the Standard Formula for use by the Company, a working group of the Risk and Capital Committee is formed to oversee the work performed and the documentation of the detailed results. The working group consists of Subject Matter Experts (SME's) for the risk areas under review, along with Risk Management and Compliance.

To ensure each risk area is considered equally, meetings and detailed reports are produced for each risk area (i.e. Insurance Risk, Counterparty Default Risk, Investment Risk and Operational Risk). A separate report has also been produced for risks explicitly not covered by the Standard Formula (e.g. Liquidity Risk).

The analysis of each area includes qualitative comparison of the risks on the Company's risk register and those explicitly included in the Standard Formula assumptions.

B4 Internal Control System

The Company has an effective internal control environment which is established and governed through the Internal Control Policy & Procedures. These apply to all functions including the administrative, accounting and reporting arrangements of the Company.

There are a number of components to the internal control system which operate alongside the Risk Management System (which is described in the section above). Internal controls operate at many different points in the Company's business but can be summarised as follows:

- Each key function is required to document its operational procedures – these are owned by the relevant function heads, reviewed at least annually and approved by an executive body;
- Each key process across all key functions are required to have process flow documentation which is owned and approved by the function head in which the relevant process is located;
- All relevant controls are documented within the arrangements above and then recorded in the internal control library (which is within the risk management system) and given a control owner (who will usually be reporting to the function head). Some of these controls are required for Group financial reporting under Sarbanes Oxley. All of these controls are then matched to the risks described in the risk register;

- On at least a quarterly basis control owners assess the operation and effectiveness of the control operation and make an attestation which is recorded and filed. The control owner is encouraged to make any relevant comments about the control and may record its operation as 'effective', 'partially effective' or 'ineffective'. Any record of the control not being effective requires a narrative explanation to be included within the assessment;
- The Internal Audit Function may, from time to time, assess the operation of the controls and raise a report that suggests improvements can be made to the internal control environment. These are raised by way of an open action which is also recorded in the Risk Management System. An annual audit plan is agreed between the Company and the Internal Audit Function. Over the several iterations of the audit plan, all key functions will be audited;
- The operation and effectiveness of internal controls is fundamental to the accurate assessment of the risks facing the Company – which is done both before ('inherent') and after ('residual') internal control operation. The Company therefore can assess the impact of internal control problems or failures (if any) on the risk profile; and
- Each quarter there is a process which starts with internal control attestation followed by risk attestation by which the risk owners can see the internal control operation prior to risk sign off. The data is then fed through to a series of dashboards through the risk management system and this is then included in the reporting to the Board together with risk and solvency information.

Compliance Function

The Company has an effective Compliance Function which is established through the following governance arrangements:

- Compliance Function Terms of Reference; and
- Compliance Plan / Calendar.

The Compliance Function is directed by the EU Head of Compliance who reports to the Group Head of Compliance.

The Compliance Function are responsible for adherence to all local regulatory requirements, anti-money laundering, anti-bribery and corruptions, sanctions screening and complaints handling.

The EU Head of Compliance also undertakes the following responsibilities:

- Ensuring that the firm has complied with its obligations to satisfy itself that every person who performs a key function is a fit and proper person;
- Policies and procedures for the induction , training and professional development of all members of the firm's governing body; and
- Induction, training and professional development for all the firm's key function holders.

B5 Internal audit function

The Internal Audit Function is a shared Group function which is established by the Board. Internal Audits' responsibilities are defined by the Audit Committee of the Board as part of their oversight function.

The role of Internal Audit is to review, assess and report on the adequacy and effectiveness of the organisation's internal risk management and control environment through audit review and consultancy work. Internal Audit also assist the Audit Committee in discharging its responsibilities in respect of governance.

Internal Audit liaises with the External Auditors to foster a co-operative and professional working relationship, optimise audit coverage while as far as possible avoiding the duplication of audit efforts. Internal Audit share with the External Auditors information such as internal audit work plans and reports produced.

Internal Audit assist in enabling the Chief Executive Officer and Chief Finance Officer in discharging their Sarbanes-Oxley (SOX) responsibilities through review and testing of key control activities.

It is the responsibility of the Head of Internal Audit to ensure that the function retains or has access to sufficiently skilled resource to complete each task undertaken. Due to a change in management the permanent position of Head of Internal Audit was unoccupied over the period of year end, this position was filled by a deputy until an interim Head of Internal Audit was in situ.

Internal Audit activities remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, as such they do not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited. The Head of Internal Audit confirms annually to the Boards the organisational independence of Internal Audit.

B6 Actuarial Function

The Actuarial Function is a group function. However, care is taken to ensure that the Company has in place sufficient governance arrangements to ensure that technical provisions (in particular) are determined within the governance framework of the relevant regulated entity. Therefore:

- When external actuaries are engaged, their work products will always include entity level results;
- Final decisions on the technical provisions are reviewed and agreed by the StarStone Group Reserving Committee which has this authority duly delegated to it by the relevant Entity Boards; and
- Each entity in the StarStone Group has a dedicated Chief Actuary.

Annually, for each entity the Actuarial Function must provide a written report (the Actuarial Function Report) to the Board. The report documents the tasks that have been undertaken, clearly stating any shortcomings identified and providing recommendations as to how the deficiencies could be remedied.

The Actuarial Function Report will also include an opinion on the Entity's Underwriting Policy, the adequacy of the Entity's reinsurance arrangements, including interrelations between them and the technical provisions. The report is reviewed by the Reserving Committee and the Company's Board.

Each Entity Board, Entity Audit Committee, the StarStone International Executive Committee, Underwriting Committee, Reserving Committee, Internal Modelling Steering Group have direct oversight and review responsibility for the respective work product arising from the Actuarial Function.

The StarStone Insurance Chief Actuary and Reserving Actuary are independent of the business; have a management reporting line into the Chief Executive Officers (in respect of the Chief Actuary) and report into the StarStone International Executive Committee. The CEO/Managing Director sit on the relevant Entity Board and are members of the StarStone International Executive Committee.

Actuarial Pricing

The International Head of Pricing is responsible for pricing for the Company, and reports to the Group Head of Pricing. Inappropriate pricing, whether too high or too low, would have a detrimental effect on both StarStone's business and its customers. The International Head of Pricing and Group Head of Pricing report to the Group Actuarial Function which is detailed above.

B7 Outsourcing

The Company has a number of outsource arrangements which are managed according to the Outsource Policy & Procedures, including activities outsourced into other Group activities. The main outsource arrangement is with Enstar EU Limited (EEUL) which is a UK based associate entity.

The purpose of the Outsourcing Policy & Procedures is to set out and explain the steps and actions that need to be performed by the Company to ensure that a common set of procedures are performed in all relevant jurisdictions to govern the selection, acceptance, maintenance and on-going monitoring of contractual relationships with suppliers and outsource service providers whilst ensuring compliance with our internal control framework and reporting requirements.

The objective is to set out the procedures necessary to ensure that:

- An objective and consistent framework is used when assessing potential and selecting preferred suppliers and outside service providers;
- Outsourcing decisions are based on sound risk management processes;
- Conflicts of interest are identified, managed and where possible avoided;
- Compliance with all applicable legal and regulatory outsourcing obligations (including prior regulatory approval, if necessary); and
- The appropriate level of governance, internal control environment, performance review and management practices are established on an on-going basis.

Management is responsible for ensuring, for the relevant subsidiary or business function, that:

- Each supplier/outsourcing relationship supports the Company's overall requirements and strategic plans;
- The supplier/provider has sufficient expertise to oversee and manage the relationship;
- The prospective suppliers/providers are evaluated based on the scope and criticality of the services;
- The risks associated with the use of suppliers/outsource service providers for the Company's critical operations are fully understood and appropriately managed;
- An oversight program is in place to monitor contractual performance that is proportionate to the assigned composite risk score;
- That potential conflicts of interest are identified, managed and mitigated; and
- That the supplier/OSP understand their broader responsibilities.

At a minimum, 'high risk' relationships are reviewed to ensure that these expectations are met. Legacy or inherited outsourcing arrangements are reviewed during the transition phase.

In accordance with local laws and FMA requirements, all outsourcings relating to SIE have been approved by the FMA.

B8 Any other information

Adequacy of the System of Governance

The Board is responsible for establishing an appropriate System of Governance. This has been carried out through discussions with internal and external parties (including the regulator/supervisor). The current system of governance arrangements is considered proportionate to the nature and complexity of the business.

A Board Effectiveness Review is conducted on an annual basis by an independent party. This review focusses on the following areas:

- Structure, composition and leadership of the Board;
- Formal oversight arrangement, records and responsibilities – including performance management;
- The development of business strategy;
- Culture and values;
- Board and Committee decision-making;
- Risk management, conflicts management and regulatory principles;
- Quality, purpose and distribution of Management Information;
- The overall effectiveness of the Board in terms of its involvement in decision-making, development evaluation and process for appointments to the Board; and
- Board supervision of key functions.

Recommendations are documented following the review and an action plan implemented with actions being labelled as high, medium or low priority.

Section C Risk Profile

The Company operates a risk management framework which explicitly aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirement. Where risk is considered to be excessive the Company may mitigate that risk. The primary risk mitigation tool used by the Company is reinsurance which is discussed in relation to credit risk.

The Company's business model and risk profile has not materially changed over the reporting period. Risks in the Company's risk profile are grouped into the Solvency II risk types. Due to the Company's business the concentration profile is dominated by market and underwriting risk.

The following table summarizes the Solvency Capital Requirement for each type of risk as at 31 December 2016:

Standard Formula Y/E 2016		
Risk Category	**Required Capital USD'000**	**Percentage**
Underwriting Risk	7,193	22%
Market Risk	2,613	8%
Credit Risk	17,695	55%
Operational Risk	4,631	15%
Undiversified Total	**32,132**	
Diversification Credit	(4,499)	
Total	**27,633**	

C1 Underwriting Risk

The Company strives to mitigate underwriting risk through the operation of effective controls and strategies, including appropriate underwriting risk selection, diversification of underwriting portfolios by class and geography, purchasing of reinsurance, establishing a business plan, underwriting peer review, adherence to authority limits, the use of underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialised underwriting teams supported by actuarial, catastrophe modelling, claims, risk management, legal, finance, and other technical personnel.

The Company uses internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites.

In some business lines the Company is exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). The Company models and manages its individual and aggregate exposures to these events and other material correlated exposures in accordance with its risk appetite. The modelling process utilises a major commercial vendor model to measure these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around the Company's ability to measure exposures, which can cause actual exposures and losses to deviate from initial estimates.

To monitor catastrophe risk, the Company reviews exceedance probability curves together with aggregated realistic disaster scenarios. The Company considers occurrence exceedance probability and aggregate exceedance probability which reflect losses resulting from single or multiple events, from individual perils and in the aggregate. Underwriting exposure is also managed through monitoring realistic disaster scenarios for man-made events and certain natural catastrophe risks, and applying absolute maximum limits by line of business.

The Company records premium income ($m) by both class of business and geographical segment and underwriting results by class of business. This analysis is presented below.

	Fire and other damage to property	Marine, aviation and transport	General liability	Total
Australia/Asia	4.2	0.0	(0.0)	4.1
Europe	11.5	11.7	25.4	48.6
Rest of World	3.2	0.2	(0.1)	3.3
United States & Canada	9.8	0.3	(0.1)	10.0
United Kingdom	1.9	4.6	(0.4)	6.1
TOTAL	30.5	16.8	24.8	72.2

Sensitivity to Underwriting Risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five percent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity.

	2016	
	5 per cent increase	**5 per cent decrease**
	USDm	USDm
Fire and Other Damage to Property	(0.05)	0.05
General liability	(0.01)	0.01
Marine, aviation and transport	(0.13)	0.13
	(0.19)	0.19

A five percent increase or decrease in total claims liabilities would have a less than one percent effect change on the SCR.

C2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or investment (or insurance contract) will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk.

The Company's objective in managing its market risk is to ensure risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite and regulatory requirements. This is achieved by specific investment guidelines and quarterly confirmation of compliance. The Company does not hold any complex financial instruments such as derivatives or swaps and has no off balance sheet positions.

The Company's policies and procedures for managing market risk have been developed within the Solvency II regulatory framework which requires sensitivities to risk to be identified and measured. The Company uses Blackrock to provide certain investment data concerning its investments. The Blackrock data includes a number of stress scenarios and their impact on the Company's investment portfolio.

The Company manages market risk using a Value at Risk ('VaR') approach that reflects interdependencies between market risk types across the entire investment portfolio. The basis of VaR calculation is the Blackrock risk modelling platform and the Company interprets the Bank of England guidance to consider 'normal' VaR and 'stressed' VaR ('sVaR') market conditions to provide a total VaR for market risk.

There have been no changes to the measures used to assess the risk exposure or material risk changes over the reporting period.

By category

As at 31 December	2016 Amortized cost USD	2016 Fair value USD	2015 Amortized cost USD	2015 Fair value USD
US government securities	2,518,939	2,508,150	3,665,993	3,666,000
US agency securities	761,776	760,467	419,514	421,197
Corporate securities	11,813,679	11,796,557	15,942,095	15,958,979
Foreign government	152,000	152,612	153,347	153,965
Municipals	100,344	100,852	135,921	136,628
Asset backed securities	895,136	898,406	491,561	491,930
Mortgage backed securities	4,980,619	4,950,326	7,044,061	7,070,254
Total investments	21,222,494	21,167,369	27,852,492	27,898,953

By maturity

As at 31 December	2016 Amortized cost USD	2016 Fair value USD	2015 Amortized cost USD	2015 Fair value USD
Due in one year or less	942,337	943,990	1,429,476	1,429,622
Due after one through five years	13,299,397	13,285,884	17,191,897	17,211,466
Due after five through ten years	1,422,625	1,407,703	2,033,533	2,033,930
Due after ten years	5,558,134	5,529,792	7,197,586	7,223,935
Total investments	21,222,494	21,167,369	27,852,492	27,898,953

Deposits with banks and Cash on hand and at bank include assets of USD 3,367,712 (2015 - USD 3,578,822) that were pledged as collateral for letters of credit issued in relation to insurance business written.

Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk primarily from financial investments, cash and deposits. The risk of changes in the fair value of these assets is managed by investing in a diversified portfolio of securities.

The Company does not invest in derivative instruments.

Interest rate risk applies to the whole fixed income portfolio of USD 21.2m.

Currency Risk

Our foreign currency policy is to broadly manage our foreign currency risk by seeking to match our liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets that are denominated in such currencies. In addition, we may selectively utilize foreign currency forward contracts to

mitigate foreign currency risk. To the extent our foreign currency exposure is not matched or hedged, we may experience foreign exchange losses or gains, which would be reflected in our results of operations and financial condition. The assets backing shareholders' funds are largely kept in U.S. Dollars, the Enstar Group's main currency.

C3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The key sources of Credit risk for the Company are;

- Risk non recoverable internal reinsurance from the significant internal quota share reinsurance with SIBL. This is the most significant credit risk to the Company;
- Risk of non-recoverable reinsurance assets currently held on balance sheet (outstanding and IBNR) due to Reinsurer failure;
- Risk of failure of external reinsurers on current reinsurance programme and any unexpired risks. In 2016 the Company assumed a material credit risk to KaylaRe Ltd as a significant quota share reinsurer. The credit risk is significantly mitigated by a funds withheld collateral arrangement;
- Risk of failure of coverholders, brokers or policyholders;
- Risk of default or failure of investment counterparties such as banks, investment funds etc.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

Credit risk management

The Company's objective in managing credit risk is to ensure the risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite and regulatory requirements. The assets are invested in high quality investment grade securities managed by Goldman Sachs Asset Management. The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

The Company's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Company has a policy of investing in mainly investment grade assets (i.e. those rated BBB and above).

The Company limits the amount of cash that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Credit Risk is calculated using the standard formula and using an internal approach and is monitored through the quarterly ORSA. Credit risk stress tests are performed at least bi-annually and reported through the ORSA process.

At management level Reinsurer and Broker/Coverholder Risk is monitored and overseen by the StarStone Reinsurer and Brokers Security Committee which meets at least quarterly. The Committee monitors risk tolerance levels which have been approved by the Board as part of the Risk Appetite Framework, this includes oversight of the credit risk associated with the Kayla Re Quota Share transaction.

No changes have been made to the credit risk evaluation process during the reporting period.

Exposure to Credit Risk

During the year, the existing intragroup reinsurance arrangements with the Company's parent, SIBL, were maintained at the same levels, with 100% of technical transactions relating to Discontinued lines of business and 95% of technical transactions relating to Continuing lines of business being ceded.

On 15 December 2016, and with an effective date of 1 January 2016, the Company entered into a 35% Quota Share reinsurance arrangement with KaylaRe Ltd. KaylaRe is a Bermuda-based Class 4 reinsurer offering a diversified range of specialty reinsurance to the global insurance market. For the year ended 31 December 2016 the Company ceded USD 17.4 million of premium earned, USD 3.6 million of net incurred losses and LAE and USD 7.3 million of acquisition costs to KaylaRe Ltd under the KaylaRe-StarStone QS. Enstar Group Limited, the ultimate parent company and the ultimate controlling party of the Company, own approximately 48.4% of KaylaRe's common shares.

C4 Liquidity Risk

Liquidity risk is the risk that the Company cannot dispose of its investments and other assets in order to meet its obligations associated with insurance contracts and financial liabilities as they fall due. The Company has established policies and procedures in order to manage exposure to liquidity risk and methods to quantify exposure. The assets are invested in very liquid government and corporate bonds that more than meet the legal entities liquidity needs.

The Company manages liquidity risk by maintaining banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet its liabilities when they fall due. In practice, most of the Company's assets are marketable securities which could be converted in to cash when required.

At management level Liquidity risk is monitored and overseen by the StarStone Investment Committee which meets at least quarterly. The committee monitors liquidity against key risk indicators defined in the risk appetite statement.

There were no material changes in the Company's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk. Liquidity risk was not material during the year.

The projection for future premiums includes USD 15.6m of expected profits.

C5 Operational Risk

The key operational risk factors facing our business are as follows:

- The Company is dependent on our executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect our business;

- The Company has a number of internal systems and processes that rely on people and technology. These are not immune from potential failure. The Company monitors operational risk through its risk management and internal control system;
- If outsourced providers such as third-party administrators, investment managers or other service providers were to breach obligations owed to us, the business and results of operations could be adversely affected; and
- If the Company experiences difficulties with our information technology assets or cyber security, its business could be adversely affected.

All operational risks are assessed via the Risk Management System on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Risk and Capital Committee and the Operations Committee.

Scenarios are developed which describe a possible event relating to each individual Operational risk along with the probability and severity of the scenario occurring.

No changes have been made to the measures for assessing Operational risk in the reporting period.

Operational risk is mitigated through implemented policies and procedures and the robust system of internal control and compliance processes operating in the Company and as documented in the Risk Management Framework and system. Controls which are executed throughout the Company's operations, to mitigate against their associated risks crystalizing, are assessed on a quarterly basis. Operational Risk is calculated using the standard formula and using an internal approach and is monitored through the quarterly ORSA. Operational stress tests are performed at least bi-annually and reported through the ORSA process.

The Risk Management Function will assist the business with these responsibilities by providing the framework and tools, assisting with monitoring risk levels within the defined risk appetite and providing other support as needed.

The Finance and Operations Committee (FOC) operates as the primary oversight forum within the governance framework and will review the status of Operational risks and control effectiveness.

The Company maintains a business continuity plan outlining the process to minimize the financial, legal, reputational, operational and other material consequences arising from a natural or unscheduled disruption

C6 Other Material Risks

Strategic Risk

Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond the Company's control.

All Strategic and Group risks are assessed via the Risk Management System on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Risk and Capital Committee.

No changes have been made to the measures for assessing Strategic and Group risk in the reporting period.

The Company manages strategic risk by utilising a strategic business planning process involving executive management and a Board. The annual business plan is reviewed and overseen by executive management and the Board, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year.

If the Company is unable to implement business plans and strategies, its business and financial condition may be adversely affected. The experience of the management team supported by a robust Risk Management Framework will continue to allow the Company to manage the run-off of the business efficiently, while mitigating the likelihood and impact of the associated risks.

The Company monitor the capital position relative to regulatory, rating agency and internal capital requirements and anticipated liquidity needs. This analysis is periodically subjected to stress testing to determine, amongst other things, what the impact of a significant financial losses within one subsidiary would be on the capital position of the group.

At management level Strategic and Group Risk is monitored and overseen by the StarStone Risk and Capital Committee which meets at least quarterly.

Group Risk

Group risk arises from the Company being majority owned by Enstar Group. Enstar is a Bermuda-based holding company, formed in 2001, that offers innovative capital release solutions and specialty underwriting capabilities through its network of Group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR".

Enstar focuses on the acquisition and management of insurance and reinsurance companies in run-off, and the acquisition and management of portfolios of insurance and reinsurance business in run-off.

Legal and Reputational Risk

The Group's appetite for reputational risk is low and this permeates throughout the organization's operational activities via the Company's objectives and strategies. The Group places high importance upon its reputation for honesty, integrity and high ethical standards.

The Group endeavours to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the EGL Code of Conduct. It is policy to maintain the highest level of professional and ethical standards in the conduct of its business affairs.

Section D Valuation for Solvency Purposes

The following table provides for each major balance sheet category a comparison of the amounts reported in the Company's annual report which are reported under GAAP and the amounts reported in the Solvency II balance sheet as at 31 December 2016.

	Statutory value (UK GAAP) USD'000	Reclassification differences USD'000	Valuation differences USD'000	Solvency II value USD'000	Notes
Investments	21,222	7,665	(55)	28,832	D.1.1
Reinsurance recoverables	196,639	(34,446)	(15,155)	147,038	D.1.2
Insurance & intermediaries receivables	57,174	(46,727)	-	10,447	D.1.3
Reinsurance receivables	28,547	5,139		33,686	D.1.4
Cash and cash equivalents	14,707	(7,560)		7,147	D.1.5
Any other assets	1,144	(105)		1,039	D.1.6
Total assets	**319,433**	**(76,034)**	**(15,210)**	**228,189**	
Technical provisions	202,473	(43,501)	(2,294)	156,678	D.2
Reinsurance payables	49,049	(49,049)		-	
Any other liabilities	20,317	16,516	(4,854)	31,979	D.3
Total liabilities	**271,839**	**(76,034)**	**(7,148)**	**188,657**	
Excess of assets over liabilities	**47,594**	-	**(8,062)**	**39,532**	

A more detailed Solvency II balance sheet is included in Appendix 1 (Form S.02.01).

The following table provides a reconciliation of the excess of assets over liabilities reported in the Solvency II balance sheet to equity shareholders' funds reported in the GAAP balance sheet.

Excess of assets over liabilities reconciliation - GAAP to Solvency II	USD'000	USD'000
Excess of assets over liabilities - GAAP		**47,594**
Future premium	(794)	
Discounting	514	
Premium provisions (including ENIDS)	(3,417)	
Expenses	(9,038)	
Risk margin	(2,327)	
Total technical provisions adjustments		**(15,062)**
Other adjustments		
Write-off of net UPR	2,201	
Write-off of net deferred acquisition cost	4,854	
Recognition of unrealised losses	(55)	
Total other adjustments		**7,000**
Excess of assets over liabilities - Solvency II		**39,532**

The following sections provide an explanation of the bases, methods and assumptions used for the Solvency II valuation purposes for the main balance sheet categories including an explanation where applicable of the differences between the GAAP financial statements and the Solvency II balance sheet.

D1 Assets

D.1.1 Investments

Investments consist primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration.

Investments are recognised under Solvency when the Company becomes a party to the contractual provisions of the instrument. Investments are derecognised if the Company's contractual rights to the cash flows from investments expire or if the Company transfers the investments to another party without retaining control of substantially all risks and rewards of the assets. This is the same recognition basis under GAAP reporting and there has been no change in the recognition criteria during the year.

Investments are valued at fair value which is the amount which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilise internationally recognised independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The USD 7,665k reclassification in investments relate to:

- Transfer of USD 7,560k that relates to other deposits that was treated as cash and cash equivalents under GAAP and for Solvency II, this has been reported within deposits other than cash equivalents; and
- Transfer of accrued interest, USD 105k which under Solvency II is reported as part of investments.

There are a number of valuation method allowed under Solvency II and these are listed below.

1 - Quoted market price in active markets for same assets (QMP).

2 - Quoted market price in active markets for similar assets (QMPS).

3 - Alternative valuation methods.

4 - Adjusted equity methods (applicable for valuation of participants).

4 - IFRS equity methods (applicable for the valuation of participants).

6 - Market valuation according to article 9(4) of Delegated Regulation 2015/35.

The Company's investments have been valued using either valuation method 1 (QMP) or 2 (QMPS) and a summary by valuation method has been presented below.

	2016		2015	
	1 - QMP	2 - QMPS	1 - QMP	2 - QMPS
	USD'000	USD'000	USD'000	USD'000
Measured at fair value through profit or loss				
Government bonds	-	2,765	-	3,966
Corporate bonds	-	12,640	-	16,495
Collateralised securities	-	5,868	-	7,586
Deposits other than cash equivalents	7,559	-	-	-
Total investments as at 31 December 2016	**7,559**	**21,273**	**-**	**28,047**

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below

Government bonds, corporate bonds and collateralised securities

(i) Fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment custodians, investment accounting service providers and investment managers, each of which utilise internationally recognised independent pricing services. The unadjusted price provided by the investment custodians, investment accounting service providers or the investment managers is recorded and the price is validated through a process that includes, but is not limited to:

(a) comparison of prices against alternative pricing sources;

(b) quantitative analysis (eg comparing the quarterly return for each managed portfolio to its target benchmark);

(c) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and

(d) comparing the price to our knowledge of the current investment market.

(ii) The independent pricing services used by the investment custodians, investment accounting service providers and investment managers obtain actual transaction prices for securities that have quoted prices in active markets.

(iii) Investments in the solvency II balance sheet include accrued interest which represents interest earned since the last coupon or interest payment date. Accrued interest is reported as other assets in the GAAP balance sheet. In all other respects the amounts reported in the Solvency II balance sheet are the same as the GAAP balance sheet.

Deposits other than cash equivalents

Deposits other than cash equivalents that cannot be used to make payments until before a specific maturity date and that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty. They usually have a maturity period of more than 3 months.

D.1.2 Reinsurance recoverables

The company uses reinsurance and retrocessional agreements to reduce its exposure to insurance and reinsurance risks assumed. The Company remains liable to the extent that certain reinsurance are finite or that the reinsurers do not meet their obligation under these agreements.

Reinsurance recoverable balances relate to the reinsurance of gross technical provisions which will fall due under the terms of the reinsurance and retrocessional agreements. These amounts have been valued based

on amounts that will be contractually due to the Company from cedants and reinsurers if and when claims are settled. They are adjusted for:

i) potentially non recoverable balances that are disputed or due from reinsurers with a poor credit rating and

ii) the probability weighted average of future cash flows taking into account the time value of money using the latest risk free discount rates promulgated by EIOPA.

Future cash inflows are determined by calculating reinsurance recoveries on estimated cash outflows of gross technical provisions which are based on an annual actuarial study using appropriate actuarial techniques (See technical provisions below). Reinsurance recoverables reported in the Solvency II balance sheet have also been uplifted for the reinsurance impact of the possibility of extreme events

There has been no change in the recognition and valuation of this balance during the year. The balances reported in the solvency II balance sheet differ from amounts reported in statutory financial statements due difference in the valuation methodology between GAAP and Solvency II (See technical provisions below).The USD 15,155k valuation adjustment relate to Solvency II adjustments in respect of premium provisions claims, ENIDs, future cost of insurance and discounting.

The reclassification adjustment of USD 34,446k relate to future premiums payable transferred from the reinsurance payable line.

D.1.3 Insurance and intermediaries receivables

This balance mainly relate to premiums due from intermediaries and the amounts are recognised when the Company becomes a party to the contractual provisions of the asset. However, under Solvency II, only balances that are over-due are reported within this line. There has been no change in recognition basis during the year.

The reclassification adjustment made within this line, USD 46,727k relate to future premiums receivable amounts that have been transferred to technical provisions. The amount still outstanding within the Solvency II column relates to over-due balance as at the end of the year**.** The balance has been valued at the carrying value at the end of the year as the amount is due to be received within one year, hence the impact of discounting would not be material.

D.1.4 Reinsurance receivables

Reinsurance receivables relate to paid claims recoverable, premium refunds and other amounts due to the Company from reinsurers under the terms of the reinsurance and retrocessional agreements in place with those reinsurers. These balances have been valued based on amounts that are contractually due to the Company by reinsurers adjusted for potentially non recoverable balances that are disputed or due from reinsurers with a poor credit rating.

Reinsurance receivables relate to paid claims recoverable, premium refunds and other amounts due to the Company from reinsurers under the terms of reinsurance agreements. The amounts are recognised when the claims is paid and generally they are transferred from reinsurance recoverable (RI share of technical provisions). The amounts are recognised net of any estimates that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company has considered the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset**.**

D.1.5 Cash and cash equivalents

This relates to deposits exchangeable for currency on demand at par and which are directly usable for making payments by cheque, draft, giro order, direct debit/credit, or other direct payment facility without penalty or restriction. The valuation of such deposits is equal to the actual amounts deposited with the bank plus any accrued interest. There has been no change in recognition or valuation basis during the year.

The reclassification adjustment, USD 7,560k relate to restricted cash that is reported under Solvency as deposits other than cash equivalents and hence included as part of investments amount.

D.1.6 Any other assets

This mainly relate to non-technical balances due to other related companies. These assets are considered to be recoverable within one year, hence their GAAP carrying value is as considered to be a proxy for fair value. The valuation adjustment is in respect of write-off of deferred acquisition cost which is not recognised under Solvency II.

The reclassification adjustment, USD 932k relate to accrued interest which under Solvency II is reported as part of the investments.

D2 Technical Provisions

The following table provides an analysis of gross and ceded technical provisions by Solvency lines of business including risk margin.

Figures expressed in USD'000	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total non-life obligations	As at 31 Dec 2015
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
Premium provisions								
Gross - total	2,480	(27)	(77)	(3)	254	(7)	2,620	729
Total recoverable from reinsurance/SPV and finite Re after the adjustment for expected losses due to counterparty default	3,552	(156)	(82)	(3)	364	(40)	3,635	1,008
Net Best estimate of claims provisions	(1,072)	129	5	-	(110)	33	(1,015)	(279)
Claims provisions								
Gross - total	114,105	2,641	21,698	908	11,696	683	151,731	170,614
Total recoverable from reinsurance/SPV and finite Re after the adjustment for expected losses due to counterparty default	107,758	2,817	20,207	846	11,046	729	143,403	159,900
Net Best estimate of claims provisions	6,347	(176)	1,491	62	650	(46)	8,328	10,714
Total Best estimate - gross	116,585	2,614	21,621	905	11,950	676	154,351	171,343
Total Best estimate - net	5,275	(47)	1,496	62	540	(13)	7,313	10,435
Risk margin	1,903	94	106	5	195	24	2,327	3,581
Technical provisions - total								
Technical provisions - total	118,488	2,708	21,727	910	12,145	700	156,678	174,924
Recoverable from reinsurance contract/SPV and finite Re after the adjustment for expected losses due to counterparty default - total	111,310	2,661	20,125	843	11,410	689	147,038	160,908
Technical provisions minus recoverables from reinsurance/SPV and finite Re - total	7,178	47	1,602	67	735	11	9,640	14,016

Under Solvency II, the technical provisions are made up of: “Claims provision + Premium provision + Risk margin”.

In determining the cash flows a number of estimations are made, and the following are the main ones:

(i) Calculation of claims provisions

(ii) Calculation of premium provisions

(iii) Calculation of obligations arising from Events Not In Data (“ENID”)

(iv) Calculation of run-off expenses

(v) Determination of payment patterns

(vi) Determination of future cost of reinsurance

(vii) Calculation of the counterparty default

The claims and premium provision are calculated on gross of outwards reinsurance and reinsurance basis, while risk margin is calculated on net of outwards reinsurance basis.

Claims provision

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

Past exposure	**Claims provision**						
	Expected present value of:						
	Claims (incurred)	+	Allocated and unallocated claims management expenses	+	Other expenses (earned element)	-	Future premiums receivable (earned element)

Claims (incurred) mainly comprises of case reserves and incurred but not reported (IBNR) claims. Case reserves are made on an individual case basis and are based on the estimated cost of all claims notified but not settled by the balance sheet date. The claims amount is adjusted for the probability weighted average of future cash flows taking into account the time value of money based on the currency of the reserves and the prescribed EIOPA risk-free yield curve.

The claims amount has also been uplifted for the possibility of extreme events occurring that have not been observed (events not in data "ENIDs"). The ENIDs amount is calculated as a percentage of best estimate reserves with the percentage applied dependent on the perceived risk within lines of business.

Incurred but not reported (IBNR)

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- any movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Case reserves

Where possible multiple techniques are utilised to estimate their recommended level of provisions. This assists the Company in gaining greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves

Loss adjustment expenses

A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Premium provision

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising out of policies that are legally obliged at the valuation date. The premium provisions amount is derived from unearned incepted business and unincepted business.

Future exposure	**Premium provision**						
	Expected present value of:						
	Claims (unexpired)	+	Allocated and unallocated claims management expenses	+	Other expenses (unearned element)	-	Future premiums receivable (unearned element)

Risk margin

Solvency II requires that the risk margin should be calculated at a level such that the value of technical provisions is equivalent to the amount insurance and reinsurance undertakings would expect to require in order to take over and meet the insurance and reinsurance obligations. This is calculated using a "cost of capital" approach using a cost of capital rate as determined by EIOPA (currently prescribed at 6%). The following steps are followed in calculating the risk margin:

(i) First, a proxy SCR is calculated in respect of the opening balance sheet, with the proxy SCR incorporating SCRs for reserve risk, counterparty default risk and operational risk, all calculated in accordance with EIOPA's guidelines. Market risk is not considered in the risk margin as the calculation assumes (based on EIOPA guidance) that a potential acquirer would structure its assets in such a way to minimise market risk.

(ii) Proxy SCRs are derived for future balance sheets by assuming the ratio of the SCR to reserves is constant. The reserves in each future period are estimated by applying the relevant payment patterns to the opening balance sheet.

(iii) EIOPA prescribed cost of capital of 6% is applied to the resulting stream of SCRs.

(iv) The resulting stream is then discounted using the EIOPA prescribed spot-rate risk-free yield curve for USD and assumed to derive the opening balance sheet risk margin. The USD curve is used because this is the Company's reporting currency and majority of the business is USD denominated.

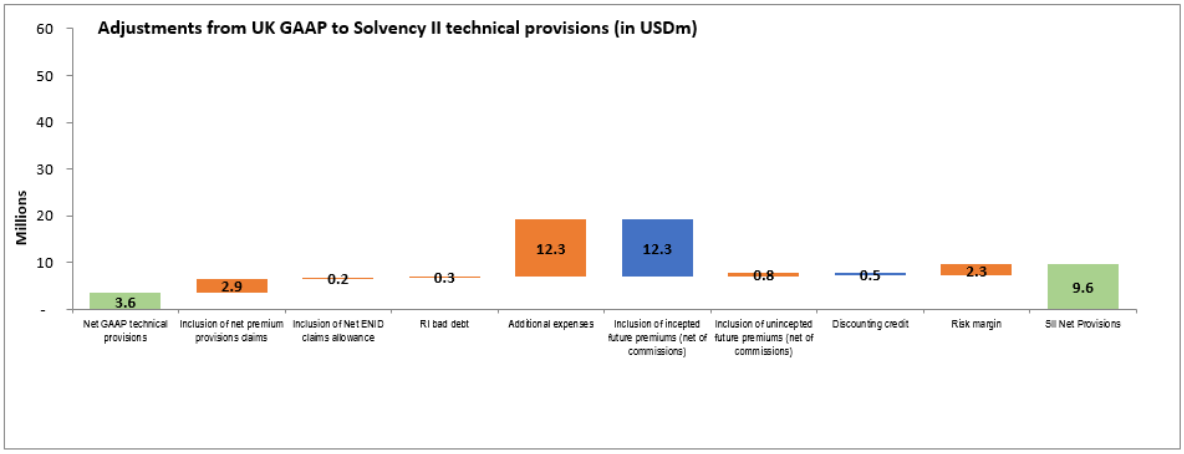
The overall risk margin according to the Cost of Capital methodology (CoCM) is calculated as follows:

$$CoCM = CoC * \sum_{t \geq 0} \frac{SCR_{RU}(t)}{(1+r_{t+1})^{t+1}}$$

$SCR_{RU}(t)$ = the SCR for year t as calculated for the reference undertaking,
r_t = the risk-free rate for maturity t; and
CoC = the Cost-of-Capital rate.

Technical provisions waterfall chart

The waterfall chart below shows the adjustments made to the GAAP reserves to estimate the Solvency II technical provisions.



The Company does not use any of the following methodologies outlined in Directive 2009/13/EC in determining its technical provisions:

a) volatility adjustment referred to in Article 77d of the Directive;
b) Transitional risk-free interest rate-term structure referred to in Article 308c; and
c) Transitional deduction referred to in Article 308d.

There were no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

D3 Other Liabilities

Other liabilities mainly relate to balances due to other related companies and there has been no changes to the recognition and valuation basis during the year. The carrying amount has been used as a proxy for the fair value as the amount is considered to be payable within one year. The valuation adjustment made relate to write-off of RI deferred acquisition cost.

D4 Alternative methods of valuation

All methods of valuation have been outlined in the preceding sections and no other valuation methods of valuation have been adopted.

Below is a summary of assets and liabilities that have been valued using an alternative method of valuation.

Account Name	Section covered	Amount USD'000
Insurance and intermediaries receivables	D.1.3	10,447
Reinsurance receivables	D.1.4	33,686
Any other assets	D.1.6	7,147
Any other liabilities	D3	1,039

All the above amounts have been valued at their carrying value as they are expected to be received or paid within 1 year, hence any discounting would be immaterial.

D5 Any other information

All material information has been disclosed in the preceding sections.

Section E Capital Management

E1 Own Funds

The Company monitors projected own funds against SCR requirement over a five year time horizon using conservative performance assumptions.

The Company's own funds is analysed in the following extract from the own funds quantitative reporting template (QRT) as at 31 December 2016 (form S.23.01).

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35 ***Figures expressed in USD'000***	Total	Tier 1 - Unrestricted	As at 31 Dec 2015 (Unaudited)
Ordinary share capital (gross of own shares)	30,000	30,000	30,000
Share premium account related to ordinary share capital	5,000	5,000	5,000
Initial funds, members' contributions	1,000	1,000	1,000
Reconciliation reserve	3,532	3,532	(6,445)
Total basic own funds after deductions	39,532	39,532	29,555
Total eligible own funds to meet SCR	39,532	39,532	29,555
Total eligible own funds to meet MCR	39,532	39,532	29,555

Own funds are classified into three tiers (Tier 1, 2 and 3). The classification depends on whether they are basic own fund or ancillary own fund items and the extent to which they possess the following characteristics:

(a) The item is available, or can be called upon on demand, to fully absorb losses on a going concern basis, as well as in the case of winding up (permanent availability); and

(b) In the case of winding up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all the obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

The Company's available own fund items have been classified as tier 1 basic own funds as they are of high quality and are available to absorb losses to enable the Company to continue as a going concern. However eligible own funds has been classified as Tier 1 and Tier 2 i.e. some of the restricted Tier 1 amount has been reclassified to Tier 2. This is because only 20% of Tier 1 own funds can consist of hybrid capital items (restricted Tier 1 own funds), for example, preference shares. The excess over this 20% threshold is classified as Tier 2. In the case of eligible own funds to meet MCR is lower than the amount eligible to meet SCR because of restriction on Tier 2 own funds i.e. at least 80% of the MCR should be covered by Tier 1 eligible own funds with the balance being Tier 2 basic own funds.

The available and eligible own funds are made up of ordinary share capital, initial fund and reconciliation reserve.

The reconciliation reserve relates to accumulated retained earnings as reported in the Company's GAAP financial statements, net of adjustments for valuation differences between GAAP and Solvency II balance sheet. These valuation differences are fully explained in section D above. No adjustment has been made in the reconciliation in respect of foreseeable dividends as none were payable during the year.

None of the Company's available own funds is considered to be ancillary own funds.

The Company's equity as reported in the audited financial statements was USD 47,594k compared to own funds as reported above on a Solvency II basis of USD 39,532k. A full reconciliation of the Company's excess of assets

over liabilities calculated on a Solvency II basis as at 31 December 2016 is provided in section D.

During the year the Company's own funds have increased from USD 29,555k to USD 39,532k. The increase is due to net GAAP profit of USD 9,549 and positive Solvency II adjustments of USD 428k.

E2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Company complies with the regulatory solvency requirements and, where necessary, reviews its solvency needs in accordance with regulatory requirements. The Company adopts conventional actuarial and other methods to assess the risks to its solvency on a forward looking basis. The Company's capital management strategy is to deploy capital efficiently and to maintain adequate loss reserves to protect against future adverse developments and other risks. Reinsurance is also used as part of risk mitigation and capital management.

The Solvency II regime came into force on 1 January 2016 and the Company has been in compliance with the capital requirements imposed by regulators throughout the financial year.

The SCR is determined with reference to the Standard Formula which has been determined to be appropriate given the nature of the Company's underlying risks (see section B). Furthermore, it is considered to be consistent and prudent when compared to the Company's Own Economic Assessment of Capital.

Based on projections for the next 5 years, the Board has concluded that the Company's own funds is expected to exceed its SCR and MCR at all times over this time horizon.

The Company's SCR and MCR are summarised in the following table:

Figures expressed in USD'000	Dec 16	Dec 15
Risk categories		
Market risk	2,613	2,260
Counterparty default risk	17,695	14,379
Underwriting risk	7,193	8,129
Operational risk	4,631	5,050
Diversification	(4,499)	(4,325)
Solvency capital requirement	27,633	25,493
Minimum capital requirement	6,908	6,373
Total eligible own funds to meet SCR	39,532	29,555
Total eligible own funds to meet MCR	39,532	29,555
Ratio of eligible own funds to SCR	143.1%	115.9%
Ratio of eligible own funds to MCR	572.3%	463.8%

The Company does not use any simplified calculations or undertakings specific parameters to arrive at its SCR.

The MCR represents the minimum level of security below which the amount of financial resources should not fall. The MCR is subject to an absolute minimum floor of a fixed euro amount depending on the lines of business written. In addition, subject to not falling below the absolute floor, the MCR must be no less than 25% of the SCR and no more than 45% of the SCR.

The MCR is calculated as a linear function of the Company's net technical provisions and net written premiums. Pre-determined factors, as provided by EIOPA, are applied to the net technical provisions and net written premiums for each Solvency II line of business. The Company's calculated linear MCR is usually less than 25% of SCR (floor), but higher than the absolute floor of EUR 3,700k. Hence the reported MCR is set at 25% of the SCR. The low level of MCR is as a result of the low net technical provisions and net written premiums due to high level of ceding to related reinsurers.

The reduction in SCR between 2015 and 2016 is mainly due to a drop in market risk and counterparty default risk. The market risk drop is a result of reduction in investments value while the counterparty default risk is as a result of a drop in reinsurers' share of technical provisions.

E3 Duration-based equity risk sub-module to calculate the Solvency Capital Requirement (SCR)

The Company is not using the duration-based equity risk sub-model set out in Article 304 of the Directive 2009/138/EC for the calculation of its SCR.

E4 Difference between the standard formula and any internal model used

The Company does not use an internal model to determine its SCR.

E5 Non-compliance with the Minimum Capital Requirement and non-compliance with the SCR

The Company remained compliant with the MCR and SCR throughout the year.

E6 Any other information

There is nothing to report.

Directors' statement in respect of SFCR

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the FMA rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the FMA rules and the Solvency II Regulations as applicable to the insurer; and
b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

By order of the Board

Alexandra Cliff

Director

19 May 2017

Appendix 1: Quantitative Reporting Templates

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	28,832
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	21,273
R0140	*Government Bonds*	2,765
R0150	*Corporate Bonds*	12,641
R0160	*Structured notes*	0
R0170	*Collateralised securities*	5,868
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	7,559
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	147,038
R0280	*Non-life and health similar to non-life*	147,038
R0290	*Non-life excluding health*	147,038
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,447
R0370	Reinsurance receivables	33,686
R0380	Receivables (trade, not insurance)	860
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	7,147
R0420	Any other assets, not elsewhere shown	178
R0500	**Total assets**	228,189

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	156,678
R0520	*Technical provisions - non-life (excluding health)*	156,678
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	154,351
R0550	*Risk margin*	2,327
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	30,556
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,423
R0900	**Total liabilities**	188,657
R1000	**Excess of assets over liabilities**	39,532

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

Non-life

		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
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Casualty	Marine, aviation and transport	Property	
		C0060	C0070	C0080	C0140	C0150	C0160	C0200
	Premiums written							
R0110	Gross - Direct Business	32,532	893	11,987				45,412
R0120	Gross - Proportional reinsurance accepted	15,927	1,710	601				18,238
R0130	Gross - Non-proportional reinsurance accepted				784	3,262	1,209	5,255
R0140	Reinsurers' share	45,615	2,450	11,848	738	3,071	1,138	64,860
R0200	Net	2,844	153	740	46	191	71	4,045
	Premiums earned							
R0210	Gross - Direct Business	34,950	1,231	10,988				47,169
R0220	Gross - Proportional reinsurance accepted	24,151	1,015	440				25,606
R0230	Gross - Non-proportional reinsurance accepted				769	4,301	667	5,737
R0240	Reinsurers' share	56,635	2,153	10,951	736	4,122	639	75,236
R0300	Net	2,466	93	477	33	179	28	3,276
	Claims incurred							
R0310	Gross - Direct Business	16,514	543	9,033				26,090
R0320	Gross - Proportional reinsurance accepted	15,502	16	-43				15,475
R0330	Gross - Non-proportional reinsurance accepted				(34)	2,371	443	2,780
R0340	Reinsurers' share	33,097	578	9,294	(35)	2,451	458	45,843
R0400	Net	(1,081)	(19)	(304)	1	(80)	(15)	(1,498)
	Changes in other technical provisions							
R0410	Gross - Direct Business							
R0420	Gross - Proportional reinsurance accepted							
R0430	Gross - Non-proportional reinsurance accepted							
R0440	Reinsurers' share							
R0500	Net							
R0550	**Expenses incurred**	(6,055)	146	(963)	31	(440)	(136)	(7,417)
R1200	**Other expenses**							
R1300	**Total expenses**							(7,417)

S.05.02.01
Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			BE	DE	CH	US	GB	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	17,168	14,462	11,144	702	1,886	45,362
R0120	Gross - Proportional reinsurance accepted	0	917	221	0	6,568	2,782	10,488
R0130	Gross - Non-proportional reinsurance accepted	0	639	36	0	1,071	1,962	3,709
R0140	Reinsurers' share	0	17,625	13,855	10,490	7,852	6,241	56,063
R0200	Net	0	1,099	864	654	490	389	3,496
	Premiums earned							
R0210	Gross - Direct Business	0	9,765	14,360	9,609	881	12,453	47,068
R0220	Gross - Proportional reinsurance accepted	0	923	279	0	6,901	2,127	10,230
R0230	Gross - Non-proportional reinsurance accepted	0	640	46	0	1,125	1,164	2,975
R0240	Reinsurers' share	0	10,855	14,072	9,208	8,535	15,088	57,757
R0300	Net	0	473	613	401	372	657	2,515
	Claims incurred							
R0310	Gross - Direct Business	0	6,975	11,628	4,209	-1,164	4,379	26,027
R0320	Gross - Proportional reinsurance accepted	0	213	2,517	0	7,803	-145	10,388
R0330	Gross - Non-proportional reinsurance accepted	0	35	792	18	1,243	-101	1,988
R0340	Reinsurers' share	0	6,840	14,147	4,003	7,465	3,915	36,370
R0400	Net	0	382	791	224	417	219	2,033
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	-4,058	-1,317	-789	373	678	-5,113
R1200	**Other expenses**							
R1300	**Total expenses**							-5,113

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0070	C0080	C0090	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**							
R0050	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							
	Technical provisions calculated as a sum of BE and RM							
	Best estimate							
	Premium provisions							
R0060	Gross	2,480	(27)	(77)	(3)	254	(7)	2,620
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3,552	(156)	(82)	(3)	364	(40)	3,635
R0150	**Net Best Estimate of Premium Provisions**	(1,072)	129	5	-	(110)	33	(1,015)
	Claims provisions							
R0160	Gross	114,105	2,641	21,698	908	11,696	683	151,731
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	107,758	2,817	20,207	846	11,046	729	143,403
R0250	**Net Best Estimate of Claims Provisions**	6,347	(176)	1,491	62	650	(46)	8,328
R0260	**Total best estimate - gross**	116,585	2,614	21,621	905	11,950	676	154,351
R0270	**Total best estimate - net**	5,275	(47)	1,496	62	540	(13)	7,313
R0280	**Risk margin**	1,903	94	106	5	195	24	2,327
	Amount of the transitional on Technical Provisions							
R0290	Technical Provisions calculated as a whole							0
R0300	Best estimate							0
R0310	Risk margin							0
R0320	**Technical provisions - total**	118,488	2,708	21,727	910	12,145	700	156,678
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	111,310	2,661	20,125	843	11,410	689	147,038
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	7,178	47	1,602	67	735	11	9,640

S.19.01.21
Non-Life insurance claims

Total Non-life business

Z0010	Accident year / underwriting year	Underwriting year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											39	39	39
R0160	N-9	0	0	0	154	346	464	727	61	-26	39		39	1,764
R0170	N-8	0	0	4,134	12,273	7,276	2,524	627	1,348	-193			-193	27,988
R0180	N-7	0	15,436	31,156	14,482	6,539	166	757	1,406				1,406	69,942
R0190	N-6	8,302	37,797	19,638	17,612	3,606	3,479	2,226					2,226	92,661
R0200	N-5	17,964	34,021	15,359	6,323	3,990	3,067						3,067	80,724
R0210	N-4	9,538	48,898	29,645	11,397	5,917							5,917	105,395
R0220	N-3	6,515	27,437	19,661	7,552								7,552	61,164
R0230	N-2	8,378	38,648	13,757									13,757	60,783
R0240	N-1	2,793	18,401										18,401	21,195
R0250	N	4,630											4,630	4,630
R0260												Total	56,841	526,284

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	-1,689			-1,686
R0180	N-7	0	0	0	0	0	0	0	-1,837				-1,914
R0190	N-6	0	0	0	0	0	0	41,466					41,011
R0200	N-5	0	0	0	0	0	2,835						2,699
R0210	N-4	0	0	0	0	12,508							12,247
R0220	N-3	0	0	0	23,371								22,782
R0230	N-2	0	0	27,125									26,416
R0240	N-1	0	28,724										27,968
R0250	N	22,769											22,208
R0260												Total	151,731

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	30,000	30,000		0	
R0030	Share premium account related to ordinary share capital	5,000	5,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	1,000	1,000		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	3,532	3,532			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	39,532	39,532	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	39,532	39,532	0	0	0
R0510	Total available own funds to meet the MCR	39,532	39,532	0	0	
R0540	Total eligible own funds to meet the SCR	39,532	39,532	0	0	0
R0550	Total eligible own funds to meet the MCR	39,532	39,532	0	0	
R0580	**SCR**	27,633				
R0600	**MCR**	6,908				
R0620	**Ratio of Eligible own funds to SCR**	143.06%				
R0640	**Ratio of Eligible own funds to MCR**	572.25%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	39,532				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	36,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	3,532				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	15,584				
R0790	**Total Expected profits included in future premiums (EPIFP)**	15,584				

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	2,613		
R0020	Counterparty default risk	17,695		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	104		
R0050	Non-life underwriting risk	7,089		
R0060	Diversification	-4,499		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	23,002		
	Calculation of Solvency Capital Requirement	C0100		
R0130	Operational risk	4,631		
R0140	Loss-absorbing capacity of technical provisions	0		
R0150	Loss-absorbing capacity of deferred taxes	0		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200	**Solvency Capital Requirement excluding capital add-on**	27,633		
R0210	Capital add-ons already set	0		
R0220	**Solvency capital requirement**	27,633		
	Other information on SCR			
R0400	Capital requirement for duration-based equity risk sub-module	0		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0		

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
R0010	MCR_{NL} Result	1,231

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance	5,275	1,268
R0080	Fire and other damage to property insurance and proportional reinsurance	0	22
R0090	General liability insurance and proportional reinsurance	1,495	748
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance	63	86
R0160	Non-proportional marine, aviation and transport reinsurance	541	748
R0170	Non-proportional property reinsurance	0	72

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	1,231
R0310	SCR	27,633
R0320	MCR cap	12,435
R0330	MCR floor	6,908
R0340	Combined MCR	6,908
R0350	Absolute floor of the MCR	4,050
R0400	**Minimum Capital Requirement**	6,908

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