Britannia

The Britannia Steam Ship Insurance Association Ltd

Solvency and Financial Condition Report

As at 20 February 2017

Contents

Solvency and Financial Condition Report

1. Introduction

This is the first Solvency and Financial Condition Report ('SFCR') for The Britannia Steam Ship Insurance Association Limited (Britannia or the Association), based on the financial position as at 20 February 2017.

The commentary below provides a review of the Association's financial position based on its audited UK GAAP results for the year ending 20 February 2017.

Review of 2016/17

The Association has produced another year of strong financial performance, assisted by a benign claims environment and investment returns that exceeded expectations. A combination of positive underwriting and investment returns has driven the capital resources to a record high and places the Association in a unique position from which to assist the membership over the coming years.

In October 2016 the Committee, at its last meeting before handing over responsibility to the new Board, agreed a further waiver of 2.5% from the deferred call from 2014/15. The deferred call from that year has now been reduced from the original 45% to 35% over the past three years. The Committee was also able to agree a 5% waiver from the deferred call from 2015/16, bringing the total down from 45% to 40%. Together, these two waivers in 2016 have benefited the membership by a further USD10.8m. In addition, at the 2017/18 renewal there was no general increase and many Members were able to renew their cover at a lower cost than the prior year. Britannia's financial strength has allowed these measures to be taken without any risk to its future financial stability.

In September 2016 Standard & Poor's confirmed the Association's rating as A (Strong), with a Stable outlook. Within that rating, the financial risk score was well in excess of the triple-A level based on S&P's capital model.

Total calls and premiums were down year on year by around USD34m. A number of factors were behind this fall: despite a modest general rate increase, there was some loss of tonnage at the 2016/17 renewal and the reduction in rates on the general excess of loss reinsurance contract, which is passed on to Members, also drove premiums down. There was also a write off of outstanding calls from Hanjin Shipping, one of the Association's longstanding Members that fell into insolvency during the year. Another important impact was the Committee's decision to waive further deferred calls which, as noted above, cost USD10.8m.

Reinsurance premiums overall were down marginally year on year, the saving on the general excess of loss contract referred to above being offset by higher premiums paid to Boudicca.

Incurred claims within the Club retention in the 2016/17 policy year were, after 12 months, at their lowest level for 13 years. The major factor behind this was a much lower impact from claims expected to cost more than USD1m. While the number of such claims was similar to the last two years – 19 in 2016/17 against 20 in 2015/16 and 15 in 2014/15 – the aggregate cost was significantly lower. The largest claim is currently expected to cost just USD2.4m. The lack of claims over USD5m benefited Boudicca, which had started the year with projected liabilities on the individual claims excess of loss contract of USD17m, but ended it with a provision of zero. The total number of claims in the year was 4,295, which is well down on the prior year and contributed to the exceptional low claims costs for 2016/17.

Incurred claims to date on the Pool have also been remarkably light. Seven claims had been notified by 20 February 2017, with an estimated aggregate cost to the Pool of USD76m. In the prior year, ten claims had been notified at a cost of over USD252m.

The year also saw the usual positive development on the claims position of older years. This improvement results from the Association's consistent policy of reserving individual claims on a very conservative basis and of holding contingency reserves at very high levels of confidence. As actual claims outcomes emerge over time, the redundancy is released and because claims incurred in three of the four prior policy years have been relatively high by historical standards, the releases in dollar terms have also been high. In 2016/17, the total amount released from prior years' claims provisions was USD53.1m.

The underwriting result for the year ended 20 February 2017, represented by the balance on the technical account, was a surplus of USD38.9m. This compares to a surplus of USD35.3m in the prior year. Of the total underwriting surplus, USD35.6m was contributed by P&I (Class 3) and USD3.3m by FD&D (Class 6).

As noted in the investment performance review below, the actual return on the portfolio for the year was USD28.7m, with equities being the strongest performer. There were some currency losses on sterling bonds and cash, resulting from the post-Brexit vote devaluation of sterling, but these are matched by reductions to sterling denominated liabilities and operating costs. The currency losses resulted in the actual return being lower than the longer term return that is credited to the underwriting account, and this resulted in a transfer from the investment reserve of USD5.2m.

The surplus for the year after tax was USD32.9m, which resulted in the total capital shown in the balance sheet at 20 February 2017 rising to USD379.3m. The total resources available to the Association include potential future recoveries from Boudicca. The surplus funds available in Boudicca were USD221.7m, a significant increase on the position reported last year, which has resulted from improvements to Britannia's claims (and therefore lower claims reserves in Boudicca's books) and positive investment returns on Boudicca's investment portfolio.

On the basis of the total resources available, the Association remains very well funded, with capital in excess of both economic and regulatory capital requirements. As noted above, it is therefore uniquely well placed to assist its Members in the future.

Investment performance

In the year ended 20 February 2017, the overall return on investments was 3.0%, which is equivalent to USD28.7m. The best performing asset class was equities, which returned 19.3%. Corporate bonds returned 5.0%, while cash and government bond returns were flat.

Investment strategy

The Association's investment strategy is the responsibility of the Board, assisted by its investment advisers Lane Clarke & Peacock LLP (LCP). During the past year, LCP carried out a review of the Association's investment strategy, which has been a long-term one reflecting the long-tail nature of many of the liabilities and the nature of mutuality.

More specifically, the objectives of the strategy are two fold:

- to hold a portfolio of government bonds and cash which matches, in terms of average duration and currency, the claims liabilities of the Association. This is known as the 'matching portfolio'. The matching portfolio includes a 'cash buffer' which is sufficient to ensure appropriate liquidity; and
- to invest the assets in excess of the matching portfolio and the cash buffer, in accordance with the 'prudent person principle', in such a way as to achieve the maximum return for a level of risk consistent with the Association's investment risk appetite. This is known as the 'growth portfolio'.

The LCP strategy review resulted in some reallocation of asset classes within the growth portfolio, the main ones being:

- a reallocation of 50% of the equity portfolio to a diversified growth fund managed by Standard Life; and
- a reorganisation of the corporate bonds to create three equally sized portfolios, managed respectively by Standish Mellon on an active basis against a benchmark, and M&G and Schroders on an absolute return basis.

Following the reallocation, the portfolio has the following composition:

Asset Class	Proportion (%)
Matching portfolio	
Government bonds and cash	54.0
Growth Portfolio	
Corporate bonds	22.0
Equities	13.0
Diversified growth fund	11.0
	100.0

Claims

Class 3 – Protection and Indemnity (P&I)

Retained claims

Retained claims in 2015/16 policy year saw a return to a more 'normal' level of approximately USD168.6m. This followed claims being higher than estimated in 2013/14, at USD204.6m and the unusually low level of claims in 2014/15 then estimated at USD132.6m. The 2013/14 policy year has improved with net retained claims currently estimated at USD178m. The 2015/16 policy year has also improved with net retained claims currently being estimated at USD162m.

Against this background the 2016/17 policy year has been very favourable with claims currently estimated at only USD97.7m. This is significantly lower than even the 2014/15 policy year at the equivalent point in the policy year.

The Association continues to categorise claims within its retention into two bands: those that are estimated to cost USD1m or less, which are known as 'attritional' claims, and those that are estimated to cost in excess of USD1m, which are known as 'high value' claims. Attritional claims constitute the vast majority of claims by number, while high value claims, although very small in number, constitute a high proportion of the total estimated claims cost.

To date, the total number of attritional claims notified in respect of the 2016/17 policy year is 4,276. This represents a significant decrease on the 5,079 notifications at the same time in the 2015/16 policy year and the 4,766 notified in 2014/15. This general trend of decreasing attritional claims continues to reflect that a number of liner operators moved to higher cargo deductibles and the Association's move, at the 2014 renewal, to a combined deductible (which applies to the underlying claim, plus costs, fees and expenses). The Association's Correspondents also continue to report a general drop in the number of routine cases reported to the Association's Correspondents locally. Although high value incidents are considerably less frequent, as mentioned above, they can have a significant impact on the policy year.

There were 20 such notifications in 2015/16 estimated at USD84m compared to 15 claims with an estimated value of USD59m in 2014/15. In 2016/17 a total of 19 high value incidents have been reported but are currently estimated at only USD29m. The significant reduction in the cost of large claims is attributed to the fact that only three claims exceeded USD2m and none are over USD3m, whereas in 2014/15 and 2015/16 a total of two and three of the high value claims respectively exceeded the Association's retention which was USD9m at the time.

The Association continues to investigate the root causes of high value claims and near miss incidents. A lack of effective risk assessments has been found to be a contributory factor in a number of incidents and accidents, particularly relating to personal injury. As in previous years, poor bridge and engine team management and a lack of communication, both internally and with pilots and shore authorities, are significant issues in many major incidents.

Pool claims

2016/17 was also a favourable year for Pool claims with seven being reported to date with a combined estimated value of USD76m compared to estimated combined values of USD252m and USD177m reported in 2015/16 and 2014/15 respectively. One of the claims in the 2016/17 policy year was a personal injury claim in the US, two arose from damage to subsea cables, three arose from groundings, and three from damage to shore side installations. The largest claim involved a tanker berthing at an oil terminal in Russia prior to loading a cargo of crude oil. The ship was under pilot and assisted by two tugs with another on standby. During berthing manoeuvres, following the apparent parting of a tow wire connection, it is reported that despite releasing an anchor, the ship struck the mooring dolphins causing the dolphins and pilings to collapse. Significant claims for repairs and business interruption are expected. The other large claim involved a container ship running aground off Taipei. The crew were all rescued by helicopter but the ship subsequently broke into two sections spilling 110mt of fuel oil. Significant claims are expected for pollution and pollution prevention measures, the costs of removing and disposing of the containers and cargo and wreck removal. As in previous years most of these incidents appear to arise from issues with bridge team management or navigational practices in one form or another which remain the focus of the Association's loss prevention activities.

Class 6 – Freight, Demurrage and Defence (FD&D)

The 2016/17 policy year saw a reduction in both the number and aggregate value of FD&D claims notified to the Association compared with the previous policy year. The aggregate value of claims was also less than that recorded at the equivalent time in the 2013/14 and 2014/15 policy years. This was a slightly surprising development because, at the midway point of the year, it appeared that the number and value of claims would be slightly higher than it had been for several years. As it turned out, there was a marked improvement in claims experience during the last six months of the policy year.

Figures for Class 6 claims at the end of the policy year should always be regarded with a degree of caution because of the way in which such claims develop. Unlike Class 3 claims, there is often many months' time lag between the occurrence of an incident and its notification to the Association, as Members seek to find an amicable solution to the dispute with their counterparty before involving the Association. Furthermore, because the vast majority of disputes are settled before there has been a final court or arbitration hearing, it is those incidents that cannot be settled without a hearing and are, therefore, some years old that are the most costly. This is because preparation for, and attendance at, the hearing is normally the most expensive part of the dispute, especially where witnesses and experts have to give oral evidence. Nevertheless, a benign claims experience during the policy year is usually a good indication of how the year will develop.

2. Directors' responsibility statement

We acknowledge our responsibility for preparing the Association's Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a. throughout the financial year in question, the Association has complied in all material respects with the applicable requirements of the PRA Rules and the Solvency II Regulations; and

b. it is reasonable to believe that the Association has continued to so comply subsequently and will continue to so comply in future.

For and on behalf of the Board of The Britannia Steam Ship Insurance Association Limited

A J Cutler
Director

J P Rodgers
Director

3. Report of the external independent auditor to the Directors of the Britannia Steam Ship Insurance Association Limited ('the Association') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ('SFCR')

Opinion
Except as stated below, we have audited the following documents prepared by the Association as at 20 February 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Association as at 20 February 2017, ('**the Narrative Disclosures subject to audit'**); and

- Association templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Association templates S.05.01.02, S.05.02.01, S.19.01.21;

- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement'**).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Association as at 20 February 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK,

including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you, where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the Directors' have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Emphasis of Matter – Basis of Accounting

We draw attention to the Valuation for solvency purposes and Capital Management sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Solvency and Financial Condition Report

The Directors' are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications and supplemented by the approvals and determinations by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors' are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Britannia Steam Ship Insurance Association Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Michael Smith

Michael Butler (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street,
London.
EC1A 4AB

26 June 2017

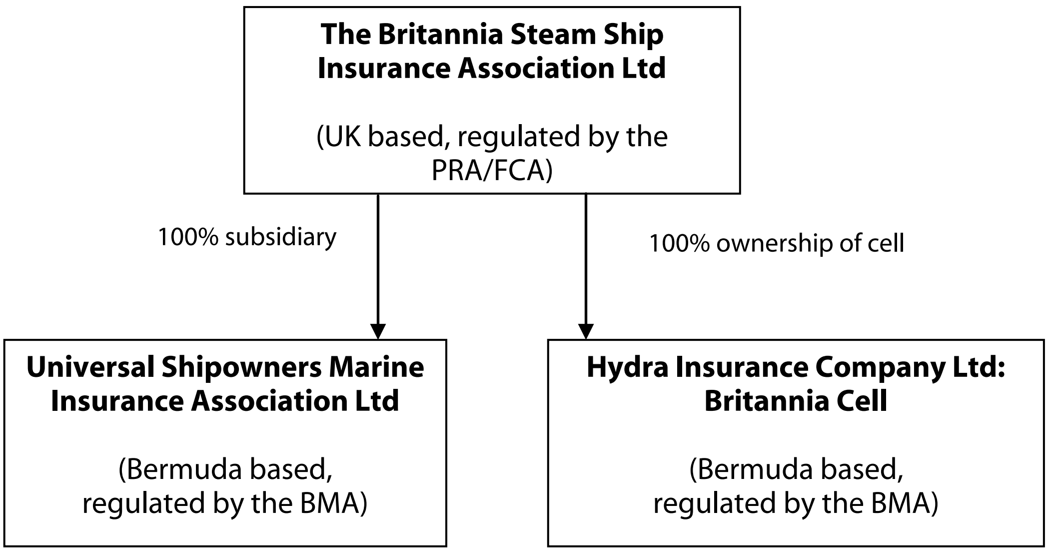
4. Business and performance

Business

The Association is a company limited by guarantee registered in England and Wales. It has one subsidiary, Universal Shipowners Marine Insurance Association Limited (USMIA), which is registered in Bermuda. As a member of the International Group of P&I Clubs (the IG) and a signatory to the IG Pooling Agreement, the Association participates in Hydra Insurance Association Limited (Hydra), a Bermuda registered segregated cell company. The Association's cell in Hydra is treated for the purposes of accounting and capital management as a subsidiary of the Association.

A chart showing the structure of the Association is set out below.

Chart 1: Britannia's corporate structure



USMIA

The Association reinsures 90% of its Class 3 (Protection & Indemnity) and Class 6 (Freight, Demurrage & Defence) business to its wholly-owned subsidiary company USMIA. USMIA, which is not a mutual, has an independent Board of Directors responsible for running the company, and, in particular, for taking all investment decisions. Day-to-day management of USMIA is carried out by independent managers, Marsh IAS Management Services (Bermuda) Limited, a specialist captive and investment management company.

Boudicca

The final entity which is important to a full understanding of the Association's financial position is Boudicca Insurance Company Limited (Boudicca), a company registered in Bermuda.

The Association has historically held free reserves over and above the statutory minimum margin of solvency required by EU insurance companies. These reserves have been maintained to provide protection against the possibility of unexpected or exceptional claims not covered by technical (claims) provisions. Their existence has enabled the Association to avoid exceeding its deferred call estimates for over 40 years.

Since 20 February 1997, equivalent protection has been provided partly by means of a reinsurance policy with Boudicca. In summary, the policy provides cover for the following.

- Charges which would previously have fallen on the General Reserve i.e. amounts necessary:
  (i) to meet the Association's regulatory capital requirement (SCR and MCR);
  (ii) to keep open and closed policy years in balance,
  (iii) to meet losses from an overspill claim.

- Any excess (above an agreed excess point) of claims in any policy year.

- Britannia's share of Pool claims not met by the Group excess of loss or Hydra contracts due to the failure of any of the reinsurers.

- A percentage quota share of each policy year's claims (currently 4%).

- It is not the general policy of the Association to purchase reinsurance within the Club retention other than in respect of specifically identified risks. However, since 2000, the Association has had a reinsurance with Boudicca which provides excess of loss cover for larger claims (excess of USD4 million in 2017/18) within the Association's retention.

Boudicca is a wholly-owned subsidiary of a special purpose trust called the Iceni Trust. The Trustees of the Iceni Trust (currently a Bermudian Trust company) are appointed by a Protector Committee whose members are drawn from the non-executive members of the Association's Committee. The Members of the Protector Committee are responsible for ensuring that the Iceni Trust performs the purposes for which it was created.

The Directors of Boudicca are all Bermudian residents. The company is managed on a day-to-day basis by an independent management company, Symphony Management Limited.

Boudicca's assets are separately held by an independent custodian and are subject to a security interest agreement which ensures that they cannot be dissipated to the detriment of the reinsurance contract with the Association.

As Boudicca is wholly-owned by the Iceni Trust and is independent of the Association, its financial statements are not consolidated with those of the Association. However, the basis of the reinsurance contract and the funds held by Boudicca are disclosed in the Association's annual financial statements. As at 20 February 2017 assets of Boudicca totalling USD221.7 million (20 February 2016 – USD166.3 million) were available to support the Association should they be required. These funds do not form part of the Association’s Solvency II own funds, but nevertheless, under the terms of the reinsurance contract, they are available should own funds fall below the level of the SCR or MCR.

Regulation

The Association is regulated in the UK 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 Group 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

www.fca.org.uk

USMIA and Boudicca are regulated by the Bermudian Monetary Authority

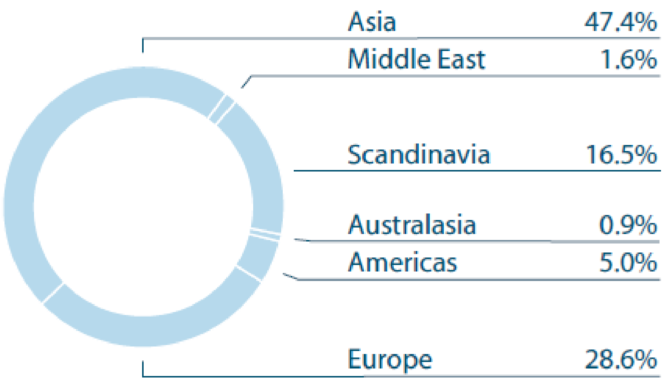
The Association’s external auditor is Moore Stephens LLP, whose address is 150 Aldersgate Street, London, EC1A 4AB.

Underwriting performance

The Association writes two lines of business: Protection and Indemnity (P&I) risks and Freight Demurrage and Defence (FD&D) risks, although for the purposes of capital reporting, both are combined into the Marine Aviation and Transport category.

All underwriting is carried out from Britannia's office in London. The Association's Members are spread throughout the world, as illustrated by Chart 2.

Chart 2: Entered tonnage by area of management



In the year to 20 February 2017, the Association produced an underwriting surplus of USD38.9m. Table 1 shows a summary of the technical (underwriting) account.

Table 1: Summary technical account for the year ended 20 February 2017 (UK GAAP basis) and prior year

Sources of income and expenditure	**2016/17 USD'000**	**2015/16 USD'000**
Calls and premiums	225,854	260,272
Reinsurance premiums	(64,748)	(65,663)
Investment income (LTIR basis)	33,830	35,285
Net claims incurred	(130,268)	(167,654)
Net operating expenses	(25,719)	(26,986)
Balance of the technical account	**38,949**	**35,254**

The underwriting result was generated principally by the P&I class, USD35.6m (2016 – USD35.1m), while the FD&D class generated USD3.3m (2016 – USD0.1m).

The Association currently purchases market reinsurances for both P&I and FD&D classes of business which mitigate the impact of large losses and losses in aggregate on the Association. The external reinsurance in place on the two classes of business (excluding those relating to USMIA, Boudicca and Hydra) are as follows:

Class 3

Charterers' and non-Poolable reinsurance

The Association provides a combined charterers and non-poolable reinsurance programme with retentions for P&I risks of USD2 million and USD250,000 for both charterers' damage to hull risks and non-Poolable additional insurances. The Association is able to provide limits of up to USD750 million for charterers' and non-Poolable risks.

Stop loss protection

For the 2017/18 policy year the Association has arranged a three year stop loss contract to protect the Association's retention (owned, chartered and non-Poolable). The protection, provides an annual aggregate limit of USD20 million excess of an annual aggregate deductible of USD160 million.

Maritime Labour Convention (MLC) protection

The IG has arranged collective reinsurance to provide a limit of USD190 million excess of USD10 million in respect of MLC risk, specifically for each wage of abandoned crew. The Managers have now put in place additional reinsurance to protect the retention for a limit of USD8 million excess of USD2 million per fleet.

International Group reinsurance

The Association is a signatory to the International Group Pooling Agreement which pools individual claims in excess of USD10m with the 13 signatories of the agreement. This arrangement currently provides cover for owned P&I risks in excess of USD10m up to a limit of USD100m. Once this limit is exceeded, market reinsurance is purchased on 4 layers with a limit per claim of USD2.1bn excess USD100m. The first USD500m, i.e., USD500m excess USD100m is written on a co-insurance basis where the Pool self-insurers 30% of the exposure.

Under the terms of the Pooling Agreement, the Members of each Club are liable for its share of a non-oil pollution claim that exceeds the limit of the Pool's excess reinsurance contract which in the current year covers claims up to USD2.1 billion each accident or occurrence. Any such claim is called an Overspill Claim. The IG purchases reinsurance to protect Clubs and their Members from overspill claims up to USD1 billion excess of the Pool's excess reinsurance limit. Above this limit, up to the maximum possible overspill claim of just under USD8 billion, any potential claim falls on the IG.

Class 6

The Association has purchased excess of loss reinsurance to protect the Class against the financial impact of an individual event. The insurance currently provides a limit of USD5 million excess of USD3.5 million (with a single paid reinstatement).

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 20 February 2017, the Association's investment portfolio comprised the following asset classes:

Table 2: The Association's investment portfolio at 20 February 2017

Asset Class	Amount (USDm)	% of portfolio
Matching portfolio		
Government bonds (short dated)	286.0	30%
Inflation linked bonds	138.3	15%
Cash	84.8	9%
Growth portfolio		
Equities	127.4	13%
Diversified growth fund	100.0	11%
Corporate bonds	70.1	7%
Absolute return bond funds	145.7	15%
	952.3	**100%**

In the year ended 20 February 2017, the overall return on investments was 3.0%, which is equivalent to USD28.7m. The best performing asset class was equities, which returned 19.3%. Corporate bonds returned 5.0%, while cash and government bond returns were flat.

Table 3 sets out the investment return by asset class:

Table 3: Investment return by asset class
(UK GAAP basis)

Asset class	2016/17 (USD'000)	2015/16 (USD'000)
Government bonds	2,368	2,853
Cash	1,645	-
Equities	24,879	(22,612)
Diversified growth fund	(41)	-
Corporate bonds	6,895	(2,481)
Absolute return bond funds	5,898	-
Exchange loss on cash balances	(11,116)	104
Investment management expenses*	(1,812)	(1,364)
	28,716	**(23,500)**

* Investment management expenses are charged to the Association on an annual basis based on the total value of investments under management.

Overall business performance

In the year ended 20 February 2017, the Association produced a surplus of USD32.9m. Balance sheet reserves grew to USD379.3m. The surplus funds available to the Association in Boudicca also increased, to USD221.7m. Own funds for Solvency II proposes, measured on a best estimate basis, stood at USD571.9m.

The overall solvency position of the Association at 20 February 2017 is set out in more detail in section 6 of this report.

5. System of governance

General information

The Association remains committed to high standards of corporate governance and, while it is not bound by the UK Corporate Governance Code, it seeks to comply voluntarily with those key aspects of the Code that are relevant to its business. Developments in corporate governance best practice are monitored carefully and the Association's systems of governance are also reviewed to confirm that they comply with regulatory requirements, including those introduced as part of Solvency II. In the light of the latest developments, during the year there were some important changes to the Association's corporate governance arrangements and a revised governance structure has been put in place. This new structure is shown in chart 3 below.

Overall responsibility for the management of the Association now rests with the Board. The Board comprises a non-executive chairman, up to ten non-executive directors drawn from the Association's shipowner Members, one non-executive director who is expert in insurance matters, and two executive directors from the Association's Managers. The Board is responsible for all strategic aspects of the business of the Association. In practice, it delegates some of its powers to sub-committees and responsibility for the day to day management of the Association to the Managers, Tindall Riley (Britannia) Ltd. The Managers are responsible for ensuring that appropriate information, which is adequate to enable the Board to discharge its duties and to oversee the business effectively, is provided on a timely basis. There are nevertheless a number of matters that are reserved exclusively for decision by the Board and these are reviewed and updated at least annually. The Board meets five times a year.

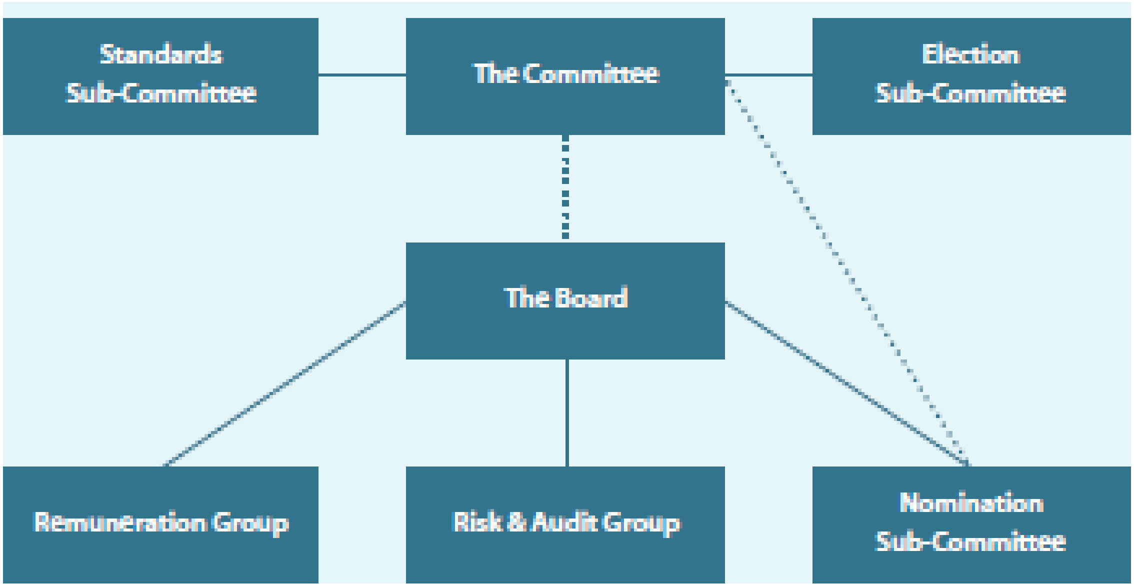
The Members' Representative Committee (the Committee) is a larger body, comprising all of the Board directors (other than the two Manager Directors), plus up to 28 others representatives drawn from the Association's shipowner Members. The Chairman of the Board is also the Chairman of the Committee. The Committee does not carry out any regulated functions, but the Board has a duty to consult the Committee on key areas including strategy, investments, finance and call decisions. The Committee does have a key role in the Association's loss prevention activities, through the newly created Standards Sub-Committee, and the consideration of claims trends and industry matters. It also retains the right to approve discretionary claims up to USD2m.

Senior Insurance Managers Regime

The Association has implemented the requirements of the Senior Insurance Managers Regime (SIMR) and prepared a Governance Map which sets out the governance structure of the Association, identifies the SIMR function holders, the notified non-executive directors and other key function holders, shows reporting lines and the allocation of prescribed responsibilities. The Governance Map is reviewed at each Board meeting.

Certain of the Board's and Members' Representative Committee's powers are delegated to sub-committees. The governance structure is set out in Chart 3 below.

Chart 3: The Association's governance structure



Sub-Committee's of the Board

Risk & Audit Group

This group comprises up to four non-executive directors of the Association. Its responsibilities include the financial statements and the regulatory returns to the Prudential Regulation Authority, the risk management framework, internal and external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Board. The Risk & Audit Group meets three times a year.

Remuneration group

The group comprises up to five non-executive directors of the Association. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The group meets twice a year.

Nominations sub-committee

This sub-committee consists of up to four non-executive directors of the Association and the two Manager directors. Its principal responsibilities are to make recommendations to the Board on the appointment of new directors, the re-election of existing directors, and the appointment of the chairman of the Board, reviewing the skills, training requirements and performance of directors and Senior Insurance Management Function holders. The sub-committee meets as required during the year.

Sub-Committee's of the Committee

Election Sub-Committee

The Election Sub-Committee's role is to consider and make recommendations to the Committee in respect of potential new Member representatives and potential new directors of the Board, which would then be recommend to the Nomination Sub-Committee.

Standards Sub-Committee

The Standards Sub-Committee's role is to monitor the composition of Britannia's membership, oversee loss prevention activities including the condition survey programme, and monitor claims trends. The sub-committee comprises a Chairman, the Chairman of the Committee, three other Committee members and from the Managers, the Chief Underwriting Officer, the Chief Service Director and the Director, P&I Claims.

Britannia's website provides details of the roles and responsibilities of the various bodies (including their individual Terms of Reference), as well as listing the individuals who sit on them: www.britanniapandi.com/about/corporate-governance

Fit and proper requirements

The Association has well developed 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 the 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 Association's ORSA Policy (the Policy). 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.

<u>ORSA governance</u>

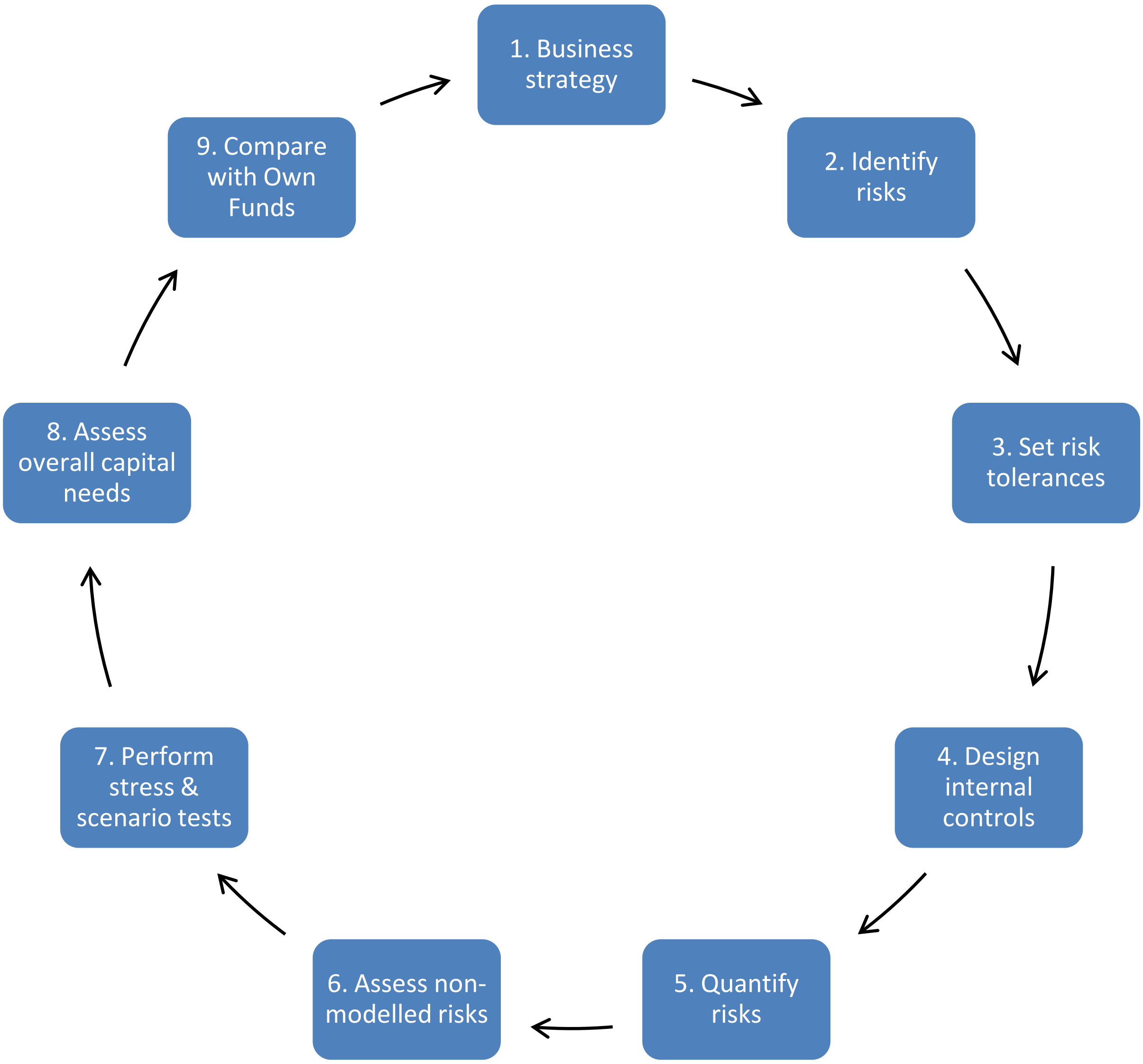
Overall responsibility for the ORSA rests with the Board. Appendix A in the ORSA sets out the governance arrangements of the ORSA and the responsibilities of the individuals and groups involved in the process.

<u>The ORSA process</u>

The Policy defines a number of steps that make up the overall ORSA process, which are illustrated by Chart 4 below.

The Risk Management Strategy 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 4: 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 20 February 2017.

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 (including amounts potentially recoverable from Boudicca), 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 Britannia Risk Register and the Britannia 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 Chief Risk Officer (CRO) is responsible for day to day monitoring of, and reporting to the Board, on all compliance related matters.

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 CRO manages the day to day risk monitoring of, and reports to the Board on, all aspects of risk management.

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 Risk & 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, the primary purpose of the Group being to

- 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 Chairman of the Risk & Audit Group and other non-executive directors;
- consider on behalf of the Board proposals from the Managers regarding the Managers' remuneration.

The Association has a Remuneration Policy which sets out the principles and procedures under which the Remuneration Group operates.

Related parties

The Board, comprising up to 10 representatives of the Membership of the Association, two independent directors and two Manager nominees, is elected to oversee the management of the Association on behalf of the Members. The members of the Board are directors of the Association and as such are related parties. Because of the mutual nature of the Association and its Members (being both insured and insurers), the Members are also in effect related parties.

Outsourcing policy

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Association. The third party to whom an activity is outsourced is a 'service provider'.

The Board ensures that any outsourcing arrangement does not diminish the Association's ability to fulfil its obligations to Members or its regulators, nor impede effective supervision by its regulators.

The business of the Association is carried on by specialist independent managers, Tindall Riley (Britannia) Limited, a subsidiary of Tindall Riley & Co Limited, under the terms of a management agreement. However, certain matters are reserved for the Board, including determination of the overall strategy of the Association, determination of the overall investment strategy and decisions regarding the general level of calls.

The Board considers outsourcing where it believes that there is an advantage to the Association and its Members by using a service provider. The two primary functions that have been outsourced by the Association relate to the management of the Association's investments and the role of the Chief Actuary.

6. 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, including oversight of large claims by a sub-committee of senior claims directors. Prudent contingency (IBNR) 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, both by ship type and geographical location.

Reinsurance is another important method for the management of underwriting risk. The Association participates in the International Group pooling arrangement, whereby individual claims above USD10m (for 2017/18) are pooled (and reinsured above USD100m) and has a number of reinsurance covers with Boudicca. Judicious use of reinsurance is also made in respect of certain specific risks where additional protection is appropriate.

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 and the Board has the authority to vary asset allocations on a tactical basis.

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 USD10m) 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. It has 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.

These tests are regularly reviewed and updated as necessary to ensure that they capture the main risks faced by the Association.

The results of the following material stress and sensitivity tests performed at 20 February 2017 are summarised below:

Underwriting risk

The Association carries out sensitivity testing on its claims reserves. The results of sensitivity testing are set out below, showing the impact on surplus/deficit before tax, gross and net of reinsurance. For each sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

Increase in loss ratio by 5 percentage points

	USDm
Gross	11.3
Net	8.1

A 5 percent decrease in loss ratios would have an equal and opposite effect.

<u>Market risk</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

The Association uses a number of sensitivity management tools to understand the volatility of surpluses/deficits. The detail below shows the effects of a 0.5% increase or decrease in interest on earnings from debt securities:

	USDm
0.5% increase in interest rates	3.6
0.5% decrease in interest rates	(3.6)

Equity price sensitivity analysis

The Association is exposed to price risk through its holding of equities. The exposure through equities is limited to a controlled proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 16% (2016 – 19%) of the investment portfolio. The Association also invested in a diversified growth fund during the year and the holding in the fund at year end amounted to 12%.

The detail below shows the anticipated change in equity investment market values from a 5% increase or decrease in underlying prices:

	USDm
5% increase in equity price	6.4
5% decrease in equity price	(6.4)

Group risks

As noted above in section 2, the Association is legally structured as a group with a single subsidiary USMIA and an interest in the Britannia cell within Hydra. For the purposes of capital and risk management, however, the 'group' is considered as a single entity.

However, if Britannia were to be considered as a standalone legal entity, there would be two significant 'group risks' in the form of the reinsurance exposure to USMIA and Hydra and the location of group capital held by USMIA and Hydra.

In addition, although the surplus funds in Boudicca do not form part of the Association's 'own funds' for Solvency II purposes, those funds nevertheless form a significant part of Britannia's economic capital and are considered as part of the group capital and risk management strategy.

There are mechanisms in place to manage and mitigate these group risks as set out below.

<u>USMIA</u>

Under resolution of Britannia, recoveries under the reinsurance contract with USMIA would continue to be paid as Britannia ran off its claims. In addition, as its parent undertaking, Britannia could place USMIA into liquidation, in which case as the sole shareholder and creditor of USMIA (save for some minor balances such as accrued professional fees), the balance of USMIA's assets would be paid to Britannia.

In addition, there are two security measures in place over the assets of USMIA, which would ensure that, in the event of default by USMIA or the insolvency of either party, the capital held by USMIA would be available to Britannia.

Account Pledge Agreement

There is a tripartite account pledge agreement (the agreement) between Britannia, USMIA and USMIA's investment custodian. The agreement defines 'secured obligations', being "all monies and liabilities which are now or may be at any time hereafter be due, owed or payable by [USMIA] to [Britannia] under or in connection with the reinsurance agreement" . In the event of default by USMIA in relation to its obligations to Britannia (for example the payment of claims under the run-off of Britannia) or the insolvency of USMIA, the agreement allows Britannia to enforce the security interest direct and require the custodian to sell investments and remit the proceeds to Britannia.

Debenture

The Debenture creates a floating charge over all of the assets of USMIA in favour of Britannia. Under clause 7.1.3 of the Debenture, if the reinsurance agreement between USMIA and Britannia is terminated, or if USMIA becomes insolvent, Britannia may exercise its power of sale under the Debenture and thus recover all amounts owing to it.

<u>Hydra</u>

Under resolution of Britannia, recoveries under the reinsurance contract with Hydra would continue to be paid as Britannia ran off its claims.

The Hydra governing instrument contains winding up procedures which allow the board to terminate the operations of Hydra from the end of the then current policy year. Under these circumstances, the Britannia cell would be run off and eventually wound up, with any residual assets being transferred to Britannia as the shareholder.

<u>Boudicca</u>

Under resolution of Britannia, recoveries under the reinsurance contract with Boudicca would continue to be paid as Britannia ran off its claims.

In addition, there is a Security Interest Agreement in place over the assets of Boudicca, which would ensure that, in the event of default by Boudicca or the insolvency of either party, the capital held by Boudicca would be available to Britannia. This agreement, which is formally acknowledged by Boudicca's investment custodian, gives Britannia the power to sell Boudicca's assets held by the custodian in the event of the default by or insolvency of Boudicca.

7. Valuation of assets and liabilities for solvency purposes

Assets

Table 4 sets out the value of the Association's assets at 20 February 2017.

Table 4: Valuation of the Association's assets

	Assets per GAAP USDm	Assets per Solvency II USDm
Financial investments	952.3	954.0
Reinsurance recoverable	398.2	321.2
Other assets	224.3	142.4
Total assets	**1,574.8**	**1,417.6**

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

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. The principal difference between UK GAAP and Solvency II relates to accounting for Solvency II reinsurers' share of technical provisions on a best estimate basis and the 'Bound But Not Incepted' (BBNI) business which relates to the upcoming 2017/18 policy year which has not been recognised in the UK GAAP balances.

Other assets

The differences in the valuation between UK GAAP and Solvency II relates to the recognition of accrued interest which has been recognised for Solvency II purposes under Investments and for UK GAAP purposes under Other Assets. The remaining difference relates to the accounting treatment for the deferred call that has been accrued for. In the UK GAAP balance sheet this accrual is accounted for under other assets, however, for Solvency II purposes the accrual has been reclassified to Gross Technical Provisions. All other assets are valued for Solvency II purposes on the same basis as the financial statements.

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

Technical provisions

At 20 February 2017, the Association held technical provisions, valued for solvency purposes, of USD828.6m.

The assessment of the reserves is based on commonly accepted actuarial techniques applied in a consistent manner. Whilst professional judgment has been exercised in all instances, projections of future ultimate losses and loss expenses are inherently uncertain due to the random nature of claim occurrences. The accuracy of the results is dependent upon the accuracy of the underlying data and additional information supplied to the actuarial teams.

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

Table 5: Analysis of technical provisions at 20 February 2017

	Technical provisions per GAAP USDm	Technical provisions per Solvency II USDm
Technical provisions	1,173.9	760.2
Risk margin	-	68.4
Total	1,173.9	828.6

The principal difference between UK GAAP and Solvency II relates to accounting for Solvency II gross technical provisions on a best estimate basis and the ‘Bound But Not Incepted’ (BBNI) business which relates to the upcoming 2017/18 policy year which has not been recognised in the UK GAAP balances.

The Association values technical provisions (TPs) 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 four homogeneous risk groups when calculating the best estimate reserves. These are:

1. P&I Retention – Class 3 protection and indemnity claims where Britannia is the originating club.
2. P&I Pool – Class 3 protection and indemnity claims where Britannia pays a share of the claim through the P&I International Group pooling arrangement. This includes claims originating from Britannia so there is an element of double counting gross claims already within P&I Retention (claims net of reinsurance are not affected).
3. FD&D – Class 6 freight, demurrage and defence claims.
4. Asbestos-related claims – this group is further divided between mesothelioma and non-mesothelioma claims.

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.

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 that claims are handled.

At the valuation date, 20 February 2017, 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), which allows for severe events to which the Association could be exposed but which are absent from the historical data.

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

Future amounts and timing of premium cashflows are assumed to be in line with the latest call setting decisions. This includes deferred calls on open policy years plus both advanced and deferred calls on BBNI business.

Gross and reinsurance premiums for the BBNI business are taken from the projected 2017/18 policy year, which forms the Association's business plan.

Expenses

Acquisition and administrative expenses

- There are no internal acquisition or administrative expenses relating to earned business.
- Brokerage is paid when deferred calls are received; therefore, there are external acquisition costs for the most recent two policy years.
- For BBNI business, internal acquisition costs and administrative costs are calculated as a percentage of the total operating costs from the business plan for the forthcoming policy year. The brokerage is 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 the 2017/18 policy year and expenses paid in subsequent years. The expenses paid in 2017/18 are calculated as an assumed percentage of the total operating costs for the forthcoming year. The expenses paid beyond 2017/18 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

All future cashflows (including claims, premium and expense etc.) have been discounted using a weighted average yield curve based on the GBP, USD and EUR EIOPA yield curves and an assumed mix of cashflows in GBP, USD and EUR.

Risk Margin

The method used to estimate the risk margin is to:

- Estimate the SCR for the Association 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 2017/18 including the introduction of a data governance policy and data controls.

Changes since the last reporting period

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

Other liabilities

Table 6 sets out the value of the Association's other liabilities at 20 February 2017.

Table 6: Valuation of the Association's other liabilities

	Liabilities per GAAP USDm	Liabilities per Solvency II USDm
Creditors	16.4	16.4
Derivative liabilities	-	-
Reinsurance creditors	5.2	0.7
Other liabilities	**24.3**	**17.1**

The differences in the valuation between UK GAAP and Solvency II relates to the recognition of payments on reinsurance contracts for the 2016/17 and prior policy years that have been accrued for in UK GAAP, however, these accruals have been reclassified to reinsurers' share of technical provisions. All other liabilities are valued for Solvency II purposes on the same basis as the financial statements.

Alternative methods of valuation

The Association does not use and alternative valuation methods.

8. 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.

For the year ended 20 February 2016 the Association had approval from the PRA to include ancillary tier 2 capital (AOF), based on the proceeds of a theoretical supplementary call from the Association's membership. The maximum amount that can be recognised was USD120.0m. This approval expired on 20 February 2017 and AOF cannot therefore be included for the own funds calculations at 20 February 2017.

However, subsequent to the financial year end of the Association, on 28 April 2017 the Association received re-approval from the PRA to include AOF of a maximum amount of USD129.5m. This approval expires on 20 February 2020.

At 20 February 2017 and 2016, the Association held the following own funds.

Table 7: Solvency II Own funds at 20 February 2017

	20 Feb 2017 USDm	20 Feb 2016 USDm	Movement
Income and expenditure account	**201.6**	163.4	38.2
Investment reserve	**122.8**	128.0	(5.2)
General reserve	**55.0**	55.0	-
Total resources	**379.4**	346.4	33.0
Ancillary own funds	**-**	120.0	(120.0)
Solvency II adjustment	**192.5**	173.4	19.1
Total own funds	**571.9**	639.8	(67.9)

Analysis of significant changes during the period:

Table 8 shows the movement in own funds between 20 February 2016 and 20 February 2017:

Table 8: Movement in Own Funds between 20 February 2016 and 20 February 2017

	USDm
Own funds – 'Day 1'	639.8
Expiry of ancillary own funds allowance	(120.0)
Decrease in net technical provisions	14.4
Increase in investments	0.3
Increase in other assets	21.6
Increase in other liabilities	(17.2)
Profit for the financial year	33.0
Own funds at 20 February 2017	**571.9**

Table 9 shows the reconciliation between UK GAAP net asset value and Solvency II net asset value at 20 February 2017:

Table 9: Differences between UK GAAP and Solvency II net asset value

	USDm
Excess of assets over liabilities – UK GAAP	**379.4**
Solvency II technical provisions adjustment	218.1
Future premiums and claims adjustments	(25.6)
Excess of assets over liabilities – Solvency II	**571.9**

Solvency Capital Requirement (SCR)

Table 10 shows an analysis of the Association's SCR split by risk modules.

Table 10: The Association's SCR

	Net capital required (Solvency II best estimate basis)	
	20 Feb 2017 USD m	**20 Feb 2016 USD m**
Heads of risk		
Underwriting risk	155.1	163.7
Market risk	114.8	87.7
Counterparty default risk	27.9	43.6
Operational risk	22.8	29.6
Aggregate SCR	**320.6**	**324.6**
Correlation credit	(67.9)	(65.6)
Aggregate SCR net of correlations	**252.7**	**259.0**

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. The MCR at 20 February 2017 was USD67.8m, down from USD78.9m last year, reflecting lower expected premiums and net technical provisions.

Comparison of the SCR with that at 20 February 2016

Table 11 shows a comparison of the SCR calculated at 20 February 2017 with that at 20 February 2016.

Table 11: Comparison of the SCR with that at 20 February 2017

	SCR		
Heads of risk	**20 Feb 2017 USD m**	**20 Feb 2016 USD m**	**Movement USD m**
Underwriting risk	155.1	163.7	(8.6)
Market risk	114.8	87.7	27.1
Counterparty default risk	27.9	43.6	(15.7)
Operational risk	22.8	29.6	(6.8)
Aggregate SCR	**320.6**	**324.6**	**(4.0)**
Correlation credit	(67.9)	(65.6)	(2.3)
Aggregate SCR net of correlations	**252.7**	**259.0**	**(6.3)**

The main changes in the SCR since 20 February 2016 reflect the following factors.

Underwriting risk

SCR underwriting risk capital is made up of two elements, premium risk and reserve risk. The calculation for these 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. Both premium risk and reserve risk have fallen since last year as a result of lower expected premiums to be earned in the next 12 months compared to last year and also a reduction in the net best estimate claims provision.

Overall, SCR underwriting risk capital has decreased by USD8.6m which represents a 5% reduction since last year.

Market risk

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

Since last year there has been a significant development in respect of the investment data available for calculating market risk, as the Association has now been able to obtain 'look through' investment data from its individual fund managers. This has allowed a more in-depth and accurate analysis of the Association's investments to be carried out. All areas of the market risk calculation have been impacted by this enhanced analysis.

The primary driver of the increase in overall market risk is currency risk. The Association's exposure to currency risk has increased by USD49.2m as a result of underlying GBP assets (albeit in US denominated funds) significantly exceeding GBP liabilities.

The value of the Association's equity holdings has decreased over the past 12 months following the switch of part of the equity portfolio into a diversified growth fund, resulting in a decrease in equity risk by USD6.5m.

Spread risk has increased by USD4.8m whilst interest rate risk has fallen by USD0.9m.

Overall, SCR market risk capital has increased by 31% which equates to USD27.1m.

Counterparty default risk

Over the course of the last year, the methodology for calculating the counterparty default risk capital requirement has been further reviewed and developed.

In addition to the methodology change, the most significant component of counterparty default risk exposure – the reinsurer's share of technical provisions - has reduced by more than 40%. Both of these factors have led to a significant reduction in the counterparty default risk capital requirement.

Overall, SCR counterparty default risk capital has decreased by USD15.7m.

Operational risk

There has been a decrease of USD6.8m in the operational risk charge since last year. Under the standard formula, operational risk is calculated as a proportion of gross technical provisions, which have fallen over the past 12 months.

Overall movement

Overall, the SCR has fallen by USD6.3m year on year, from USD259.0m to USD252.7m.

The Association's overall capital position

Table 12 shows the Association's capital position in relation to the SCR and the MCR.

Table 12: Summary of the Association's capital position at 20 February 2017

	SCR USD m	MCR USD m
Capital requirement	252.7	67.8
Own funds available	571.9	571.9
Headroom	**319.2**	**504.1**
Solvency ratio	226.3%	843.9%

By reference to the SCR and MCR, the Association's own funds substantially exceed the capital requirements. As noted above, as from 28 April 2017, the date of approval, the Association has additional ancillary own funds available of USD126m (50% of the SCR). This would increase the headroom over the SCR to USD445.2m. AOF is not available to support the MCR, so the headroom over the MCR would be unchanged.

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 calculation of the SCR and MCR is subject to supervisory assessment and may change following the review of the SCR and MCR calculation by the Regulator.

The Britannia Steam Ship Insurance Association Limited – Overview (Governance Map) – Regulated Board

Responsible for:

- overall strategy of the Association;
- determination of the overall investment strategy;
- general level of calls, release calls and return of calls;
- terms of reinsurance, including participation in the pooling arrangement;
- determining the Association's risk and capital management strategy (including ORSA);
- determining the risk appetite of the Association;
- ensuring appropriate systems of governance are in place;
- amendments to Rules;
- appointment and remuneration of the Managers and the Association's Auditors; and
- considering recommendations from the Nomination Sub-Committee.

Governing Body: The Board

SIMF Functions

Chairman of the Board	SIMF 9	Nigel Palmer	Pres Resp 2/8	Reports to: Board, SID for performance assessment
Chair of Risk & Audit	SIMF 10/11	Bruce Nielsen	Pres Resp 10	Reports to: Chairman of the Board
Chair of Remuneration	SIMF 12	Jan Kjaervik	Pres Resp 11	Reports to: Chairman of the Board
Chair of Nomination	CF2a	Andrzej Cieslinksi		Reports to: Chairman of the Board
SID	SIMF 14	Richard Youell		Reports to: Board
CEO	SIMF 1	Andrew Cutler	Pres Resp 1/3/6/9	Reports to: Chairman of the Board
Chief Finance Officer	SIMF 2	Jo Rodgers	Pres Resp 4/5/7	Reports to: Board/CEO for performance assessment

Notified NED's

Anthony Firmin (Deputy Chairman)* | Susan Dio* | Shin-Chyi Lan | Yasushi Yamawaki*

Other Function Holders

Chief Risk Officer	SIMF 4	Georgina Rose	Reports to: Board/Chief Finance Officer
Chief Actuary	SIMF 20	Tom Durkin	Reports to: Board/Chief Finance Officer
Chief Underwriting Officer	SIMF 22	Mike Hall	Reports to: Chief Executive Officer
Key Function Holder (KFH)	Compliance	Georgina Rose	Reports to: Board/Chief Finance Officer

Nomination Sub-Committee

Chair of Nominations	CF2a	Andrzej Cieslinski
Chairman	SIMF9	Nigel Palmer
CEO	SIMF1	Andrew Cutler
Chief Finance Officer	SIMF2	Jo Rodgers

Notified NED's

Anthony Firmin | Jan Kjaervik

Making recommendations on:

- re-election and retirement of Directors;
- appointment of members to the sub-committees;
- membership of the Board and sub-committees;
- suitable candidates for regulatory roles;
- succession plan; and
- reviewing the performance of the Board.

Remuneration Group

Chair of Remuneration	SIMF 12	Jan Kjarvik
Chairman	SIMF 9	Nigel Palmer

Notified NED's

Susan Dio | Yasushi Yamawaki

Responsible for:

- recommending the appropriate level of remuneration for NEDs;
- reviewing the policy for remunerating NEDs; and
- reviewing the policy for reimbursement of expenses.

Risk & Audit Group

Chair of Risk & Audit	SIMF 10/11	Bruce Nielsen
Chairman	SIMF 9	Nigel Palmer
SID	SIMF 14	Richard Youell

Notified NED's

Andrzej Cieslinski | Susan Dio

Other Function Holders

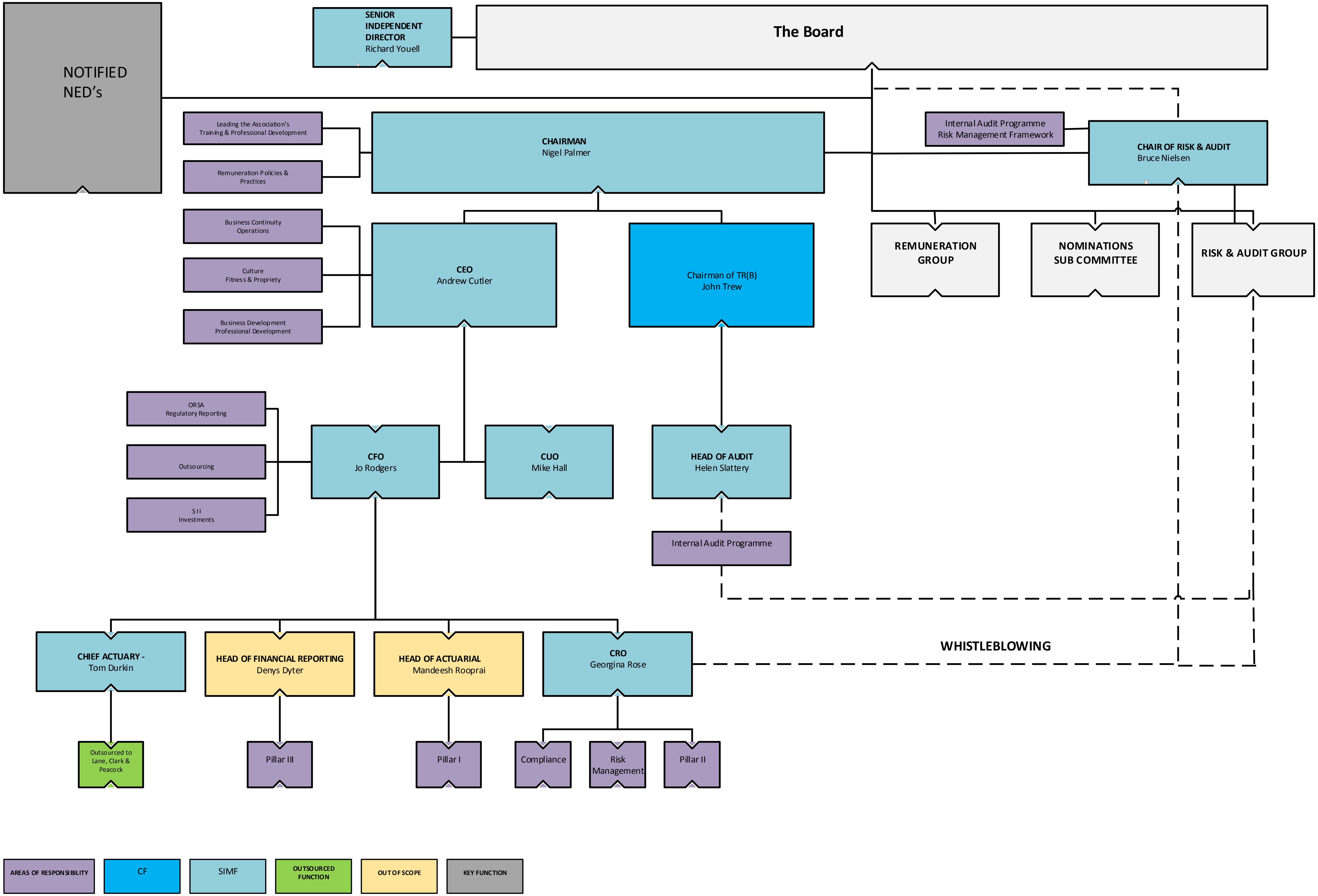
Chief Finance Officer	SIMF2	Jo Rodgers	
Chief Risk Officer	SIMF4	Georgina Rose	
Head of Internal Audit	SIMF5	Helen Slattery	Reports to: Risk & Audit Group & TR(B) CEO
Chief Actuary	SIMF20	Tom Durkin**	
KFH-Compliance		Georgina Rose	Reports to Risk & Audit Group/CFO

Responsible for:

- day to day oversight of ensuring the Association has an effective risk management framework;
- ensuring financial reports and regulatory returns are prepared in accordance with legislation;
- ensuring the Association has effective external auditors;
- ensuring the Association has an effective internal audit function; and
- ensuring appropriate whistleblowing arrangements are in place.

* Notified NEDs who also sit on a Sub-Committee
** Outsourced Function – Oversight responsibility is with the CFO

The Britannia Steam Ship Insurance Association Limited – Organisation Chart (Governance Map)



The Britannia Steam Ship Insurance Association Limited

Solvency and Financial Condition Report

Disclosures

20 February

2017

(Monetary amounts in USD thousands)

General information

Undertaking name	The Britannia Steam Ship Insurance Association Limited
Undertaking identification code	2138008W3W8AI6C92J10
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2017
Currency used for reporting	USD
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 by country

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	954,044
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	127,922
R0110	*Equities - listed*	127,922
R0120	*Equities - unlisted*	0
R0130	*Bonds*	495,871
R0140	*Government Bonds*	428,276
R0150	*Corporate Bonds*	67,595
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	245,630
R0190	*Derivatives*	38
R0200	*Deposits other than cash equivalents*	84,583
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	321,239
R0280	*Non-life and health similar to non-life*	321,239
R0290	*Non-life excluding health*	321,239
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,093
R0370	Reinsurance receivables	45,438
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	88,310
R0420	Any other assets, not elsewhere shown	4,502
R0500	**Total assets**	1,417,626

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	811,905
R0520	*Technical provisions - non-life (excluding health)*	811,905
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	743,493
R0550	*Risk margin*	68,412
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	9
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	10,598
R0830	Reinsurance payables	656
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	5,815
R0900	**Total liabilities**	828,982
R1000	**Excess of assets over liabilities**	588,644

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						225,854											225,854
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						64,748											64,748
R0200	Net						161,107											161,107
	Premiums earned																	
R0210	Gross - Direct Business						225,854											225,854
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						64,748											64,748
R0300	Net						161,107											161,107
	Claims incurred																	
R0310	Gross - Direct Business						155,284											155,284
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						25,017											25,017
R0400	Net						130,267											130,267
	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											0
R0550	**Expenses incurred**						47,654											47,654
R1200	**Other expenses**																	
R1300	**Total expenses**																	47,654

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			DK	ES	DE	GR	JP	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	94,804	40,227	16,887	12,180	10,320	37,546	211,965
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	27,178	11,532	4,841	3,492	2,959	10,764	60,766
R0200	Net	67,626	28,695	12,046	8,689	7,362	26,783	151,199
	Premiums earned							
R0210	Gross - Direct Business	94,804	40,227	16,887	12,180	10,320	37,546	211,965
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	27,178	11,532	4,841	3,492	2,959	10,764	60,766
R0300	Net	67,626	28,695	12,046	8,689	7,362	26,783	151,199
	Claims incurred							
R0310	Gross - Direct Business	73,636	14,455	9,731	4,515	4,601	25,133	132,072
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	11,863	2,329	1,568	727	741	4,049	21,278
R0400	Net	61,773	12,126	8,164	3,787	3,860	21,084	110,794
	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	0	0	0	0	0	0
R0550	**Expenses incurred**	19,243	8,165	3,427	2,472	2,095	7,621	43,023
R1200	**Other expenses**							1,700
R1300	**Total expenses**							44,723

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0											0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						13,794											13,794
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-3,906											-3,906
R0150	**Net Best Estimate of Premium Provisions**						17,700											17,700
	Claims provisions																	
R0160	Gross						729,699											729,699
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						325,145											325,145
R0250	**Net Best Estimate of Claims Provisions**						404,554											404,554
R0260	**Total best estimate - gross**						743,493											743,493
R0270	**Total best estimate - net**						422,254											422,254
R0280	**Risk margin**						68,412											68,412
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						811,905											811,905
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						321,239											321,239
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						490,666											490,666

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010	Accident year / underwriting year	Underwriting Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											8,732	8,732	8,732
R0160	N-9	77,514	58,599	35,905	14,324	21,479	6,581	12,377	3,328	4,088	1,051		1,051	235,246
R0170	N-8	32,055	52,420	32,054	20,601	20,215	14,099	3,867	3,226	998			998	179,536
R0180	N-7	35,170	34,122	32,539	20,177	8,194	7,236	7,627	3,561				3,561	148,627
R0190	N-6	29,239	42,531	31,170	12,250	5,777	7,820	8,176					8,176	136,963
R0200	N-5	32,659	61,091	46,420	26,821	13,544	4,870						4,870	185,406
R0210	N-4	55,752	100,661	38,491	29,825	15,811							15,811	240,540
R0220	N-3	46,940	50,133	30,033	29,981								29,981	157,087
R0230	N-2	52,065	35,009	24,796									24,796	111,871
R0240	N-1	75,034	150,290										150,290	225,324
R0250	N	21,853											21,853	21,853
R0260												**Total**	270,120	1,651,183

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											156,365	142,920
R0160	N-9	0	0	0	0	0	0	0	0	12,391	13,423		12,868
R0170	N-8	0	0	0	0	0	0	0	32,052	25,509			24,492
R0180	N-7	0	0	0	0	0	0	27,263	18,687				17,767
R0190	N-6	0	0	0	0	0	37,610	24,104					23,069
R0200	N-5	0	0	0	0	28,154	22,984						22,085
R0210	N-4	0	0	0	85,141	48,733							46,957
R0220	N-3	0	0	145,607	77,661								74,761
R0230	N-2	0	93,143	76,048									73,523
R0240	N-1	405,332	265,032										255,758
R0250	N	55,440											52,220
R0260												**Total**	746,419

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	588,644	588,644			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	588,644	588,644	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	588,644	588,644	0	0	0
R0510	Total available own funds to meet the MCR	588,644	588,644	0	0	
R0540	Total eligible own funds to meet the SCR	588,644	588,644	0	0	0
R0550	Total eligible own funds to meet the MCR	588,644	588,644	0	0	
R0580	**SCR**	252,205				
R0600	**MCR**	66,047				
R0620	**Ratio of Eligible own funds to SCR**	233.40%				
R0640	**Ratio of Eligible own funds to MCR**	891.25%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	588,644
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	588,644
	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)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	114,768		
R0020	Counterparty default risk	27,926		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	155,132		
R0060	Diversification	-67,925		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	229,900		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	22,305
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	252,205
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	252,205
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	66,047

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	422,254	161,106
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	66,047
R0310	SCR	252,205
R0320	MCR cap	113,492
R0330	MCR floor	63,051
R0340	Combined MCR	66,047
R0350	Absolute floor of the MCR	2,737
R0400	**Minimum Capital Requirement**	66,047