

*Wren*

The Wren Insurance  
Association Limited

**The Wren Insurance Association Ltd**

**Solvency Financial Condition Report**

**As at 30 June 2016**

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## Solvency Financial Condition Report

### 1. Introduction and summary

This is the second Solvency Financial Condition Report (SFCR) for The Wren Insurance Association Limited (Wren or the Association), based on the financial position as at 30 June 2016.

*Review of 2015/16*

*Finance and Underwriting*

The Association's financial statements for the year ended 30 June 2016 show a rather unusual result, which reflects the Board's decision to begin to wind up the long-standing reinsurance arrangement with Citadel Reinsurance Company Limited. The main objective of this course of action is to replace the Citadel reinsurance with a 'reinsurance reserve' on the balance sheet, which will be available in the same way as the Citadel arrangement to respond to individual large claims and claims in the aggregate, but with the added advantage of generating a higher investment return for the Association.

As a first step, during the year the Association negotiated with Citadel a commutation of all policy years up to and including 2009/10. This resulted in a payment to the Association of just under £10.1 million, which is included in the accounts as a paid reinsurance recovery. The reinsurance commutation has a distorting effect on the technical account, pushing claims incurred into a positive position. However, this should not disguise the fact that the underlying underwriting performance for the year was very strong, with claims in the 2015/16 policy year at a very low level and improvements to the claims position of many earlier policy years.

The renewal at 1 July 2015 saw general rates again held, but many firms increased their levels of fee income and as a result, the total call income of the Association was up by around 3.5% at £10.2 million. With the Association remaining in a strong financial position, in March 2016 the Board was able to approve a return of call of £2.0 million from the 2008/09 policy year.

Reinsurance costs were £345,000 lower than the previous year despite the higher premium income (to which reinsurance costs are proportionate), reflecting a rate reduction achieved at the renewal of the main reinsurance contract. The premium paid to Citadel was also lower. The investment income credited to the policy year, which is based on the expected longer-term rate of return, was at a similar level to the previous year, at just under £1.9 million.

As noted above, claims incurred for the year is a positive figure of £14.1 million. This reflects the £10.1 million reinsurance commutation and the significant amounts of surplus claims provisions which were released in the year, as a result of the last three policy years having benefited from a very low level of claims notifications and in particular, fewer large claims than average.

Gross claims payments in the year were £4.0 million, but both the gross provision for claims and the provision for reinsurance recoveries moved in the Association's favour. These movements in claims reserves are mirrored in the Association's balance sheet, which shows that the provision for gross outstanding claims fell from £26.9 million to £22.6 million, while the reinsurers' share of these gross provisions rose from £4.9 million to £8.4 million. The increase in projected reinsurance recoveries at the year end recognises the lower

attachment point, of £100,000, agreed with Citadel for the aggregate reinsurance, rather than any deterioration in the underlying claims position.

Operating costs were 6% higher than in 2015 at £4.2 million. The higher costs in part result from the Association's decision to absorb the increase in Insurance Premium Tax that was introduced during the year, rather than passing it on to Members, and additional fees relating to Solvency II implementation and the investment strategy review. The balance on the underwriting (technical) account was a surplus of £18.4 million.

The actual investment return achieved for the year, at £1.9 million, was marginally higher than the longer-term rate, which resulted in a transfer to the investment reserve of £26,978. More detailed commentary on the investment performance is set out in the investment report below.

The Association's investments grew by just under £12.0 million to £61.2 million, attributable to the £1.9 million of investment return generated plus the transfer of £10.1 million of new money into the portfolio.

As part of its policy year review carried out in March 2016, the Board agreed to make a transfer of £0.5 million from the income and expenditure account in the 2008/09 policy year to the general reserve. This reserve has therefore grown to stand at £13.3 million at 30 June 2016. In addition, there was a transfer of £12.8 million to the newly created reinsurance reserve, largely from the proceeds of the reinsurance commutation payment referred to above. The total free reserves of the Association, excluding the reinsurance reserve, have risen from £28.4 million to £33.8 million over the course of the year to 30 June 2016; including the new reserve, they stand at £46.6 million and on that basis, the Association's overall financial position remains very strong.

The Board also agreed in March 2016 that there was no necessity for a general rate increase at 1 July 2016.

The Association therefore remains well funded, with resources well in excess of the SCR and MCR.

### *Investments*

At the start of the year investors' concerns focussed on the slowing rate of economic growth in China and at the end of the year the focus had moved to the economic impact of the Brexit vote. Over the course of the 12 months sterling depreciated, bond yields fell and stock markets were broadly flat in local currency terms.

China's contribution to global economic growth is substantial and its impact on stock markets considerable. Investors generally applaud China's attempt to deflate its economic bubble in the interests of long term sustainability, but the short term implications on asset prices at times can be too much to bear. Following extreme stock market volatility in August 2015 and January 2016 the Chinese authorities relaxed domestic financial conditions and attempted to devalue the Renminbi in order to ease investors' concerns. This appears to have worked for now.

For the second consecutive year the oil price moved sharply: firstly halving from a little over \$60 a barrel at the start of the year to under \$30 a barrel, before rallying towards \$50. Lower global demand and high oil stocks justified a fall, but the determination of the largest Middle Eastern oil producers to drive out new, more expensive, methods of exploration resulted in the price of oil testing new lows. There are as many winners as there are losers from a lower oil price, but the major oil companies would not be able to sustain high dividend payments

with oil much below \$50 a barrel, which would have big implications for income hungry investors.

Global economic growth expectations reduced throughout the period, but at a little over 3% the economic wheels continued to turn. Of the developed economies, the US continues to have the most attractive profile with low unemployment offsetting the stronger US\$. The UK's growth rate was broadly at the trend level and Europe benefitted from monetary and fiscal stimulus and the weak euro. In Q4 2015 US interest rates were raised for the first time since the financial crisis and although further rate rises failed to materialise, their intentions are clear.

The Brexit vote at the very end of Wren's financial year was a decisive moment in British and European history. It created a new uncertainty for the world economy that caused investors to adjust down sharply their expectations for UK growth and interest rates. So far there appears to be a remarkable level of calm. This is not an economic 'Lehman's moment' when the world stops trading for a period of time, but there are a sufficient number of new 'unknowns' to result in households and businesses being more cautious and foreign investment being delayed, all of which must impact the economic progress. The Bank of England and central banks around the world know this and are ready to counter any negative effects, but there is only so much that can be done.

Sterling weakened by circa 17% against the US\$ and euro over the 12 months, with more than half of this occurring after the Brexit vote. A floating rate currency provides a crucial economic safety valve and the weakness provides a boost to exports and hopefully foreign direct investment.

The UK stock market was broadly flat during the year. The FTSE 100 started and ended the year at 6500, but during the course of the year fell to as little as 5500. Small and mid-sized companies did not fare so well lacking the international sales boost from sterling's weakness. Bond yields fell to reflect subdued growth and lower interest rate expectations. In the UK the yield on a 10 year government bond fell from 2% at the start of the year to 0.9% at the end of the year.

The Wren's portfolio returned +3.6% for the year to 30 June 2016 compared to the benchmark return of +4.1%. Over the rolling three year period, the portfolio returned an annualised return of +3.7% versus +3.9% from the benchmark. Global equities provided the best returns over both periods, boosted by sterling's devaluation, but the return from UK equities was disappointing. Fixed income returned just over 5% for the year which was a little higher than the 3 year average. Corporate bonds provided the best returns over the 3 years returning 5.2% per annum.

### *Claims*

The number of matters notified to the Association over the last policy year has remained about the same as last year, and down on previous years: a fact that may reflect the fall in the number of projects in which Members were involved during the recession. However, given the significant increase in construction activity since the recession, it may also indicate that, when the construction industry is busy, pursuit of claims is not a priority. Most notifications continue to be made in relation to UK projects, although a number of notifications have been made in relation to overseas projects. As far as existing notifications are concerned, the year to 30 June 2016 saw the settlement of a number of large and/or longstanding claims on good terms, many of them as a result of mediation.

## 2. Business and performance

### *Business*

The Wren Insurance Association Ltd (the Association), founded in 1987, is a mutual insurance association providing professional indemnity (PI) cover for architects. As a mutual organisation, it underwrites on a non-profit-making basis.

The operations of the Association are managed by Tindall Riley & Co Ltd (the Managers or TRC) and therefore the Association does not have any employees. The Association is governed by a Board comprising a non-executive Chairman, 12 non-executive directors and two executive directors who are also directors of the Managers.

### *Regulation*

The Association is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purposes of Solvency II regulation.

Contact details for the PRA and the FCA can be found on their respective websites:

[www.bankofengland.co.uk/pra](http://www.bankofengland.co.uk/pra)

[www.fca.org.uk](http://www.fca.org.uk)

The Association's external auditor is Moore Stephens LLP, whose address is 150 Aldersgate Street, London, EC1A 4AB.

### *Underwriting performance*

The Association writes a single line of business: Professional indemnity (PI) risks and for the purposes of capital reporting this is categorised as General Liability insurance.

All underwriting is carried out from Wren's office in London. In the year to 30 June 2016, the Association produced an underwriting surplus of £18.4m. Table 1 shows a summary of the technical (underwriting) account.

**Table 1: Summary technical account  
for the year ended 30 June 2016 (based on UK GAAP)**

<b>Sources of income and expenditure</b>	<b>£m</b>
Calls and premiums	10.2
Return calls	(2.0)
Reinsurance premiums	(1.6)
Investment income (LTIR basis)	1.9
Net claims incurred	14.1
Net operating expenses	(4.2)
<b>Balance on the technical account</b>	<b>18.4</b>

The Association currently purchases market excess of loss reinsurance. The market excess of loss programme reduces the impact of individual large losses on the Association. The Association retains the first £3m of every claim (the Association's retention), above which the market excess of loss reinsurance arrangements respond up to the maximum limit of cover. These risk tolerances are set by the Board.

#### *Investment performance*

The Association has an investment strategy which complies with the requirements of the 'prudent person principle'.

The aim of the strategy is to match technical provisions in terms of currency and duration with low risk government bonds, and to invest funds in excess of technical provisions in assets that will produce a return for the Association without taking undue risk.

At 30 June 2016, the Association's investment portfolio comprised the following asset classes:

**Table 2: The Association's investment portfolio at 30 June 2016**

<b>Asset Class</b>	<b>Amount (£m)</b>	<b>% of portfolio</b>
Equities	8.6	14%
Government bonds	18.9	31%
Corporate bonds	15.3	25%
Cash	18.4	30%
	<b>61.2</b>	<b>100%</b>

The portfolio as a whole returned +3.6% for the year to 30 June 2016 compared to the benchmark return of +4.1%. Over the rolling three year period, the portfolio returned an annualised return of +3.7% versus +3.9% from the benchmark. Global equities provided the best returns over both periods, boosted by sterling's devaluation, but the return from UK equities was disappointing. Fixed income returned just over 5% for the year which was a little higher than the 3 year average. Corporate bonds provided the best returns over the 3 years returning 5.2% per annum.

Table 3 sets out the investment return by asset class:

**Table 3: Investment return by asset class**

<b>Asset class</b>	<b>Total (£)</b>
Equities	320,787
Government bonds	1,197,863
Corporate bonds	521,023
Cash	59,637
Investment management expenses	(190,301)
	<b>1,909,009</b>

### *Overall business performance*

In the year ended 30 June 2016, the Association produced a surplus of £18.1m and the UK GAAP balance sheet reserves increased to £46.6m. Own funds for Solvency II purposes, measured on a best estimate basis, stood at £45.5m.

The overall solvency position of the Association at 30 June 2016 is set out in more detail in section 6 of this report.



### **3. System of governance**

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

The Association is governed by a Board comprising a non-executive Chairman, 12 non-executive directors and two executive directors who are also directors of the Managers (see below). There are two sub-committees of the board called the Audit Group and the Remuneration Group, which have responsibility for the detailed review of published financial reports, liaison with the auditors and scrutiny of the fees paid to the Managers and directors of the Association respectively.

There is also a Committee comprising one representative from each Member of the Association, which acts as a forum for the exchange of views between Members, but which has no executive powers. The Committee meets twice per year, one meeting coinciding with the Association's AGM.

The Association is managed on a day-to-day basis by Tindall Riley & Company Ltd (TRC), trading as Wren Managers (the Managers). TRC is a private company owned principally by its directors and other senior staff.

A Compliance Memorandum allocates responsibilities between the directors and the Managers and sets out the duties of the Managers for the purposes of complying with the Financial Services and Markets Act 2000 and the requirements of the PRA/FCA in managing the business of the Association

#### *Fit and proper requirements*

The Association has a SIMR policy which sets out the procedures to ensure that all those undertaking controlled functions on behalf of the Association are and remain fit and proper to carry out those functions.

These procedures ensure that all those holding controlled functions

- meet the requirements of the Regulators' 'fit and proper' test and follow its principles;
- comply with the Statement of Responsibilities; and
- report anything that could affect their ongoing suitability.

The following factors are taken into account when deciding whether an individual is fit and proper:

- their honesty, integrity and reputation;
- their competence and capability; and
- their financial soundness.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and also periodically thereafter.

#### *Risk management system including the ORSA*

The Association has a fully documented risk management strategy which includes the ORSA policy.

The ORSA has been carried out in accordance with the ORSA policy (the Policy) agreed by the Board in September 2015. The Policy states that the ORSA is performed annually, which is consistent with the stable nature of the Association's capital needs over time.

The ORSA will be undertaken more frequently if specific triggers occur which are set out in the Policy. However, none of these events have occurred since the last ORSA was prepared.

### ORSA governance

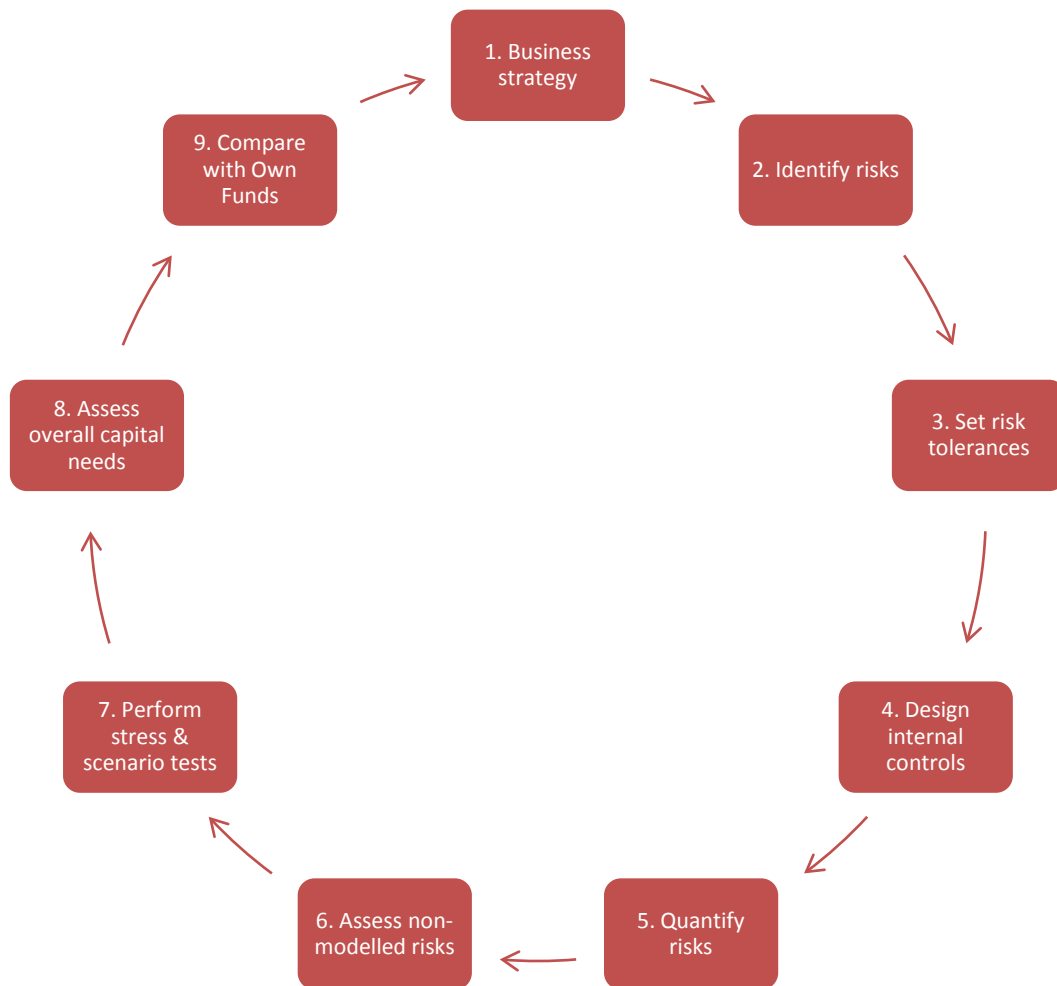
Overall responsibility for the ORSA rests with the Board. Appendix A in the ORSA sets out the governance arrangements of the ORSA and the responsibilities of the individuals and groups involved in the process.

### The ORSA process

The Policy defines a number of steps that make up the overall ORSA process, which are summarised in Chart 1 below.

The policy includes a description of each process and an explanation as to how each has been completed in order to fulfil the objectives of the ORSA as a whole.

**Chart 1: Summary of ORSA process**



The ORSA includes both the economic capital position of the Association and its regulatory capital position, by reference to the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR), as at 30 June 2016.

The Association's economic capital strategy defines the amount of capital that must be held to cover the risk of losses occurring that exceed the Association's risk appetite. It sets an overall benchmark (the economic capital benchmark or ECB) for the total resources of the Association, defined as an amount sufficient to absorb losses up to the 99.5th level of confidence over a three-year time period.

The SCR defines the amount of capital that the Association must hold to satisfy regulatory requirements. The benchmark set for the SCR is also at the 99.5th level of confidence, but measured over a one-year time period.

The MCR, which represents the absolute minimum level of capital that the Association must hold to avoid regulatory action, is also measured over a one-year period but reflects the 85th level of confidence.

#### *Internal control system*

The Association has a robust system of internal controls which are used to manage the risks faced by the Association to within the documented risk appetite. These internal controls are

documented in the Association's Business Risk Review and the Procedures Manual, which sets out the detailed processes for all aspects of the management of the Association on a day to day basis.

#### *Compliance function*

The Compliance function is responsible for:

- identifying, assessing, monitoring and reporting on the Association's compliance risk exposures;
- assessing possible impact of legislative change and monitoring the appropriateness of compliance procedures; and
- assisting, supporting and advising the Association in fulfilling its responsibilities to manage compliance risks.

The CFO of Wren Managers is responsible for reporting to the Board on all compliance related matters, with day to day monitoring completed by the Head of Risk and Compliance.

#### *Risk function*

The Risk Function is responsible for:

- identifying, managing, monitoring and reporting on current and emerging risks;
- setting the overall risk management and strategic framework; and
- monitoring and assisting in the effective operation of the Association's risk-management framework and maintaining an accurate view of the Association's risk profile.

The Head of Risk and Compliance of Wren Managers acts as Chief Risk Officer to the Association and manages the day to day risk monitoring, with the CFO of the Association reporting to the Board.

#### *Internal audit function*

The Association's internal audit function operates a risk-based internal audit cycle.

The Head of Internal Audit is a qualified internal auditor with 15 years of experience in the financial sector, including four years with the Association.

The Head of Internal Audit reports to the Audit Group.

#### *Actuarial function*

The Association has an in-house actuarial team which carries out the day-to-day actuarial role, including claims reserving and maintenance of the Association's internal models. The formal role of the actuarial function under Article 48 of the Solvency II Directive – to report formally to the Board on technical provisions, reinsurance and underwriting policy is carried out by Lane Clark & Peacock (LCP) under an outsourcing agreement. The Chief Actuary is a partner of LCP.

#### *Remuneration policy and practices*

The Association has a Remuneration Group and the primary purpose of the Group is as follows:

- review, on behalf of the Board, the Managers' proposals with regard to their remuneration and make recommendations to the Board in this regard;
- review the remuneration paid to the Chairman and other directors of the Association and make recommendations to the Board in this regard;
- establish and maintain a remuneration policy.

The duties of the Group are as follows:

- recommend to the Board a policy for remunerating non-executive directors;
- review the ongoing appropriateness and relevance of such remuneration policy;
- recommend to the Board the appropriate level of such remuneration and the frequency with which it shall be reviewed;
- recommend to the Board the remuneration of the Board's Chairman, the Chairmen of the sub-committees and other non-executive directors;
- consider on behalf of the Board proposals from the Managers regarding the Managers' remuneration.

## **4. Risk profile**

### *Underwriting risk*

Underwriting risk arises from two sources - adverse claims development (reserve risk) and inappropriate underwriting (premium risk). Reserve risk is managed by the Association's policy of prudent reserving of individual claims (which in most years is evident from the release of 'redundant' reserves noted in the financial statements) and frequent reviews of estimates by the senior Claims Director. Prudent contingency (IBNER) reserves are also maintained at confidence levels consistent with the Association's risk appetite. Underwriting risk is managed by having in place a clear underwriting philosophy, procedures and controls in relation to pricing, rigorous selection criteria for the admission of new Members, and the diversification of risks.

Reinsurance is another important method for the management of underwriting risk. The Association has market reinsurance cover from Lloyd's coverings various reinsurance layers between £3.0m and £30.0m.

### *Market risk*

Market risk refers to the risk of losses on the Association's investment portfolio, arising from fluctuations in the market value of the underlying investments. The Association has a clear investment strategy that is reviewed regularly, which has a number of objectives – to match investments to the Association's claims liabilities in terms both of currency and duration, to hold a diversified portfolio of investment types and, within that overall context, to maximise the return generated at an agreed level of risk.

The underlying strategy is to match insurance liabilities in terms of currency and duration with high quality fixed-interest government securities and hold appropriate levels of corporate bonds and equities. Asset allocation is the responsibility of the Board.

### *Credit risk*

Credit risk arises from the possibility of default by one or more counterparties, which include reinsurers and deposit-takers as well as Members. This risk is managed by carrying out appropriate due diligence on prospective counterparties: carrying out financial checks on potential Members, looking at the credit ratings of reinsurers and monitoring these over time (a minimum rating of 'A' is required for any of the Association's reinsurance programmes), restricting the exposure to individual deposit takers (currently the limit is £11.4m) and having in place a robust credit control system.

### *Liquidity risk*

Liquidity risk refers to the possibility of the Association having insufficient cash available to settle claims and other liabilities as they fall due. The Association prepares cash-flow forecasts in order to manage likely cash requirements, based on known liabilities but leaving a prudent margin for unexpected commitments. Significant cash balances are maintained so that there are always adequate funds available to pay claims as required. In addition, the investment strategy requires substantial holdings in cash funds, which are available at very short notice and can be used to augment cash balances should the need arise.

### *Operational risk*

Operational risk covers the risks arising from the failure of internal processes, people or systems, or from external events. The Managers have identified its operational risks, which are recorded in the BRR. There is a comprehensive procedures manual which covers every aspect of the management of the Association and the internal audit function has proved effective in testing the internal control framework to ensure that it remains appropriate.

### *Stress and sensitivity tests*

The Association has developed a suite of stress and sensitivity tests, including reverse stress tests, which are used to measure the robustness of the Association's capital position.

## 5. Valuation of assets and liabilities for solvency purposes

### Assets

Table 4 sets out the value of the Association's assets at 30 June 2016.

**Table 4: Valuation of the Association's assets**

	Assets per GAAP £m	Assets per Solvency II £m
Financial investments	61.2	61.3
Reinsurance recoverable	8.4	(0.4)
Other assets	2.5	16.9
<b>Total assets</b>	<b>72.1</b>	<b>77.8</b>

The Association's assets are recognised and valued using the following principles:

#### Investments

The Association's investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP. All of the Association's investments are traded on mainstream exchanges. The difference in valuation between GAAP and Solvency II relates to the allocation of accrued interest which for the purposes of Solvency II has been included in the financial investments heading.

#### Reinsurers' share of technical provisions

In the Solvency II balance sheet, the reinsurers' share of technical provisions is valued as part of net technical provisions. For the purposes of the Solvency II return, the Association's relationship with its third party reinsurer, Citadel Reinsurance Company Limited, has been treated as a deposit account, hence the difference in valuation between GAAP and Solvency II.

#### Other assets

All other assets are valued for Solvency II purposes on the same basis as the financial statements. However, for Solvency II purposes the collateral held by Citadel Reinsurance Company Limited has been included as cash and cash equivalents which accounts for the large variance between the Solvency II and GAAP valuation of other assets.

There were no changes to any of the recognition criteria or valuation methods during the year.

#### *Technical provisions*

At 30 June 2016, the Association held technical provisions, valued for Solvency II purposes, of £31.4m.

Table 5 shows the analysis of these provisions between best estimate and risk margin.



**Table 5: Analysis of technical provisions at 30 June 2016**

	<b>Technical provisions per GAAP</b>	<b>Technical provisions per Solvency II</b>
	<b>£m</b>	<b>£m</b>
Technical provisions	22.6	26.4
Risk margin	-	5.0
<b>Total</b>	<b>22.6</b>	<b>31.4</b>

The Association values technical provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive. This methodology is documented in the Association's paper *Process for the Preparation of the Solvency II Balance Sheet*.

#### *Solvency II Technical Provisions methodology*

The TPs are made up of a best estimate of the claims, premiums and expense cashflows that are discounted to give an estimate of the provisions. Finally, a risk margin is added. Each element is described below.

#### *Homogeneous risk groups*

The Association uses one homogeneous risk group for TPs as it writes only professional indemnity cover for architects.

#### *Gross claims cashflows and reinsurance recoveries*

Gross claims are projected to ultimate using standard actuarial techniques including Bornhuetter-Ferguson and chain ladder with some judgment overlaid. This judgment is important because the low volume of claims causes the data to be volatile. The key assumptions made include the initial expected loss ratio for each policy year, the credibility assigned to this loss ratio and the projected incurred development pattern.

The TPs are calculated treating Citadel on a look through basis. This means Citadel is not treated as a reinsurer and the provisions are shown gross of any recoveries due from them. There are no other reinsurance recoveries expected on earned business.

These methods are considered appropriate given that the data includes years which are fully run off, the business written has been stable and there have been no material changes in the way claims are handled.

At the valuation date, 30 June 2016, the Association had no unearned business except for business that was bound but not incepted (BBNI). This is because all coverage is annual, renews prior to year end and incepts on the first day of the policy year. The ultimate gross claims and reinsurance recoveries for the BBNI business are taken from the Association's premium risk model. This is a stochastic frequency severity model that applies reinsurance on a claim by claim basis.

A percentage loading is added to both earned and BBNI business to allow for events not in data (ENIDs).

Projected cashflows are estimated by applying payment patterns to the estimates of the ultimate gross claims and recoveries. The assumed payment patterns are derived using a chain ladder.

### *Premiums*

There are no further premium cashflows expected relating to prior years, except for return calls. Return calls are premium that is returned to the members, usually after eight years, when a policy year closes with a surplus. The allowance for return calls included in the TPs is based on an estimate of surplus for each policy year. This takes into account ultimate claims net of all reinsurance (including Citadel), expenses and assumed transfers to reinsurance, investment and general reserves.

Gross and reinsurance premiums for the BBNI business are taken from the business plan.

### *Expenses*

#### *Acquisition and administrative expenses*

There are no acquisition or administrative expenses relating to earned business.

For BBNI business, acquisition costs and internal administrative costs are calculated as a percentage of the total operating costs from the business plan for the forthcoming policy year. The operating costs from the business plan are set assuming a percentage increase in operating costs from 2015/16 plus some specific additional costs. The external administrative costs are taken from the business plan.

#### *Claims handling expenses*

Allocated claims handling expenses are assumed to be included in the best estimate claims reserves and, therefore, no explicit allowance is made.

Unallocated claims handling expenses are split between expenses paid in year 2016/17 and expenses paid in subsequent years. The expenses paid in 2016/17 are calculated as an assumed percentage of the total operating costs for the forthcoming year. The expenses paid beyond 2016/17 are the same as those included in the GAAP reserves. The unallocated claims handling expenses are allocated between claims and premium provisions in proportion to claims payments.

#### *Investment management expenses*

The investment management expenses are calculated as an assumed percentage of the sum of the projected and discounted TPs (excluding investment expenses) at each future valuation date. The assumed percentage is calculated as the annual investment management expenses divided by funds under management.

#### *Discounting*

Claims, premium and expense cashflows have been discounted using the GBP EIOPA yield curve.

#### *Risk Margin*

The method used to estimate the risk margin is to:

Estimate the SCR for the reference undertaking using the standard formula;

Project the future SCRs using different runoff patterns for different elements of the SCR as follows:

- Non-life underwriting risk and operational risk are combined and run off in proportion to the square root of the percentage of future gross claims cashflows.
- Counterparty default risk is run off in proportion to the square root of the percentage of future reinsurance recovery cashflows.
- Discount and sum the projected SCRs and multiply by the cost of capital.

#### *Data adjustments and recommendations*

There were no data deficiencies for which an adjustment was necessary. Improvements to the data governance procedures are planned for 2017 including the introduction of a data governance policy and data controls. Additional analysis of the data is also planned for 2017 for estimating the TPs including analysing nil claims and average costs per claim.

#### *Changes since the last reporting period*

This is the first reporting period, so we have not included a description of the change in TPs since the last reporting period.

#### *Other liabilities*

Table 6 sets out the value of the Association's other liabilities at 30 June 2016.

**Table 6: Valuation of the Association's other liabilities**

	<b>Liabilities per GAAP £m</b>	<b>Liabilities per Solvency II £m</b>
Member creditors	2.1	0.1
Other creditors	0.6	0.6
Reinsurance creditors	0.2	0.2
<b>Other liabilities</b>	<b>2.9</b>	<b>0.9</b>

The Association's other liabilities are recognised and valued for Solvency II purposes on the same basis as the annual financial statements, which are based on UK GAAP. Included in the balance of Member creditors at 30 June 2016 in the GAAP balance sheet is the return of call approved by the Board in March 2016 which will benefit Members during the following financial year. Accordingly this return of call of £2.0m has been reallocated from Member creditors to Technical provisions in the Solvency II balance sheet.

#### *Alternative methods of valuation*

The Association does not use any alternative valuation methods.

## 6. Capital management

### *Own funds*

The Association has a simple capital structure, with balance sheet reserves comprising a single item: tier 1 capital derived from past underwriting and investment surpluses. There were no restrictions on the availability of the Association's own funds to support the SCR and MCR.

At 30 June 2016 and 2015, the Association held the following own funds.

**Table 7: Solvency II Own funds at 30 June 2016**

	30 Jun 2016	30 Jun 2015	Movement
Income and expenditure account	11.8	7.0	4.8
Investment reserve	8.7	8.7	-
General reserve	13.3	12.8	0.5
Reinsurance reserve	12.8	-	12.8
Total resources	46.6	28.5	18.1
Solvency II adjustment	(1.1)	6.9	(8.0)
<b>Total adjusted resources</b>	<b>45.5</b>	<b>35.4</b>	<b>1.9</b>

### *Solvency Capital Requirement (SCR)*

Table 8 shows an analysis of the Association's SCR split by risk modules.

**Table 8: The Association's SCR at 30 June 2016**

Heads of risk	Net capital required (Solvency II best estimate basis)
	30 Jun 2016 £ m
Underwriting risk	11.6
Market risk	4.2
Counterparty default risk	1.1
Operational risk	0.8
<b>Aggregate SCR</b>	<b>17.7</b>
Correlation credit	(3.0)
<b>Aggregate SCR net of correlations</b>	<b>14.7</b>

### *Minimum Capital Requirement (MCR)*

The MCR calculation is based on the net value of technical provisions and the expected level of retained premiums over the next 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at both 30 June 2015 and 30 June 2016, the MCR has been set at the minimum level, i.e. equal to 25% of the SCR. This was £3.7m as at 30 June 2016, compared to £3.8m 12 months ago.

*Comparison of the SCR with that at 30 June 2015*

Table 9 shows a comparison of the SCR calculated at 30 June 2016 with that at 30 June 2015.

**Table 9: Comparison of the SCR with that at 30 June 2015**

Heads of risk	SCR	
	30 Jun 2016 £ m	30 Jun 2015 £ m
Underwriting risk	11.6	11.4
Market risk	4.2	6.4
Counterparty default risk	1.1	0.5
Operational risk	0.8	0.6
<b>Aggregate SCR</b>	<b>17.7</b>	<b>18.9</b>
Correlation credit	(3.0)	(3.7)
<b>Aggregate SCR net of correlations</b>	<b>14.7</b>	<b>15.2</b>

The main changes in the SCR since 30 June 2015 reflect the following factors.

*Underwriting risk*

SCR underwriting risk capital is made up of three elements, premium risk, reserve risk and catastrophe (CAT) risk. The calculation for the first two elements is based on, respectively, the expected value of net premiums over the next 12 months and the valuation of net technical (claims) provisions. A review of the underlying assumptions for the underwriting risk calculation, has resulted in changes to some of the assumptions and methodology from the previous year's exercise. In relation to premium risk, the changes relate to:

- The treatment of 'bound but not incepted' business i.e. business bound before 30 June 2016 but which did not incept until after 30 June 2016. The revised treatment reduces the premium risk charge but also reduces the Solvency II own funds, so that the net effect (in terms of headroom) is neutral.
- Current and prospective gross premiums (calls) have been reduced by their respective projected return of calls. This is consistent with the Technical Provisions methodology.
- Treatment of Citadel – a review of Wren's financial arrangements with Citadel concluded that under Solvency II rules, the recoveries should not be treated as reinsurance recoveries. Hence reinsurance premiums paid to Citadel have been treated on a look-through basis as a bank deposit, rather than as reinsurance premiums.

In relation to reserve risk, the change relates to:

- The use of 'best estimate' provisions rather than the full balance sheet provisions, the inclusion of discounting and the inclusion of an allowance for 'events not in data' – or ENIDs – which reflects the fact that the Association's historical data does not include very severe events which could occur in the future.
- Allowance has also been made in the calculation of the best estimate for future returns of calls to Members for policy years that have not yet closed. This allowance is reflected in the net claims provision used for the Standard Formula.

- Citadel recoveries have not been included in the calculation of the net best estimate Solvency II Technical Provisions, which serves as an input for computing the reserve risk. This is for the reasons outlined above.

CAT risk methodology changed to be in line with the Solvency II Delegated Acts' prescription. As a result, the claim amount changed to a 100% of the agreed 2016/17 calls, reduced by the projected return of call. Also, no allowance was made for any Citadel reinsurance recoveries.

As a result of the above changes, overall underwriting risk increased marginally by £0.2m since last year.

#### *Market risk*

The decrease in market risk is driven by a combination of market risk drivers - interest rate risk, equity risk, currency risk and spread risk.

The methodology for calculating equity risk has changed to allow for a symmetric adjustment mechanism which assumes equity prices have a mean reverting behaviour. Therefore in times of rising equity markets the symmetric adjustment mechanism will increase the capital charge and in times of falling equity indices the symmetric adjustment mechanism will reduce the capital charge. As a result of this change, equity risk has decreased by £0.9m.

The methodology for calculating currency risk has also changed, which has resulted in an increase of £0.2m in currency risk. This has been almost completely offset by a decrease of £0.7m in spread risk relating to corporate bonds. Interest rate risk has also fallen by £0.7m.

Overall, SCR market risk capital has decreased by £2.2m.

#### *Counterparty default risk*

The counterparty default risk capital requirement has seen an increase of £0.6m in the past 12 months. This is mainly driven by the change in the treatment of Citadel. Instead of applying risk charges to the reinsurance recoveries expected from Citadel, risk charges are now applied to the total available funds (currently £14.6m) as though it were a bank deposit exposure. This exposure is expected to dwindle in the future following managements' decision to wind up the Citadel arrangement.

The new methodology also takes into account Wren's exposure of future reinsurance recoveries that would be made for the bound but not incepted business.

#### *Operational risk*

There has been an increase of £0.2m in operational risk since last year. Under the Standard Formula, operational risk is calculated as the maximum of a proportion of either the gross technical provisions (excluding risk margin) or gross earned premium (the greater of the amounts in the last 12 or 24 months), subject to a minimum of 30% of the calculated basic SCR. The calculations to derive the technical provisions have been reviewed since last year's exercise, which has resulted in an increase in the gross technical provisions and therefore an increased operational risk capital requirement. The gross earned premiums were reduced by future return of calls, but this had no impact on the operational risk results.

#### *The Association's overall capital position*

Table 10 shows the Association's capital position in relation to the SCR and the MCR.

**Table 10: Summary of the Association's capital position at 30 June 2016**

	<b>SCR</b>	<b>MCR</b>
	<b>£ m</b>	<b>£ m</b>
Capital requirement	14.7	3.7
Own funds available	45.5	45.5
<b>Headroom</b>	<b>30.8</b>	<b>41.8</b>
Solvency ratio	3.1	12.3

By reference to the SCR and MCR, the Solvency II own funds substantially exceed the capital requirements. By these measures, the Association remains in a satisfactory capital position and the Board will therefore have considerable flexibility in some of the key decisions to be made over the next 12 months.

# The Wren Insurance Association Limited – Overview (Governance Map)

## Responsible for:

- determination of overall strategy;
- proposals on amendments to the Rules;
- the appointment and remuneration of the Managers;
- the appointment and remuneration of the Association's Auditors;
- determination of the investment strategy and appointment and monitoring of Investment Advisors;
- decisions regarding (a) the general level of (i) advance or supplementary calls and (ii) release calls and (b) returns of call;
- decisions regarding the terms of any reinsurances;
- decisions regarding claims where the Rules determine that a matter should be subject to the Directors' discretion;
- the appraisal of prospective members; and
- approving regulatory policies.

## Governing Body: Wren Board of Directors

### Directors

Chairman of Association	SIMF 9	David Stanford	Pres. Resp 2/8	Reports to: Association, Chairman of Audit for performance assessment
Chairman of Nomination	CF2a	David Stanford	Pres. Resp 2/8	Reports to: Association, Chairman of Audit for performance assessment
Chairman of Remuneration	SIMF 12	Heather Wells	Pres Resp 11	Reports to: Chairman of the Association
Chairman of Audit	SIMF 11	Heather Wells	Pres Resp 10	Reports to: Chairman of the Association
CEO	SIMF 1	Samantha Peat	Pres Resp. 1/3/6/9	Reports to: Chairman of the Association
Executive	CF1	Simon Scriven		
Chief Underwriting Officer	SIMF 22	Sam Peat		Reports to: Chairman of the Association

### Notified NEDs – Report to the Chairman of the Board

Chris Bennie*	Jim Greaves	Sue Johnson*	James Pickard	John Rich	Ian Rudolph
Nicholas Thompson	Gary Tidmarsh	Tony Poole	Jonathan Hall	Bill Ryan*	

### Other Function Holders

Chief Risk Officer	SIMF 4	Georgina Rose		Reports to: Association/Chief Finance Officer
Chief Finance Officer	SIMF 2	Jo Rodgers	Pres Resp. 4/5/7	Reports to: Association/Chief Exec. Officer for performance assessment
Chief Actuary Function	SIMF 20	Tom Durkin**		Reports to: Association/Chief Finance Officer
Key Function Holder	Compliance	Georgina Rose		Reports to: Association/Chief Finance Officer

## Nomination Sub Committee

### Directors

Chair of Nominations	CF2a	David Stanford
CEO	SIMF 1	Samantha Peat

### Notified NED's:

Chris Bennie	Sue Johnson
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## Responsible for:

- the procedure for the selection & nomination of non-executive directors;
- recommending suitable candidates for appointment to regulatory roles;
- reviewing those Directors retiring by rotation
- reviewing the performance of the Board; and
- selecting and nominating when necessary, the Chairman of the Association.

## Audit Group

### Directors

Chair of Audit	SIMF 11	Heather Wells
Chairman	SIMF 9	David Stanford

### Notified NED's

Bill Ryan	Chris Bennie
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### Other Function Holders

Chief Finance Officer	SIMF 2	Jo Rodgers
Head of Internal Audit	SIMF 5	Helen Slattery reports to Audit Group

## Responsible for:

- the appointment and re-appointment of the Auditors;
- the annual review of the external audit process;
- the review of the audit fee;
- the review of the financial statements;
- the review of the annual SFCR return;
- any issues arising from the audit;
- reviewing the Auditors' management letter;
- reviewing the Association's systems of internal financial controls;
- reviewing the TOR and scope of the internal audit function;
- reviewing whistleblowing arrangements; and
- considering any other matters as the Board may from time to time require.

## Remuneration Group

### Directors

Chair	SIMF 12	Heather Wells
Chairman	SIMF 9	David Stanford

### Notified NEDs

Bill Ryan	Chris Bennie
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### Other Function Holders

Chief Finance Officer	SIMF 2	Jo Rodgers
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## Responsible for:

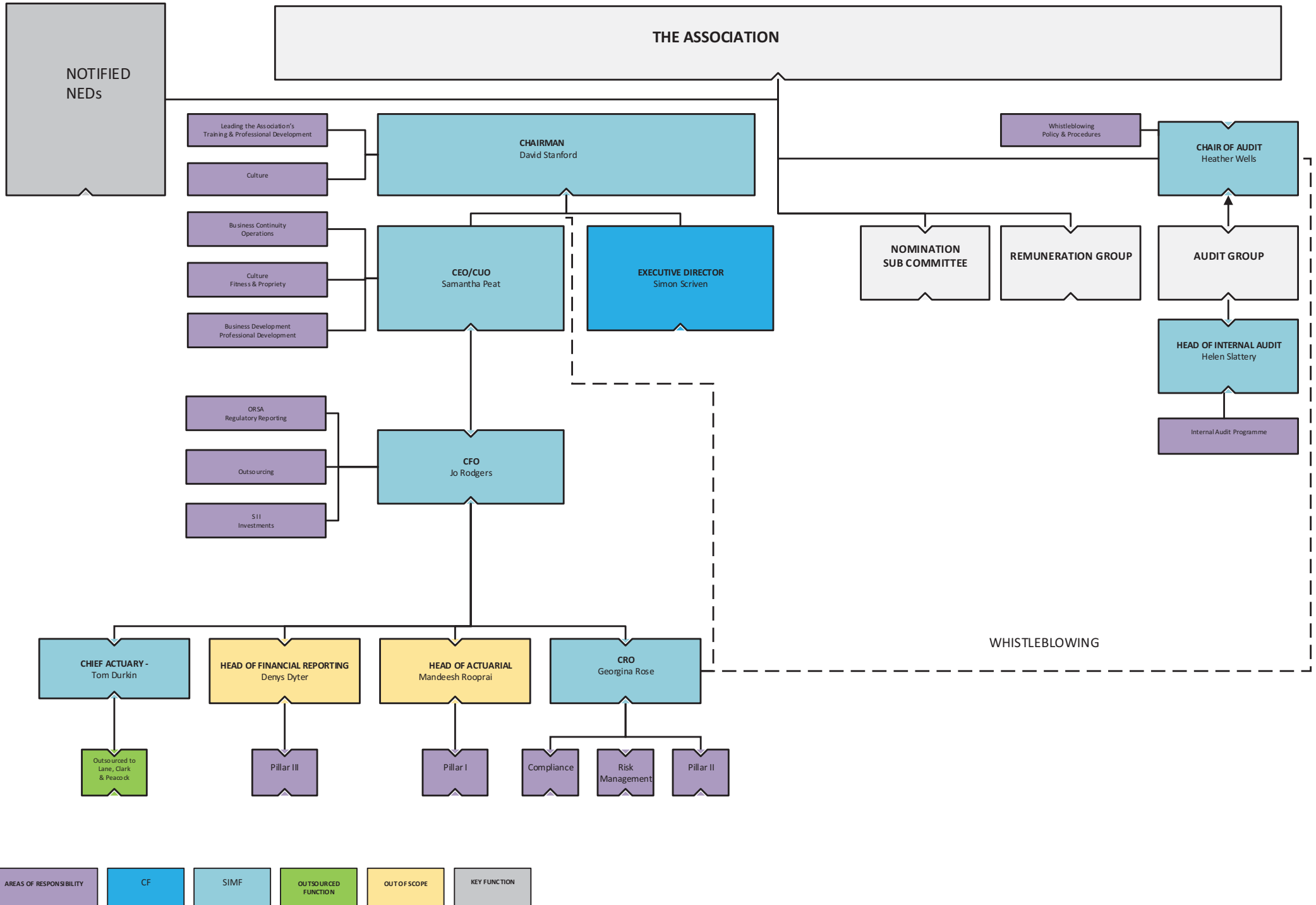
- reviewing the Manager's remuneration proposals;
- reviewing the Directors' remuneration; and
- considering any other matters as the Board may require from time to time

\*Notified Non Executive Directors who also sit on a Sub Committee

\*\*Outsourced Function – oversight responsibility is with the CFO



# The Wren Insurance Association Limited – Organisation Chart (Governance Map)



**General information**

Undertaking name	The Wren Insurance Association Limited
Undertaking identification code	549300URZYG3Y44LBS68
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 June 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

**List of reported templates**

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

N.B. This page not a formal part of the disclosure and can be omitted if required.

**S.02.01.02**  
**Balance sheet**

Solvency II value	
C0010	
	0
	61,296
	0
	0
	4,895
	4,895
	0
	19,028
	19,028
	0
	0
	0
	18,967
	18,406
	0
	0
	0
	-431
	-431
	-431
	0
	0
	0
	36
	237
	0
	0
	16,572
	45
	77,757

**Assets**

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



**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
C0010	C0020	C0030	C0040	C0050	C0060

**Premiums written**

- R0110 *Gross - Direct Business*
- R0120 *Gross - Proportional reinsurance accepted*
- R0130 *Gross - Non-proportional reinsurance accepted*
- R0140 *Reinsurers' share*
- R0200 *Net*


**Premiums earned**

- R0210 *Gross - Direct Business*
- R0220 *Gross - Proportional reinsurance accepted*
- R0230 *Gross - Non-proportional reinsurance accepted*
- R0240 *Reinsurers' share*
- R0300 *Net*


**Claims incurred**

- R0310 *Gross - Direct Business*
- R0320 *Gross - Proportional reinsurance accepted*
- R0330 *Gross - Non-proportional reinsurance accepted*
- R0340 *Reinsurers' share*
- R0400 *Net*


**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss
C0070	C0080	C0090	C0100	C0110	C0120

**Premiums written**

R0110	Gross - Direct Business	8,737				
R0120	Gross - Proportional reinsurance accepted					
R0130	Gross - Non-proportional reinsurance accepted					
R0140	Reinsurers' share	1,474				
R0200	Net	7,263				

**Premiums earned**

R0210	Gross - Direct Business	8,737				
R0220	Gross - Proportional reinsurance accepted					
R0230	Gross - Non-proportional reinsurance accepted					
R0240	Reinsurers' share	1,474				
R0300	Net	7,263				

**Claims incurred**

R0310	Gross - Direct Business	6,517				
R0320	Gross - Proportional reinsurance accepted					
R0330	Gross - Non-proportional reinsurance accepted					
R0340	Reinsurers' share	10,639				
R0400	Net	-4,122				

**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of business for: accepted non-proportional reinsurance				Total
Health	Casualty	Marine, aviation and transport	Property	
C0130	C0140	C0150	C0160	C0200

**Premiums written**

R0110	Gross - Direct Business				8,737
R0120	Gross - Proportional reinsurance accepted				0
R0130	Gross - Non-proportional reinsurance accepted				0
R0140	Reinsurers' share				1,474
R0200	Net				7,263

**Premiums earned**

R0210	Gross - Direct Business				8,737
R0220	Gross - Proportional reinsurance accepted				0
R0230	Gross - Non-proportional reinsurance accepted				0
R0240	Reinsurers' share				1,474
R0300	Net				7,263

**Claims incurred**

R0310	Gross - Direct Business				6,517
R0320	Gross - Proportional reinsurance accepted				0
R0330	Gross - Non-proportional reinsurance accepted				0
R0340	Reinsurers' share				10,639
R0400	Net				-4,122

**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
C0010	C0020	C0030	C0040	C0050	C0060

**Changes in other technical provisions**

- R0410 *Gross - Direct Business*
- R0420 *Gross - Proportional reinsurance accepted*
- R0430 *Gross - Non-proportional reinsurance accepted*
- R0440 *Reinsurers' share*
- R0500 *Net*
  
- R0550 **Expenses incurred**
- R1200 **Other expenses**
- R1300 **Total expenses**




**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss
C0070	C0080	C0090	C0100	C0110	C0120

**Changes in other technical provisions**

- R0410 *Gross - Direct Business*
- R0420 *Gross - Proportional reinsurance accepted*
- R0430 *Gross - Non-proportional reinsurance accepted*
- R0440 *Reinsurers' share*
- R0500 *Net*
  
- R0550 **Expenses incurred**
- R1200 **Other expenses**
- R1300 **Total expenses**

	0				
	4,912				

**S.05.01.02**

**Premiums, claims and expenses by line of business**

**Non-life**

Line of business for: accepted non-proportional reinsurance				Total
Health	Casualty	Marine, aviation and transport	Property	
C0130	C0140	C0150	C0160	C0200

**Changes in other technical provisions**

R0410	Gross - Direct Business				0
R0420	Gross - Proportional reinsurance accepted				0
R0430	Gross - Non-proportional reinsurance accepted				0
R0440	Reinsurers' share				0
R0500	Net				0
R0550	<b>Expenses incurred</b>				4,912
R1200	<b>Other expenses</b>				
R1300	<b>Total expenses</b>				4,912

**S.05.02.01**

**Premiums, claims and expenses  
by country**

**Non-life**

R0010

	C0010	C0020	C0030	C0040
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			

**Premiums written**

R0110 *Gross - Direct Business*  
R0120 *Gross - Proportional reinsurance accepted*  
R0130 *Gross - Non-proportional reinsurance accepted*  
R0140 *Reinsurers' share*  
R0200 *Net*

	C0080	C0090	C0100	C0110
	8,737			
	1,474			
	7,263	0	0	0

**Premiums earned**

R0210 *Gross - Direct Business*  
R0220 *Gross - Proportional reinsurance accepted*  
R0230 *Gross - Non-proportional reinsurance accepted*  
R0240 *Reinsurers' share*  
R0300 *Net*

	8,737			
	1,474			
	7,263	0	0	0

**Claims incurred**

R0310 *Gross - Direct Business*  
R0320 *Gross - Proportional reinsurance accepted*  
R0330 *Gross - Non-proportional reinsurance accepted*  
R0340 *Reinsurers' share*  
R0400 *Net*

	6,517			
	10,639			
	-4,122	0	0	0

**Changes in other technical provisions**

R0410 *Gross - Direct Business*  
R0420 *Gross - Proportional reinsurance accepted*  
R0430 *Gross - Non-proportional reinsurance accepted*  
R0440 *Reinsurers' share*  
R0500 *Net*

	0			
	0			
	0	0	0	0

R0550 **Expenses incurred**

R1200 **Other expenses**

R1300 **Total expenses**

	4,912			
--	-------	--	--	--

**S.05.02.01**

**Premiums, claims and expenses  
by country**

**Non-life**

R0010

C0050		C0060	C0070
Top 5 countries (by amount of gross premiums written) - non-life obligations			Total Top 5 and home country
C0120	C0130	C0140	

**Premiums written**

R0110 *Gross - Direct Business*  
R0120 *Gross - Proportional reinsurance accepted*  
R0130 *Gross - Non-proportional reinsurance accepted*  
R0140 *Reinsurers' share*  
R0200 *Net*

		8,737
		0
		0
		1,474
0	0	7,263

**Premiums earned**

R0210 *Gross - Direct Business*  
R0220 *Gross - Proportional reinsurance accepted*  
R0230 *Gross - Non-proportional reinsurance accepted*  
R0240 *Reinsurers' share*  
R0300 *Net*

		8,737
		0
		0
		1,474
0	0	7,263

**Claims incurred**

R0310 *Gross - Direct Business*  
R0320 *Gross - Proportional reinsurance accepted*  
R0330 *Gross - Non-proportional reinsurance accepted*  
R0340 *Reinsurers' share*  
R0400 *Net*

		6,517
		0
		0
		10,639
0	0	-4,122

**Changes in other technical provisions**

R0410 *Gross - Direct Business*  
R0420 *Gross - Proportional reinsurance accepted*  
R0430 *Gross - Non-proportional reinsurance accepted*  
R0440 *Reinsurers' share*  
R0500 *Net*

		0
		0
		0
		0
0	0	0

R0550 **Expenses incurred**

		4,912
--	--	-------

R1200 **Other expenses**

--	--	--

R1300 **Total expenses**

		4,912
--	--	-------

**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance

C0020                      C0030                      C0040                      C0050

**R0010 Technical provisions calculated as a whole**

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**

R0060

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

R0140

**R0150 Net Best Estimate of Premium Provisions**


**Claims provisions**

R0160

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

R0240

**R0250 Net Best Estimate of Claims Provisions**


**R0260 Total best estimate - gross**

**R0270 Total best estimate - net**


**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance

C0020                      C0030                      C0040                      C0050

R0280 **Risk margin**

--	--	--	--

**Amount of the transitional on Technical Provisions**

R0290 Technical Provisions calculated as a whole

--	--	--	--

R0300 Best estimate

--	--	--	--

R0310 Risk margin

--	--	--	--

R0320 **Technical provisions - total**

--	--	--	--

R0330 **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**

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R0340 **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**

--	--	--	--

**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance

C0060                      C0070                      C0080                      C0090

**R0010 Technical provisions calculated as a whole**

**R0050** Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole

			0

**Technical provisions calculated as a sum of BE and RM**

**Best estimate**

**Premium provisions**

**R0060** Gross

			908
			-431
			1,339

**R0140** Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

**R0150 Net Best Estimate of Premium Provisions**

**Claims provisions**

**R0160** Gross

			25,496
			0
			25,496

**R0240** Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

**R0250 Net Best Estimate of Claims Provisions**

**R0260 Total best estimate - gross**

**R0270 Total best estimate - net**

			26,404
			26,835

**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance
C0060	C0070	C0080	C0090

R0280 Risk margin

			4,985
--	--	--	-------

**Amount of the transitional on Technical Provisions**

R0290 Technical Provisions calculated as a whole

--	--	--	--

R0300 Best estimate

--	--	--	--

R0310 Risk margin

--	--	--	--

R0320 Technical provisions - total

			31,389
--	--	--	--------

R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

			-431
--	--	--	------

R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

--	--	--	--



**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss

C0100                      C0110                      C0120                      C0130

**R0010 Technical provisions calculated as a whole**

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**

R0060

Gross

R0140

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

R0150

**Net Best Estimate of Premium Provisions**

**Claims provisions**

R0160

Gross

R0240

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

R0250

**Net Best Estimate of Claims Provisions**

R0260

**Total best estimate - gross**

R0270

**Total best estimate - net**




**S.17.01.02**

**Non-Life Technical Provisions**

Direct business and accepted proportional reinsurance			
Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
C0100	C0110	C0120	C0130

R0280 Risk margin

--	--	--	--

**Amount of the transitional on Technical Provisions**

R0290 Technical Provisions calculated as a whole

--	--	--	--

R0300 Best estimate

--	--	--	--

R0310 Risk margin

--	--	--	--

R0320 Technical provisions - total

--	--	--	--

R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

--	--	--	--

R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

--	--	--	--

**S.17.01.02**

**Non-Life Technical Provisions**

Accepted non-proportional reinsurance				Total Non-Life obligation
Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	

C0140                      C0150                      C0160                      C0170                      C0180

**R0010 Technical provisions calculated as a whole**

				0
--	--	--	--	---

**R0050** Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole

				0
--	--	--	--	---

**Technical provisions calculated as a sum of BE and RM**

**Best estimate**

**Premium provisions**

**R0060** Gross

				908
--	--	--	--	-----

**R0140** Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

				-431
--	--	--	--	------

**R0150 Net Best Estimate of Premium Provisions**

				1,339
--	--	--	--	-------

**Claims provisions**

**R0160** Gross

				25,496
--	--	--	--	--------

**R0240** Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

				0
--	--	--	--	---

**R0250 Net Best Estimate of Claims Provisions**

				25,496
--	--	--	--	--------

**R0260 Total best estimate - gross**

				26,404
--	--	--	--	--------

**R0270 Total best estimate - net**

				26,835
--	--	--	--	--------

**S.17.01.02**

**Non-Life Technical Provisions**

Accepted non-proportional reinsurance				Total Non-Life obligation
Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0140	C0150	C0160	C0170	C0180
				4,985
<b>Amount of the transitional on Technical Provisions</b>				
				0
				0
				0
				31,389
				-431

R0280 Risk margin

**Amount of the transitional on Technical Provisions**

R0290 Technical Provisions calculated as a whole

R0300 Best estimate

R0310 Risk margin

R0320 Technical provisions - total

R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010

Accident year / underwriting year

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year											C0170 In Current year	C0180 Sum of years (cumulative)		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110				
	0	1	2	3	4	5	6	7	8	9	10 & +				
R0100	Prior												0	0	51,431
R0160	N-9	0	0	0	0	0	0	0	2,844	0			0	0	2,844
R0170	N-8	0	0	0	0	0	0	2,827	0				0	0	2,827
R0180	N-7	0	0	0	0	0	3,961	1,495						1,495	5,456
R0190	N-6	0	0	0	0	1,210	15							15	1,225
R0200	N-5	0	0	0	1,588	1,010								1,010	2,598
R0210	N-4	0	0	1,424	34									34	1,458
R0220	N-3	0	0	217	878									878	1,096
R0230	N-2	0	708	11										11	719
R0240	N-1	3	42											42	46
R0250	N	12												12	12
R0260															
													<b>Total</b>	3,497	69,710

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											C0360 Year end (discounted data)		
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior												0	0
R0160	N-9	0	0	0	0	0	0	0	0	0			0	0
R0170	N-8	0	0	0	0	0	0	0	324					323
R0180	N-7	0	0	0	0	0	0	9						9
R0190	N-6	0	0	0	0	0	5,522							5,491
R0200	N-5	0	0	0	0	2,084								2,068
R0210	N-4	0	0	0	3,939									3,893
R0220	N-3	0	0	0	2,410									2,374
R0230	N-2	0	0	2,238										2,192
R0240	N-1	0	3,746											3,661
R0250	N	5,584												5,485
R0260														
												<b>Total</b>	25,496	

**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

- R0010 Ordinary share capital (gross of own shares)
- R0030 Share premium account related to ordinary share capital
- R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
- R0050 Subordinated mutual member accounts
- R0070 Surplus funds
- R0090 Preference shares
- R0110 Share premium account related to preference shares
- R0130 Reconciliation reserve
- R0140 Subordinated liabilities
- R0160 An amount equal to the value of net deferred tax assets
- R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

Total	Tier 1 unrestricted	Tier 1 restricted
C0010	C0020	C0030
0	0	
0	0	
0	0	
0		0
0	0	
0		0
0		0
45,465	45,465	
0		0
0		
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**

- R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

0
---

**Deductions**

- R0230 Deductions for participations in financial and credit institutions
- R0290 **Total basic own funds after deductions**

0		
45,465	45,465	0

**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

**Ancillary own funds**

- R0300 Unpaid and uncalled ordinary share capital callable on demand
- R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- R0320 Unpaid and uncalled preference shares callable on demand
- R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0390 Other ancillary own funds
- R0400 **Total ancillary own funds**

**Available and eligible own funds**

- R0500 Total available own funds to meet the SCR
- R0510 Total available own funds to meet the MCR
- R0540 Total eligible own funds to meet the SCR
- R0550 Total eligible own funds to meet the MCR

Total	Tier 1 unrestricted	Tier 1 restricted
C0010	C0020	C0030

0		
0		
0		
0		
0		
0		
0		
0		
0		
0		

45,465	45,465	0
45,465	45,465	0
45,465	45,465	0
45,465	45,465	0

**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

R0580 **SCR**  
R0600 **MCR**  
R0620 **Ratio of Eligible own funds to SCR**  
R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700 Excess of assets over liabilities  
R0710 Own shares (held directly and indirectly)  
R0720 Foreseeable dividends, distributions and charges  
R0730 Other basic own fund items  
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds  
R0760 **Reconciliation reserve**

**Expected profits**

R0770 Expected profits included in future premiums (EPIFP) - Life business  
R0780 Expected profits included in future premiums (EPIFP) - Non- life business  
R0790 **Total Expected profits included in future premiums (EPIFP)**

<b>Total</b>	<b>Tier 1 unrestricted</b>	<b>Tier 1 restricted</b>
C0010	C0020	C0030
14,713		
3,716		
309.03%		
1223.61%		
C0060		
45,465		
0		
0		
0		
45,465		
0		



**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

- R0010 Ordinary share capital (gross of own shares)
- R0030 Share premium account related to ordinary share capital
- R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
- R0050 Subordinated mutual member accounts
- R0070 Surplus funds
- R0090 Preference shares
- R0110 Share premium account related to preference shares
- R0130 Reconciliation reserve
- R0140 Subordinated liabilities
- R0160 An amount equal to the value of net deferred tax assets
- R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

Tier 2	Tier 3
C0040	C0050
0	
0	
0	
0	0
0	0
0	0
0	0
	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**

- R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

**Deductions**

- R0230 Deductions for participations in financial and credit institutions
- R0290 **Total basic own funds after deductions**

0	0



**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

Tier 2	Tier 3
C0040	C0050

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700 Excess of assets over liabilities

R0710 Own shares (held directly and indirectly)

R0720 Foreseeable dividends, distributions and charges

R0730 Other basic own fund items

R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

R0760 **Reconciliation reserve**

**Expected profits**

R0770 Expected profits included in future premiums (EPIFP) - Life business

R0780 Expected profits included in future premiums (EPIFP) - Non- life business

R0790 **Total Expected profits included in future premiums (EPIFP)**

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**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

R0070 Intangible asset risk

**R0100 Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 Solvency Capital Requirement excluding capital add-on**
- R0210 Capital add-ons already set
- R0220 Solvency capital requirement**

**Other information on SCR**

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304

Gross solvency capital requirement	USP	Simplifications
C0110	C0080	C0090
4,194		
1,087		
11,646		
-3,007		
0		
13,920		
	C0100	
792		
0		
14,713		
14,713		



**S.28.01.01**

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

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

R0200 MCR<sub>L</sub> Result

C0040

0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
---	---

C0050

C0060


- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

**Overall MCR calculation**

R0300 Linear MCR

R0310 SCR

R0320 MCR cap

R0330 MCR floor

R0340 Combined MCR

R0350 Absolute floor of the MCR

R0400 **Minimum Capital Requirement**

C0070

3,716
14,713
6,621
3,678
3,716
1,796
3,716