ALLIED WORLD ASSURANCE COMPANY (EUROPE) DAC

SOLVENCY AND FINANCIAL CONDITION REPORT

(FOR THE FINANCIAL YEAR ENDING DECEMBER 31, 2018)

Overview

References in this Solvency Financial Condition Report (this "Report") to the terms "we," "us," "our," the "Company" or other similar terms mean the operations of Allied World Assurance Company (Europe) dac, an Irish company authorized by the Central Bank of Ireland, unless the context requires otherwise. References to the term "Allied World Switzerland" means only Allied World Assurance Company Holdings, GmbH, and to the term "Allied World Group" means Allied World Switzerland and its subsidiaries. The Allied World Group is majority held by Fairfax Financial Holdings Limited ("Fairfax"). References to "$" are to the lawful currency of the United States.

This Report has been compiled in accordance with the E.U. (Insurance and Reinsurance) Regulations 2015, the European Commission Delegated Regulation 2015 / 35 and the guidelines issued by the European Insurance and Occupational Pensions Authority ("EIOPA") (collectively, the "Solvency II Regulations").

We will make available, free of charge through our website (www.awac.com), this Report as soon as reasonably practicable after we electronically file our annual regulatory returns with the Central Bank of Ireland (the "Central Bank"). This Report has been reviewed and approved by the Board of Directors of the Company (the "Board").

Summary

Company background:

We are an Irish incorporated company authorized by the Central Bank to conduct non-life insurance business pursuant to the E.U. (Insurance and Reinsurance) Regulations 2015. We, through our head office in Dublin and branch offices in the United Kingdom and Switzerland, provide innovative property, casualty and specialty insurance and reinsurance solutions to clients worldwide.

Business and performance:

The Company reported gross premiums written of $173.6 million in 2018 compared to $149.2 million in 2017 and an underwriting profit of $9.0 million in 2018 compared to an underwriting loss of $13.5 million in 2017. The 2017 underwriting result was impacted by Hurricanes Harvey, Irma and Maria ("HIM events") whilst also including a $6.7 million foreign exchange loss compared to a $3.2 million gain in 2018. Administrative expenses were $23.4 million for the year compared to $31.5 million in 2017. Net investment return for 2018 was $3.3 million compared to $26.7 million for 2017. Profit on operating activities after taxation for 2018 amounted to $10.3 million compared to $11.5 million in 2017. Further details on the Company's performance in 2018 are included in Section A of this Report.

System of governance:

The Board has ultimate responsibility for ensuring that the Company complies with applicable regulatory requirements. The Board has established an effective system of governance to ensure the sound and prudent management of the Company's business. Further details on the Company's system of governance are included in Section B of this Report.

Risk profile:

Risks relevant to the Company's business and operations are outlined in Section C of this Report. The primary risk for the Company is underwriting risk. We have established an effective enterprise risk management ("ERM") framework that is integrated into the management of our business to manage and monitor relevant risks.

Valuation for solvency purposes:

The Company reconciles the valuation of its assets and liabilities included in its statutory financial statements to those assets and liabilities produced in accordance with Solvency II Regulations. These reconciliations for the years ended December 31, 2018 and 2017 are reviewed in Section D of this Report.

Capital management:

As at December 31, 2018, the Company's solvency coverage ratio, solvency capital requirement (the "SCR") and the minimum capital requirement (the "MCR") were 402%, $95.2 million and $23.8 million respectively, compared with 392%, $97.0 million and $24.2

million as at December 31, 2017, respectively. As at December 31, 2018, the Company had Tier 1 eligible own funds of $382.5 million compared with $380.4 million as at December 31, 2017.

Details on the composition of the SCR and Tier 1 eligible own funds are included in Section E of this Report.

Recent developments:

Exit of United Kingdom from E.U. ("Brexit"):

The Company has established contingency plans to address the risks arising from Brexit. The Company has registered under the U.K. Temporary Permissions regime in order that its U.K. branch will continue to underwrite (re)insurance business in/from the U.K. post Brexit. As part of our Brexit contingency plans, we have also continued to monitor developments in relation to Brexit, including guidance and consultation papers issued by the U.K. Prudential Regulation Authority (the "PRA") and guidance issued by EIOPA. We have also provided updates to the Central Bank and the PRA on our Brexit contingency plans during 2018.

A. Business and Performance

A.1 Business

Company information:

The Company is a designated activity company with its registered office at 3rd Floor, Georges Quay Plaza, Georges Quay, Dublin 2, D02 E440, Ireland (Registration number: 361888). The Company's branch offices are located at 20 Fenchurch Street, 19th Floor, London EC3M 3BY, U.K. and Park Tower, 15th Floor, Gubelstrasse 24, 6300 Zug, Switzerland. The Company is authorized by the Central Bank (PO Box 559, New Wapping Street, North Wall Quay, Dublin 1).

The Company's immediate parent company is Allied World Assurance Holdings (Ireland) Ltd, a company incorporated in Bermuda. The Company's ultimate parent into which the results of the Company are consolidated is Fairfax.

Group supervisor:

The Delaware Department of Insurance (841 Silver Lake Blvd., Dover, DE 19904, U.S.A.) acts as the group supervisor for the Fairfax group of insurance subsidiaries, which includes the Allied World Group. In accordance with Delaware law, Fairfax files an annual group Own Risk Solvency Assessment and an annual Enterprise Risk Management Report. Fairfax prepares annual audited financials in accordance with Canadian International Financial Reporting Standards.

External auditor:

The Company's external auditor is PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm (One Spencer Dock, North Wall Quay, Dublin 1, Ireland).

Our strategy:

Our business objective is to generate attractive returns on equity while preserving our capital. We seek to achieve this objective by executing the following strategies:

- *Capitalize on profitable underwriting opportunities.* Our management and underwriting teams are positioned to identify business with attractive risk/reward characteristics. We pursue a strategy that emphasizes profitability, not market share. Key elements of this strategy are prudent risk selection, appropriate pricing and adjusting our business mix to remain flexible and opportunistic. We seek ways to take advantage of underwriting opportunities that we believe will be profitable.

- *Exercise underwriting and risk management discipline.* We believe that we exercise underwriting and risk management discipline by: (i) maintaining a diverse spread of risk across product lines and geographic regions, (ii) managing our aggregate property catastrophe exposure through the application of sophisticated modelling tools, (iii) monitoring our exposures on non-property catastrophe coverages, (iv) adhering to underwriting guidelines across our business lines and (v) fostering a culture that focuses on enterprise risk management and strong internal controls.

- *Employ a diversified investment strategy.* We believe that we follow a diversified investment strategy designed to emphasize the preservation of capital, provide adequate liquidity for the prompt payment of claims and generate a positive return. Our investment portfolio consists primarily of investment-grade, fixed-maturity securities of short-to medium-term duration.

<u>Material lines of business and geographical areas</u>:

We provide innovative property, casualty and specialty insurance and reinsurance solutions to clients worldwide.

- The focus of the direct insurance business is on mid-sized to large European and multinational companies domiciled outside North America, and smaller commercial clients within certain target European markets.

- The focus of the reinsurance business is predominantly on a medium- to short-tail global book of marine non-proportional reinsurance business, generally on a combined risk and catastrophe basis.

<u>Distribution</u>:

As a commercial insurer, we primarily offer products through independent insurance intermediaries, including retail brokerage firms and excess and surplus lines wholesale brokers. We typically pay a commission to agents and brokers for business that we accept from them. Due to a number of factors, including transactional size and complexity, the distribution infrastructure of the reinsurance marketplace is characterized by relatively few intermediary firms.

Certain of our products are also underwritten and distributed through third-party program administrators. Before delegating underwriting authority, we consider the integrity, experience and reputation of each program administrator, as well as the potential profitability of the business and availability of reinsurance. Once a program is established, we conduct regular ongoing reviews and audits of the program administrator and the claims administrator if such a function has been outsourced. We do not believe that the loss of any one program or relationship with any one program administrator would have a material adverse effect on our business, and no single program accounts for 5% or more of our total revenues.

<u>Significant events</u>:

With the exception of Brexit and except as otherwise disclosed in this Report, there were no other significant business or other events that occurred during 2018 that had a material impact on the Company.

A.2 Underwriting performance

Gross premiums written for 2018 were $173.6 million, an increase of $24.4 million from 2017, primarily due to an increase in our liability, property and treaty reinsurance writings during the year offset by decreases in our credit and surety and aviation portfolios. Net premiums written for 2018 were $17.4 million compared with $13.7 million for 2017. Ceded premiums written for 2018 were $156.2 million compared to $135.6 million for 2017. The Company's ceded premium coverage ratio for 2018 was 90% compared with 91% for 2017.

Gross Premiums Written by Assured Country ($ m's)		
	2018	**2017**
Ireland	10.9	8.6
Other E.U. countries	121.3	107.1
Other non-E.U. countries	41.4	33.5
	173.6	**149.2**

2018 Underwriting Result by Line of Business ($ m's)						
	MAT*	**Property**	**Liability**	**Credit and surety**	**Treaty reinsurance**	**Total**
Gross premiums written	9.4	30.6	102.9	7.4	23.3	**173.6**
Gross earned premium	16.5	26.1	91.9	8.9	23.4	**166.8**
Gross administrative expenses and acquisition costs	(3.7)	(8.9)	(27.7)	(2.6)	(4.3)	**(47.2)**
Gross movement in incurred claims	(13.2)	(5.3)	(16.5)	(0.1)	(4.9)	**(40.0)**
Outward reinsurance movements	0.7	(11.9)	(43.8)	(5.7)	(9.9)	**(70.6)**
Underwriting profit / (loss)	**0.3**	**0.0**	**3.9**	**0.5**	**4.3**	**9.0**

2017 Underwriting Result by Line of Business ($ m's)						
	MAT	**Property**	**Liability**	**Credit and surety**	**Treaty reinsurance**	**Total**
Gross premiums written	16.2	25.9	77.5	9.6	20.0	**149.2**
Gross earned premium	19.1	22.2	77.7	12.1	19.7	**150.8**
Gross administrative expenses and acquisition costs	(6.4)	(10.6)	(32.6)	(4.9)	(6.6)	**(61.1)**
Gross movement in incurred claims	(14.4)	(4.9)	(10.3)	(23.2)	(19.0)	**(71.8)**
Outward reinsurance movements	0.6	(9.4)	(40.2)	13.2	4.4	**(31.4)**
Underwriting profit / (loss)	**(1.1)**	**(2.7)**	**(5.4)**	**(2.8)**	**(1.5)**	**(13.5)**

* Marine, Aviation and Transport ("MAT")

Net claims incurred in 2018 amounted to $4.2 million compared to $6.7 million in 2017, an improvement primarily driven by a decrease in net claims incurred on our aviation, treaty reinsurance and credit and surety portfolios and offset by increases in our liability and property portfolios. The prior year was impacted adversely by the HIM events.

Administrative expenses were $23.4 million for 2018 compared to $31.5 million for 2017. The difference is primarily driven by the acceleration of share-based payments in 2017 as a result of the acquisition of the Company's then ultimate parent company, Allied World Assurance Company Holdings, AG by Fairfax. The result for the year included net acquisition income of $17.4 million compared to $16.9 million in 2017 and a foreign exchange gain of $3.2 million compared to a loss of $6.7 million in 2017.

A.3 Investment performance

To help ensure adequate liquidity for the payment of claims, we take into account the maturity and duration of our investment portfolio and our liability profile. In making investment decisions, we consider the impact of various catastrophic events to which we may be exposed. All assets are invested in accordance with the "prudent person principle" as required under Regulation 141 of the Solvency II Regulations. The majority of assets in our investment portfolio are invested in investment-grade, fixed-maturity securities of short-to medium-term duration.

Net investment return for 2018 was $3.3 million compared to $26.7 million for 2017. The decrease is largely attributable to unrealised losses from our investment portfolio. Additionally, there was a decrease in net investment income to $13.5 million from $15.7 million in 2017 primarily due to a decrease in the promissory note coupon.

2018 Investment Performance ($ m's)			
	2018	**2017**	**Variance %**
Income from financial investments	13.5	15.7	(14.0%)
Realized gains / (losses) on financial investments	(7.0)	(0.1)	(700.0%)
Unrealized gains / (losses) on financial investments	(2.5)	11.5	(121.7%)
Investment expenses	(0.7)	(0.4)	(75.0%)
Net investment return	**3.3**	**26.7**	**(87.6%)**

2018 Investment Performance (Gross) - by Asset Class ($ m's)			
	Average market value	**Portfolio return**	**Portfolio return%**
Government bonds	106.4	(2.2)	(2.1%)
Corporate bonds	9.5	0.1	1.1%
Collective investments undertakings	2.9	0.1	3.4%
Collateralized securities	6.5	0.2	3.1%
Loans and mortgages	253.9	5.8	2.3%
	379.2	**4.0**	**1.0%**

Loans and mortgages represent a promissory note held by the Company. Annual investment income for 2018 on this promissory note is approximately $5.8 million.

A.4 Performance of other activities

Administrative expenses, acquisition costs and foreign exchange:

Administrative Expenses and Acquisition Costs ($ m's)		
	2018	**2017**
Acquisition costs	29.1	23.3
Change in deferred acquisition costs	(2.2)	(0.4)
Administrative expenses	23.4	31.5
Foreign exchange (gain) / loss	(3.2)	6.7
Gross administrative expenses and acquisition costs	**47.1**	**61.1**
Reinsurers share of broker commissions	(44.2)	(39.8)
Net administrative and acquisition costs	**2.9**	**21.3**

Acquisition costs, comprised of commissions, brokerage fees and insurances taxes, are costs that are directly related to the acquisition of new and renewal business. Deferred acquisition costs are expensed as the premiums to which they relate are earned.

Administrative expenses represent the necessary costs to maintain the Company's daily operations and administer its business and primarily consist of compensation expenses, building (rent and related) expenses and professional fees.

Lease commitments:

The Company leases office space in Dublin and London. Administrative expenses for the year ended December 31, 2018 included $2.2 million of lease-related expenses (2017: $2.6 million).

A.5 Any other information

N/A

B. System of Governance

B.1 General information on the system of governance

Our corporate governance framework is reflective of the nature, scale and complexity of the Company's business and complies with the Central Bank's Corporate Governance Requirements for Insurance Undertakings 2015 and the system of governance requirements of the Solvency II Regulations.

<u>Board of Directors</u>:

The Board is the ultimate administrative, management and supervisory body of the Company and is responsible for determining the mission, vision, values and culture of the Company, while ensuring that appropriate controls and procedures are maintained by the Company. The Board is also responsible for the effective, prudent and ethical oversight of the Company and is ultimately responsible for ensuring that risk and compliance are properly managed in the Company. The following individuals are members of the Board:

- Mr. Lee Dwyer, Managing Director
- Mr. Sean Hehir, independent non-executive director
- Mr. Scott Hunter, independent non-executive director
- Mr. Neil Macmillan, independent non-executive director
- Mr. Jim O'Mahoney, independent non-executive director and Chairman of the Board

<u>Audit Committee</u>:

The Board has established an Audit Committee, which is comprised of three independent non-executive directors that satisfy the director independence criteria of the Central Bank. The primary purposes of the Audit Committee are to assist the Board with the oversight of the integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; and the performance of the Company's internal audit function and external auditor. The following individuals are members of the Audit Committee:

- Mr. Sean Hehir, Chairman
- Mr. Scott Hunter
- Mr. Neil Macmillan

Management Committees:

The Company has also established a number of management-based committees, including the Executive Management Committee, the Underwriting Committee, the Loss Reserve Committee, the Risk Management Committee, and the Operations Committee.

Key functions:

Each of the Company's key control functions (*i.e.*, the compliance, internal audit, risk management and actuarial functions) has the necessary authority, resources and operational independence to carry out their tasks and operate in accordance with the Solvency II Regulations. Each of the Company's key functions periodically reports to the Board.

Remuneration:

The Company's Remuneration Policy confirms the policies, practices and procedures applicable to the remuneration of the employees and directors of the Company. The Company's remuneration practices do not promote excessive risk taking.

- Executive compensation philosophy and goals are set by the board of directors of Allied World Switzerland.

- The non-executive directors of the Board annually receive a fixed standard market fee for their director services. Executive directors are not compensated for their director services and are not otherwise involved in deciding their own compensation as employees.

- The pool for base salary increases is set annually during the budgeting process. Promotions, market adjustments and cases of exceptional performance supporting a base salary change beyond the merit pool are considered on a case-by-case basis.

- The funding available for an employee's discretionary cash bonus is generally derived from two components: corporate performance and individual performance.

- The weight of each component toward the whole is tied to the employee's relative level within the Company. The highest level employees have bonuses more heavily weighted toward corporate results, as their positions are of broader leverage and scope, and they are in a position to most directly influence overall performance. Staff level contributors have the majority of their bonus tied to individual performance, since these positions tend not to be of broad enough scope to influence overall results.

- In addition, the board of directors of Allied World Switzerland determines on an annual basis what percentage of an individual's award will be granted in the form of either Fairfax equity or cash. Equity awards generally vest 100% on the fifth anniversary of the grant date.

Directors' remuneration:

Directors' fees were $0.2 million for each of the years ended December 31, 2018 and 2017.

Related party transactions:

There were no related-party transactions outside the ordinary conduct of business during the years ended December 31, 2018 and 2017.

B.2 Fit and proper requirements

The Company's Fitness and Probity Policy provides that each person appointed to a position that is designated by the Central Bank as a controlled function or pre-approval controlled function (a "PCF") must satisfy the standards of fitness and probity prescribed by the Central Bank. All such appointments are made following the successful completion of the Company's fitness and probity assessment process, which includes background checks, and assessments of competency, character and financial soundness, among others. Each PCF appointment requires the prior approval of the Board and the Central Bank.

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

Risk management system:

Although the assumption of risk is inherent in our business, we believe that we have developed a strong ERM framework that is integrated into the management of our business. Our ERM framework consists of numerous systems, processes and controls designed by our senior management, with oversight by our management-based Risk Management Committee and the Board, and implemented across the Company to identify, quantify, monitor and, where possible, mitigate internal and external risks that could materially impact our operations, financial condition and reputation.

The key elements of our ERM framework include the:

- Risk strategy and governance framework;
- Risk Register and risk assessments, including emerging risks;
- Risk appetites and tolerances (and relevant monitoring procedures);
- Risk policies;
- Risk scenarios and stress testing;
- Own risk and solvency assessment (the "ORSA") policy, procedures and reports;

- Aggregate exposure reviews e.g. natural catastrophe models, which are used to determine the Company's probable maximum losses;

- Standard formula model (per the Solvency II Regulations) (the "SFM"), which is used to determine regulatory SCR;

- Economic capital model (the "ECM"), which is used to assess economic capital needs and for risk based decision-making or our economic capital requirement ("ECR");

- Validation of the modelled SCR and ECR as produced by the SFM and ECM respectively; and

- Risk events/issues log.

Our ERM framework supports our Company-wide, risk based, decision-making processes by providing reliable and timely risk information. Our primary ERM objectives are to ensure the sustainability of the Company and to maximize our risk-adjusted returns on capital. Our ERM framework is a dynamic process, with periodic updates being made to reflect organisational processes, changes in risk profiles and recalibration of models, as well as staying current with changes within our industry and the global economic environment. Utilising the ECM, the SFM and the ORSA, we review the relative interaction between risks impacting us from various sources, including our underwriting practices and the investments we make.

Our management's ERM efforts are overseen by the Board, which perform the role of a "board risk committee". The Board review and recommends the overall Company-wide risk appetite as well as overseeing management's compliance therewith. The Board reviews our risk management methodologies, standards, tolerances and risk strategies, and reviews management's processes for monitoring and aggregating risks across our organisation.

<u>Implementation of risk management system</u>:

The output from the ERM framework, including the ECR and SCR, are integrated into the management and strategic decision-making processes as follows:

- Determining the appropriate amount of capital to be held and allocating risk-adjusted capital to the business unit level in order to deploy capital to business units which provide greatest risk-adjusted return;

- Quarterly reporting and monitoring of risk profile – reviewing distributions by risk category and comparing against risk tolerance statements;

- Management actions based on the ORSA process;

- Evaluating the impact of potential changes to the Company's outwards reinsurance purchases;

- Evaluating new product opportunities and significant merger and acquisition opportunities;

- Internal strategic asset allocation studies; and

- Assessing risk-based rates of return for pricing certain types of business.

The ORSA process:

The ORSA is a top-down strategic analysis process that integrates risk management, capital management and strategic planning to determine the current and future capital requirements of the Company. The output of the process provides the Company with a view of own solvency needs in the form of an annual report that is submitted to and approved by the Risk Management Committee and the Board, and filed with the Central Bank. Quarterly updates are submitted to the Risk Management Committee and the Board. The 2018 ORSA:

- Confirmed the Company's continuous compliance with capital requirements under the Solvency II Regulations, and that the rules relating to technical provisions under Solvency II Regulations have not been breached.

- Is premised upon a forward-looking assessment of the risks to which the Company is exposed and associated required level of capital to meet its liabilities and fulfil its business objectives/strategy.

- Utilized a quantitative view of the Company's SCR, which was supplemented by a qualitative description of risks, where appropriate.

- Confirmed that the Company has sufficient information to identify the risks it faces in the short and long term and to be able to project capital needs over the business planning period. The agreed projections reflect likely changes in the risk profile and business strategy over the planning period.

- Demonstrated that the Company had sufficient capital and realistic plans in place to raise more in relation to the proposed business plan (should such need arise). In conducting this assessment, the quality, volatility and loss-absorbing capacity of the Company's own funds were considered.

The Company completes an ORSA annually and will also complete an ORSA without delay following any significant change in its risk profile. During 2018, there were no material changes to the Company's business and performance, systems of governance, risk profile, asset and liabilities valuations required under the Solvency II Regulations and capital management.

Determining own solvency needs:

The Company's regulatory SCR is determined using the SFM and its ECR is based on the modelled output of the ECM. The Risk Management Committee reviews various aspects of the ECM and the SFM, including any material changes to the relevant capital modelling processes and the modelled output each quarter, along with standard risk monitoring output. Both the ECM and the SFM are subject to a regular cycle of validation, including the validation of key methodologies and assumptions.

B.4 Internal controls system

Our internal controls system is a critical component for the safe and sound operation of the Company, and comprises a coherent, comprehensive and continuous set of mechanisms designed to secure at least the following:

- The Company operates effectively and efficiently, and within agreed risk tolerances, as it pursues its objectives;
- Availability and reliability of financial and non-financial information; and
- Compliance with applicable laws and regulations.

We have implemented both entity-wide and process-specific control procedures that help management ensure that the day-to-day operations are appropriately controlled. A mix of internal controls is required to ensure a robust internal controls environment throughout the Company. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, segregation of duties, checking for compliance with agreed exposure limits and operating guidelines and following-up non-compliance.

Management is responsible for and assumes ownership of the internal controls system. They set the "tone at the top" for integrity and ethics and ensuring a positive control environment and also assign responsibility for the establishment of specific internal controls procedures. Management is accountable to the Board, which provides guidance and oversight. The Board, coupled with effective upward communication channels and capable financial, legal, risk management, actuarial, claims, human resources and internal audit functions, is a key element of our robust internal controls system.

Compliance function:

The Company's compliance function promotes an organizational culture committed to integrity, ethical conduct and compliance with the law, and sets standards, policies and procedures that provide reasonable assurance that the Company achieves its financial, operational and strategic objectives consistent with its compliance obligations. In support of that mission, the compliance function:

- Works proactively with business partners to develop policies, procedures and processes that enable the Company to achieve its strategic objectives in a manner consistent with its ethical standards and applicable law;

- Drives the organization toward a business culture that builds and actively promotes compliance and encourages and requires employees to conduct business with honesty and integrity in an ethical and law-abiding fashion;

- Promotes open and free communication regarding the Company's ethical and compliance obligations, including mechanisms that allow for anonymity or confidentiality so that the organization's employees may report or seek guidance regarding potential or actual wrong-doing without fear of retaliation;

- Provides training and guidance regarding applicable laws, regulations and the Company's policies, and clearly communicate ethical guidance;

- Identifies compliance risks affecting the Company and works to minimize those risks;

- Prevents or promptly detects and resolves issues of misconduct or non-compliance to the extent possible; and

- Takes whatever steps may reasonably be necessary to enhance and protect the Company's reputation for integrity and ethics throughout its business community.

On a quarterly basis the compliance function reports on legal and regulatory compliance matters to the Company's executive management committee and the Board.

B.5 Internal audit function

The Company's internal audit function provides an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management, control and governance processes. The Company's internal audit function governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

The Company's internal audit function reports to the Audit Committee on the design and effectiveness of internal controls. In addition, the internal audit function tests how well existing internal controls are functioning, and recommends any necessary changes and improvements. This includes performing examinations of operating and financial controls;

conducting efficiency and effectiveness reviews; conducting reviews of compliance with laws and other external regulations; and evaluating the design and execution of internal controls and the Company's Risk Register.

The Company's internal audit function is free from interference from any element in the organization in order to maintain the necessary independence, including on matters of audit selection, scope, procedures, frequency, timing or report content. The Company's internal audit function has no direct operational responsibility or authority over any of the activities audited. The Company's internal audit function does not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an internal auditor's judgment.

B.6 Actuarial function

The Company's actuarial function is responsible for co-ordinating the calculation of technical provisions in accordance with Solvency II:

- Ensuring the appropriateness of the methodologies, underlying models and assumptions made in the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions; and
- Providing the Board with an annual actuarial opinion on technical provisions and an actuarial report thereon.

The head of the actuarial function also provides the Board with an annual opinion on the Company's underwriting policy and reinsurance arrangements, and also contributes to the Company's risk management system, particularly with respect to the risk modelling underlying the calculation of capital requirements. The head of the actuarial function also provides the Board with an actuarial opinion on the Company's annual ORSA. The Board also receives an annual actuarial function report, which summarises key aspects of each of these deliverables.

On a quarterly basis, the actuarial function reports on the loss reserve balances and any significant developments to the Company's Loss Reserve Committee (a management committee) and the Audit Committee.

B.7 Outsourcing

The Company's Outsourcing Policy applies to services arrangements established by the Company with third parties and relevant subsidiaries of Allied World Switzerland. The

Outsourcing Policy and its procedures have been designed to ensure continuity with respect to the sound and prudent management of the business and operations of the Company when functions or activities are outsourced. The Outsourcing Policy also sets out the procedures to be followed when establishing services arrangements, including arrangements that relate to the performance of the following key functions or core business of the Company (*e.g.*, actuarial, risk management, internal audit, compliance, new product development, underwriting, investment management and claims handling).

Contemplated outsourced services arrangements, in particular for core functions, will not proceed unless certain preconditions have been met, including that the system of governance of the Company will remain effective; the operational risk of the Company will not be unduly increased; the ability of any relevant supervisory authority to monitor the compliance of the Company with its legal and regulatory obligations will not be impaired; and the continuous and satisfactory service to policyholders will be maintained.

The Company retains responsibility for all outsourced functions, processes, services and activities performed in accordance with established services arrangements.

The following functions are fully outsourced to subsidiaries of Allied World Switzerland and Fairfax: internal audit (AWAC Services Company (Ireland) Limited ("AWS Ireland")), investment management (AWAC Services Company ("AWS U.S."), Hamblin Watsa Investment Counsel Ltd. and Fairfax) and information technology (AWS Ireland and AWS U.S.). The Company's Head of Actuarial Function is employed by a subsidiary of Allied World Switzerland. Pursuant to relevant intra-group services agreements, certain of the Company's functions receive support from individuals and/or teams employed by certain subsidiaries of Allied World Switzerland.

B.8 Any other information

The Company has assessed the adequacy of its system of governance and has concluded that it provides for the sound and prudent management of its business, and that it is proportionate to the nature, scale and complexity of the risks inherent in the Company's business.

C. Risk Profile

The Company utilises various tools to assist in the identification and assessment of risks in order to provide the Company with a holistic view of its risk profile and enable the organisation to assess the relationships between material risks.

C.1 Underwriting risk

Underwriting risk is the risk of fluctuations in benefits payable to policyholders and cedents, and includes:

- Premium risk, which is the risk that non-catastrophe related losses are greater than expected. The Company monitors premium risk by assessing the results of stress tests and scenarios and modelled output from the ECM.

- Catastrophe risk, which is the risk that a single natural catastrophe event (or series of such events) of significant magnitude, usually over a short period of time, leads to a significant deviation in actual claims from the total expected claims. Catastrophe risk is also a source of concentration risk for the Company. Catastrophe risk is monitored by assessing the Company's probable maximum losses ("PMLs") and aggregate risk exposures against the risk appetites and tolerances set by the Board.

- Reinsurance risk is the inability of the Company to obtain reinsurance coverage at a reasonable cost. Outwards reinsurance is utilised by the Company to mitigate underwriting risk, in particular catastrophe risk, by transferring such risk to third-party reinsurers.

The business planning process assists with the management and mitigation of underwriting risk by:

- Using underwriting authorities and guidelines to avoid writing risks outside of the Company's risk appetite;

- Setting premium volume limits, by class, to ensure diversity within the Company's risk portfolio; and

- Using pricing models (which are independently developed by pricing actuaries and consider trends, macroeconomic variables, market cycle fluctuations, regulatory and judicial changes and other variables) to manage price adequacy and underwriting risk.

Reserve risk: Reserve risk is the risk of the loss reserves being inadequate (*i.e.* that actual losses and related expenses exceed estimated losses). Reserve risk is monitored using the ECM, which incorporates stochastic loss reserving techniques to assess potential deteriorations in loss reserves.

C.2 Market risk

Market risk is the risk of fluctuations in the value of or income from invested assets, including fluctuations due to movements in interest rates, foreign exchange rates, credit spreads, credit defaults and/or equity volatility. The Company's assets are invested in accordance with the "prudent person principle" as required under Regulation 141 of the Solvency II Regulations.

The Company has primarily invested in investment-grade, fixed-maturity securities of short- to medium-term duration. Excluding intra-company contracts, the Company's primary market risk stems from fluctuations in interest rates, which is monitored using the ECM and also by assessment of stress tests and scenarios.

The Company has a multicurrency investment portfolio and associated currency risk is mitigated by reviewing the Company's assets and liabilities and matching these by currency where possible.

C.3 Credit risk

Credit risk is the risk that payments due to the Company from third parties are not made in accordance with contractual and regulatory-required deadlines (*e.g.*, the Company's third-party reinsurers and insurance brokers are unable to pay claims and premiums, respectively). Credit risk in managed by ensuring there is no significant concentration risk with any one or small group of contractual counterparties and by monitoring the credit rating of its material contractual counterparties, including all third-party reinsurers.

C.4 Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due or can only make such payments at an excessive cost. Liquidity risk is monitored using the quarterly risk appetite and tolerance monitoring.

The expected profit included in future premiums as at December 31, 2018 is $11.0 million compared to $12.2 million as at December 31, 2017.

C.5 Operational risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems. It also includes legal risks that arise from failure to comply with relevant laws or regulations and risks arising from inadequate contingency plans as addressed in business continuity plans. Operational risk is assessed and monitored using the internal risk register and control framework.

C.6 Other material risks

Other material risks are group and strategic risk. Group risk is the adverse impact on the Company as a result of corporate group interactions and/or reputation. Strategic risk arises from the inability to implement or achieve appropriate business plans and/or strategy.

Risk concentrations:

As detailed in the underwriting risk section, catastrophe risk underwritten by the Company is a source of concentration risk and is mitigated using outwards reinsurance and managed by regular management reviews of the PMLs.

With the exception of certain intra-group reinsurance agreements and a promissory note issued by an affiliate of the Company, there are no other incidences of material risk concentration.

Risk mitigation:

We use three forms of risk mitigation: (1) avoidance of risk, (2) transference of risk (*e.g.,* reinsurance purchasing), and (3) limitation of risk (*e.g.,* setting risk appetite limits and tolerances, and establishment of risk controls, etc.).

Risk scenarios and stress testing:

The Company assesses risk scenarios and the results of risk stress testing, including reverse stress and sensitivity tests. The Company maintains a list of internal risk scenarios that could have a significant impact to the value of the Company. The risk scenarios are reviewed regularly, and the impact to the Company is calculated at least annually or more frequently if there are significant changes to the Company's risk profile. The impact across multiple risk categories and lines of business is considered when determining the value for each scenario.

During 2018, 19 scenarios and stress tests were identified, four of which related to large natural catastrophes that could impact multiple lines of business simultaneously, two involved sensitivity tests in relation to future premium income and expected loss ratios and 5 were reverse stress tests. The scenario and stress tests performed included the assessment of a repeat of the historic catastrophe losses suffered by the industry in 1990; exposures for which there is no market-recognised third-party vendor catastrophe model; an underestimation of loss reserves; impact of default of material reinsurers; necessary liquidity to pay claims as a result of unexpected increases in the value of claims; operational errors in catastrophe modelling and claims; cyber related scenarios including cloud system failure and phishing e-mail attack; and Allied World Switzerland and its subsidiaries becoming insolvent.

The results of the scenario and stress tests were in line with expectation and within approved risk appetite and tolerances, and considered, where relevant, future management actions. Results did not require changes to the Company's risk strategy and/or mitigation arrangements and the Company's solvency ratio coverage remained above the prescribed threshold.

C.7 Any other information

N/A

D. Valuation for Solvency Purposes

D.1 Assets

Balance sheet extract (in $) December 31, 2018 and December 31, 2017:

Balance Sheet – Assets ($ m's)				
Assets	**2018 Solvency II value**	**2018 Statutory accounts value**	**2017 Solvency II value**	**2017 Statutory accounts value**
Deferred acquisition costs	-	14.9	-	13.2
Property, plant and equipment held for own use	3.8	3.8	6.9	6.9
Investments (other than assets held for index-linked and unit-linked contracts)	111.4	111.0	134.4	134.0
Government Bonds	*95.5*	*95.3*	*117.9*	*117.6*
Corporate Bonds	*9.6*	*9.5*	*9.7*	*9.6*
Collateralised securities	*6.3*	*6.2*	*6.9*	*6.9*
Collective investments undertakings	0.0	0.0	5.7	5.7
Loans and mortgages	262.9	250.7	271.1	257.1
Reinsurance recoverables from non-life excluding health	357.4	476.1	368.8	511.7
Insurance and intermediaries receivables	16.8	51.1	17.1	55.2
Reinsurance receivables	18.6	9.4	30.3	23.4
Receivables (trade, not insurance)	5.5	5.5	5.4	5.4
Cash and cash equivalents	26.7	26.7	17.5	17.5
Any other assets, not elsewhere shown	1.7	14.3	0.8	15.2
Total assets	**804.8**	**963.5**	**858.1**	**1,045.3**

The Company's financial statements have been prepared in accordance with the provisions of the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland ("Irish GAAP").

The Company recognized and valued assets and liabilities for Solvency II purposes in accordance with FRS 102 and FRS 103 valuation methods. Valuations above are consistent with the Solvency II Regulations with the exception of "Property, plant and equipment held for own use" ("PP&E"), which is valued at cost less depreciation and impairment. Given the nature and age of PP&E, using the revaluation model under the Solvency II Regulations would not result in a materially different valuation.

All investments are carried at fair value. Differences arising between the Solvency II Regulations and the Company's statutory position are due to the inclusion of accrued interest for Solvency II valuation. For statutory purposes, accrued interest is included in other assets.

Investments in government bonds, corporate bonds, collateralized securities, collective investment undertakings and loans and mortgages are valued at fair value. Fair value is the amount for 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. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions may generate different results. Fair values are subject to a control framework designed to ensure that input variables and output are assessed independently of the risk taker.

Solvency II versus statutory valuation of assets:

As part of the revised methodologies for calculating Solvency II technical provisions, a number of items on our balance sheet are adjusted from a statutory perspective:

- Deferred acquisition costs are not recognised under the Solvency II Regulations but instead future cash flows from acquisition costs are incorporated into the Solvency II technical provisions; and

- A portion of insurance and intermediary's receivables are incorporated into the Solvency II technical provisions calculation based on expected cash flows and due dates.

As a result of the aforementioned cash flow adjustments in respect of the Solvency II technical provisions, certain reinsurance balances have been reclassified.

Outside of factors outlined in Section D2, which addresses technical provisions, there are no other sources of uncertainty relevant to the valuation of the Company's assets.

D.2 Technical provisions

Technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the EIOPA or each reporting period.

The technical provisions include a claims provision, a premium provision and a risk margin:

- 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,

- The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums due) relating to future exposure arising from policies under which the (re)insurer is obligated at the valuation date, and

- The risk margin is intended to be the balance that another (re)insurer taking on the liabilities at the valuation date would require over and above the best estimate. It is calculated using a cost-of-capital approach.

The claims and premium provisions are calculated both gross and net of outwards reinsurance. The risk margin is calculated net of reinsurance.

The best estimate for the premium provision is calculated by using the unearned element of premium on an Irish GAAP basis, adjusting for bound but not incepted business as at December 31, 2018 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

Loss reserves calculated applying Irish GAAP (the "GAAP Reserves") form the starting point for the calculation of the technical provisions required under the Solvency II Regulations and, as part of this process, Irish GAAP Reserves are subjected to a series of adjustments, including removal of prudence margins; incorporation of expected reinsurance counterparty defaults; incorporation of events not in data; other adjustments related to consideration for expenses, etc.; and discounting of cash flows.

The level of uncertainty associated with technical provisions is the extent to which future cash flows can be estimated. There is the inherent uncertainty in insurance claims that historical experience will not be entirely predictive of future claims:

- Such uncertainty is higher for longer-tailed lines of business. Direct and assumed liability lines take longer to develop and are, therefore, more susceptible to this type of uncertainty; specifically, excess casualty and professional lines.

- The selection of initial expected loss ratios which are largely based on the Company's pricing assumptions expectations and experience to date are also a key area of uncertainty.

There is also a certain level of uncertainty associated with outside factors such as changes in the market conditions, interest rates, litigation patterns and outcomes, etc.

The Company does not apply the matching adjustment; the volatility adjustment; the transitional risk free interest rate term structure; and the transitional deduction as outlined in the Solvency II Regulations.

The following table shows the Company's Irish GAAP position compared to the Solvency II technical provisions as at December 31, 2018 and December 31, 2017:

Irish GAAP Position to Solvency II Technical Provisions as at December 31 ($m's)		
	2018	2017
Irish GAAP position	**33.6**	**36.4**
Margin included in Irish GAAP reserves	(3.0)	(5.7)
Future premiums	(13.1)	(11.3)
Legally obliged business	(4.0)	(4.1)
ULAE	0.2	0.1
Non-ULAE	4.8	3.4
Bad debt	1.1	1.2
Binary events	0.8	0.7
Discounting	(2.6)	(2.6)
Total Solvency II best estimate - net	**17.8**	**18.1**
Solvency II risk margin	13.3	7.9
Solvency II Technical provisions - total	**31.1**	**26.0**

As at December 31, 2018 and December 31, 2017, the Solvency II technical provisions were as follows:

Technical Provisions as at December 31, 2018 ($m's)				
SII line of business	**Total best estimate - gross**	**Total best estimate - net**	**Risk margin**	**Technical provisions - total**
Direct business and accepted proportional reinsurance				
Marine, aviation and transport insurance	11.4	(1.2)	0.5	(0.7)
Fire and other damage to property insurance	11.4	1.3	1.7	3.0
General liability insurance	279.6	19.6	7.6	27.2
Credit and suretyship insurance	14.3	(2.7)	0.5	(2.2)
Accepted non-proportional reinsurance				
Non-proportional casualty reinsurance	18.0	0.7	0.4	1.1
Non-proportional marine, aviation and transport reinsurance	33.9	1.1	1.9	3.0
Non-proportional property reinsurance	6.6	(1.0)	0.7	(0.3)
	375.2	**17.8**	**13.3**	**31.1**

Technical Provisions as at December 31, 2017 ($m's)				
SII line of business	**Total best estimate - gross**	**Total best estimate - net**	**Risk margin**	**Technical provisions - total**
Direct business and accepted proportional reinsurance				
Marine, aviation and transport insurance	3.3	(1.1)	0.8	(0.3)
Fire and other damage to property insurance	7.1	0.3	0.8	1.1
General liability insurance	284.6	18.7	3.9	22.6
Credit and suretyship insurance	18.2	(2.4)	0.5	(1.9)
Accepted non-proportional reinsurance				
Non-proportional casualty reinsurance	15.9	1.0	0.2	1.2
Non-proportional marine, aviation and transport reinsurance	55.1	5.1	1.4	6.5
Non-proportional property reinsurance	2.7	(3.5)	0.3	(3.2)
	386.9	**18.1**	**7.9**	**26.0**

The Company recovered $74.9 million under reinsurance contracts during 2018 compared to $57.2 million in 2017, the majority of which was recovered from a related group entity. There have been no material changes in the relevant assumptions used in the calculation of the technical provisions from December 31, 2017 to December 31, 2018.

D.3 Other liabilities

Balance sheet extract (in $) December 31, 2018 and December 31, 2017:

Balance Sheet – Liabilities ($m's)				
	2018 Solvency II value	**2018 Statutory accounts value**	**2017 Solvency II value**	**2017 Statutory accounts value**
Liabilities				
Technical provisions – best estimate	375.2	512.2	386.9	556.4
Technical provisions – risk margin	13.3	-	7.9	-
Deferred tax liabilities	0.6	0.2	2.5	0.3
Insurance and intermediaries payables	2.9	2.9	3.3	3.3
Reinsurance payables	10.8	23.0	10.5	25.2
Payables (trade, not insurance)	19.6	19.6	26.6	26.6
Any other liabilities, not elsewhere shown	-	25.0	-	23.2
Total liabilities	**422.4**	**582.9**	**437.7**	**635.0**

Solvency II versus statutory valuation of liabilities:

As part of the revised methodologies for calculating Solvency II technical provisions, a number of items on our balance sheet have been adjusted from a statutory perspective:

- Reinsurance payables were adjusted to account for future cash flows and their effect on technical provisions;
- Ceded deferred acquisition income was not recognised under the Solvency II Regulations but instead future cash flows from acquisition income were incorporated into the technical provisions; and
- As a result of changes to the balance sheet after applying principles of the Solvency II Regulations, the Company has recognised an additional deferred tax liability.

There are no liabilities included in respect of pension-related employee benefits or leasing arrangements.

Outside of factors outlined in Section D2, which addresses technical provisions, there are no other sources of uncertainty relevant to the valuation of the Company’s liabilities.

D.4 Alternative methods for valuation

Unless otherwise stated, the Company does not use any alternative methods for valuation.

D.5 Any other information

N/A

E. Capital Management

E.1 Own funds

The Company's capital management process is governed by its Capital Management Policy, which confirms the key components of, and the roles and responsibilities of directors, officers and employees with respect to, the management of the Company's capital. The Company seeks at all times to hold sufficient capital to meet its current and projected business activities, and to comply with all applicable laws and regulations. The Capital Management Policy sets out the Company's approach to:

- Classification of capital items used to meet its solvency capital requirements;
- Capital management, including monitoring and reporting procedures;
- Medium-term capital plans; and
- Dividend distributions.

Furthermore, the Company's medium-term capital plans reflect projected capital requirements as set out in the ORSA. The Board reviews material changes to the Company's capital position, including any issuance, distribution or maturity of any element of the own funds.

Own funds are comprised as follows:

Own Funds ($ m's)		
	2018	**2017**
Ordinary share capital	10.0	10.0
Reconciliation reserve	19.2	17.1
Other own fund items approved by the supervisory authority as basic own funds	353.3	353.3
Basic own funds	**382.5**	**380.4**
Reconciliation reserve detail:		
Statutory retained earnings	47.0	35.5
Profit on ordinary activities after taxation for the financial year	10.3	11.5
Solvency II reconciliation reserve	1.9	10.1
Dividends paid during the financial year	(40.0)	-
Foreseeable dividend	-	(40.0)
SII reconciliation reserve	**19.2**	**17.1**

The eligible amount of own funds to cover the SCR and the Minimum Capital Requirement ("MCR") is $382.5 million. This balance is comprised entirely of Tier 1 basic own funds and is consistent with the prior year.

The Company has not recognised a deferred tax asset on the loss absorbing capacity of technical provisions.

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated in accordance with the Solvency II Regulations.

Reconciliation of Basic Own Funds to the Financial Statements ($ m's)		
	2018	**2017**
Total equity in financial statements	380.6	410.3
Deduct items not recognised in financial statements:		
Difference in the valuation of technical provisions	2.3	12.3
Difference in the valuation of other liabilities	(0.4)	(2.2)
Solvency II – Excess of assets over liabilities	**382.5**	**420.4**
Foreseeable dividend*	-	(40.0)
Solvency II - Basic own funds	**382.5**	**380.4**

* On April 27, 2018, the Board approved a dividend of $40.0 million. This dividend reduced the Company's Tier 1 eligible own funds from $420.4 million to $380.4 million and the solvency coverage ratio from 434% to 392%.

Consistent with the position in the prior year, none of the Company's own funds are subject to transitional arrangements, and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 SCR and MCR

As at December 31, 2018, the following are the components of the SCR, which is calculated applying the standard formula in accordance with the Solvency II Regulations:

Standard Formula SCR as at December 31 ($m's)		
Risk	**2018**	**2017**
Market risk	62.7	65.9
Counterparty default risk	22.4	25.3
Life underwriting risk	-	-
Health underwriting risk	-	-
Non-life underwriting risk	24.4	18.9
Diversification	(25.5)	(24.7)
Intangible asset risk	-	-
Basic SCR	**84.0**	**85.4**
Operational risk	11.2	11.6
Solvency SCR	**95.2**	**97.0**

The SCR has decreased from $97.0 million at December 31, 2017 to $95.2 million at December 31, 2018 and the MCR from $24.2 million to $23.8 million over the same period.

The Company uses the SFM for calculation of the SCR and all calculations in the risk and sub-modules are in accordance with the Solvency II Regulations. We have not simplified the relevant parameters, nor have we applied Company-specific parameters in the calculation of the SCR.

The primary driver of the market risk component is the concentration risk associated with the promissory note.

The MCR is the greater of the absolute floor of the MCR and the combined MCR as prescribed by the Solvency II Regulations.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

N/A

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

N/A

E.5 Non-compliance with the MCR and non-compliance with the SCR

N/A

E.6 Any other information

N/A

Appendices

Annual quantitative reporting templates

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S.02.01.02 - Balance Sheet Assets - December 31, 2018

Balance sheet - USD 000's

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	3,804
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	111,355
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	111,355
Government Bonds	**R0140**	95,532
Corporate Bonds	**R0150**	9,560
Structured notes	**R0160**	
Collateralised securities	**R0170**	6,263
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	262,891
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	262,891
Reinsurance recoverables from::	**R0270**	357,440
Non-life and health similar to non-life	**R0280**	357,440
Non-life excluding health	**R0290**	357,440
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	16,838
Reinsurance receivables	**R0370**	18,631
Receivables (trade, not insurance)	**R0380**	5,460
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	26,739
Any other assets, not elsewhere shown	**R0420**	1,676
Total assets	**R0500**	804,833

S.02.01.02 - Balance Sheet Liabilities - December 31, 2018

Liabilities - USD 000's		Solvency II value
		C0010
Technical provisions – non-life	R0510	388,534
Technical provisions – non-life (excluding health)	R0520	388,534
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	375,240
Risk margin	R0550	13,294
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	638
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	2,930
Reinsurance payables	R0830	10,788
Payables (trade, not insurance)	R0840	19,480
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	422,371
Excess of assets over liabilities	R1000	382,462

S.05.01.02 - Premium, Claims and Expenses by Line of Business - December 31, 2018

Premiums, claims and expenses by line of business - USD 000's

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of business for: accepted non-proportional reinsurance			
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Casualty	Marine, aviation, transport	Property	Total
		C0060	C0070	C0080	C0090	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110	9,139	25,732	100,559	6,472				141,902
Gross - Proportional reinsurance accepted	R0120	72	0	0	34				107
Gross - Non-proportional reinsurance accepted	R0130					2,447	13,484	15,676	31,606
Reinsurers' share	R0140	8,533	22,539	91,481	5,972	2,240	11,602	13,875	156,242
Net	R0200	678	3,193	9,078	534	207	1,881	1,801	17,373
Premiums earned									
Gross - Direct Business	R0210	15,818	20,676	90,220	8,830				135,545
Gross - Proportional reinsurance accepted	R0220	79	0	0	34				113
Gross - Non-proportional reinsurance accepted	R0230					1,796	14,147	15,193	31,135
Reinsurers' share	R0240	14,754	18,354	82,137	8,134	1,625	12,183	13,566	150,755
Net	R0300	1,143	2,322	8,083	730	170	1,963	1,627	16,038
Claims incurred									
Gross - Direct Business	R0310	11,526	5,276	5,197	-262				21,737
Gross - Proportional reinsurance accepted	R0320	1,313	-9	-125	-269				909
Gross - Non-proportional reinsurance accepted	R0330					970	863	4,638	6,471
Reinsurers' share	R0340	11,199	4,476	4,406	-441	1,126	644	4,618	26,027
Net	R0400	1,640	791	666	-90	-155	219	20	3,091
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550	-704	2,414	6,233	-85	44	237	-266	7,873
Other expenses	R1200								
Total expenses	R1300								7,873

S.05.02.01 - Premium, Claims and Expenses by Country - December 31, 2018

Premiums, claims and expenses by country - USD 000's

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(GB) United Kingdom	(CH) Switzerland	(DK) Denmark	(NL) Netherlands	(US) United States
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	11,886	126,196	105,143	128	4,781	4,277	-19
Gross - Proportional reinsurance accepted	R0120	51	63	12	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130	44	22,922	12,326	6,400	276	78	3,798
Reinsurers' share	R0140	11,046	133,372	104,976	5,554	4,613	3,925	3,258
Net	R0200	936	15,810	12,505	974	444	431	520
Premiums earned								
Gross - Direct Business	R0210	10,597	118,647	98,307	129	4,791	4,519	303
Gross - Proportional reinsurance accepted	R0220	57	69	12	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230	49	24,038	13,475	6,400	281	81	3,753
Reinsurers' share	R0240	9,695	128,114	100,546	5,555	4,629	4,146	3,543
Net	R0300	1,008	14,639	11,248	974	443	454	513
Claims incurred								
Gross - Direct Business	R0310	8,892	27,340	20,126	69	-567	-966	-213
Gross - Proportional reinsurance accepted	R0320	1,158	1,135	-23	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330	-98	-3,015	-1,802	-348	-15	-729	-23
Reinsurers' share	R0340	9,675	22,676	15,500	-256	-515	-1,491	-237
Net	R0400	276	2,784	2,800	-23	-67	-203	1
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	943	7,050	5,947	-169	175	136	17
Other expenses	R1200							
Total expenses	R1300		7,050					

S.17.01.02 - Non-life Technical Provisions - December 31, 2018

Non-life Technical Provisions - USD 000's

		Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance			Total Non-Life obligation
		Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Premium provisions									
Gross	**R0060**	11	2,435	20,933	4,771	192	-1,053	-2,600	24,690
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	1,218	2,191	18,067	6,785	430	1,430	-851	29,270
Net Best Estimate of Premium Provisions	**R0150**	-1,207	244	2,866	-2,014	-238	-2,483	-1,748	-4,581
Claims provisions									
Gross	**R0160**	11,429	8,939	258,613	9,542	17,821	34,995	9,211	350,550
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	11,447	7,879	241,916	10,234	16,834	31,405	8,456	328,170
Net Best Estimate of Claims Provisions	**R0250**	-17	1,060	16,698	-692	987	3,590	755	22,381
Total Best estimate - gross	**R0260**	11,440	11,374	279,547	14,313	18,013	33,942	6,612	375,240
Total Best estimate - net	**R0270**	-1,224	1,304	19,564	-2,706	749	1,107	-993	17,800
Risk margin	**R0280**	455	1,664	7,630	530	399	1,931	685	13,294
Amount of the transitional on Technical Provisions									
Technical provisions calculated as a whole	**R0290**								
Best Estimate	**R0300**								
Risk margin	**R0310**								
Technical provisions - total									
Technical provisions - total	**R0320**	11,895	13,038	287,177	14,842	18,412	35,873	7,297	388,534
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	12,665	10,070	259,983	17,019	17,264	32,835	7,605	357,440
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	-770	2,969	27,194	-2,176	1,148	3,038	-308	31,094

Non-life insurance claims information - December 31, 2018

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	(0) Accident year

Gross Claims Paid (non-cumulative) - USD 000's

(absolute amount)

Year		0	1	2	3	4	5	6	7	8	9	10 & +
		Development year										
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											224
N-9	**R0160**	5,361	8,964	6,139	2,545	1,976	620	736	16,936	614	668	
N-8	**R0170**	57,251	43,547	14,151	10,575	4,667	2,129	6,579	1,562	520		
N-7	**R0180**	19,123	21,033	22,810	32,668	813	1,520	881	8,723			
N-6	**R0190**	1,317	8,712	18,823	4,885	15,366	3,550	2,219				
N-5	**R0200**	1,922	7,830	8,708	2,348	9,830	2,894					
N-4	**R0210**	14,937	13,581	6,185	5,294	7,144						
N-3	**R0220**	15,167	9,494	13,214	11,411							
N-2	**R0230**	31,500	12,778	11,031								
N-1	**R0240**	12,508	28,645									
N	**R0250**	5,373										

		In Current year	Sum of years (cumulative)
		C0170	**C0180**
	R0100	224	224
	R0160	668	44,559
	R0170	520	140,979
	R0180	8,723	107,570
	R0190	2,219	54,873
	R0200	2,894	33,532
	R0210	7,144	47,141
	R0220	11,411	49,286
	R0230	11,031	55,309
	R0240	28,645	41,153
	R0250	5,373	5,373
Total	**R0260**	78,852	579,998

Gross undiscounted Best Estimate Claims Provisions - USD 000's

Year		0	1	2	3	4	5	6	7	8	9	10 & +
		Development year										
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											26,033
N-9	**R0160**	0	0	0	0	0	0	0	23,400	19,149	16,567	
N-8	**R0170**	0	0	0	0	0	0	15,913	10,546	7,961		
N-7	**R0180**	0	0	0	0	0	23,948	25,118	13,430			
N-6	**R0190**	0	0	0	0	27,000	18,107	23,982				
N-5	**R0200**	0	0	0	37,730	27,969	17,439					
N-4	**R0210**	0	0	56,920	38,762	26,386						
N-3	**R0220**	0	88,412	69,935	53,258							
N-2	**R0230**	82,079	67,796	52,412								
N-1	**R0240**	82,652	59,332									
N	**R0250**	91,297										

		Year end (discounted data)
		C0360
	R0100	23,759
	R0160	15,226
	R0170	7,170
	R0180	12,068
	R0190	21,814
	R0200	15,523
	R0210	23,741
	R0220	48,418
	R0230	47,464
	R0240	53,699
	R0250	81,669
Total	**R0260**	350,550

S.23.01.01 - Own Funds - December 31, 2018

Own funds - USD 000's

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	10,000	10,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	19,165	19,165			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	353,297	353,297	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	382,462	382,462	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	382,462	382,462	0	0	0
Total available own funds to meet the MCR	R0510	382,462	382,462	0	0	
Total eligible own funds to meet the SCR	R0540	382,462	382,462	0	0	0
Total eligible own funds to meet the MCR	R0550	382,462	382,462	0	0	
SCR	R0580	95,217				
MCR	R0600	23,804				
Ratio of Eligible own funds to SCR	R0620	4.0167				
Ratio of Eligible own funds to MCR	R0640	16.0669				

S.23.01.01 - Reconciliation Reserve - December 31, 2018

Reconciliation reserve - USD 000's		**C0060**
Excess of assets over liabilities	**R0700**	382,462
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	363,297
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	19,165
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	11,008
Total Expected profits included in future premiums (EPIFP)	**R0790**	11,008

S.25.01.21 - Basic Solvency Capital Requirement - December 31, 2018

Solvency Capital Requirement - for undertakings on Standard Formula - USD 000's

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	62,749		
Counterparty default risk	R0020	22,386		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	24,413		
Diversification	R0060	-25,587		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	83,960		

S.25.01.21 - Total Solvency Capital Requirement

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	11,257
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement, excluding capital add-on	R0200	95,217
Capital add-ons already set	R0210	
Solvency Capital Requirement	R0220	95,217
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.02.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity - December 31, 2018

Linear formula component for non-life insurance and reinsurance obligations - USD 000's

		C0010
MCRNL Result	**R0010**	4,686

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	0	0
Income protection insurance and proportional reinsurance	**R0030**	0	0
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	0	0
Other motor insurance and proportional reinsurance	**R0060**	0	0
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	0	619
Fire and other damage to property insurance and proportional reinsurance	**R0080**	1,304	3,193
General liability insurance and proportional reinsurance	**R0090**	19,564	9,078
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	534
Legal expenses insurance and proportional reinsurance	**R0110**	0	0
Assistance and proportional reinsurance	**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	0
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	749	207
Non-proportional marine, aviation and transport reinsurance	**R0160**	1,107	1,940
Non-proportional property reinsurance	**R0170**	0	1,801

S.28.01.01 - Overall MCR

Overall MCR calculation		**C0070**
Linear MCR	**R0300**	4,686
SCR	**R0310**	95,217
MCR cap	**R0320**	42,848
MCR floor	**R0330**	23,804
Combined MCR	**R0340**	23,804
Absolute floor of the MCR	**R0350**	4,237
Minimum Capital Requirement	**R0400**	23,804