Solvency Financial Condition Report

StarStone Insurance SE (SISE)

31 December 2018

Table of Contents

About this document:

General:

This Solvency and Financial Condition Report (SFCR) is prepared by StarStone Insurance SE (the Company) in accordance with the requirements and principles of Article 35 of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance 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 Board of Directors is required to approve the submission.

Date approved by the Board:	15 April 2019
Quantitative data as at date:	31 December 2018
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 2018.

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-0002.546.357-6

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

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

Summary

Background

StarStone Insurance SE ("the Company") is authorised by the Finanzmarktaufsicht Liechtenstein ("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.

This report is consistent with the information presented in the Annual Report for the year ended 31 December 2018.

A. Business and Performance

The GAAP result of the Company for the year show a net loss on ordinary activities before tax of USD 11.1m.

The Company's financial performance for the year has been impacted by an increase in the number of large losses, the largest of which is a USD90m gross loss for "Ituango Dam". However due to various reinsurance arrangements with Kayla Re and Starstone Insurance Bermuda Limited (SIBL), the impact of these losses are substantially reduced on a net basis. Further detail is provided in Section A.

The Company's Own Funds measured on a Solvency II valuation basis decreased from USD 205.6m to USD 203.6m at 31 December 2018. The main reason for the decrease was the loss for the year, offset by movements in the technical provisions and risk margin.

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

From 1 January 2018 a reinsurance agreement has been signed with the Company's parent company, SIBL, at a cession rate of 90% for all continuing lines of business for the 2018 underwriting year and, through endorsement, at a cession rate of 73.6% for continuing lines of business relating to the 2017 underwriting years and prior and at a 100% cession rate for discontinued lines of business. The endorsement was signed on 31 December 2018. For certain lines of business a cession of 100% will apply retroactively for all losses prior to 1 October 2018. All other lines will continue at the prevailing cession rates. SIBL has a rating of A- from AM Best.

In addition, the 35% Quota Share reinsurance arrangement with KaylaRe Ltd was renewed for 2018 at the same levels. KaylaRe is a Bermuda-based Class 4 reinsurer offering a diversified range of specialty reinsurance to the global insurance market. On May 14, 2018, Enstar Group Limited, the ultimate parent company and the ultimate controlling party of the Company, acquired full control of KaylaRe. With effect from 31 December 2018, the 35% Quota Share arrangement was non-renewed on a run-off basis.

B. Systems of Governance

The Company is a specialty insurance provider and the system of governance operates and is maintained to meet the requirements of 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 2018.

C. 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

D. Valuation for solvency purposes

The table below provides the major balance sheet categories with a comparison with last year.

	2018 USD'000	2017 USD'000
Investments	151,807	125,626
Reinsurance Recoverable	503,983	368,431
Insurance and Intermediate receivables	16,091	15,803
Reinsurance receivables	106,073	182,424
Receivables (trade, not insurance)	12,159	
Cash and cash equivalents	33,699	47,869
Any other assets	39	4,026
TOTAL ASSETS	**823,851**	**744,179**
Technical provisions	574,139	443,150
Reinsurance payables	28,534	78,172
Insurance and intermediary payables	6,678	
Payables (trade, not insurance)	1,274	
Any other liabilities	9,591	17,306
TOTAL LIABILITIES	**620,216**	**538,628**
Excess of assets over liabilities	**203,635**	**205,551**

E. Capital Management

The Company considers that the Standard Formula methodology prescribed by European Insurance and Occupational Pensions Authority (EIOPA) is an appropriate basis for calculating the Company's Solvency Capital Requirement (SCR). Using this methodology, the Company's SCR has been calculated in April 2019 to be USD79m.

The following table shows the Company's solvency position as at 31 December 2018, with a comparison to the prior year.

	2018 USD'000	2017 USD'000
Eligible Own Funds to meet the SCR	203,635	205,551
SCR	78,765	71,605
Eligible Own Funds to meet the MCR	195,982	198,020
MCR	19,691	17,901
Ratio of Own funds to SCR	259%	287%
Ratio of Own funds to MCR	995%	1106%

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

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Section A Business and Performance (Unaudited)

A1 Business

StarStone Insurance SE ("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.

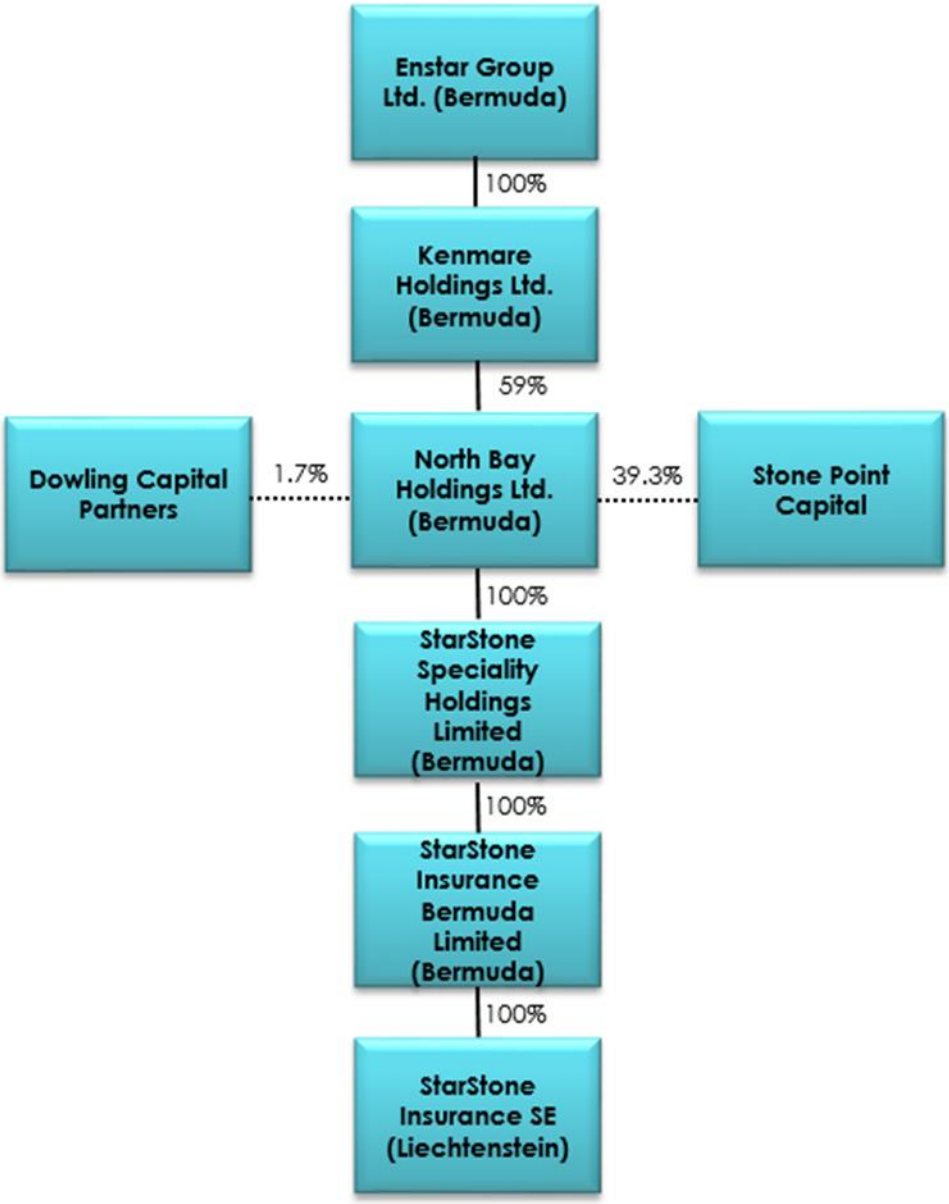
The principle activity of the Company is the underwriting of specialty insurance and reinsurance business. The main lines of business written are: Marine (Hull, Cargo and Liability), Property (Construction and Offshore Energy), Casualty (Directors and Officers, Professional Indemnity and Accident and Health) and Aviation (Airlines and Aviation Products). The Company writes business on a worldwide basis.

As at reporting reference date, 31 December 2018, 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

From 1 January 2018 a reinsurance agreement has been signed with the Company's parent company, SIBL, at a cession rate of 90% for all continuing lines of business for the 2018 underwriting year and, through endorsement, at a cession rate of 73.6% for continuing lines of business relating to the 2017 underwriting years and prior and at a 100% cession rate for discontinued lines of business. The endorsement was signed on 31 December 2018. For certain lines of business a cession of 100% will apply retroactively for all losses prior to 1 October 2018. All other lines will continue at the prevailing cession rates.

In addition, the 35% Quota Share reinsurance arrangement with KaylaRe Ltd was renewed for 2018 at the same levels. KaylaRe is a Bermuda-based Class 4 reinsurer offering a diversified range of specialty reinsurance to the global insurance market. On May 14, 2018, Enstar Group Limited, the ultimate parent company and the ultimate controlling party of the Company, acquired full control of KaylaRe. With effect from 31 December 2018, the 35% Quota Share arrangement was non-renewed on a run-off basis.

To enable to company to continue to operate in the UK after Brexit, an application was submitted to the Prudential Regulatory Authority (PRA) in November 2018 to convert the existing UK branch to an authorised third country branch. Under the Temporary Permissions Regime, a submitted application will ensure that the Company can continue doing insurance business in the UK without a UK license after the UK has left the EU for a period up to three years. The authorisation of the branch is expected to be finalised within 6 months from application.

A2 Underwriting Performance

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

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Accepted non-proportional reinsurance	Total
	Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Property	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Premiums written							
Gross - Direct Business	14,703	38,949	37,665	45,218	12,186	0	148,722
Gross - Proportional reinsurance accepted	0	0	50,707	41,240	3,500	0	95,447
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	7,604	7,604
Reinsurers' share	13,439	35,599	80,771	79,022	14,336	6,950	230,117
Net Premiums earned	1,265	3,350	7,601	7,436	1,349	654	21,655
Gross - Direct Business	12,351	26,746	42,750	51,013	14,286	0	147,148
Gross - Proportional reinsurance accepted	0	0	34,922	26,833	3,066	0	64,821

Gross - Non-proportional reinsurance accepted	0	0	0	0	0	5,480	5,480
Reinsurers' share	11,246	24,354	70,726	70,884	15,801	4,990	198,001
Net	1,105	2,392	6,947	6,962	1,552	490	19,447
Claims incurred							
Gross - Direct Business	5,938	20,590	55,635	174,001	13,022	0	269,185
Gross - Proportional reinsurance accepted	0	0	10,492	16,432	2,378	0	29,301
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	176	176
Reinsurers' share	5,516	19,127	61,428	176,903	14,305	164	277,443
Net	422	1,463	4,698	13,531	1,094	13	21,220
Expenses incurred	373	877	2,606	3,740	587	143	8,327
Technical result							(10,100)

The GAAP technical result of the Company for the year was a net loss of USD 9,976k. Expenses include investment management expenses that form part of the non-technical result in the GAAP financial statements therefore the difference of USD 124k.

The Company's financial performance for the year is mainly driven by the claims during the year together with adverse prior year claim developments.

The Company predominantly underwrites direct and proportional reinsurance business with Fire and Other Damage to Property and Marine, Aviation and Transport representing two main classes of business written. Growth in Marine is as expected and growth in Aviation has been steady despite the ongoing soft market. Portfolio Solutions, part of General Liability Insurance class has been a particular focus for the company in 2018 with significant growth.

The reinsurers' share of premiums written and earned has increased as a result of the increased cessions to its parent.

The gross loss ratio incurred by the Company was 137% in 2018. This was primarily due to the large loss in relation to the Ituango Dam in Colombia for USD 90m together with an increase in reserving estimates. The loss on the Ituango Dam was ceded in full, giving rise to a net loss ratio of 109% in 2018.

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

Non-life	**Home Country**	**Top 5 countries (by amount of gross premiums written) - non-life obligations**					**Total Top 5 and home country**
		US	**GB**	**DE**	**FR**	**NL**	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Premiums written							
Gross - Direct Business	634	59,331	11,784	14,253	14,341	8,124	108,466
Gross - Proportional reinsurance accepted	0	19,620	15,152	4,751	702	2,876	43,100

Gross - Non-proportional reinsurance accepted	0	279	6,843	14	207	106	7,449
Reinsurers' share	580	72,415	30,874	17,382	13,938	10,150	145,338
Net	55	6,814	2,905	1,636	1,312	955	13,677
Premiums earned							
Gross - Direct Business	628	58,703	11,659	14,102	14,189	8,038	107,318
Gross - Proportional reinsurance accepted	0	13,324	10,290	3,227	477	1,953	29,271
Gross - Non-proportional reinsurance accepted	0	201	4,932	10	149	76	5,368
Reinsurers' share	572	65,768	24,477	15,788	13,490	9,167	129,261
Net	56	6,460	2,404	1,551	1,325	900	12,696
Claims incurred							
Gross - Direct Business	0	19,616	62,361	13,038	8,832	9,203	113,051
Gross - Proportional reinsurance accepted	0	7,500	8,879	851	85	2	17,317
Gross - Non-proportional reinsurance accepted	0	0	0	0	165	0	165
Reinsurers' share	0	25,190	66,179	12,902	8,437	8,551	121,259
Net	0	1,927	5,062	987	645	654	9,275
Expenses incurred	24	2,766	1,029	664	567	386	5,436

A3 Investment Performance

The Company's investment income (gross of expenses) for the year was USD 657k (2017 – USD 2,104k) which is analysed in table below (expressed in USD'000).

	2018				2017			
	Interest	Net realised gains and losses	Unrealised gains and losses	TOTAL	Interest	Net realised gains and losses	Unrealised gains and losses	TOTAL
Government Bonds	575	(654)	136	57	430	(133.0)	(49.0)	248
Corporate Bonds	1,565	(383)	(632)	550	1,933	(26.0)	(340.0)	1,567
Collateralised securities	491	(250)	(132)	110	741	387.0	(422.0)	706
Collective Investment Undertakings	42	0	(0)	42				0
Deposits other than cash equivalents	29	0	0	29				0
Cash and Cash equivalents				0	81			81
TOTAL	2,703	(1,288)	(627)	788	3,185	228	(811)	2,602

There was a reduction of investment income during the year compared to 2017 and this was mainly driven by an increase 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.

	2018 SII Fair value USD'000	2018 Proportion	2017 SII Fair value USD'000	2017 Proportion
Government Bonds	24,126	13%	53,527	31%
Corporate Bonds	45,428	24%	55,619	32%
Collateralised securities	12,663	7%	14,619	9%
Collective Investment Undertakings	69,558	37%	1,500	0%
Total Investments per Financial Statements categories	151,775		125,265	
Deposits other than cash equivalents	32	0%	0	0%
Total Investments	151,807		125,265	
Cash and Cash equivalents	33,699	18%	47,869	29%
Cash and Investments	185,506	100%	173,134	100%

The Company holds 13% of its investment in Government Bonds, 24% in Corporate Bonds and 7% in securitised securities that are mainly asset-backed and mortgaged-backed securities (mainly issued by US agencies, Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae)). During the year the company increased its investment in Collective Investment Undertakings which represents 37% of the total investment portfolio.

A4 Performance of other activities

The company reported a foreign exchange gain of USD 456k due to changes in the value of the US dollar against other currencies.

A5 Any other information

On 31 January 2019, the Company entered into an agreement with underwriting platform elesco to acquire the renewal rights to Company's Zurich-based airlines & products portfolio. The Company will continue to provide underwriting capacity to the airlines & products book. The transaction is expected to complete in the second quarter of 2019, subject to relevant regulatory approvals.

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 including the Company has an Executive Working Group designated the "StarStone Leadership Team". It may constitute and dissolve working groups as it considers appropriate to address particular business concerns or needs. The "London Market Senior Management Team" provides some oversight of the London Market branch operations of the Company. The "EU Senior Management Team" focuses on continental Europe operational matters for the Company. The following Group Management Committees (as detailed below) operate on behalf of the Company:

Underwriting Committee: Operates under delegated authority from the Board. The purpose of the Committee is to review the strategy and provide oversight of the active underwriting operations of the StarStone Group by reviewing and evaluating the risks to which the Group is exposed, as well as monitoring and overseeing the guidelines and policies that govern the processes by which the Group identifies, assesses and manages its exposure to risk.

Claims Committee: The Committee has delegated responsibility for claims oversight and management and establishes the claims philosophy, policies, procedures within the StarStone Group's agreed risk appetite and risk tolerances, supported by the Risk Management and Compliance functions.

Investment Committee: Has delegated responsibility for the oversight and management of investment strategy across the StarStone Group. The Committee establishes the investment strategy, policies and procedures, and monitors these according to the Group's agreed risk appetite and risk tolerances supported by the Risk Management and Compliance functions.

Operations Committee: Has delegated responsibility for oversight/management in ensuring StarStone's end to end processes, data integrity, data governance and controls, operational risk, SOX compliance, financial reporting and all associated MI are fit for purpose to support group wide activities.

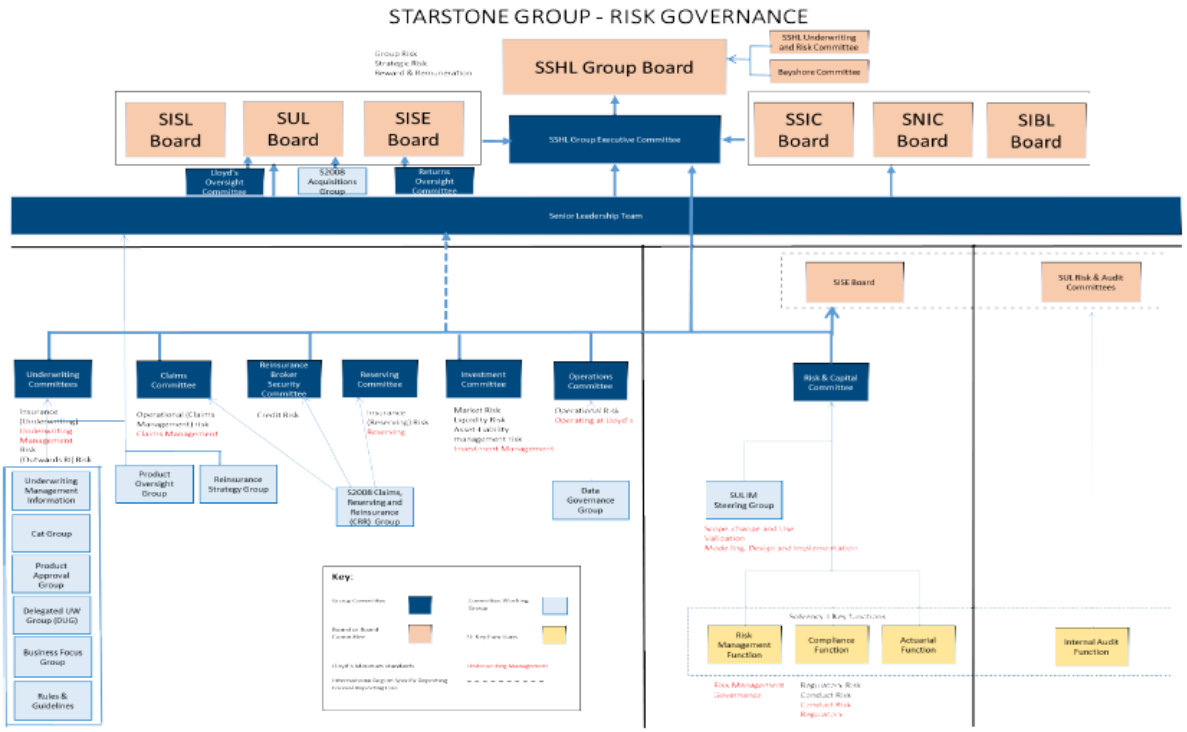
Reinsurer Broker Security Committee: Responsible for managing and monitoring Credit Risk across StarStone. This includes monitoring against reinsurer credit exposure against defined risk appetites and approving and monitoring reinsurers and brokers in accordance with StarStone guidelines.

Reserving Committee: Ensure the Reserve Risk framework is embedded in the business, consistently applied and ensures that all significant risks have been adequately considered and managed within the parameters of agreed appetite and tolerances.

Risk and Capital Committee: Assist StarStone Group in reviewing and evaluating the risks to which the Group is exposed, which includes monitoring risk appetite positions, ensuring a robust Enterprise Risk Management Framework is in place and considering any emerging risk issues that may affect the Company.

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

The only notable change to the governance structure during the reporting period was the dissolution of the International ExCo and its replacement by the EU Senior Management Team and London Market Senior Management Team.

From 1 January 2018 the intragroup reinsurance agreement has been signed with the Company's parent company, SIBL, at a cession rate of 90% for all continuing lines of business for the 2018 underwriting year and, through endorsement, at a cession rate of 73.6% for continuing lines of business relating to the 2017 underwriting years and prior and at a 100% cession rate for discontinued lines of business. The endorsement was signed on 31 December 2018. For certain lines of business a cession of 100% will apply retroactively for all losses prior to 1 October 2018. All other lines will continue at the prevailing cession rates.

Key Function Responsibilities

All key functions are adequately resourced and suitably independent from the business to fully execute their responsibilities.

Certain staff are identified as Senior Management Functions (SMCR) or Key Function Holders (KFH) in accordance with the Senior Management and Certification Regime (SIMR) and with regard to their fitness and

propriety (see Section B2). The Company maintains a Governance Map which is maintained throughout the year and reported to the supervisor on a quarterly basis. Staff identified as SIMF in the Responsibilities Map are considered to comprise the senior members of the AMSB.

It is the responsibility of the relevant Key Function owner (a senior officer within the PRA SIMF designation and internal authority) 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 the Executive Committee or the Board according to the relevant terms of reference.

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

Remuneration

The Company does not have any employees as services are provided by Enstar Limited as the authorized Insurance Manager. This service arrangement includes the provision of all staff to the Company for which compensation arrangements are detailed below.

i) *Executive Compensation*

Our executive compensation program currently consists of three principal elements: base salaries, annual incentive compensation and long-term incentive compensation. Executives also receive certain other benefits, including those pursuant to their employment agreements. The table below describes the elements of our executive compensation.

PRINCIPAL ELEMENT	DESCRIPTION	KEY FEATURES
Base Salary	Provides the fixed portion of an executive's compensation that reflects scope of skills, experience and performance	Provides a base component of total compensation Established largely based on scope of responsibilities, market conditions and individual and Company performance in the preceding year
Annual Incentive Compensation	Provides "at risk" pay that reflects annual Company performance and individual performance	Aligns executive and shareholder interests Designed to reward performance consistent with financial and individual operational performance objectives Since 2016 we have used defined performance objectives, following our previous use of a fully discretionary program
Long-Term Incentive Compensation	Provides equity-based pay, aimed at incentivizing long-term performance Performance stock unit ("PSUs") and restricted stock unit ("RSUs") awards are used with our senior management team, including executives	Aligns executive and shareholder interests Drives long-term performance and promotes retention Shareholder dilution issues are considered when making equity awards
Other Benefits and Perquisites	Reflects the Bermuda location of our corporate headquarters, as well as specific local market and competitive practices such as retirement benefits, Bermudian payroll and social insurance tax contributions and administrative assistance	Provides benefits consistent with certain local market practices in our Bermuda location in order to remain competitive in the marketplace for industry talent Promotes retention of executive leadership team

PRINCIPAL ELEMENT	DESCRIPTION	KEY FEATURES
Employment Agreements	Provides certain protections for executives and their families in the event of death or long-term disability, termination, or change in control Change in control contractual benefits are payable only in a "double trigger" situation where employment is terminated following a change of control	Provides Company with protections such as restrictive covenants (non-competition, non-solicitation, confidentiality, etc.) Promotes retention over a multi-year term and a sense of security among the leadership team Consistent with competitive conditions in Bermuda and legal requirements in Bermuda and the U.K.

As part of our risk management practices, the Enstar Group Compensation Committee reviews and considers risk implications of and incentives created by our executive compensation program and our compensation policies and practices for the Company as a whole. At the Committee's direction, representatives from our risk management and legal departments conducted a risk assessment of our compensation policies and practices for executives and all employees, which was discussed and reviewed by the Committee.

The review analyses compensation governance processes, situations where compensation programs may have the potential to raise material risks to the Company, internal controls that mitigate the risk of incentive compensation having an adverse effect and program elements that further mitigate these risks.

Through this review, the Committee has concluded that our compensation program does not create risks that are reasonably likely to have a material adverse effect on us.

ii) *Employee Compensation:*

In 2016, Enstar companies performed a comprehensive review of employee terms and conditions. As part of this review employees whose contract for employment was with a specific entity (e.g. employees who were associated with historical acquisitions) were migrated over into a regional Enstar Service Companies and employee terms and conditions standardized in accordance with local employment law and practices.

All Enstar non-executive employees receive a fixed base salary (commensurate with their role, experience, annual performance in the prior year and prevailing market conditions), an annual performance-based bonus and, at senior levels, employees are eligible to receive equity awards designed to incentivize and reward long term performance aligned with shareholder interests and retain and attract new qualified employees. In addition employees, in accordance with local employment law may benefit from various benefit plans, including medical and dental insurance, long-term disability insurance and life insurance. All employee equity awards are subject to a Clawback Policy, which allows for the recoupment of excess incentive compensation in the event of a financial restatement.

Material Transactions

There have been no material transactions with shareholders during the reporting period.

B2 Fit and Proper Requirements

The Company Board believes that all of its directors have demonstrated professional integrity, ability and judgment, as well as leadership and strategic management abilities and have each performed exceptionally well in their respective time served as directors.

On an annual basis, the Company Directors and Executive Officers complete D&O Questionnaires that address, among other things, matters related to fitness and propriety.

In accordance with the Fit and Proper Policy, The Company Board of Directors and Executive Officers, are assessed against criteria set forth in the Fit and Proper Policy in order to be deemed to have the necessary qualities, competencies and experience to perform their duties and carry out the responsibilities required of their position in an effective manner. These criteria require each Director or Executive Officer to:

- Possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the role;
- Demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- Demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- Be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and license obligations applying to the relevant entity; and
- Be able to identify and appropriately manage any conflicts of interest, in accordance with our Conflict of Interest Policy.

The Fit and Proper Policy criteria also require that no Director or Executive Officer shall:

- Have (or have been involved with an entity that has) been refused admission, reprimanded, disqualified or removed by a professional or regulatory body due to matters relating to such Covered Person's honesty, integrity or business conduct;
- Have been terminated, resigned or asked to resign from a position as a director or manager or professional service provider to an entity in circumstances which reflected adversely on their honesty or integrity in discharging their responsibilities in that role;
- Have been the subject of civil or criminal proceedings or enforcement action, in which such Covered Person was determined in a final judgment to lack honesty or integrity; or
- Have intentionally hindered, obstructed or misled, or failed to be truthful with a regulatory agency.

Directors or Executive Officers in certain jurisdictions may be subject to additional local criteria applicable to their jurisdictions.

The Company takes all reasonable steps to ensure that all Directors or Executive Officers are aware of and understand, the Company's Fit and Proper Policy as well as their obligation to continue to meet the requirements on an on-going basis.

Candidates for Director or Executive Officer positions will be pre-assessed prior to joining the Company using the following process:

- The individuals must be assessed with the assistance of the Human Resources ("HR") function against the criteria set forth in the Fit and Proper Policy as detailed above, in addition to any local criteria, if relevant;
- References and proofs of industry/professional qualifications are sought and retained; and
- Background checks including a check of criminal records are also sought and retained.

The Company's HR and Compliance functions continuously monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness and propriety e.g. relevant individuals providing an annual attestation of their continued fitness and propriety for their position and confirmation of continued compliance with the fitness and proper criteria.

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:

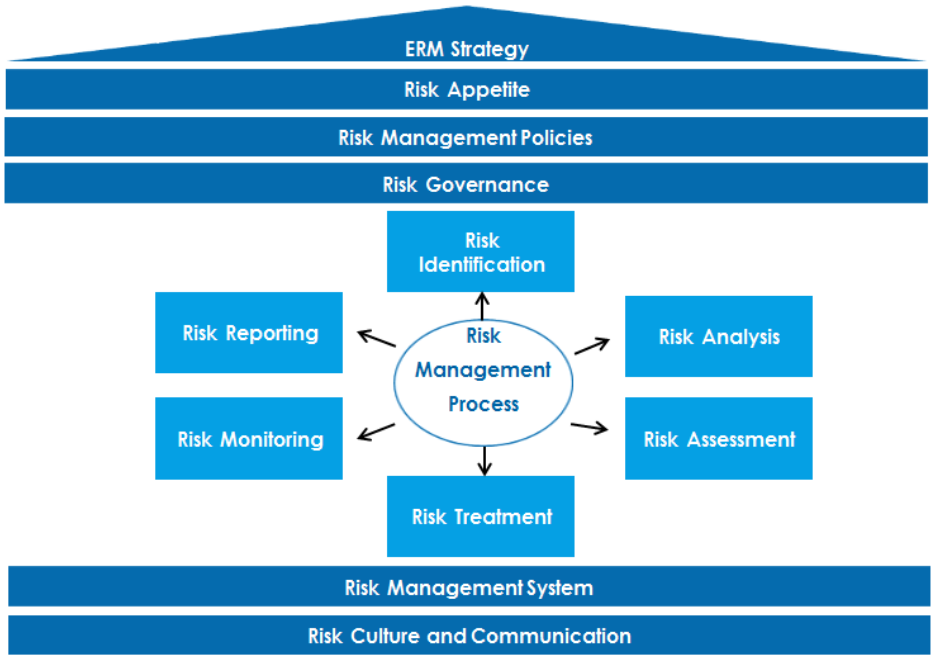
- Support good risk governance;
- Support the achievement of business objectives and provide overall benefits to the Company; and
- Add value to the control environment.

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

The primary objective of our risk appetite framework is to monitor and protect the Company from an unacceptable level of loss, compliance failures and adverse reputational impact. Risk appetite and tolerance is set by our Board and reviewed annually to ensure alignment with the business plan. Our risk appetite framework considers material risks in the business relating to, among other things, strategic risk, insurance risk, investment/market risk, liquidity risk, reinsurance credit/counterparty risk, operational risk, tax risk and regulatory risk. The Risk Appetite framework outlines the amount of risk that we are willing to accept via risk metrics based on our shareholders' equity, capital resources, potential financial loss and other risk-specific measures.

Accountability for the implementation, monitoring and oversight of risk appetite is aligned with individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and any deviations from pre-established levels are reported in order to facilitate responsive action or acceptance of the evolving risk profile.

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 Company uses the "three lines of defence" model. The first line consists of our senior corporate executives and their function as leaders and risk owners. They are accountable for executing the risk management strategy. They are responsible for the appropriate management of the activities and conduct of the business functions and for ensuring that staff understand the business strategy, risk mitigating policies and procedures and have in place personal objectives focused on achieving these.

The second line comprises our various risk, control and compliance oversight functions. Our Risk Management function reports via the Risk and Capital Committee to the Group Executive Committee and focuses primarily on facilitating an efficient, effective and consistent approach to risk management. Our management assurance is further complemented by our Compliance function which seeks to mitigate legal and regulatory compliance risks and ensures that appropriate, effective and responsive compliance services are available to the business units across the Group. Other second line functions include certain activities of our Actuarial function and other group functions contributing to our management assurance.

The third line of defence comprises our internal audit function which independently reviews the effectiveness of our ERM framework. The results of audits are monitored by the Audit Committee. Independent assurance from external third parties (e.g. independent actuarial services) also sits within our third line of defence.

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.

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 the results of which are included 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 (a major loss event or significant change to the risk profile); 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's internal control framework is designed to ensure processes are performed in accordance with company standards and that risk is both monitored and managed within the approved risk appetite. Forming part of the Company's group control environment, such internal controls are assessed by control owners on a quarterly basis in terms of design and operational effectiveness.

The Company has a comprehensive Sarbanes Oxley ("SOX") framework of financial controls for external financial reporting. The responsibility for ensuring SOX compliance is assumed by the Chief Executive Officer and Chief Financial Officer. Where control failings are noted they are considered within the subsequent quarterly risk assessment as facilitated by our Risk Management application. In addition control failings are reported on a quarterly basis to the relevant management Risk Committees.

On an annual basis, Management attests to both the design and operation effectiveness for all controls tested as part of the annual SOX 404 assessment program. The Audit Committee receives quarterly reports outlining all control deficiencies noted as part of the controls testing program and where relevant an assessment of the aggregated impact these deficiencies could have on the Financial Statements.

During H1 2019, Risk Management are undertaking a comprehensive review of the control environment across all business units to ensure the controls in place are appropriately documented, evidenced and fit for purpose.

Compliance Function

The Compliance Function is responsible for embedding and monitoring compliance across all entities within the Group. As a second line of defence function, the Compliance Function is responsible for monitoring the performance of internal controls designed to prevent breaches of regulatory, legal and internal compliance guidelines. Where such breaches are identified, compliance escalates these internally, working with business units to remediate such issues and recommending/implementing improvements where the control environment has not met its objective.

The Company's Compliance Function is directed by the Enstar Group Head of Compliance. The Compliance Function operates within the following governance arrangements:

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

B5 Internal Audit function

StarStone Internal Audit is undertaken by Enstar Group's Internal Audit function which provides independent and impartial assurance on the adequacy and effectiveness of the Company's system of risk management and the overall internal control environment.

Internal Audit reviews take place according to a risk-based annual Internal Audit Plan, drawn up by Internal Audit and agreed with the Board.

To further support the Internal Audit function in the execution of their role the Head of Internal Audit has a direct reporting line to the Audit Committee while the function also has the complete and unrestricted right to obtain information (via both Company records and/or direct communication with staff), including the whistle-blower hotline, as necessary, to discharge its responsibilities. To further ensure the independence of the Internal Audit function, Internal Audit staff members have no direct operational responsibility or authority over any activities across the Company that they review. In addition, they neither 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 Company Board, the organisational independence of the Internal Audit function.

Internal Audit liaises with the external auditors and internal assurance functions to foster a collaborative and professional working relationship and optimise assurance coverage while as far as possible avoiding the duplication of assurance efforts. Internal Audit shares information with the external auditors and internal assurance functions such as internal audit plans and reports produced. It is ensured that Internal Audit's independence is maintained at all times.

Internal Audit assists 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.

A written report is prepared and issued by the Internal Audit Function following the conclusion of each audit and appropriately distributed. Following the completion of each audit, management actions are agreed with those directly responsible for controls and then with those with overall responsibility for a process. Management's responses include a timetable for completion of actions to be taken and an explanation for any

risks or issues not addressed. Each audit report and a summary is then shared with the Senior Leadership Team, Board and Audit Committee.

Internal Audit is responsible for appropriate follow-up on audit findings and management actions. All significant findings remain open until management provides evidence to Internal Audit that the action can be closed.

The Group Head of Internal Audit periodically reports to the Audit Committee on Internal Audit's performance relative to its plan. Reporting also includes significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Board.

In 2019, there will be a transition away from using the Enstar Group Internal Audit function and StarStone will have a designated Internal Audit function with a bespoke strategy and Audit Plan."

B6 Actuarial Function

The Actuarial Function is an Enstar Group function. 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

Actuarial Reserving: Internal and external actuarial reserving estimates are reviewed by the StarStone Reserving Committee to ensure that the loss reserving provisions are both reasonable and appropriate. For certain subsidiary jurisdictions, a report supporting the Actuarial Function is produced annually where the lead actuary in each of the business units confirm the duties, work completed, limitations, capital model, validation, data and controls and the actuarial movement on reserves. In addition where contractually required, for example transactions such as Schemes of Arrangement, independent actuaries are used to perform an annual independent reserve review and to provide actuarial opinions.

Actuarial Pricing: StarStone Head of Pricing is responsible for pricing for the Company. Inappropriate pricing, whether too high or too low, would have a detrimental effect on both StarStone's business and its customers. The Head of Pricing reports 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 Company has an established process as laid out within the Procurement and Outsourcing Procedures (Outsourcing, Supplier Selection & Management) Framework. This document embeds sound risk management processes (including composite risk assessments) into the methodology by which suppliers and outsourced service providers are initially identified, assessed and ultimately selected. Once a provider is selected, the risk assessment performed during the selection process determines the extent of the on-going monitoring program

performed by the business and overseen by the dedicated Procurement Function as well as the implementation of other risk mitigation techniques as appropriate (for example establishing alternate suppliers and contingency plans in the event of the supplier or outsourced service provider failing to deliver their contractual obligations).

In accordance with local laws and FMA requirements, all outsourcings relating to SISE 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, credit and underwriting risk.

The following table summarizes the Solvency Capital Requirement for each type of risk as at 31 December 2018:

Standard Formula 2018		
Risk Category	Required Capital USD'000	Percentage
Underwriting Risk	23,526	24%
Market Risk	39,440	39%
Credit Risk	20,149	20%
Operational Risk	16,865	17%
Undiversified Total	99,980	
Diversification Credit	(21,215)	
Total	78,765	

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 by both class of business and geographical segment and underwriting results by class of business. This analysis for period ended December 31, 2018 is presented below.

	Medical Expense USD'000	Other Motor USD'000	Marine, aviation and transport USD'000	Fire and other damage to property USD'000	General liability USD'000	Total USD'000
Australia and Asia	0	0	25,598	15,259	3,193	44,049
Europe	14,266	8,555	38,381	14,275	4,123	79,600
United States and Canada	0	37,045	13,433	29,014	473	79,966
United Kingdom	433	(6,651)	6,392	28,169	5,364	33,706
Rest of World	4	0	4,568	7,345	2,533	14,450
Total	14,703	38,949	88,372	94,063	15,685	251,772

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 net claims liabilities would have the following effect on profit or loss and equity:

	5 per cent increase USD'000	5 per cent decrease USD'000
Medical Expense	39	(39)
Other Motor	21	(21)
Fire and other damage to property	1,102	(1,102)
General liability	330	(330)
Marine, aviation and transport	491	(491)
Total	1,983	(1,983)

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

C2 Investment/Market Risk

Investment / Market risk is the risk of loss resulting from under-performing investment returns, dilution of investment capital, or adverse financial market movements (such as interest rates or exchange rates).

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.

Investments presented in the financial statements (expressed in USD '000) as at the end of 2018 is as follows:

By category **As at 31 December**	**2018** **Amortized cost** **USD**	**2018** **Fair value** **USD**
Long Term:		
Corporate Securities	45,226	43,910
US Government Securities	16,557	16,559
Non-U.S. Government	7,372	7,070
Mortgage Backed Securities	12,798	12,621
Municipals	550	549
Asset Backed Securities		
Short Term:		
US Government Securities	987	987
Other:		
Collective investment scheme	58,405	58,421
Total investments	141,896	140,116

By maturity **As at 31 December**	**2018** **Amortized cost** **USD**	**2018** **Fair value** **USD**
Due in one year or less	70,669	70,176
Due after one through five years	48,913	47,917

Due after five through ten years	10,375	10,303
Due after ten years	11,939	11,720
Total investments	141,896	140,116

Investments are valued as lower of amortised cost or fair value by category. Fair value are lower for Long Term investments, whereas amortised cost are lower for Short Term and Other investments. Total Balance Sheet value is USD 140,100k. Deposits with banks and Cash on hand and at bank include assets of USD 3,369k (2017: USD 2,350k) 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.

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 relates to the uncertainty of a counterparty's ability to make timely payments in accordance with contractual terms of the instrument or contract. We are exposed to direct credit risk primarily within our portfolios of fixed maturity and short-term investments, and through customers, brokers and reinsurers in the form of premiums receivable and reinsurance recoverables

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 2018 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

From 1 January 2018 the intragroup reinsurance agreement has been signed with the Company's parent company, SIBL, at a cession rate of 90% for all continuing lines of business for the 2018 underwriting year and, through endorsement, at a cession rate of 73.6% for continuing lines of business relating to the 2017 underwriting years and prior and at a 100% cession rate for discontinued lines of business.

The company's immediate parent company has entered into an adverse development cover with a subsidiary of its ultimate parent company. Related to the terms of that agreement the company ceded 100% of the reserves in Construction, Aviation, Marine, Excess Casualty and Portfolio Solutions lines of business to SIBL as at 30 September 2018. The quota share agreement has been endorsed to facilitate this.

In addition, the 35% Quota Share reinsurance arrangement with KaylaRe Ltd was renewed for 2018 at the same levels. KaylaRe is a Bermuda-based Class 4 reinsurer offering a diversified range of specialty reinsurance to the global insurance market. On May 14, 2018, Enstar Group Limited, the ultimate parent company and the ultimate controlling party of the Company, acquired full control of KaylaRe. With effect from 31 December 2018, the 35% Quota Share arrangement was non-renewed on a run-off basis.

C4 Liquidity Risk

Liquidity risk is the risk that we are unable to realize investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. 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

Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events, personnel, systems or third parties.

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 at Group level 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

Reserve Risk

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, and legal and regulatory matters.

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.

StarStone benefits from the financial strength of Enstar Group as demonstrated in 2018 with the execution of the Group Loss Portfolio Transfer, which demonstrates the ability of Enstar and StarStone Management to re-structure the StarStone business model in a way which recognises the optimisation of benefits from both ongoing lines of business and those determined to be 'run off'.

Regulatory and Reputational Risk

Regulatory risk is the risk of legal or regulatory sanctions resulting in a financial loss, or loss of reputation as a result of an insurer's failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct. We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Tax Risk

Tax risk is the risk requirements are not adhered to accurately or in a timely manner resulting in a financial loss. We proactively seek to identify, evaluate, manage, monitor and mitigate tax risks. We are committed to complying with all tax laws, rules and regulations applicable to StarStone Group. In evaluating potential transactions we consider the overall commercial, financial and tax aspects. Where there is uncertainty or complexity in relation to a tax risk, we may seek external advice and, where appropriate, we may obtain tax clearances from relevant tax authorities.

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 Lichtenstein GAAP and the amounts reported in the Solvency II balance sheet as at 31 December 2018.

	Statutory Value (LIE GAAP)	Reclassification differences	Valuation differences	Solvency II value	Notes
	USD'000	USD'000	USD'000	USD'000	
Investments	140,100	11,691	16	151,807	D1.1
Reinsurance recoverables	713,354	(139,367)	(70,004)	503,983	D1.2
Insurance and intermediary receivables	145,543	(129,453)	-	16,091	D1.3
Reinsurance receivables	78,369	27,704	-	106,073	D1.4
Receivables (trade, not insurance)	9,149	3,010	-	12,159	
Cash and cash equivalents	44,867	(11,168)	-	33,699	D1.5
Any other assets	3,307	(3,268)	-	39	D1.6
Total assets	**1,134,690**	**(240,851)**	**(69,988)**	**823,851**	
Technical provisions	766,074	(137,023)	(54,913)	574,139	D2
Reinsurance payables	141,545	(113,010)	-	28,534	
Payables (trade, not insurance)	7,009	943	-	7,952	D3
Any other liabilities	885	8,239	468	9,591	
Total liabilities	**915,512**	**(240,851)**	**(54,444)**	**620,216**	
Excess of assets over liabilities	219,178	0	(15,543)	203,635	

A more detailed Solvency II balance sheet is included in Appendix 1 (QRT 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.

	USD 000	USD 000
Excess of assets over liabilities - GAAP		219,178
Profit write-off in UPR	33,195	
Profit in bound but not incepted (BBNI)	792	
Future cost of reinsurance	(10,969)	
Events not in Data (ENID)	(493)	
Expenses provision	(32,287)	
Risk Margin	(11,984)	
Discounting	2,743	
Actuarial adjustments		(19,004)
Other adjustments		3,460
Excess of assets over liabilities - Solvency II		203,635

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 Lichtenstein 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 II when the Company becomes a party to the contractual provisions of the instrument. Investments are de-recognised 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 11,691k reclassification in investments relate to:

- Transfer of USD 11,168k that was treated as cash and cash equivalents under GAAP of which USD 11,136 relates to Collective Investment Undertakings and USD 32m Deposits other than cash equivalents; and
- Transfer of accrued interest, USD 523k reported as other assets under GAAP 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.

	1 - QMP	2 - QMPS
Measured at fair value through profit and loss		

Government bonds	-	24,126
Corporate bonds	-	45,429
Collateralised securities	-	12,663
Deposits other than cash equivalents	-	32
Collective Investment funds		69,557
Total investments	**-**	**151,807**

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 (e.g. 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 70,004k 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 139,367k 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 129,453k 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.

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 11,168k relate to USD 32k restricted cash that is reported under Solvency II as deposits other than cash equivalents and USD 11,136k that is reported as Collective Investment Undertakings.

D.1.6 Any other assets

This mainly relate to non-technical balances due from 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 523k 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.

	Direct business and accepted proportional reinsurance					Accepted non-proportional reinsurance		
	Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Premium provisions								
Gross - Total	388	872	8,772	18,125	1,587	87	231	30,063
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	149	335	3,369	6,961	610	33	89	11,546
Net Best Estimate of Premium Provisions	239	537	5,403	11,164	978	54	143	18,518
Claims provisions								
Gross - Total	10,535	5,747	130,841	295,577	88,434	851	106	532,092
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	9,750	5,318	121,090	273,549	81,843	788	98	492,438
Net Best Estimate of Claims Provisions	785	428	9,751	22,028	6,590	63	8	39,654
Total best estimate - gross	10,923	6,618	139,614	313,702	90,021	939	338	562,155
Total best estimate - net	1,024	965	15,154	33,192	7,568	117	151	58,171
Risk margin	211	199	3,122	6,838	1,559	24	31	11,984
Technical provisions - total	11,134	6,817	142,736	320,540	91,580	963	369	574,139
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	9,899	5,653	124,459	280,510	82,453	821	187	503,983
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	1,235	1,164	18,276	40,030	9,127	141	182	70,155

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.

	Claims provision						
	Expected present value of:						
Past exposure	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.

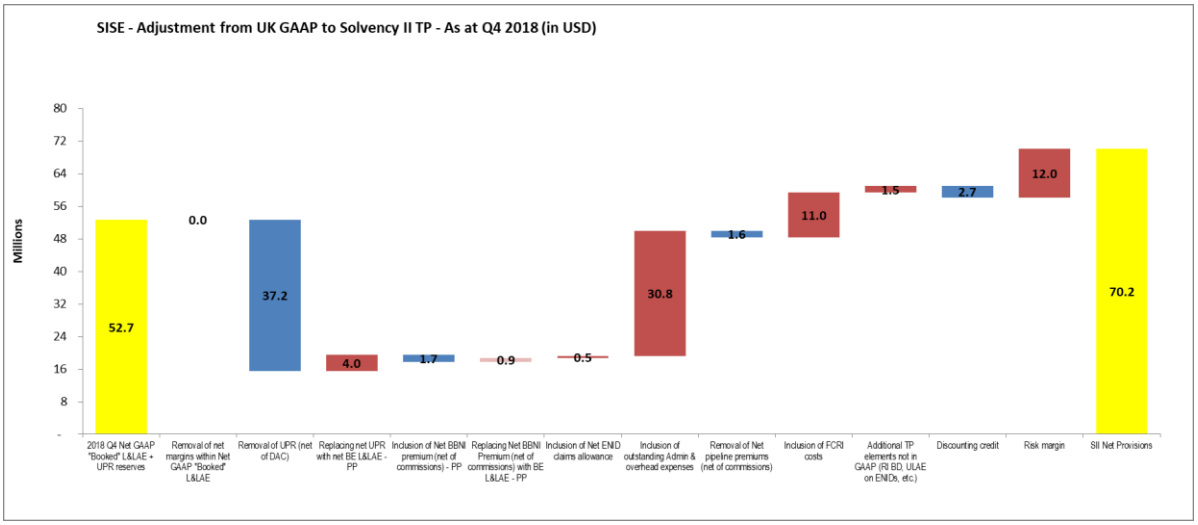
The overall risk margin according to the Cost of Capital methodology (CoCM) is calculated as follows:

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

$SCR_{RU}(t)$ = 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;
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	16,091
Reinsurance receivables	D.1.4	106,073
Any other assets	D.1.6	39
Any other liabilities	D3	9,591

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's capital management framework and associated policies and processes are designed to the meet the following objectives:

- to maintain financial strength in adverse conditions;
- to give customers long-term confidence in the Company;
- to satisfy our regulatory obligations;
- to match the profile of our assets and liabilities, taking account of the risk inherent in the business;
- and to allocate capital efficiently to support new business growth.

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

The Company's solvency position is set out in the table below:

	2018 USD'000	2017 USD'000
Eligible Own Funds to meet the SCR	203,635	205,551
SCR	78,765	71,605
Eligible Own Funds to meet the MCR	195,982	198,020
MCR	19,691	17,901
Ratio of Own funds to SCR	259%	287%
Ratio of Own funds to MCR	995%	1106%

The Company's own funds is analysed in the following extract from the own funds quantitative reporting template (QRT) as at 31 December 2018 (S.23.01).

2018	Total	Tier 1 unrestricted USD'000	Tier 1 restricted USD'000	Tier 2 USD'000
Ordinary share capital	140,393	140,393		
Preference shares	50,000		50,000	
Reconciliation reserve	13,242	13,242		
Total basic own funds after deductions	203,635	153,635	50,000	0
Total eligible own funds to meet the SCR	203,635	153,635	38,409	11,591
Total eligible own funds to meet the MCR	195,832	153,635	38,409	3,789

2017	Total	Tier 1 unrestricted USD'000	Tier 1 restricted USD'000	Tier 2 USD'000
Ordinary share capital	140,393	140,393		
Preference shares	50,000		50,000	
Reconciliation reserve	15,159	15,159		
Total basic own funds after deductions	205,552	155,552	50,000	0
Total eligible own funds to meet the SCR	205,551	155,552	38,888	11,112
Total eligible own funds to meet the MCR	198,020	155,552	38,888	3,580

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 219,178k compared to own funds as reported above on a Solvency II basis of USD 203,635k. A full reconciliation of the Company's excess of assets over liabilities calculated on a Solvency II basis as at 31 December 2018 is provided in section D.

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

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:

	2018 USD'000	2017 USD'000
Risk Categories		
Market risk	39,440	21,145
Counterparty default risk	20,149	34,934
Non-life underwriting risk	23,196	21,414
Health underwriting risk	330	0
Operational Risk	16,865	12,699
Diversification	(21,215)	(18,587)
SCR	78,765	71,605
MCR	19,691	17,901
Total eligible own funds to meet the SCR	203,635	205,551
Total eligible own funds to meet the MCR	195,982	198,020
Ratio of Eligible Own funds to SCR	259%	287%
Ratio of Eligible Own funds to MCR	995%	1106%

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.

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.

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)	151,807
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*	82,218
R0140	*Government Bonds*	24,126
R0150	*Corporate Bonds*	45,429
R0160	*Structured notes*	0
R0170	*Collateralised securities*	12,663
R0180	*Collective Investments Undertakings*	69,557
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	32
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:	503,983
R0280	*Non-life and health similar to non-life*	503,983
R0290	*Non-life excluding health*	494,084
R0300	*Health similar to non-life*	9,899
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	16,091
R0370	Reinsurance receivables	106,073
R0380	Receivables (trade, not insurance)	12,159
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	33,699
R0420	Any other assets, not elsewhere shown	39
R0500	**Total assets**	823,851

	Liabilities	Solvency II value C0010
R0510	Technical provisions - non-life	574,139
R0520	*Technical provisions - non-life (excluding health)*	563,005
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	551,232
R0550	*Risk margin*	11,773
R0560	*Technical provisions - health (similar to non-life)*	11,134
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	10,923
R0590	*Risk margin*	211
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	6,678
R0830	Reinsurance payables	28,534
R0840	Payables (trade, not insurance)	1,274
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	9,591
R0900	**Total liabilities**	620,216
R1000	**Excess of assets over liabilities**	203,635

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	Total
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Property	
		C0010	C0050	C0060	C0070	C0080	C0160	C0200
	Premiums written							
R0110	Gross - Direct Business	14,703	38,949	37,665	45,218	12,186		148,722
R0120	Gross - Proportional reinsurance accepted	0	0	50,707	41,240	3,500		95,447
R0130	Gross - Non-proportional reinsurance accepted						7,604	7,604
R0140	Reinsurers' share	13,439	35,599	80,771	79,022	14,336	6,950	230,117
R0200	Net	1,265	3,350	7,601	7,436	1,349	654	21,655
	Premiums earned							
R0210	Gross - Direct Business	12,351	26,746	42,750	51,013	14,286		147,148
R0220	Gross - Proportional reinsurance accepted	0	0	34,922	26,833	3,066		64,821
R0230	Gross - Non-proportional reinsurance accepted						5,480	5,480
R0240	Reinsurers' share	11,246	24,354	70,726	70,884	15,801	4,990	198,001
R0300	Net	1,105	2,392	6,947	6,962	1,552	490	19,447
	Claims incurred							
R0310	Gross - Direct Business	5,938	20,590	55,635	174,001	13,022		269,185
R0320	Gross - Proportional reinsurance accepted	0	0	10,492	16,432	2,378		29,301
R0330	Gross - Non-proportional reinsurance accepted						176	176
R0340	Reinsurers' share	5,516	19,127	61,428	176,903	14,305	164	277,443
R0400	Net	422	1,463	4,698	13,531	1,094	13	21,220
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0		0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0		0
R0430	Gross - Non-proportional reinsurance accepted						0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	373	877	2,606	3,740	588	143	8,327
R1200	**Other expenses**							
R1300	**Total expenses**							8,327

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			US	GB	BE	DE	FR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	634	59,331	11,784	14,253	14,341	8,124	108,466
R0120	Gross - Proportional reinsurance accepted	0	19,620	15,152	4,751	702	2,876	43,100
R0130	Gross - Non-proportional reinsurance accepted	0	279	6,843	14	207	106	7,449
R0140	Reinsurers' share	580	72,415	30,874	17,382	13,938	10,150	145,338
R0200	Net	55	6,814	2,905	1,636	1,312	955	13,677
	Premiums earned							
R0210	Gross - Direct Business	628	58,703	11,659	14,102	14,189	8,038	107,318
R0220	Gross - Proportional reinsurance accepted	0	13,324	10,290	3,227	477	1,953	29,271
R0230	Gross - Non-proportional reinsurance accepted	0	201	4,932	10	149	76	5,368
R0240	Reinsurers' share	572	65,768	24,477	15,788	13,490	9,167	129,261
R0300	Net	56	6,460	2,404	1,551	1,325	900	12,696
	Claims incurred							
R0310	Gross - Direct Business	0	19,616	62,361	13,038	8,832	9,203	113,051
R0320	Gross - Proportional reinsurance accepted	0	7,500	8,879	851	85	2	17,317
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	165	0	165
R0340	Reinsurers' share	0	25,190	66,179	12,902	8,437	8,551	121,259
R0400	Net	0	1,927	5,062	987	645	654	9,275
	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**	24	2,766	1,029	664	567	386	5,436
R1200	**Other expenses**							
R1300	**Total expenses**							5,436

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance					Accepted non-proportional reinsurance		Total Non-Life obligation
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0060	C0070	C0080	C0090	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM								
	Best estimate								
	Premium provisions								
R0060	Gross	388	872	8,772	18,125	1,587	87	231	30,063
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	149	335	3,369	6,961	610	33	89	11,546
R0150	**Net Best Estimate of Premium Provisions**	239	537	5,403	11,164	978	54	143	18,518
	Claims provisions								
R0160	Gross	10,535	5,747	130,841	295,577	88,434	851	106	532,092
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	9,750	5,318	121,090	273,549	81,843	788	98	492,438
R0250	**Net Best Estimate of Claims Provisions**	785	428	9,751	22,028	6,590	63	8	39,654
R0260	**Total best estimate - gross**	10,923	6,618	139,614	313,702	90,021	939	338	562,155
R0270	**Total best estimate - net**	1,024	965	15,154	33,192	7,568	117	151	58,171
R0280	**Risk margin**	211	199	3,122	6,838	1,559	24	31	11,984
	Amount of the transitional on Technical Provisions								
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0
R0320	**Technical provisions - total**	11,134	6,817	142,736	320,540	91,580	963	369	574,139
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	9,899	5,653	124,459	280,510	82,453	821	187	503,983
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	1,235	1,164	18,276	40,030	9,127	141	182	70,155

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

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

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											187	187	187
R0160	2009	3,416	22,297	36,749	21,888	10,002	11,685	2,014	2,213	15,312	555		555	126,132
R0170	2010	19,909	122,908	59,558	58,196	43,118	14,346	3,554	3,495	3,300			3,300	328,384
R0180	2011	26,920	67,157	43,231	59,739	13,759	11,467	8,677	8,780				8,780	239,731
R0190	2012	10,043	58,826	61,574	29,151	14,069	10,820	11,326					11,326	195,808
R0200	2013	15,264	83,972	35,225	23,735	9,248	12,790						12,790	180,234
R0210	2014	9,063	47,384	30,054	40,801	14,125							14,125	141,427
R0220	2015	4,306	22,472	16,920	15,378								15,378	59,076
R0230	2016	8,377	18,796	17,905									17,905	45,078
R0240	2017	4,845	44,258										44,258	49,103
R0250	2018	11,798											11,798	11,798
R0260												Total	140,403	1,376,958

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											-176	-172
R0160	2009	0	0	0	0	0	0	0	23	3,082	6,232		5,943
R0170	2010	0	0	0	0	0	0	49,197	25,746	37,495			35,414
R0180	2011	0	0	0	0	0	42,630	24,906	143,101				135,176
R0190	2012	0	0	0	0	45,446	28,684	50,111					48,004
R0200	2013	0	0	0	46,914	30,401	62,103						58,527
R0210	2014	0	0	76,798	31,388	35,202							32,969
R0220	2015	0	46,048	44,063	46,549								43,120
R0230	2016	26,015	36,586	52,774									48,422
R0240	2017	44,127	81,389										75,893
R0250	2018	52,597											48,796
R0260												Total	532,092

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)	140,393	140,393		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	50,000		50,000	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	13,242	13,242			
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	0	0	0	0
R0290	**Total basic own funds after deductions**	203,635	153,635	50,000	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			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			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	203,635	153,635	50,000	0	0
R0510	Total available own funds to meet the MCR	203,635	153,635	50,000	0	
R0540	Total eligible own funds to meet the SCR	203,635	153,635	38,409	11,591	0
R0550	Total eligible own funds to meet the MCR	195,982	153,635	38,409	3,938	
R0580	**SCR**	78,765				
R0600	**MCR**	19,691				
R0620	**Ratio of Eligible own funds to SCR**	258.54%				
R0640	**Ratio of Eligible own funds to MCR**	995.28%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	203,635				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	0				
R0730	Other basic own fund items	190,393				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	13,242				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	0				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	44,954				
R0790	**Total Expected profits included in future premiums (EPIFP)**	44,954				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	39,440		
R0020	Counterparty default risk	20,149		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	330		
R0050	Non-life underwriting risk	23,196		
R0060	Diversification	-21,215		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	61,900		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	16,865
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**	78,765
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	78,765
	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

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1- Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

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	6,742

		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	1,024	639
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	965	1,740
R0070	Marine, aviation and transport insurance and proportional reinsurance	15,154	3,813
R0080	Fire and other damage to property insurance and proportional reinsurance	33,192	3,716
R0090	General liability insurance and proportional reinsurance	7,568	648
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	117	0
R0170	Non-proportional property reinsurance	151	338

	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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	6,742
R0310	SCR	78,765
R0320	MCR cap	35,444
R0330	MCR floor	19,691
R0340	Combined MCR	19,691
R0350	Absolute floor of the MCR	4,188
R0400	**Minimum Capital Requirement**	19,691

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