

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

## **Solvency and Financial Condition Report**

**March 2021**

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**Approval by the Wausau Insurance Company (UK) Ltd Board of Directors**  
**of the Solvency and Financial Condition Report (SFCR)**  
**For the financial year ended 31<sup>st</sup> December 2020**

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

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

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

(a) Throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply, and will continue to comply in future.

On behalf of the board.

DocuSigned by:  
  
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**N J Davenport**

Director

DocuSigned by:  
  
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**J C Reeves**

Director

26 March 2021

## About this document

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

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

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

## Summary

Solvency Financial Condition Report (SFCR) for Wausau Insurance Company (UK) Limited for the year ending 31 December 2020.

The SFCR provides public reporting on the following key areas:

### Business and Performance

#### Company Summary

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

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

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

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

#### System of Governance

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

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

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

#### Risk Profile

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

Wausau is exposed to the following risks:

- **Foreign exchange risk** which relates to holding cash and cash equivalents in pound sterling and US dollars.
- **Counterparty risk** in relation to bank accounts held with two banks (HSBC & Lloyds Bank) and reinsurance held with one Reinsurance provider (Nationwide)
- **Outsourcing risk** driven by outsourced service providers.

## Valuation for Solvency Purposes

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

## Capital Management

Wausau's has an SCR ratio of 1049%, noting that the business does not use the Volatility Adjustment or Matching Adjustment. The ratio to MCR, the active solvency measure and binding capital constraint, is 116%. Wausau only holds Tier 1 own funds made up of reconciliation reserve.

31.12.2020	\$
SCR	476,864
MCR	4,328,260
Total Eligible Own Funds to Cover SCR (Tier 1)	5,001,437
Total Eligible Own Funds to Cover MCR (Tier 1)	5,001,437

The SCR calculated for Wausau is significantly below the minimum MCR for a liability insurer of €3.7m<sup>1</sup>. As such, we note Wausau holds capital at the minimum MCR level, which translates to \$4,328,260 at the EIOPA defined exchange rate on 31st December 2020.

There have been no instances of non-compliance with the MCR and SCR by Wausau in 2020.

During the 2020 financial year, there were no material changes to the business and performance, system of governance, risk profile or valuation for solvency purposes.

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

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

## A. Business and Performance

### A1. Business

#### Company Information:

<b>Wausau Insurance Company (UK) Limited:</b>	20 Fenchurch Street London EC3M 3AW Company Number: 1230968 Firm Reference Number: 2020127 Legal Entity Identifier: 2138005BZ4Z6CP6U3L69
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<b>External auditors:</b>	Ernst and Young LLP 25 Churchill Place Canary Wharf London E14 5EY
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<b>Regulator (financial supervision)</b>	Prudential Regulatory Authority Bank of England Threadneedle St London EC2R 8AH
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<b>Regulator (conduct supervision)</b>	Financial Conduct Authority 25 The North Colonnade London E14 5HS
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Wausau Insurance Company (UK) Limited (“Wausau”) is a wholly owned subsidiary of Liberty International Netherlands V.O.F . Wausau formerly underwrote marine, aviation, transport and non-marine business through the Willis Faber Underwriting Management Ltd (“WFUM”) Pool. The company ceased underwriting this business in 1991 and completed the run-off of nearly all of those liabilities. The company retains some potential residual liability in respect of employers’ liability cover provided prior to 1991. The company has no plans to resume underwriting. Wausau is a limited liability company incorporated in England, with its registered office based in London.



During the year, the Liberty Mutual group undertook a restructuring to simplify the structure and remove non-EU regulated entities from the Spanish Solvency II (“SII”) sub-group. Prior to 22 December 2020 (the effective date of the restructuring), the Company was a wholly owned subsidiary of Liberty International European Holdings, S.L. incorporated in the USA. Following the restructure, the Company was a wholly owned subsidiary of Liberty International Netherlands V.O.F. incorporated in the Netherlands. The Directors of the company are responsible for ensuring Wausau is fully compliant with all applicable Solvency II requirements and have identified no breaches to date.

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

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

Wausau’s functional currency and reporting currency is the US Dollar.

## **A2. Underwriting Performance**

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

Wausau stopped writing new business and entered run-off in 1991. There have been no known claims observed in the book since the early 1990s.

All risks are reinsured 100% to a third party and should any claims arise, they would be dealt with under a claims handling agreement between Wausau and the reinsurer.

## **A3. Investment Performance**

Wausau’s investment portfolio is made up of cash and cash equivalents and held in both Pounds Sterling and US Dollars; assets total of \$6,556,849 for 2020 (2019: \$6,589,649). Over the year the investment portfolio has earned investment income of \$17,000 (2019: \$57,379) through interest received.

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

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

Wausau does not receive any other material income. The only expenses relate to fees paid for regulatory and external audit services.

## **A5. Any other information**

There is no other material information for Wausau to disclose on the insurer's business and performance.

### **COVID-19**

The ongoing COVID-19 global pandemic has made 2020 an exceptionally challenging period for our people, our customers and economies around the world. Since Wausau is in run off stage this challenging time has not affected it unfavourably. Internally, we continue to support working from home for our staff and the pandemic has been treated as an event under LSM's Business Continuity Plan with effect from 24 February 2020.

## **B. System of Governance**

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

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

#### **Remuneration Policy**

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

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

#### **Material Transactions**

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

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

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

#### **Key Functions**

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

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

#### **Operational Independence**

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

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

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

- Claims
- Reinsurance
- Underwriting
- Investments
- IT

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

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

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

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

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

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

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

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

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

The risk management function of Wausau is responsible for:

- Monitoring the general risk profile of the insurer as a whole;
- Reporting on risk exposures to the Board;
- Identifying and assessing emerging risks; and
- Oversight of the ORSA process and production of the ORSA report.

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

## **Risk identification**

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

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

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

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

## **ORSA**

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

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

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

The overall risk appetite of the business is low. The Board will review risk appetites at least once per year to ensure they reflect the current strategy of the firm. There were no breaches of risk appetite in 2020.

## **Governance**

The Board is responsible both for approving the ORSA policy and reviewing, challenging and signing off the ORSA outputs. The Board remains the principal audience for the ORSA. The Board requests and directs additional testing or alternative representations of risk, as needed, that they feel will provide a clearer representation of the risks faced by Wausau.

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

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

## **ORSA Process**

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

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

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

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

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

## **Frequency of ORSA**

This section outlines the frequency with which the ORSA is performed and defines the circumstances which may trigger an 'ad-hoc' ORSA. The Solvency II Directive states that the

ORSA shall be performed 'regularly and without any delay following any significant change in (the insurer's) risk profile.

*Normal course of business*

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

*Significant event*

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

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

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

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

*Materiality factor and process*

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

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

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

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

## **B4. Internal Control System**

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

## **Compliance Function**

The compliance function is responsible for:

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

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

## **B5. Internal Audit Function**

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

## **B6. Actuarial Function**

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

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

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

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

## **B7. Outsourcing**

### **Introduction**

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



## Definition

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

## Materiality

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

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

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

## Material contracts

In line with the clearly defined criteria, the following outsourcing arrangements are deemed to be material as of December 2020:

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

## Outsourcing guidelines and processes

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

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

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

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

## Service level agreements (SLA)

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

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

### **Board responsibilities**

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

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

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

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

## **C. Risk Profile**

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

### **C1. Underwriting Risk**

The underwriting risk to Wausau is negligible as they have not written new business in 2020 and this has been the case since 1991 where Wausau ceased underwriting business and subsequently completed run-off of nearly all of its liabilities.

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

### **C2. Market Risk**

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

### **C3. Credit Risk**

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

### **C4. Liquidity Risk**

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

### **C5. Operational Risk**

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

### **C6. Other Material Risks**

There are no other material risks to consider.

#### **Risk Exposure**

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

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

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

### *Prudent Person Principle*

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

### **Risk Concentration**

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

### **Risk Mitigation**

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

### **Risk Sensitivities**

Wausau carries out stress and scenario testing as part of its approach to managing risk. Results are presented annually to the Board and considered as part of the ORSA process. For the 2020 ORSA, the analysis indicated that Wausau is sufficiently capitalised and able to withstand the shocks, without breaching its capital requirement.

### **Methodology**

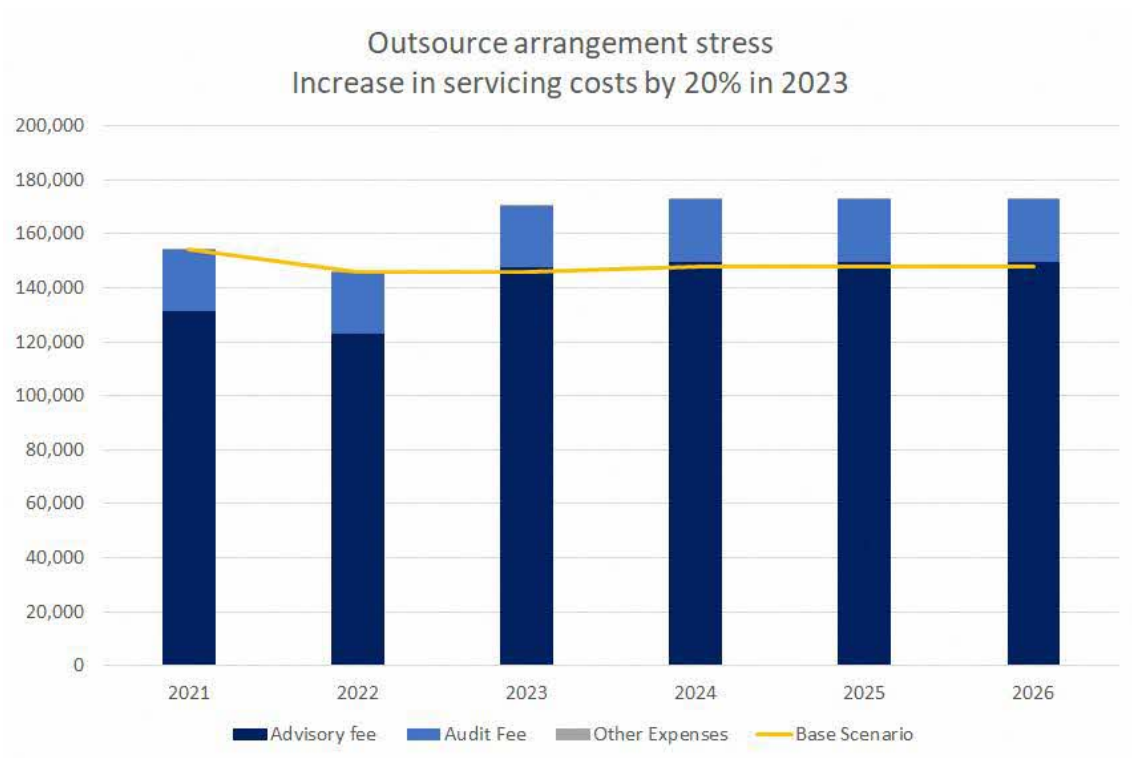
We have considered the most significant liability within the technical provisions of Wausau, which is the assumed spend on external service providers fees (audit fee and advisory fees). As such, we have considered two scenarios whereby we have added stresses to these liabilities and highlight the impact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

We have used a projection period of 6 years for the stress and scenario testing, which is aligned to the medium to long term planning horizon.

### **Stress and Scenario Tests**

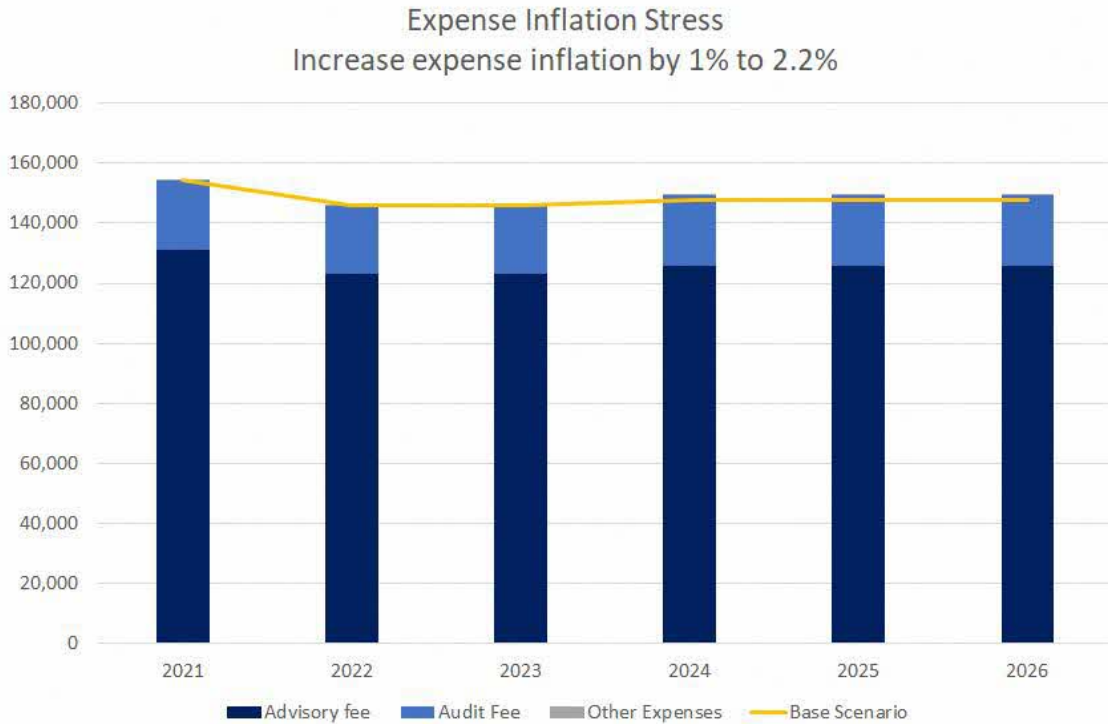
#### **Increase in third party professional services fees by 20%**

As a stress test, we have considered a scenario where midway through the projection period, the ongoing Solvency II support arrangement is terminated, and the cost of a new vendor is 20% higher to represent the initial and ongoing increase in costs (which is maintained through the projection period). This stress increases the technical provisions by c.\$108k, which in turn reduces the free capital by the same amount (which represents a c.16% reduction in the free surplus). This stress is relatively severe, and the technical provisions do show material sensitivity to this change. This has been considered in the risk management of the business.



**The RPI inflation assumption remains level at 1.2% throughout the projection period.**

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



This stress caused an increase in technical provisions of \$5k, which in turn reduces the free capital by the same amount (which represents a c.1% reduction in the free surplus). The business is well placed to meet the requirements of this stress.

**Risk Free Rate changes**

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

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

	Best Estimate Liability (\$)	Risk Margin (\$)	Free capital (\$)	Change in FC (\$)
<b>Base</b>	882,853	66,120	673,177	-
<b>RFR +1%</b>	853,050	62,333	706,767	33,590
<b>RFR -1%</b>	914,280	70,226	637,644	-35,533

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

The Board has considered the outcomes of the stress and scenario testing when reviewing the current capital position and are comfortable that the current capital holding remains appropriate.

The Board will continue to review the outcomes of the stress and scenario testing plan when reviewing the capital position and considering capital distributions.

### **C7. Any Other Information**

The ongoing COVID-19 global pandemic has made 2020 an exceptionally challenging period for our people, our customers and economies around the world. Since Wausau is in run off, this challenging time has not affected it unfavourably. Internally, we continue to support working from home for our staff and the pandemic has been treated as an event under Liberty Specialty Market's Business Continuity Plan with effect from 24 February 2020.

There is no further material information regarding the risk profile of Wausau.

## D. Valuation for Solvency Purposes

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

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

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

### D1. Assets

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

\$'000s	December 2019 Solvency II	December 2020 Solvency II	Difference Solvency II	December 2019 UK GAAP	December 2020 UK GAAP	Difference UK GAAP
Deposits other than cash equivalents	433	447	14	349	360	11
Cash and cash equivalents	6,157	6,110	(47)	6,240	6,197	(43)
<b>Total assets</b>	<b>6,590</b>	<b>6,557</b>	<b>(33)</b>	<b>6,589</b>	<b>6,557</b>	<b>(32)</b>



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

### Cash and Cash Equivalents

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

## D2. Technical provisions

### Composition of Technical Provisions

The technical provisions of Wausau at year end 2020 are primarily held for the various expenses that are required to administer the insurance policies. There remains a small risk margin due to the presence of non-hedgeable risk (more specifically, the standard formula charge associated with operational risk). Expenses are therefore the key driver of the technical provisions. There was no material change to the methodology and assumptions applied to calculate the technical provisions and risk margin from 2020 year-end.

Technical Provisions	December 2020 Solvency II Value (\$'000)	December 2019 Solvency II Value (\$'000)
Best Estimate	883	879
Risk Margin	66	72

It has been assumed that the business will continue for 6 years, on the basis that the business will be wound up at this point. Thus, the cash flows have been projected under this assumption. Note that if management choose to operate the business beyond this point, it will start to erode the free surplus available.

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

### Risk Margin

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

A key element of the calculation is the projection of the Solvency Capital Requirement. Given that there are no claims or premium provisions within the technical provisions, the assumption has been taken to run-off the non-hedgeable portion of the SCR according to the expenses profile of

the business. This is deemed appropriate as the expenses are the key component of the technical provisions and will dictate the level of risk margin.

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

### **Claims and earned provision**

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

This assumption has been used over the projection period.

### **Premiums and unearned provision**

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

### **Expenses provisions**

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

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

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

Expenses: The expenses of running Wausau constitute a large proportion of the technical provisions, categorised as the audit fees and ongoing Solvency II support discussed above.

Claims: As noted above, the nature of the insurance risks underwritten and the opinions of Senior Management, Wausau do not expect to receive any future claims.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### D3. Other liabilities

\$'000	December 2019 Solvency II	December 2020 Solvency II	Difference Solvency II	December 2019 UK GAAP	December 2020 UK GAAP	Difference UK GAAP
Other Liabilities	489	606	117	489	606	117

Other liabilities on both balance sheets are made up of accrual made for professional service fees in 2020 (This relates to the provision of Regulatory services by PwC and the audit of the Statutory Accounts by EY), as well as an intercompany balance.

### D4. Alternative methods for valuation

Wausau does not use any alternative valuation methods.

### D5. Any other information

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

## E. Capital Management

### E1. Own funds

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

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

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

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

There were no material changes to the capital management processes for Wausau in 2020.

Tier	Instrument(s)	December 2019 (\$'000)	December 2020 (\$'000)	Difference (£'000)
Tier 1	Ordinary paid up share capital	0	0	0
	Reconciliation reserve	5,149	5,001	(148)
<b>Total own funds to cover MCR</b>				
		<b>5,149</b>	5,001	<b>(148)</b>
<b>Total own funds to cover SCR</b>				
		<b>5,149</b>	5,001	<b>(148)</b>

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

- Increase in the annual MCR; and
- Decrease in the Risk Free rates across the term structure used to discount the future expenses.

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

	\$'000
Financial reserves and retained earnings from UK GAAP financial statements	5,950
Difference in valuation of Technical Provisions	949
Excess of assets over liabilities under Solvency II	<b>5,001</b>

The key difference in technical provisions balances arises from recognition of future professional fee payments under Solvency II, which are not included in the UK GAAP balance sheet.

## E2. SCR and MCR

The SCR and MCR as at 31<sup>st</sup> December 2020 and a comparison to prior year is shown in the table below:

	December 2019 (\$'000)	December 2020 (\$'000)	Difference
SCR	488	477	(11)
MCR	4,127	4,328	(201)

### SCR

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

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

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

The capital charge relating to currency risk has reduced at year end 2020 due to the continued management of asset and liability matching within the business.

The table below provides a breakdown as at 31 December 2020, of the SCR split by risk category. Further detail is provided in Appendix A (S.25.01.21).

December 2020 - SCR	\$'000
Market risk	272
Counterparty default risk	10
Life risk	0
Health risk	0
Non-life underwriting risk	291
SCR prior to diversification and Op Risk	573
Diversification	(122)
Intangible asset risk	0
Operational risk	26
<b>Basic Solvency Capital Requirement</b>	<b>477</b>

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

#### **MCR**

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

The MCR absolute floor of €3.7m defined by EIOPA is converted at the exchange rate prescribed by the PRA for regulatory reporting purposes, giving rise to an MCR of \$4,328,260.

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

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

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

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

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

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

## **E6. Any Other Information**

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



## Appendix A

### S.02.01.02.01 Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	447
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	447
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	6,110
Any other assets, not elsewhere shown	R0420	
<b>Total assets</b>	<b>R0500</b>	<b>6,557</b>
<b>Liabilities</b>		
Technical provisions - non-life	R0510	949
Technical provisions - non-life (excluding health)	R0520	949
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	883
Risk margin	R0550	66
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	606
<b>Total liabilities</b>	<b>R0900</b>	<b>1,555</b>
<b>Excess of assets over liabilities</b>	<b>R1000</b>	<b>5,001</b>



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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				Total	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150		C0160
<b>Premiums written</b>																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140																	
Net	R0200																	
<b>Premiums earned</b>																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220																	
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240																	
Net	R0300																	
<b>Claims incurred</b>																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320																	
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340																	
Net	R0400																	
<b>Changes in other technical provisions</b>																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	R0500																	
<b>Expenses incurred</b>	R0550																	223
<b>Other expenses</b>	R1200																	
<b>Total expenses</b>	R1300																	223

**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	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170
<b>Technical provisions calculated as a whole</b>	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																	
<b>Technical provisions calculated as a sum of BE and RM</b>																		
<b>Best estimate</b>																		
<i>Premium provisions</i>																		
Gross	R0060																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140																	
Net Best Estimate of Premium Provisions	R0150																	
<i>Claims provisions</i>																		
Gross	R0160								883									883
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240																	
Net Best Estimate of Claims Provisions	R0250																	
<b>Total Best estimate - gross</b>	R0260								883									883
<b>Total Best estimate - net</b>	R0270								883									883
<b>Risk margin</b>	R0280								66									66
<b>Amount of the transitional on Technical Provisions</b>																		
Technical Provisions calculated as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
<b>Technical provisions - total</b>																		
Technical provisions - total	R0320								949									949
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340																	

**S.23.01.01 Own funds**

		Total	Tier 1 - unrestrict ed	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	1				
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	5,001,436	5,001,436			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	R0290	5,001,437	5,001,436			
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
<b>Total ancillary own funds</b>	R0400					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	5,001,437	5,001,436			
Total available own funds to meet the MCR	R0510	5,001,437	5,001,436			
Total eligible own funds to meet the SCR	R0540	5,001,437	5,001,436			
Total eligible own funds to meet the MCR	R0550	5,001,437	5,001,436			
<b>SCR</b>	R0580	476,864				
<b>MCR</b>	R0600	4,328,260				
<b>Ratio of Eligible own funds to SCR</b>	R0620	1049%				
<b>Ratio of Eligible own funds to MCR</b>	R0640	116%				

		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	5,001,437
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
<b>Reconciliation reserve</b>	R0760	5,001,436
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790	

**S.23.01.01 Basic Solvency Capital Requirement**

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	272,012	272,012	
Counterparty default risk	R0020	9,938	9,938	
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	291,342	291,342	
Diversification	R0060	-122,913	-122,913	
Intangible asset risk	R0070	0	0	
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>450,378</b>	<b>450,378</b>	

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	26,486
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>R0200</b>	<b>476,864</b>
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	476,864
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4
Net future discretionary benefits	R0460	0

**S.28.01.01 Minimum Capital Requirement****Linear formula component for non-life insurance and reinsurance obligations**

		C0010	
MCR <sub>NL</sub> Result	R0010	90,934	
		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		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090	882,853	
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

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

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

**Total capital at risk for all life (re)insurance obligations**

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

		C0070
Linear MCR	R0300	90,934
SCR	R0310	476,864
MCR cap	R0320	214,589
MCR floor	R0330	119,216
Combined MCR	R0340	119,216
Absolute floor of the MCR	R0350	4,328,260
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>4,328,260</b>