TOKIO MARINE
HCC

Tokio Marine Europe S.A.

Solvency and Financial Condition Report

31 December 2019

Executive Summary

The following Solvency and Financial Condition Report ('SFCR') has been prepared to provide information to the Commissariat aux Assurances ('CAA') about the financial and capital position of Tokio Marine Europe S.A. ('TME'). The report sets out the Business and Performance, System of Governance, Risk Profile, Valuation of Assets and Liabilities for Solvency Purposes and Capital Management of TME.

Covid-19 Pandemic

The outbreak of the coronavirus pandemic ('Covid-19') is unprecedented and will have a material impact on the global economy and the insurance market. Given this, management and the Board of TME have been assessing and will continue to assess the impact of Covid-19 on the TME's current and future trading outlook and its ability to continue as a going concern. This includes the effect on underwriting, operational and liquidity risks TME's solvency position.

TME's business portfolio is diversified and those businesses which have a direct exposure to losses associated with Covid-19 have comprehensive reinsurance with high quality reinsurers with whom it has had long trading relationships. Additionally, the IT infrastructure of TME enables remote working so that the highly skilled and dedicated employees can continue normal operational processes without substantial disruption. This enables TME to continue to service its policyholders. The investment portfolio is conservatively invested, and TME has substantial liquidity. Although it is early to conclude a comprehensive assessment as to the impact on TME, the Board believe that this post balance sheet event is a non-adjusting event and it will not have an impact on the TME's ability to continue as a going concern.

Given this is a post balance sheet event, further commentary on the Covid-19 pandemic may be found in the 'Any Other Information' sub-sections of Sections A, B and C. None of the figures presented in the SFCR and associated Quantitative Reporting Temples ('QRTs') have been adjusted for any potential Covid-19 impact.

Business & Performance

TME is a wholly owned subsidiary of HCC International Insurance Company plc ('HCCII'). TME's ultimate parent company is Tokio Marine Holdings, Inc. ('TM Group'). TME is the European underwriting platform for the TM Group and. TME carries an A+ S&P financial strength rating, is headquartered in Luxembourg and is approved by the Commissariat aux Assurances ('CAA') to underwrite general insurance and reinsurance throughout Europe with branch offices in Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, and the United Kingdom.

A summary of Key Financials for the year ending 31 December 2019 for TME can be seen below:

31-Dec-19 USD'000	TME
Gross Written Premiums (GWP)	507,172
Net Premiums Earned	64,404
Underwriting Result (Technical Account pre investment income)	144
Net Loss Ratio	64.9%
Net Combined Ratio	99.8%
Investment Income (Transferred to technical account)	4,725
Profit on ordinary activities before tax	(1,449)
SII Cash and investments (excluding investment in subs and land and buildings)	290,908

Solvency II Own Funds	159,300

TME made a net loss before tax for the financial year of $1.4m, including a balance on the technical account for general business of $4.9m. Investment income, principally comprised of earned investment income, totalled $4.7m, and has been recognised in this technical account balance. The balance on the technical account excluding investment income is $0.2m, showing a combined ratio of 99.8%.

For the year ending 31 December 2019 TME reported a pre-tax loss of $4.2m, as set out in the Key Performance Indicators ('KPIs') within the TME financial statements.

TME underwrites and manages its products through three core underwriting segments, London Market, Specialty and European Property & Casualty ('P&C').

TME's Specialty segment benefitted from organic growth and good rating conditions throughout 2019. However, Surety has been impacted for a second year by a number of large market losses, a situation further effected by the challenging nature of French market during the same period. These factors have contributed to a $11.9m loss in 2019 for this segment. Total prior accident year loss strengthening on Surety was $8.5m increasing the total loss ratio by 13.2%.

Despite the adverse market conditions experienced throughout 2019, the London Market segment contributed $9.6m, primarily from Property Treaty. This is chiefly due to it benefitting from higher earned premium and no catastrophe losses in the year.

The European P&C Segment contributed $4.9m to the technical results. Given the nature, complexity and importance of Japanese Business across a larger global portfolio, this business is fully ceded to TMNF. It's contribution to the technical result therefore represents the override which is set to achieve a profit for TME; the entity which covers the acquisition and operating costs of this business. The result on other run-off business was a loss of $2.5m.

Other charges in the non-technical account include value adjustments of $6.3m. These adjustments comprise of foreign exchange losses totalling $4.2m, and long-term staff incentive costs of $2.1m.

For details of 'Other income / (charges)', please see section A4.

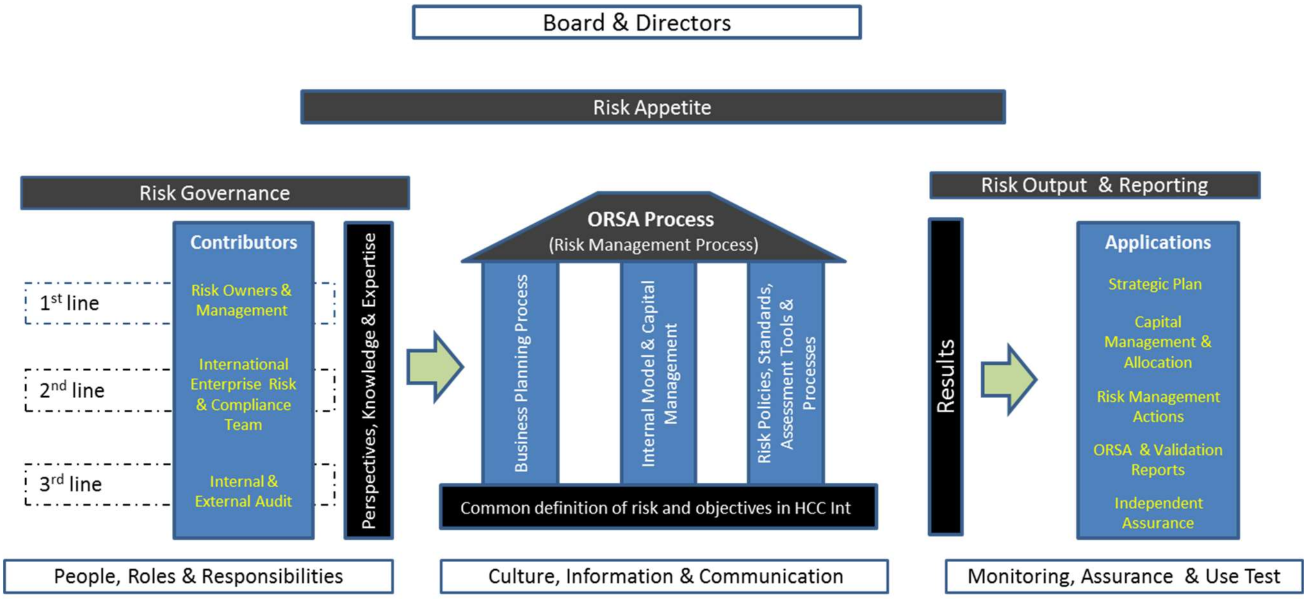
System of Governance

Oversight of TME's business and its operations starts with TME's Board, which has overall responsibility for management of TME. All authority in TME flows from the Board but it delegates certain responsibilities to sub-committees and these duties are set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

TME believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. TME achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

TME's approach to managing its risk, which is in line with TME's business strategy, is to: i) adopt an integrated approach to risk management; ii) aim to manage risk to a desired level and minimise the adverse effects of any residual risk; iii) coordinate the management of risk via the Risk & Capital Management Committee and other committees that report to the Board; iv) manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process; v) ensure that there are appropriate policies and procedures in place; and vi) ensure that staff are appropriately trained.

TME operates a traditional 'three line of defence' risk governance framework which means that it coordinates risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms. The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.

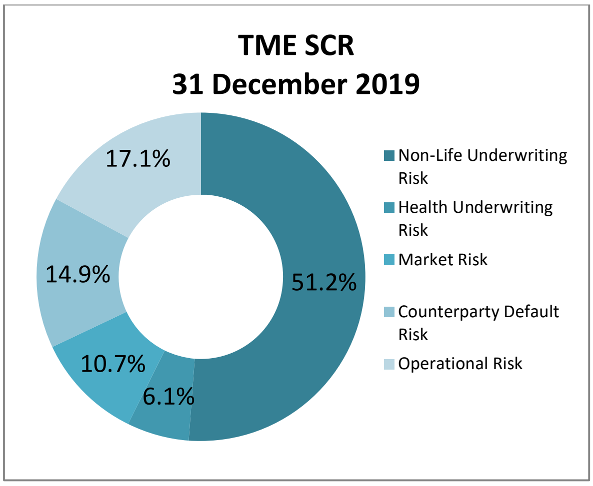


A key element of the risk management framework is the Own Risk and Solvency Assessment ('ORSA') process, defined to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'. The ORSA considers risk, capital performance and strategy. It provides Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Risk Profile

TME has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance, Strategic, Regulatory and Group, Market, Operational, Credit and Liquidity. The sections below define each category of risk and outline the Group's risk profile & risk concentration (where relevant), risk appetite and how it manages/mitigates each category. The section concludes with details of the results from the most recent annual 'Stress & Scenario' exercise.

The chart below indicates the relative magnitude of the risks, as calculated within the Standard Formula SCR ('SF SCR'), as at 31 December 2019.



Risk	Mitigating actions/factors
Insurance	• An underwriting strategy that seeks a diverse and balanced portfolio of risks • A reserving policy to produce accurate and reliable estimates that are consistent over time and across classes of business • Setting and regularly monitoring risk appetites • Individual authority limits for all employees authorised to underwrite and business plans for each line of business • Claims teams focused on delivering quality, reliability and timely service to both internal and external clients • Using reinsurance to protect TME's balance sheet • Monitoring exposures using modelling tools
Strategic, Regulatory and Group	• Setting and regularly monitoring risk appetites • A management structure that encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled • Operating across the TMHCC Group with clear and open lines of communication to ensure all TMHCC Group entities are well informed and working towards common goals
Market	• Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and are localised; and iii) broadly match the liabilities. • Adhering to an investment risk appetite which form part of TME's overall risk appetites • Setting and regularly monitoring risk appetites • Independent investment experts assist with the implementation of the investment strategy and monitoring of the economic environment and investment performance
Operational	• Performing business activities in a fair, honest and transparent manner that complies fully with applicable Luxembourg and International legal and regulatory requirements, and internal policies and procedures • Setting and regularly monitoring risk appetites • Scenario testing and modelling operational risk exposure • Management review of operational activities, including IT and IT security • Documented policies and procedures • Ensuring key processes include preventative and detective controls • Business Continuity and contingency planning • Established and embedded systems controls
Credit	• Setting and regularly monitoring risk appetites • Limiting exposure to a single counterparty or a group of counterparties • Established guidelines and approval procedures for counterparties
Liquidity	• Liquidity management: o using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return; and

- so that TME can reasonably survive a significant individual or market loss event

Valuation for Solvency Purposes

The Solvency II directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the Luxembourg statutory financial statements, unless otherwise documented below. This applies to TME Solvency II net asset valuation.

The financial statements have been prepared in conformity with LUX GAAP on a going concern basis.

The table below shows the balance sheet reconciliation from LUX GAAP, through to the Solvency II balances reported in the QRTs, detailing the reclassifications and valuation adjustments between LUX GAAP and Solvency II.

	As at 31 December 2019					
TME Balance Sheet Reconciliation from LUX GAAP to Solvency II	**LUX GAAP**	**SII Reclass Adj**	**SII Valuation Adj Tech. Provisions**	**SII Valuation Adj DAC & UPR**	**SII Valuation Adj Other**	**Solvency II**
As at 31 December 2019	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Assets						
Investments	191,555	25,149	-	-	4,137	220,841
Goodwill	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-
Deferred acquisition costs	25,661	-	-	(25,661)	-	-
Property, plant & equipment held for own use	698	-	-	-	-	698
Reinsurance recoverables from non-life	496,581	(14,783)	10,333	(88,681)	-	403,450
Insurance and intermediaries receivables	98,600	(43,252)	-	-	-	55,348
Reinsurance receivables	76,001	(33,836)	-	-	-	42,165
Receivables (trade, not insurance)	13,372	-	-	-	-	13,372
Cash and cash equivalents	93,883	(23,816)	-	-	-	70,067
Any other assets, not elsewhere shown	1,821	(1,429)	-	-	-	392
Total assets	**998,172**	**(91,967)**	**10,333**	**(114,342)**	**4,137**	**806,333**
Liabilities						
Technical provisions - non-life	600,614	(77,088)	50,300	(138,315)	-	435,511
Deferred tax liabilities	(9)	-	-	-	7,038	7,029
Insurance & intermediaries payables	44,768	-	-	-	-	44,768
Reinsurance payables	112,116	(14,783)	-	-	-	97,333
Any other liabilities, not elsewhere shown	102,156	(96)	-	(39,007)	(661)	62,392
Total liabilities	**859,645**	**(91,967)**	**50,300**	**(177,322)**	**6,378**	**647,033**
Excess of assets over liabilities	**138,527**	**-**	**(39,967)**	**62,980**	**(2,240)**	**159,300**

The only area where significant assumptions and judgments have been applied in the valuation process for the Solvency II balance sheet is in respect of the technical provisions. These assumptions and judgements are detailed in Section D2.

Capital Management

TME currently use the Standard Formula ('SF') to calculate its solvency capital requirement. For 2019, TME maintained solvency capital resources in excess of the solvency capital requirement ('SCR'). The position at 31 December 2019 is shown below:

Eligible own funds to cover capital requirements	2019 USD'000
Solvency II Net Assets	159,300
Standard Formula Solvency Capital Requirement ('SF SCR')	101,708
Minimum Capital Requirement ('MCR')	25,427
Excess Net Assets over SF SCR	57,592
Excess Net Assets over MCR	133,873
Solvency Ratio (i.e. SII Net Assets / SF SCR)	157%
SII Net Assets as a Percentage of MCR	627%

TME remains strongly capitalised and benefits from an S&P rating of A+. All the Solvency II Net Assets shown in the table above fall under 'Tier 1 unrestricted' classification.

There were no instances of non-compliance with the MCR or SCR, for either TME, during the period from 1 January 2019 to 31 December 2019.

Section A – Business and Performance

A1 Business

A1.1 Company Overview

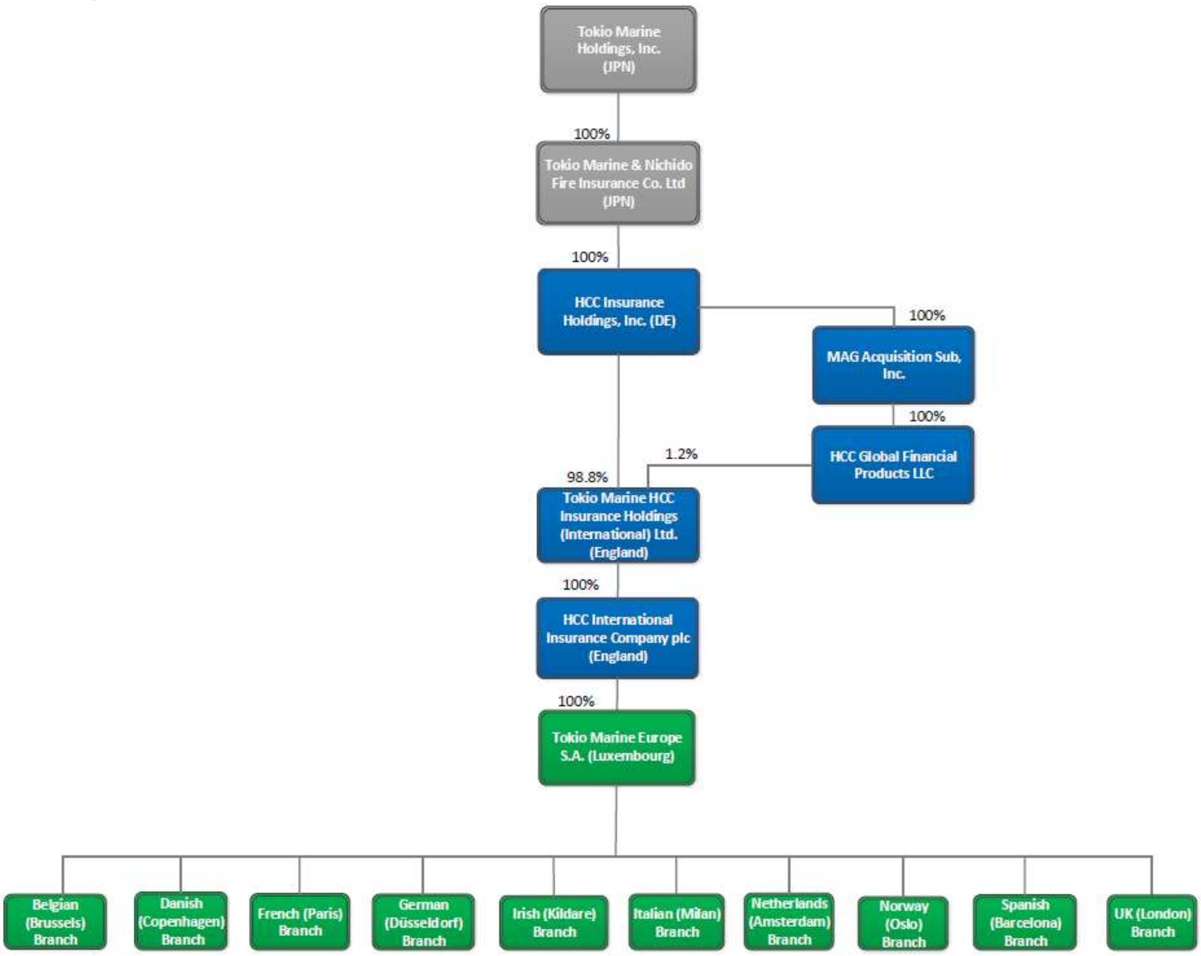
TME is a wholly owned subsidiary of HCCII and its ultimate parent company is TM Group. TME is the European underwriting platform for TM Group.

TM Group is a leading international insurance group with offices worldwide. As of 31 December 2019, TM Group had total assets of ¥24.4 trillion (December 2018: ¥23.3 trillion) and shareholders' equity of ¥1.9 trillion (December 2018: ¥1.9 trillion). TM Group's major insurance companies have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC ('S&P'). TM Group consists of 241 subsidiaries, and 25 affiliates that are engaged in the domestic non-life insurance, domestic life insurance, international insurance, and financial and general businesses.

TME, which carries an A+ S&P financial strength rating, is headquartered in Luxembourg and is approved by the CAA to underwrite general insurance and reinsurance throughout Europe with branch offices in Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, and the United Kingdom.

The legal structure shown below outlines TME's parent company structure with TM Group entities shown in grey and HCC Insurance Holdings, Inc ('TMHCC') entities shown in blue and TME and its branch network shown in green.

TME Legal Structure



TME's immediate parent is HCCII, an international insurance company headquartered in the United Kingdom and authorised under the Financial Services and Markets Act (2000) by the Prudential Regulation Authority ('PRA') to transact general insurance. HCCII is regulated by both the Financial Conduct Authority ('FCA') and the PRA. The principal activity of HCCII is the transaction of general insurance and reinsurance business in the United Kingdom and Continental Europe. HCCII established branches in Spain, Republic of Ireland, Germany, Italy, France, Switzerland and Norway, however the insurance and reinsurance contracts historically written by these branches, with the exception of the Swiss Branch, transferred to TME under the Part VII Transfer process at 1 January 2019, and all TMHCC Group's European business is written through TME (and Lloyd's Brussels).

TME is part of Tokio Marine HCC International ('TMHCC International'), which is TMHCC Group's operating segment outside of the United States. TMHCC International includes four insurance platforms: HCCII, TME, Houston Casualty Company London Branch, and Lloyd's Syndicate 4141 (including Lloyd's Brussels). TMHCC International underwriters write business on these platforms based on prescribed rules which determine which carrier is utilised. Licensing, distribution or client choices are the principle determinants of the platform utilised.

Lines underwritten by TMHCC International include: Property Direct and Facultative, Property Treaty, Accident and Health, Energy and Marine, Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency.

TME also serves as a platform for other TM Group companies including Tokio Marine & Nichido Fire ('TMNF') and Tokio Marine Kiln ('TMK'), to underwrite Property, Marine, Casualty, Aviation and Contingency lines. However, these lines of business generally have a zero net retention on TME with business ceded via 100% quota share and facultative intra-company reinsurance arrangements.

A1.2 Business Model

A1.2.1 Overall Business Strategy

TME supports the strategic goals of TMHCC International as a platform to write EEA Specialty Insurance Business.

A1.2.2 Business Profile

TME primarily underwrites on behalf of TMHCC International, TMNF, and TMK. The business profile is discussed further below, with separate subsections for TMHCC International, TMNF and TMK.

TMHCC International

TMHCC International has three core underwriting units, London Market, Specialty and European P&C, and each division has a Chief Underwriting Officer. The rationale for the split is to group business by core distribution and product attribute.

Additionally, as of January 2020, TMHCC International will maintain two French local products that were previously underwritten by TMK: Marine Cargo and TMSL (French Personal Accident & Contingency).

The current key product lines for TMHCC International underwritten onto TME:

London Market

- Property Treaty Reinsurance
- Energy & Marine
- Accident & Health and Contingency
- Property Direct and Facultative

Specialty

- Financial Lines

- Surety
- Excess Trade Credit and Political Risk
- Professional Risks (Professional Indemnity and Liability)
- Whole Turnover Credit

European P&C

The European P&C segment consists of Japanese Business ('J Business') which is the commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests; and Non- Japanese Business ('Non-J Business').

- J Business:
  - Property
  - Marine & Aviation
  - Liability

- Non-J Business:
  - Intellectual Property
  - Marine Cargo
  - TMSL (French PA & Contingency and Bloodstock).

A2 Financial Performance

A2.1 Financial Performance Summary

A summary of Key Financials for the year ending 31 December 2019 for TME can be seen below:

31-Dec-19 USD'000	TME
Gross Written Premiums	507,172
Net Premiums Earned	64,404
Underwriting Result (Technical Account pre investment income)	144
Net Loss Ratio	64.9%
Net Combined Ratio	99.8%
Investment Income (Transferred to technical account)	4,725
Profit on ordinary activities before tax	(1,449)
Solvency II Cash and investments (excluding investment in subs and land and buildings)	290,908
Solvency II Own Funds	159,300

TME is a fully licensed platform, enabling it to provide seamless service to its European policyholders. It is responsible for underwriting business previously established in the European branches of HCCII and Tokio Marine Kiln Insurance ('TMKI'), and also underwrites the European business for the Japanese Companies. This latter business composes 44% of TME's total GWP for 2019 before the inclusion of the Part VII adjustments. For further information please refer to section A 2.4 of this document.

TME made a net loss before tax for the financial year of $1.4m, including a balance on the technical account for general business of $4.9m. Investment income, principally comprised of earned investment income, totalled $4.7m, and has been recognised in this technical account balance. The balance on the technical account excluding investment income is $0.2m, showing a combined ratio of 99.8%.

For the year ending 31 December 2019 TME reported a loss of $4.2m, as set out in the Key Performance Indicators ('KPIs') within the TME financial statements.

TME's Specialty segment benefitted from organic growth and good rating conditions throughout 2019. However, Surety has been impacted for a second year by a number of large market losses, a situation further effected by the challenging nature of French market during the same period. These factors have contributed to a $11.9m loss in 2019 for this segment. Total prior accident year loss strengthening on Surety was $8.5m increasing the total loss ratio by 13.2%.

Despite the adverse market conditions experienced throughout 2019, the London Market segment contributed $9.6m, primarily from Property Treaty. This is chiefly due to it benefitting from higher earned premium and no catastrophe losses in the year.

The European P&C Segment contributed $4.9m to the technical results. Given the nature, complexity and importance of Japanese Business across a larger global portfolio, this business is fully ceded to TMNF. It's contribution to the technical result therefore represents the override which is set to achieve a profit for TME; the entity which covers the acquisition and operating costs of this business. The result on other run-off business was a loss of $2.5m.

Other charges in the non-technical account include value adjustments of $6.3m. These adjustments comprise of foreign exchange losses totalling $4.2m, and long-term staff incentive costs of $2.1m.

For details of 'Other income / (charges)', please see section A4.

A2.2 Underwriting Performance by Line of Business

A summary of the Underwriting Result for TME's Lines of Business for the year ending 31 December 2019 for TME is as follows:

TME USD'000	2019 Actuals			
	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	20,560	9,634	47.3%	1,788
Property & Property Treaty	24,596	14,825	11.4%	9,441
Accident & Health	1,081	859	55.6%	175
Other	-	-	-	(1,807)
Total London Market	**46,237**	**25,318**	**26.6%**	**9,597**
Specialty				
Surety	52,415	24,775	102.4%	(16,985)
Credit	1,336	798	27.2%	444
HCC Credit	6,821	3,053	16.3%	1,188
Total Surety & Credit	**60,572**	**28,626**	**91.1%**	**(15,353)**
Professional Risks	7,323	3,993	51.7%	242
Financial Lines	175,798	-	-	3,579
Other	15,626	1,162	82.6%	(4,649)
Total Specialty	**259,319**	**33,781**	**89.5%**	**(16,181)**
European P&C				
Japanese Business	87,191	5,305	77.5%	2,004
European Business	114,425	-	-	4,724
Total European P&C	**201,616**	**5,305**	90.8%	**6,728**
Total	**507,172**	**64,404**	**64.9%**	**144**

A2.3 Branch Performance

TME is headquartered in Luxembourg and has branches throughout Europe with offices in Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, and the United Kingdom. A summary of the gross written premium on the branches, for the year ending 31 December 2019 was as follows:

TME USD'000	2019 Actuals									
	Ireland	Belgium	France	Spain	UK	Netherlands	Germany	Italy	Norway	Denmark
Total London Market	**-**	**-**	**-**	**24**	**46,213**	**-**	**-**	**-**	**-**	**-**
Specialty										
Surety	24,968	-	7,804	2,974	-	546	2,461	10,062	1,089	1,413
Credit	1,336	-	-	-	-	-	-	-	-	-
HCC Credit	-	-	-	-	6,821	-	-	-	-	-
Total Surety & Credit	**26,304**	**-**	**7,804**	**2,974**	**6,821**	**546**	**2,461**	**10,062**	**1,089**	**1,413**
Professional Risks	-	-	-	-	10,717	-	-	(3,395)	-	-
Financial Lines	-	-	-	156,565	10,911	-	3,206	5,116	-	-
Other	-	-	-	4,559	9,086	-	1,982	-	-	-
Total Specialty	**26,304**	**-**	**7,804**	**164,098**	**37,535**	**546**	**7,649**	**11,783**	**1,089**	**1,413**
European P&C										
Japanese Business	-	17,860	21,800	5,778	-	12,005	52,034	4,949	-	-
European Business	-	-	87,128	11	-	11	40	-	-	-
Total European P&C	**-**	**17,860**	**108,928**	**5,789**	**-**	**12,016**	**52,074**	**4,949**	**-**	**-**
Total	**26,304**	**17,860**	**116,732**	**169,911**	**83,748**	**12,562**	**59,723**	**16,732**	**1,089**	**1,413**

A2.4 Underwriting Performance by Solvency II Lines of Business

Solvency II requires sixteen different product classifications which are classified differently to how the business is managed.

The following table provides insight to the mapping of business between TME lines of business, and Solvency II lines of business. The Solvency II lines of business is applied at an individual policy level, meaning that Solvency II lines of business can be found across multiple TMHCC lines of business. Likewise, the following is not an exhaustive mapping between TMHCC and Solvency II lines of business.

HCC Line of Business	Solvency II Line of Business
Energy & Marine	Direct & Proportional marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
Property & Property Treaty	Non-proportional property reinsurance Direct & Proportional Fire and other damage to property insurance
Accident & Health	Non-proportional health reinsurance Direct & Proportional Income protection insurance Direct & Proportional Medical expense insurance
Surety	Direct Credit and suretyship insurance Non-proportional property reinsurance
Credit	Direct Credit and suretyship insurance
HCC Credit	Direct Credit and suretyship insurance
Professional Risks	Direct General liability insurance
Financial Lines	Direct & Proportional General liability insurance Non-proportional casualty reinsurance
Other	Direct Miscellaneous financial loss Direct Income protection insurance Non-proportional health reinsurance
Japanese Business	Direct and Proportional - Marine Aviation & Transport Direct and Proportional - Fire and Other Damage to Property Direct and Proportional - General Liability
European Business	Direct and Proportional - Marine Aviation & Transport Direct and Proportional - Fire and Other Damage to Property Direct and Proportional - Income Protection

The gross written premium and underwriting results of the top five Solvency II lines, for the years ending 31 December 2019 for TME, is as follows:

TME USD'000	2019 Underwriting Result						
	General liability	Marine, Aviation and Transport	Fire and Damage to Property	Credit and Suretyship	Income Protection	Other	Total
Gross Written Premium	**186,065**	**91,523**	**70,114**	**54,569**	**30,335**	**74,566**	**507,172**
Net Earned Premium	1,873	8,114	4,455	21,440	4,265	24,257	64,404
Net Claims	(21,905)	(4,517)	(3,052)	(27,858)	(2,328)	17,846	(41,814)
Net Expenses	6,985	(1,279)	(2,225)	(14,491)	(3,798)	(7,638)	(22,446)
Underwriting Result	**(13,047)**	**2,318**	**(822)**	**(20,909)**	**(1,861)**	**34,465**	**144**

Gross Written Premium was $507.2m for 2019, which includes a reporting adjustment in respect of the Part VII transfers of $117.6m. It is a Luxembourg reporting requirement that unearned premium transferred within a Part VII process should drive profit and loss adjustments that increase both gross and ceded written premium and changes in unearned premium that balance to nil. The reported gross written premium has been increased by the value of the gross unearned premium transferred to TME under the Part VII process of $117.6m.

	2019 $m
Financial Lines	111.0
Surety	33.6
Professional Risks	17.1
Credit and Political risk	8.2
Other Specialty	1.9
Total Specialty	**171.8**
Property Treaty	24.1
Marine & Energy	20.6
Property Direct & Facultative/Accident & Health	1.6
Total London Market	**46.3**
European Property & Casualty	**171.5**
Gross written premium	**389.6**
Part VII - gross unearned premium (see Note 7)	117.6
Gross Written Premium reported	**507.2**

General Liability

This class is comprised principally of portions of Professional Risks and the Directors and Officers component of Financial Lines business.

Professional Risks gross premiums written was $17.1m . The business includes Professional Indemnity and Liability totalling $7.3m as well as disability and contingency agency of $9.8m. Professional Indemnity has seen a significant improvement in market conditions in the year with many competitors withdrawing from the market or decreasing line size, with those remaining in the market now running short of capacity. Liability remains competitive with plenty of capacity which has meant limited overall market change, but we continue to benefit from some rate improvements in some areas such as the Republic of Ireland. Sports and Disability enjoyed strong performance in 2019 driven by European football.

Financial Lines gross premiums written was $111.0m, driven by improved market conditions in commercial PI, US traded D&O and Australian FL as well as continuing growth in Cyber business. Performance on our Transaction Risk Insurance (TRI) business is subject to intense competition with the emergence of new MGAs in Europe and London.

Credit and Suretyship

This class of business is comprised principally of the Credit and Political Risk and Surety lines of business.

Credit & Political Risk gross written premium was $8.2m. Underwriting conditions remain difficult, mainly in US Credit agency business due to competition and ongoing uncertainties.

Surety gross premiums written was $33.6m. The premiums written for the year were in line with expectations which included the positive impact of our new European Surety underwriting team which has written $6.0m of business in 2019.

Property

The property line of business includes Property Treaty and Property Direct and Facultative lines of business.

Property Direct & Facultative and Accident & Health gross written premium was $1.6m, in line with expectations and reflecting the positive rating environment.

Property Treaty gross premiums written was $24.1m which was around 50% higher than expectations, due to client preference at the 1 January renewal. The portfolio is comprised principally of European and rest of the world excess of loss reinsurance business. The strategy of participation on high programme layers and strong client relationships creates a competitive advantage and combined with a sustainable reinsurance programme is producing profitable results. However, the rating environment remains challenging.

Marine, Aviation and Transport

Marine & Energy gross premiums written was $20.6m and comprises around 60% Marine and 40% Energy. The GWP was in line with expectations which factored in the positive rating environment which is allowing for rate increases due to reduced market capacity.

European P&C

European Property and Casualty ('European P&C') gross premiums written were $171.5m. European P&C is the business formerly underwritten by TMKI now underwritten on TME as part of the TM Group's strategy for Brexit. The majority of this business is reinsured within the TM Group as follow:

- J Business – 100% reinsurance as follows:
    - Part VII Transfer – 100% cession to TMKI
    - New and renewal of J Business – 100% cession to TMNF
- European Non-J French Business
    - Part VII Transfer – 100% cession to TMKI
    - New and renewal business – 100% cession to TMKI with the exception of TMSL and Cyber business which are 80% and 50% ceded respectively.

A2.5 Underwriting Performance by Solvency II Geographic Location

The following, in conformity with Solvency II requirements whereby the 'geographic location' is defined by either underwriter or risk location dependent upon type of business, the following provides the gross written premium and underwriting results of the top 5 locations by geographic location, for the year ending 31 December 2019:

TME USD'000	SII Luxembourg and Top Five Locations by GWP – as at 31 December 2019							
	Luxembourg	Spain	France	Belgium	United Kingdom	Germany	Other	Total
Gross Written Premium	**1,098**	**130,858**	**115,669**	**73,695**	**52,020**	**49,296**	**84,536**	**507,172**
Net Earned Premium	306	3,536	8,569	-	21,632	1,768	28,593	64,404
Net Claims	(915)	(1,826)	(15,151)	(318)	(13,328)	(267)	(10,009)	(41,814)
Net Expenses	(1,157)	5,822	(1,914)	12,838	(2,183)	116	(35,968)	(22,446)
Underwriting Result	**(1,766)**	**7,532**	**(8,496)**	**12,520**	**6,121**	**1,617**	**(17,384)**	**144**

A3 Investment Performance

The investment function is overseen by the Investment Committee which operates under terms of reference set by TME's Board. The Committee is responsible for recommending the Investment Risk Appetite to the Board and preparing, in conjunction with the TMHCC Group's Investment Managers, the Investment Policy which is consistent with the Board's risk appetite and regulatory requirements.

New England Asset Management were the investment managers for the US Dollar, Sterling, Euro and Swiss Franc funds throughout the year. The funds consist primarily of a portfolio of highly rated Corporate Bonds, which are BBB rated and above, including Bonds guaranteed by the US, UK and German governments. The average duration of the aggregate portfolios at the year-end was 4.47.

The performance of TME's portfolio, for the year ending 31 December 2019, is as follows.

Asset Classes	Year Ending 31 December 2019				
	Gross Investment Income USD'000	Realised Gains and Losses USD'000	Technical Earned Investment Income USD'000	Unrealised Gains and Losses USD'000	Total Earned Investment Income USD'000
Corporate Bonds	2,174	37	2,211	-	2,211
Government Bonds	1,144	-	1,144	-	1,144
Collective Investment Undertakings	-	-	-	-	-
Equity Instruments	-	-	-	-	-
Collateralised Securities	1,067	5	1,072	-	1,072
Short term deposits	-	-	-	-	-
Total	**4,385**	**42**	**4,427**	**-**	**4,427**
Investment Expense			(196)		(196)
Technical Earned Investment Income			**4,231**		**4,231**
Bank Interest					494
Total Earned Investment Income					**4,725**

In original currency, the annualized total investment returns 0.07% for the US dollar portfolio and 2.75% for the Euro portfolio.

A4 Performance of Other Activities

A4.1 Other Material Income and Expenses

For the year ended 31 December 2019, other charges including value adjustment of $6.3m comprises the impact of foreign exchange translation amounting to $4.2m (2018 nil) and long-term staff incentive costs of $2.1m.

A5 Any Other Information

A5.1 Share Capital

TME's issued share capital as at the date of this Directors' Report is comprised of a single class of 1,159,060 Ordinary Shares of $1.00 each. During 2019, TME issued new shares (with a nominal value of $159,060) in connection with the cross-border merger. TME received additional capital of $20,000,000 during the year effected by increasing TME's share premium account. The share premium account within the Financial Statements also includes the cross-border merger related premium of $2,232,000

A5.2 Dividends

TME paid dividends during the year totalling $Nil.

Covid-19 Pandemic

The outbreak of the coronavirus pandemic ('Covid-19') is unprecedented and will have a material impact on the global economy and the insurance market. Although it is early to conclude a comprehensive assessment as to the impact on TME, the following points summarise the Board's current view on the impact on underwriting and investments:

- Based on a thorough analysis of the portfolios and extensive work undertaken by the underwriting team over the past month, the principal market areas of insurance/reinsurance coverage underwritten by TME which potentially have losses directly associated with Covid-19 are: Event Cancellation, Property Business Interruption, Accident and Health, Professional Risks. The analysis undertaken by the underwriting teams has included a thorough review of each portfolio and, where appropriate, risk by risk review of wordings to ascertain coverage.
- It is too early to determine the indirect economic impact of CV-19 on TME. Based on conversations with lead underwriters as well as management's knowledge of the underlying business, the principal sub-segments which may be Indirectly impacted are principally HCC Credit, Surety and Financial Lines.
- The TME's invested assets continue to have a broadly similar valuation to the 31 December 2019 figures, with substantial consolidated cash and cash equivalents, meaning that the TME continues to have strong cash and liquidity positions.

- Based upon the work summarised above, it is believed that Covid-19 will not have a material impact on the future outlook or going concern of the TME. This conclusion is based on the following:
  - The strong solvency regulatory capital position
  - The diversified book of business
  - Limited direct losses
  - Strong liquidity position and allocation of investment portfolio; and
  - Good reinsurance security with long standing reinsurers

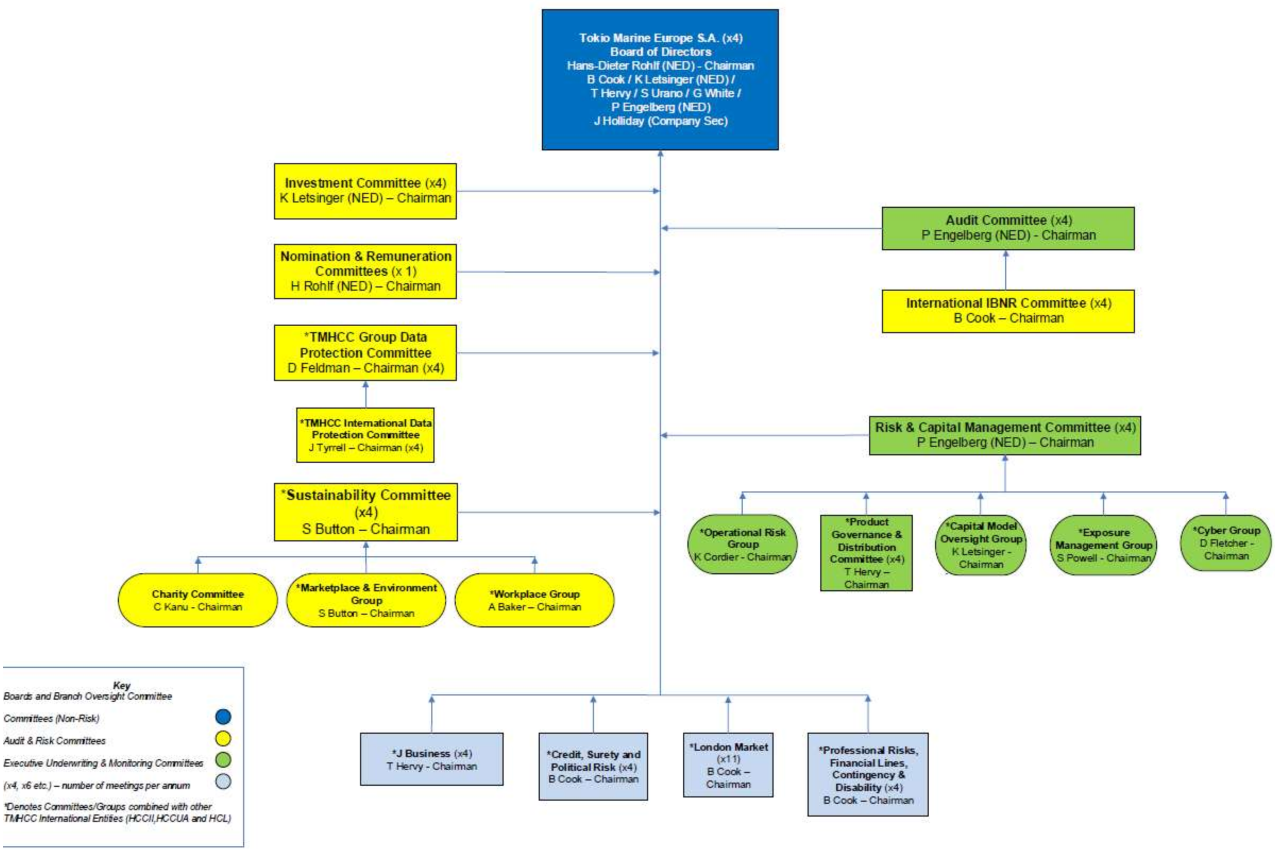
Section B – System of Governance

B1 General Information on the System of Governance

B1.1 Overview of TME's Board and Committee Structure

The oversight of the TME's business and its operations are provided through its governance structure, in which the management of risk plays a significant part. Governance starts with TME's Board, which has overall responsibility for management of TME through providing leadership within a framework of prudent and effective controls. The chart below provides a high-level overview of TME's governance structure.

Tokio Marine Europe S.A. Board & Committee Governance Structure



Board of Directors

The Board is responsible for leading TME and promoting the long-term sustainable success of TME, generating value for all stakeholders. In carrying out its duties, the Board may exercise all the powers of TME, subject to any relevant laws and regulations and to the Articles of Association ('Articles').

The principal functions of the Board are to:

- establish a sustainable business model, determine a strategy which aligns to that business model;
- agree the risk strategy and appetites for TME, oversee the effective operation of the risk management framework and monitor performance against the risk appetites;
- set out the framework within which the business is managed;
- ensure that TME has in place an appropriate corporate governance structure and undertake an annual review of TME's policies and procedures, including but not limited to: Conduct Risk Policy;

- ensure that TME's Conduct Risk framework is effective and delivers fair customer outcomes and to review Conduct Risk MI, providing appropriate challenge and direction;
- complies with its regulatory obligations; and
- define TME's sustainability and Environmental Social and Governance ('ESG') obligations, ensuring it acts as a 'Good Company'.

There is a Schedule of Matters Reserved for the Board which includes all items that must receive Board approval.

All authority in TME flows from the Board but it delegates certain responsibilities to Board committees and these duties are set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

The Board is comprised of the Chief Executive Officer, TMHCC International Group Executive Directors, independent non-executive Directors and non-executive Directors, and possess a combination of skills, experience, and knowledge that cover TME's main business areas, ensuring appropriate challenge and debate and enabling the Board to make informed decisions and provide effective oversight of the risks.

Details of the committees reporting into the TME Board are set out below.

Audit Committee

The main responsibilities of the Audit Committee are to:

- review and monitor the integrity of the financial statements;
- provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess TME's position and performance, business model and strategy;
- review TME's internal financial controls;
- monitor the application of appropriate accounting standards;
- monitor and review the effectiveness of TME's internal audit function
- review the effectiveness of the external audit process;
- review the quarterly reserve recommendations from the Incurred But Not Reported Reserves ('IBNR') Committee and the actuarial analysis;
- review the effectiveness of the whistleblowing procedures; and review and monitor the external auditor's independence and effectiveness.

TMHCC Group Data Protection Committee

The TMHCC Group Data Protection Committee covers all TMHCC Group entities. The Committee will:

- Discuss and shape the Group-wide data protection strategy, and recommend it to the relevant TMHCC International / US boards for approval;
- identify areas where the US and UK/Europe should share knowledge and resources;
- identify areas where the US and UK/Europe should agree a common approach to an aspect of Data Protection practice/policy or reporting;
- review summary reports and consider any red flags/major issues raised by the Non-Board Committees (including information on data breaches, or failure to meet deadlines for responding to requests from data subjects).

Executive Underwriting Monitoring Committees

The main purpose of the four Executive Underwriting Monitoring Committees (EUMC) (London Market; Credit, Surety and Political Risk; Professional Risks, Financial Lines, Contingency and

Disability; and J Business) is to ensure that the lines of business operate in accordance with TMHCC International's strategic objectives . The main responsibilities of the EUMCs are to:

- review the line of business performance against budget;
- consider the rating, market and loss environments and any impacts on the Group's business;
- monitor the KPIs and risk metrics for each line of business; and
- review claims and IBNR for each line of business.

The committees escalate matters of concern or which require approval of the Board through the relevant Chief Underwriting Officer and by way of an underwriting report to the quarterly Board meetings.

Investment Committee

The primary purpose of this committee is to assist the Board by overseeing the management, understanding and quantification of investment (market] risk. The Committee is responsible for:

- ensuring that the funds of TME are invested in accordance with its strategy and policy;
- annually reviewing the investment strategy and policies;
- ensuring the Investment Strategy and policies for TME are consistent with the TMHCC Group Investment Strategy and EU regulatory requirements and that its policies and remain appropriate;
- establishing appropriate investment risk metrics to monitor the performance of investments;
- to ensure funds are invested in accordance with Prudent Person Principal;
- reviewing instances where investments fall out of compliance with the guidelines and take appropriate action; and
- to monitor investment performance, including the performance of external investment managers.

Nomination Committee

The main responsibilities of the Nomination Committee are to:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board where their composition requires further development. In this respect, the Committee will consider the findings from the annual board evaluation exercise;

- review the leadership needs of TME, both executive and non-executive with a view to ensuring that it continues to compete effectively in the marketplace and assist in identifying, nominating and re-nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and

- consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing TME, and the skills and expertise needed on the Board in the future.

Remuneration Committee

The Committee's primary objective is to oversee the remuneration arrangements for all employees within the Group, ensuring that the framework for remuneration is one that will enhance the Group's resources by attracting, retaining and motivating employees to the Group's strategic objectives within a framework that is aligned with the Group's risk management framework and long-term strategy.

Risk & Capital Management Committee

The purpose of the Risk & Capital Management Committee is to oversee TME's risk management framework and approach to capital. The duties of the committee are to:

- advise the Board on risk strategy;

- make recommendations regarding risk appetites and tolerances;
- establish and review the risk metrics to be used to monitor performance;
- Ensure there is an effective and integrated Enterprise Risk Management (ERM) framework in place that allows inherent and emerging risks to be identified and monitored and mitigated in a timely manner;
- ensure that assessments of regulatory capital are completed to the applicable standard and within regulatory timescales and recommend to the Board regulatory capital requirements; and
- management of the risk groups for oversight of capital model development, exposure management controls and business continuity plans.

The Risk & Capital Management Committee has five sub-groups that each focus on a particular aspect of risk and report to the Risk & Capital Management Committee with any recommendations and finding undertaken as a result of the execution of their responsibilities. The main purpose(s) of each group are as follows:

- Capital Model Oversight Group: to monitor TME's capital model, including output, use, development and validation. The model includes both the Economic Capital Model (ECM) and the SF.

- Cyber Group: reviewing cyber underwriting risk exposure, monitoring exposures against agreed risk appetites; overseeing the development of Probable Maximum Loss (PML) methodologies; monitoring industry developments and compliance with regulatory requirements in respect of cyber underwriting risk and as appropriate recommending changes to risk appetites, cyber reporting, scenarios/methodologies;

- Exposure Management Group: monitoring procedures and oversight systems for the evaluation of all property and non-property aggregate accumulations (both before and after PML) to be utilised by the regulated entities within the Group. The aggregate methodology will have reference to catastrophe models, RDS and other relevant input;

- Operational Risk Group: to oversee and ensure the efficient and effective management of operational risk, including the identification and mitigation of operational risks; monitor established and emerging operational risks, and ensure appropriate procedures are in place. In addition, the group oversees the prioritisation of actions taken in respect of potential risks based upon risk criteria approved by the Board; and

- Product Governance & Distribution Committee: ensuring effective oversight of product development, implementation and ongoing product management during the product lifecycle; that TME can achieve compliance with its regulatory obligations, in particular, PRIN 2, 3, 6 and 7; proportionately; to promote and support the delivery of the six Treating Customers Fairly ('TCF') outcomes; ensuring that product control, conduct risk and TCF are prioritised, embedded within and central to TME's culture; and developing, maintaining and monitoring the Product Control Framework.

Sustainability Committee

The Committee was established in Q4 2019 to explore the Environment, Social and Governance risks, trends, and opportunities that might impact the Group's business. The main responsibilities of the Committee are to:

- oversee the identification, management and mitigation of sustainability risks;
- define TMHCC International's sustainability appetite, vision, objectives and strategy and recommend to Boards for approval;

- oversee the execution of the sustainability strategy;
- agree annual sustainability targets and review performance against targets; and
- oversight of the work carried out by sub-committees (Charity Committee, Workplace Group, Marketplace and Environment Group).

Administration

There is also an administrative committee established in order to act on behalf of the Board between the quarterly scheduled Board meetings in order to deal with routine regulatory submissions, banking and administration matters, including the use of the Company Seal where Board level authorisation is required i.e. granting of Powers of Attorney.

B1.2 Remuneration Policy

The Remuneration Policy provides a framework for remuneration which is consistent with TME's risk management and long term strategy. The key principles of the policy are to ensure that remuneration packages reflect the employees' duties and responsibilities, that they are fair and equitable, and that reward is clearly and measurably linked to individual and corporate performance.

The pay element of the reward package comprises both fixed and variable pay. The fixed pay component is determined by the role and responsibilities of the employee, their skills and experience, performance and comparable market rates. The variable pay component is designed to motivate and reward employees who generate income and/or increase shareholder value. The variable pay element is awarded in a manner which promotes sound risk management and does not induce excessive risk taking. The Remuneration Committee ensures that there is an appropriate balance between fixed and variable pay and that the fixed component represents a sufficiently high proportion of the total remuneration. In addition, the performance based component reflects the risk underlying the achieved result, and a portion of the variable component is deferred for those employees who are identified as risk takers.

There is no remuneration linked to share options or shares in the Group or its ultimate parent undertaking.

The Board of Directors for TME during 2019 are set out below:

Director
Hans-Dieter Rohlf
Barry Cook
Katherine Letsinger
Thibaud Hervy
Shinji Urano
Graham White
Peter Engelberg
Nick Hutton-Penman

Some Directors are employed by the UK Service Company and provide services to TME and other UK regulatory entities.

B1.3 Assessment of Adequacy of the System of Governance

As noted in Section B4, Internal Audit is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance, taking into account the nature scale and complexity of the risks inherent in the business. Based on the audit and controls testing performed in 2019 Internal Audit concluded that the governance and risk management were both fit for purpose and that key controls were operating as intended.

B2 Fit and Proper Requirements

TME's Fit and Proper Policy provides a framework for assessing the fitness and propriety of Directors, Senior Managers, individuals performing a key function as defined under the Solvency II regime. The key principles of the policy are to ensure that all individuals have the personal characteristics andpossess the level of competence, knowledge and experience, including ongoing training, to enable the individual to perform their responsibilities effectively which ultimately enables sound and prudent management of TME.

The control framework for assessing the fitness and the propriety of individuals who effectively run TME or have other defined functions starts at recruitment and continues throughout employment with performance reviews, development plans and periodic reassessments which include self-certification and independent screening by a third party provider.

The assessment for the pre-appointment stage is carried out by the Human Resource department and the person's proposed manager in TME. Where the appointment is to a Board position, the proposed appointee is also interviewed by one or more non-executive Directors. The assessment will take account of the qualifications, knowledge and experience of the individual.

The ongoing assessments of the suitability are carried out through the annual appraisal process which is the responsibility of line managers but is also monitored by the Human Resource department and reported as part of our key risk metrics to oversight committees and Board. A programme of training is in place for individuals' to either enhance or maintain level of knowledge as appropriate. Training is monitored by the Compliance department to ensure the annual programme covers all legal and regulatory topics relevant to the individual's area of responsibility. TME Secretary coordinates the general training needs of the Board members and these may include general governance issues or technical matters.

B3 Risk Management System including the Own Risk and Solvency Assessment

B3.1 Risk Management Strategy and Objectives

TME believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. TME achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

The following risk management principles are high level guidelines which have been derived from experience, best practice and corporate governance guidelines used within the insurance industry and these specific principles have been adopted by the Directors of TME.

a. Systematic and structured risk management
   The control processes should include recognised systematic activities, where practicable, that ensure results are reliable, robust and comparable, thereby allowing management to adopt them with confidence. These processes should reflect best practice and be supported by the appropriate tools and techniques.

b. Evidenced-based risk management
   The inputs to the process should be based on historical data (where available), experience, subject knowledge, expert judgement and future projections. To this end lessons-learned workshops should be conducted at the end of projects or newly completed first time activities with information being stored for similar future events.

c. Human factors
   Human behaviour such as bias, motivation, 'rule of thumb', unwillingness to accept risk or change will all influence the effectiveness of control practices. Management should take account of these

behaviours during the design and implementation stages of control practices. Additionally, consideration should be given to problems of communication due to our organisational structure and geographical dispersion.

d. Adding benefit and value
The optimisation of risk management practices and risk response planning should contribute to the demonstrable achievement of business objectives and provide overall organisational benefits, such as efficiency in operations, financial performance, accurate reporting, regulatory compliance and good reputation. To add value the control environment should underpin our corporate governance structure, provide assurance to Group and reflect legislative requirements.

TME's strategic risk objectives are:

a) To build and maintain a diversified and non-correlating portfolio of business that achieves a return of 10% above risk free rate over the insurance cycle.
b) To maintain a focus on preserving loss ratio before premium volume and, will only plan to grow where we see a possibility for improved rating and conditions and target returns are met.
c) To preserve capital using risk mitigation as a key component in ensuring that all risks are identified and monitored.

The Directors believe that the benefits of good risk management (and the downside of bad risk management) will be felt by our staff, management, shareholders and customers alike. Whilst the overall responsibility for effective governance and risk management lies with the Board, the daily management of risk is delegated to senior management as the diversity of risks faced by the business apply at all levels of our organisation and to all activities.

TME's strategy for managing its risk is to:

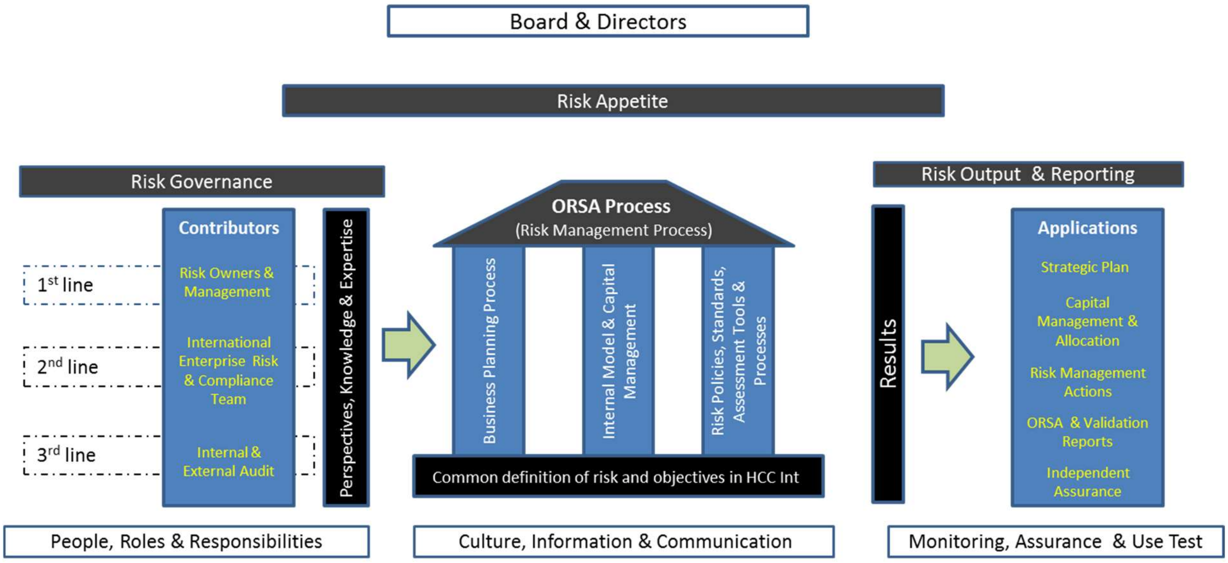
- Adopt an integrated approach to risk management through the processes and structures detailed in the Risk Management Policy.
- Accept that whilst the business operation cannot be risk free, we will aim to manage risk to a desired level and minimise the adverse effects of any residual risk.
- Coordinate the management of risk via the Risk & Capital Management Committee and other committees that report to the Board.
- Manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process.
- Ensure that there are appropriate policies and procedures in place that are communicated to and followed by managers and staff to minimise risk.
- Ensure that staff are appropriately trained.

B3.2 Risk Management and Control

TME operates a 'three line of defence' risk governance framework which means that we coordinate risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms.

- The first line of defence is the responsibility of senior management, the risk takers in the business. This involves day-to-day risk management, in accordance with risk policies, appetite and internal controls at the operational level.
- The second line of defence concerns those responsible for risk oversight and risk guidance. As well as monitoring reports, they are responsible for risk policies and risk processes and control design.
- The third line of defence is independent assurance to the Board and senior management of the effectiveness of risk management processes.

The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.



The Risk Management function assists in the effective operation of our business units and maintains an entity-wide view of each entity and the Group's risk profile. For the Board, committees and management it also monitors and provides focused reporting on risk exposures and advises on risk.

Risk Identification

TME's approach to risk identification uses various methods of self-assessment specifically capitalising on our internal expertise to identify and quantify risks with departmental results being consolidated and standardised as necessary by the Risk and Capital Management Committee ('RCMC').

Senior Managers know their business objectives and are best placed to be able to highlight any new risks that may be developing over time or changes in existing risk levels. It is part of their overall responsibility to ensure such situations are reported upwards either through the Enterprise Risk team or directly to the RCMC.

Risk Register

TME has a risk register which ensures all identified risks are described in a consistent and structured format to facilitate the assessment process. The register is divided into high level risk categories which assist with transparency and clarity when analysing risks at a company level rather than departmental. The grouping of risks helps the Enterprise Risk team to aggregate and map similar kinds of risk across departments or locations, document management responsibilities both for the ownership of risk and the mitigation activities to control said risk.

The risk register is reviewed in its entirety with relevant risk and control owners, by the Enterprise Risk team on a biannual basis.

Risk Policies

TME has defined a risk policy for each risk group which impacts our operating environment and establishes the controls, procedures, limits and escalation to ensure that the risks are managed in line with Risk Appetite. The policies cover Insurance Risk, Operational Risk, Group Risk, Internal Financial Risk, Liquidity Risk, Credit Risk and Market Risk.

The policies are reviewed annually alongside the group strategy and planning process thereby confirming that the risk appetite and profile remains appropriate to deliver TME's objectives in light of both internal and external drivers or constraints.

Risk Appetite, Tolerances and Limits

Risk appetite plays an important part in supporting risk assessment, monitoring and control activities as it establishes a set of benchmarks from which transaction specific tolerance levels can be set and monitored for a particular risk.

TME accepts the parent's risk appetite with regards to Strategic and Insurance risks but on occasion may reduce the specific appetite for a particular line of business as a prudent move against negative market conditions and influences. This form of limitation would be managed via amended business plans, reduction in underwriting authorities and regularly monitored via the Executive Committee.

The Risk and Capital Management Committee enforces the Board policies by ensuring that measurable limits or thresholds are allocated and assist the organisation as a whole to implement control procedures and appropriate monitoring activities as well as providing an escalation route to the Board if required.

- A limit reflects the absolute maximum level of exposure that is acceptable for a particular risk (a level of exposure that should not normally be exceeded).
- In contrast a threshold represents a level of exposure which, with appropriate approvals, can be exceeded, but which, when exceeded, will trigger some form of response (e.g. additional expenditure of risk control, reporting the situation to senior management, etc.).

Our Strategic Risk metrics are set with thresholds. Strategic Risk Metrics are prepared and reported to the Risk and Capital Management Committee and Board of Directors on a quarterly basis.

Risk Monitoring and Review

TME operates in a dynamic environment which brings constant change. To provide an effective risk management framework a continual monitoring and review structure is required to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place.

The internal reporting requirements and timetables for month-end and quarterly results are mapped to the risk governance structure in that monitoring the business efficiently is paramount to managing the most significant risks. Other regular soft management information is also used as a risk monitoring tool, such as monthly reports to the Executive Committee from HR, IT and Compliance.

The Enterprise Risk team maintains the risk management framework which includes monthly data accuracy reporting and assessments of operational near misses and losses. Quarterly reviews of the live risk register and emerging risk register are also performed with relevant risk and control owners. Stress testing, including reverse stress tests and scenario analysis is performed periodically to assess the robustness of the risk and capital management framework and solvency requirements with results reviewed and approved by the Risk and Capital Management Committee and Board of Directors respectively. The detailed results are also included in the annual ORSA Report.

In addition, regular audits of policy, procedures and compliance standards are carried out by the internal audit function and on occasion specific subject focused compliance reviews are conducted by the compliance team. This type of monitoring not only manages risks but is more attuned to identifying further opportunities for improvements or increasing best practice thresholds.

The monitoring process must provide assurance that there are appropriate controls in place covering all TME's activities and that the procedures are understood and followed. Consequently, management information, in varying degrees of detail, is reviewed by Divisional Managers, Business Line Managers, Enterprise Risk, Executive Management and ultimately the Board of Directors. Such reviews provide the appropriate escalation of issues to the next level or potentially direct routed to the Directors if deemed appropriate.

Stress and Scenario Testing

As part of the overall process of risk control and in consideration of business strategy and capital setting, various risks are considered by the business. These risks broadly fall into three areas:

- Risk of ruin, considered via reverse stress tests that test the risk of ruin
- Risk of multiple events on the business model and strategy considered via compound stress tests
- Emerging risks that are considered potential risks to the business model and strategy.

The work completed in this area is key to ensuring the full range and impact of risks, both current and potential, is understood and represented in the capital model and risk register.

TME makes use of stress and scenario testing for both the capital and liquidity implications of certain risks under the Internal Model.

  - Internal Model Calibration: the results of stress and scenario testing are key calibration inputs for Catastrophe Risk and Operational Risk. A representative set of scenarios are designed and the results are used as calibration points for the model.
  - Internal Model Validation: stress and scenario testing is used to independently validate the internal model.
  - Business Plan Review: TME stress tests the forecasts to understand various scenarios on both profitability and the future capital position.
- Reverse stress testing: TME performs annual reverse stress testing exercises to identify and assess events and circumstances that would cause TME's business model to become unviable.

The outcome of the stress testing programme is detailed later in this report under Risk Section C6.

Solvency Capital Management

TME calculates its regulatory capital requirements using the SF. With oversight by the Actuarial team, the SF SCR is the responsibility of the Finance team to calculate the SF SCR at mid-year, as an input to the planning process during the fourth quarter and year-end. These results are reported into the Capital Management Oversight Committee and evaluated alongside TME's Internal Model. Additionally, the solvency results are reported quarterly to the Board by the Chief Financial Officer.

Since the internal model provides a more tailored view of TME's risk profile compared to the SF, the internal model output is used to monitor TME's view of risk. However, there are no risk categories in our risk register where the risk is not identified in the SF.

Own Risk and Solvency Assessment ('ORSA')

TME has adopted a working definition of the ORSA to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'.

The ORSA considers risk, capital performance and strategy. It relies on the contribution of existing business processes and the monitoring tools of the risk management framework to provide Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Specifically, risk registers are maintained and updated quarterly with input from designated risk and control owners. This provides the executive management team and the Board with a view of the risk profile on a regular basis, affording early opportunities to take management action if the current profile is diverging from the business strategy.

This information, along with other outputs of the risk management framework, e.g. risk appetite metrics, are included in a quarterly ORSA update report. This report also includes financial information, which is also considered in the context of the stated business strategy.

The ORSA is an overarching process, the underlying elements of which are fully embedded within the organisation. Consequently the ORSA has many stakeholders across the business and the table below highlights the responsibilities with regards to the ORSA for each function.

Stakeholder	Selected Responsibilities
Board	• Review and approve the ORSA Policy • Review and approve the ORSA report on an annual basis which constitutes the formal ORSA sign-off • Setting the overall business strategy and direction • Setting risk appetite for the business
Risk and Capital Management Committee	The TMHCC International Boards delegate risk management oversight and monitoring activities to this committee. The committee is the primary forum for challenging both the ORSA content and process, in order to recommend approval of the ORSA Policy and ORSA Report to the Boards. Quarterly ORSA reports are also reviewed by the committee.
Executive	• Engendering a positive risk culture • Ensure appropriate governance, committee structure and escalation procedures such that risks can be monitored and managed • Agree future plans for the lines of business based on current strategy and outputs from ORSA processes • Engage on stress tests, reverse stress tests and emerging risks
Enterprise Risk Function	• Producing the annual ORSA Report and collating the activities to sign-off • Producing the quarterly ORSA reports • Setting risk policies consistent with risk appetite • Translating risk appetite into more granular tolerance and risk limits • Working with business owners to develop appropriate risk reporting • Ensuring consistency between risk identification, measurement and reporting • Managing scenario testing and reverse stress testing framework • Measuring and monitoring the risk culture within the business • Ensuring the documentation of all the underlying processes which support the ORSA
Actuarial Function	• Developing tools to ensure appropriate risk measurement and monitoring including where necessary 'lite models' such as replicating portfolios and curve fitting • Carrying out stress and scenario analysis • Carry out financial projections to better understand the risk drivers during the business planning horizon • Translating risk appetite into more granular tolerance and risk limits • Preparation and monitoring of risk metrics • Developing, parameterising and running the Economic Capital Model ('ECM') • Comparisons of SF SCR to the internally generated ECM
Finance Function	• Prepare annual budgets and monitor against actual performance • Calculate the capital held and monitor solvency • Implement the capital strategy • Develop and maintain the capital contingency plan
External Consultant / Internal Audit	• Provide benchmarking and independent review • Ensure that there is an appropriate control framework in place • Provide assurance regarding the underlying processes

ORSA Report

The ORSA Report is used to summarise the outputs of the risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of the processes and links these to TME's business performance, to assist the Board and senior management in making strategic business decisions.

The Enterprise Risk team prepares the ORSA Report annually which is reviewed, challenged and signed off by the Board. In addition, an ORSA Lite maybe produced in cases where an event occurs that results in a material change to TME's risk profile. The annual ORSA Report is made available to key stakeholders and the regulators and sections are also included within this report, where considered appropriate.

On a quarterly basis, entity-specific ORSA reports are produced, which summarise the key metrics from the annual report and provide commentary on the results from a risk perspective.

B4 Internal Control System

The Internal Control System is designed to provide reasonable assurance that TME's financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control systems and delegates control and oversight to the Audit Committee and key functions, including Internal Audit and Compliance.

B4.1 Internal Audit Assurance

The control environment includes policies, procedures and operational systems and processes in place. The internal audit annual plan provides assurance over the internal control environment. This plan is approved by the Audit Committee on an annual basis and the findings are presented to the Audit Committee and management through Internal Audit reports which include an overall assurance rating.

The Houston Internal Controls group visited Paris and Dusseldorf offices in February and March 2019, respectively, to facilitate awareness and formal documentation of required internal controls, and to conduct a gap analysis exercise of the JSOX and other internal controls. The visit also served to introduce TME management to the standard TMHCC controls monitoring processes. As a result, **ten** Remediation Action Plans ('RAPs') with a Medium priority level were issued (five for TME Paris and five for TME Dusseldorf) relating to claims and IT processes.

B4.2 Compliance Function

The Compliance function identifies monitors and reports the compliance risk exposure for TME. The key responsibilities of the Compliance function are to:

- identify and evaluate legal and regulatory risks covering TME's current and proposed business activities;
- advise and train staff on the applicable laws and regulations, ensuring that they are appraised of all developments in these areas;
- produce documented guidelines covering compliance with these laws and regulations and assess adherence to these internal policies and procedures through the undertaking of regular compliance monitoring assessments;
- act as an adviser in compliance matters within the organisation;
- investigate and follow-up potential violations of the laws and regulations; and
- record any incident that must be reported and ensure that each legal entity fulfills its obligation as regards notification to regulators or other relevant third parties.

Compliance policies and procedures are maintained on the TMHCC International policy & procedure portal which is accessible to all employees via the Company intranet.

The Compliance Policy defines responsibilities, competencies and reporting duties of the Compliance function: it is reviewed on an annual basis and there were no significant changes to the policy during this reporting period.

The Compliance Plan sets out the planned activities of the Compliance function over the forthcoming period taking into account TME's exposure to compliance risk in all areas of activity.

The Head of International Compliance reports to the Head of Prudential Regulation & Governance who has a direct reporting line into the Chief Operating Officer who is a member of the Board.

B5 Internal Audit Function

The Internal Audit function is primarily responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance. This function is independent and free to express its opinions and disclose findings to the Board, TMHCC Group and reports directly to the

UK Internal Audit Committee, TME Internal Audit Committee and into the TMHCC Group Audit Committee on a regular basis.

Within the context of the control framework, auditing is an independent risk assessment function established within the organisation to evaluate, test and report on the adequacy and effectiveness of the management's systems of internal control, proving the third line of defence. The purpose of the evaluation and tests is to:

- assist the Audit Committee in executing their oversight responsibilities;
- provides an independent assessment of the branch's system of internal control, through reviewing how effectively key risks are being managed; and
- assists management in its responsibilities by making recommendations for improvement.

The Head of International Audit is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account TME's system of governance and risk management processes.

B5.1 Audit Charter

As required by the Institute of Internal Auditors, the internal audit department has in place an Audit Charter which is approved by the Tokio Marine HCC Group Audit Committee in Houston. This charter sets out the purpose, mission and responsibility for the internal audit activity based on the power and authorities handed to it by the Tokio Marine HCC Group Audit Committee. This ensures that the internal audit department has access to all offices, documents and staff it requires to conduct its internal audit work without any interference or obstruction.

B5.2 Audit Independence

The internal audit activities for TME have been outsourced to TMHCC International as part of a group services agreement. Nick Hutton-Penman was the key function holder for internal audit at TME and this is expected to change to Graham White (Chief Risk Officer) soon. The Head of International Internal Audit, David Charlton, reports functionally to the TMHCC Corporate Vice President of Internal Audit & Controls, Dawn Miller, who is based in the Houston head office, and administratively to the TMHCC International Head of Prudential Regulation and Governance, Karen Cordier, who is based in the London office. The reporting line into Karen Cordier (who now reports directly into Graham White) allows internal audit to be kept up to date with changes and developments within the international operations. The Head of International Internal Audit also attends the TME Audit Committee meetings as and when required, to report the audit results and findings. There is also direct communication between the Chairman of the TME Audit Committee and the Head of International Internal Audit during the year.

The work of the internal audit department is subject to review each year by the external auditors, PwC, as part of their statutory year-end audit work. Furthermore, internal auditors who work in the department do not have direct operational responsibility over, or responsibility for, any of the activities being reviewed. Any new employee of the audit department who previously worked in another area of the organisation will be prohibited from reviewing the activities they were once responsible for, for a minimum of one year.

B6 Actuarial Function

The primary responsibility of the Actuarial function is the coordination of the calculation of the technical provisions, ensuring that methodologies and assumptions used are appropriate to the line of business, assess the sufficiency and quality of the data provided and compare best estimates against experience. In addition, the Actuarial function is involved in developing, parameterising and calculating the outputs of the Economic Capital Model and assisting in pricing the products sold by TME.

In forming and formulating its actuarial view, the actuarial function is objective and free from influence of other functions and management. The department is operationally independent and provides its opinions in an independent fashion, adhering to professional and regulatory standards and fit and proper guidelines.

An overview of activities undertaken by the actuarial function in the reporting period is as follows:

B6.1 Reserving and Technical Provisions

- Completed a reserve review each quarter, of all lines of business, including:
    - Liaising with underwriters and claims managers
    - Employing best practice actuarial methods to produce reserve indications
    - Documenting actuarial judgement around selected actuarial reserve estimates
    - Ensure reserving methodologies and assumptions comply with local regulatory and legal requirements
    - Providing reports to the IBNR Committee
- Co-ordinated of calculation of technical provisions each quarter, including:
    - Ensure the appropriateness of the methods used and assumptions made
    - Assess the sufficiency and quality of the data used
    - Compare best estimates against experience
    - Inform management of the reliability and adequacy of the calculation of technical provisions
- Calculated and reported reserve variability or the potential range of reserves.
- Interacted with the underwriters with regard to feeding back key outcomes from the reserving process and sense-checking reserve variability results.
- Used estimates of ultimate losses from prior underwriting years, along with information about market trends, underwriting risk selection changes and expert judgement to produce a loss ratio projection for each line of business to feed into annual business planning.

B6.2 Pricing

- Reviewed pricing models and, where identified, developed improvements in parameters, methods and operational efficiency.
- Provided individual account pricing and other ad hoc analysis where data allowed and actuarial techniques were applicable.
- Assessed appropriateness of the models and data used in the pricing process, including checking that the models were used appropriately and key judgments documented adequately by the underwriting teams.
- Provided the annual actuarial opinion on the overall underwriting policy, in particular:
    - Sufficiency of premiums to cover future losses.
    - Considerations regarding inflation, legal risk, changes in mix, anti-selection and adequacy of bonus-malus systems implemented in specific lines of business.
- Analysed and reported LOB-level rate changes and premium trends.
- Interacted with the underwriters with regard to feeding back pricing review outcomes and gaining insight into current market conditions and trends.
- Reported underwriting metrics to management, underwriting and risk committees, which:
- Ensured consistency between underwriting and risk appetites
- Monitored performance of actual results against business plan

B6.3 Reinsurance

- Technical priced reinsurance contracts, compared to quoted price.
- Analysed expected cover under stress scenarios, to ensure the purchased reinsurance programs provide adequate levels of protection. The results of this analysis were communicated to management and monitored against the relevant risk appetites.

- Investigated potential alternative reinsurance structures and provided management with the outcomes of this analysis.
- Checked the adequacy of the calculation of technical provisions arising from reinsurance.
- Provided the annual actuarial opinion that the reinsurance programme was adequate.

B6.4 Capital Modelling & Risk Management

The overall goals of actuarial work in relation to risk management are to help ensure the Economic Capital Model (ECM) is a widely-understood risk management tool within the business, to assist management with monitoring adherence to the risk appetites and tolerances, and to report potential causes and consequences of volatility and adverse deviation of the companies' solvency position. Tasks that assist with achieving this are:

- Ran ECM for TME, which although not used for statutory capital, is a widely-understood and used risk management tool within the business. Key work included implementing a number of model developments / improvements, with the main ones being the introduction of entity specific CV (or uncertainty) parameters for underwriting attritional and reserving risk and a change of Economic Scenario Generator ('ESG').
- Provided input into the ORSA. In particular, this involved production and explanation of the internal model capital numbers, assessing the appropriateness of the SF capital figures, derivation of stress & scenario tests and running multi-year capital figures which allowed management to understand better the likely capital requirements over time during the three year budgeting cycle.
- Membership on the Risk & Capital Management Committee.
- Assisted with specifying stress testing exercises and consequent quantification of stress scenarios. These were incorporated into the ORSA and included Reverse Stress Tests ('RSTs').
- Produced the quarterly strategic risk metric packs for the Board and Risk & Capital Management Committee.

B6.5 Output and Reports

An annual Actuarial Function Report for TME was provided to the Board, covering the tasks that have been undertaken by the department in relation to business and regulatory requirements, and outlining the results and conclusions.

Other regular outputs from the actuarial function included:

- Exhibits and a memo to support the quarterly reserve reviews
- An annual reserve report
- Exhibits and narrative to support the SII technical provision valuations
- Exhibits and a report to support the ECM calculations.
- Exhibits and narrative to support internal model development, change and use
- Validation reports covering application of validation tools to the ECM, results and recommendations

Any formal reports produced were TAS-compliant.

B7 Outsourcing

In order to conduct its operational functions as effectively and efficiently as possible the Group may, as appropriate, find it necessary to outsource certain activities. Given that an outsourcing arrangement results in a shift from direct to indirect operational control of an activity it will always change TMHCC Group's risk profile and the risk management system must reflect this.

The Group seeks to manage the severity and frequency of identifiable risks by:

- ensuring an effective supplier selection process incorporating due diligence procedures; and
- making certain that the arrangement is formally structured through:

- the effective management of transition risk;
- monitoring and review within the regulatory framework;
- ensuring that a signed contractual agreement is in place which includes an agreed service level and whilst not an exhaustive list, covers inspection rights and confidentiality;
- viable contingency plans including ensuring that a termination/exit strategy are in place; and
- retaining control over any valuable confidential information which is owned by the Group and may be shared and used by a third party by having a standard non-disclosure agreement in place.

In achieving this the Group aims to avoid impairing the quality of the system of governance, unduly increasing operational risk, impairing the ability of supervisor to supervise and undermining the service to policyholders.

Strong governance and management oversight combined with assurance from the outsourcer via management information are deemed to be essential controls when managing the outsourcer relationship.

Key third party outsourcing providers are summarized below:

Outsourcing Provider	Outsourced Function	Location of service provider
D & B Risk Management Solutions	Credit services	UK
New England Asset Management Inc.	Asset Management	USA
Parafiscal Reps/SOVOS	Tax and Parafiscal Charges in European Offices	Europe
BDO	Payroll Processing UK and Europe	UK and Europe

B8 Any Other Information

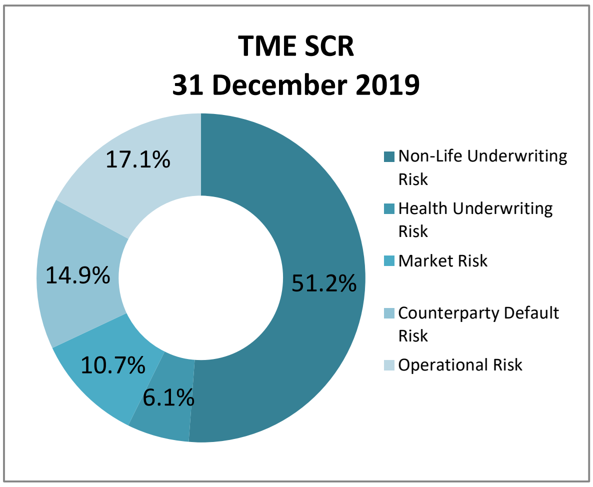
Following the outbreak of the coronavirus pandemic (Covid-19), TME's strong risk and governance frameworks remain in place and continue to operate effectively. The points below identify how the framework has been adapted, or is being adapted, to the new environment:

- The business continuity protocols, which include specific pandemic responses, were instigated at an early stage of the current outbreak, facilitating a successful quick transition of TME's operations from primarily office-based to almost exclusively remote-based. This quick transition provides practical evidence of the TME's operational resilience.
- Post the move to working remotely, TME have strongly supported employees to adopt flexible working hours to facilitate personal responsibilities for childcare and others in need. Additionally, it has been ensured that employees have the appropriate computer hardware and other equipment to enable effective and efficient working. Disruption during this transition has been minimal and TME has been able to continue to service clients and brokers.
- Maximising technology to ensure that the frameworks continue to operate effectively in the new remote-based environment, including:
    - Daily interactions between underwriters and senior management to keep abreast of the rapidly developing market conditions, enabling the business to operate proactively.
    - Remote running of Boards and Committee meetings, with ad hoc meetings set up, where appropriate, to discuss and make decisions relating to a fluid pandemic situation.
    - Closer contact with material third parties, including reinsurers, investment managers and outsource suppliers.
    - The Risk Management team confirming that the internal control systems will continue to operate effectively in a remote working environment.
- Development of a pandemic risk register to sit alongside the existing frameworks and which will be incorporated into reporting to the Risk & Capital Management Committee.
- Production of an ORSA Lite, to reflect the potential impact of the pandemic on TME's business profiles, risk profiles and capital/solvency positions.

Section C – Risk Profile

TME has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. TME maintains a risk register and categorises its risks into six areas: Insurance, Strategic, Regulatory and Group, Market, Operational, Credit and Liquidity. The sections below define each category of risk and outline the Group's risk profile & risk concentration (where relevant), risk appetite and how it manages/mitigates each category. The section concludes with details of the results from the most recent annual 'Stress & Scenario' exercise.

The chart below indicates the relative magnitude of the risks, as calculated within the SF SCR, as at 31 December 2019.



This section considers the identified risks categories separately. However, how these individual categories accumulate for the business as a whole is as important, if not more so. This brings in the concept of a dependency or correlation structure. For TME, these are considered through the use of stress and scenario tests, where multiple risk categories are assumed to be impacted at one time. In addition, understanding has been built up when parameterising the dependency structures underlying TME's capital model. These dependency structures have been derived from a variety of sources, including discussions with the business and executive management, obtaining benchmark information from external sources, such as actuarial consultants and investment managers, further use of stress and scenario tests. We also use this knowledge to review the dependency structure underlying the SF SCR calculations.

C1 Underwriting (Insurance) Risk

TME's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are:

- Premium Risk,
- Reinsurance Risk,
- Claims Management Risk,
- Reserving Risk.

Each element is considered below, by considering the nature of the risk, risk profile & concentration of the risk, and how the risk is managed and mitigated withing TME.

Premium Risk

Nature of the Risk

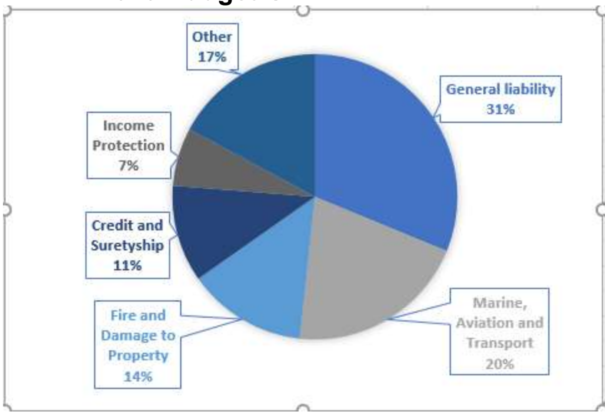
Premium risk relates to the potential losses arising from inadequate future underwriting. There are four elements that apply to all insurance products offered by TME:

- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

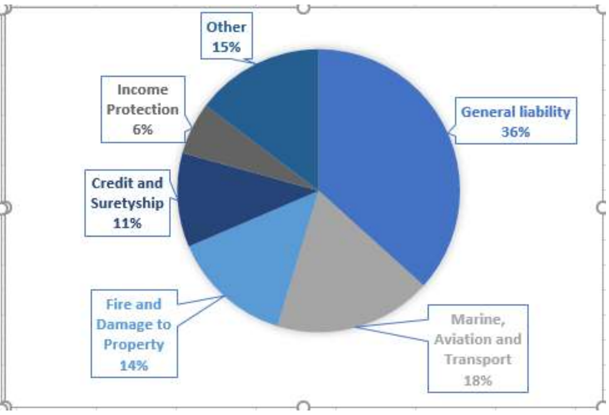
Risk Profile & Concentration of the Risk

The charts below show 2020 budgeted gross written premium ('GWP') broken down into Solvency II line of business, versus 2019 actual premiums.2020 budget includes allowance for TME premiums.

2020 Budget GWP



2019 Actual GWP



The charts above highlight concentrations of risk across the lines of business and the slight change in expected profile of TME in 2020.

The table below indicates the concentration of exposures to catastrophes ('cat'). The reduction in cat-exposed in 2020 reflects the run-off of the French local property line from 1 January 2020.

Cat/Non-Cat Split	Proportion of GWP	
	2020 Budget	2019 Actual
Catastrophe business	36%	41%
Non-Cat business	64%	59%

Managing & Mitigating the Risk

TME manages and models the four elements of premium risk in the following three categories:

- Attritional claims – claims generally characterised by higher frequency of small to below-average sized claims;
- Large claims – individual risk losses, lower frequency of above-average to limits-loss sized claims;
- Catastrophe events – losses stemming from an aggregation of claims across policies (and potentially lines of business) stemming from a single catastrophic natural or man-made event.

To manage underwriting exposures, TME has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process is in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates are recorded and reported for TMHCC – International's London Market lines. For Speciality lines, risk adjusted rate changes and/or changes in average rate are monitored regularly.

The annual corporate budgeting process comprises a three year plan which incorporates TME's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The Plan is approved by the Directors and monitored by the underwriting committees on a quarterly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

Reinsurance is one of the major risk mitigants used to protect the TME balance sheet. Whilst gross line size is limited to ensure there is a reasonable balance between gross line size and premium and shareholder equity/net assets, our potential retentions, especially on the catastrophe exposed business, are managed closely and reinsurance is used to control net exposures. Further details of our reinsurance strategy may be found under "Reinsurance Risk" section below.

TME also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, TME sets out its risk appetite (expressed as PML estimates 'PML and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which TME is exposed.

TME uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models (see separate "Stress & Scenario" section below).

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, TME measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The following appetite statements are monitored by the RCMC and Board on a quarterly basis:

- Combination of premium volumes and rate change to be in line with, or better than, budget (this metric is calculated at a combined level);
- Maintaining a less than a certain probability of the underwriting result being a loss;
- Maintaining a diversified portfolio of underwriting with less than a defined percentage of premium coming from a single line of business;

- Maintaining a diversified portfolio of underwriting, below a specified average correlation, by Underwriting and Reserving;
- Absolute Gross per risk line size should a specified percentage of Shareholders' Equity ('SHE') or be double max net line;
- Maintaining a diversified portfolio not over-exposed to catastrophes, with less than a set percentage of premium Cat exposed in total across all entities;
- Net PMLs being below a specified percentage of SHE;
- Net modelled 1 in 1000 Cat event is less than a specified percentage of SHE;
- Less than 1% chance of gross Cat event being more than a specified percentage of SHE.

Reinsurance Risk

Nature of the Risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section.

Reinsurance Strategy, Managing & Mitigating the Risk

Reinsurance is one of the major risk mitigation programs that TME uses to protect its balance sheet. Whilst gross line size is limited to ensure there is a reasonable balance between gross line size, premium and shareholder equity/net assets, our potential retentions, especially on the catastrophe exposed business, have to be managed closely; reinsurance is one of the key risk tools enabling us to do this.

TME's control procedures around treaty reinsurance purchasing are very tight, with authority for final purchase residing with the TMHCC Group Chief Executive Officer. However, the recommendation around structure, retention and vertical purchasing are made at the local level and are made utilizing the detailed knowledge of the risks being protected, ensuring appropriate balance and an acceptable ratio between net retention and premium by account and overall net equity. Where there is a difference between the overall Group's appetite for risk and that of the International operations and the Group's appetite is higher, internal reinsurance protection is offered from one of the Group subsidiaries to achieve local balance requirements.

TME maintains a Reinsurance Strategy and Purchasing Plan which are updated and submitted to the TME Board annually. The Purchasing Plan details retention and vertical cover purchased for each class of business along with reinsurance pricing and reinstatement details.

Reinsurance structure is dependent on class and our ability to obtain competitive open market terms. We are predominantly Excess of Loss purchasers and use over placement layers to protect against reinstatement costs and manage retentions. Our reinsurance process includes modelling our reinsurance program against significant historic events and against significant EXACT/RMS modelled events across our peak exposure areas, allowing us to test our program and ensure breadth of coverage is independently verified. This independent check is carried out by our reinsurance department who are independent from the reinsurance purchasing.

Retention levels vary by class and the retentions are set based on our overall risk appetite, the return that we expect to make over the cycle based on historical experience and expected future rating levels; as well as our ability to purchase cost effective reinsurance cover.

If the latter is not available we then are faced with three choices:-

- To increase retention assuming the overall retention levels remain within our overall risk tolerances;
- Purchase the reinsurance at the price offered and accept the reduced return as a result; or
- Not write the business.

During 2019 we have maintained our stance in respect of reinsurance purchasing and tried to maximise opportunities, given being part of a much bigger group which can have an effect on reinsurance purchasing.

We also use quota share reinsurance where we have a less balanced portfolio or we have concerns about underlying profitability. The product allows us to reduce volatility in the results by reducing the relative levels of losses. Where we purchase quota share reinsurance we try to ensure that no event limit is included and if it is, it is set very high and at a level that would only be triggered by very extreme tail events. We try to ensure the ceded commissions more than exceed our costs of writing the business and that we achieve an overrider and profit commission.

As stated above, TME is part of a much bigger group and this affords the opportunity to take larger retentions and this has been the case since 2017. Reinsurance purchase still, however, is purchased at the entity/segment level and retentions are maintained consistent with local Board and management requirements. Where the Group would like to take bigger retentions and these are not in line with Local management/Board risk appetites then Tokio Marine will take a participation on open market purchased programmes.

The risk appetites of TME are measured at both an overall organisational and a legal Entity level. The expectation is that reinsurance is purchased to adequately protect the balance sheet in the event of a significant market event, a potential individual large risk loss or systemic losses caused by a single event. When purchasing reinsurance the following tolerances are managed at an overall organisation and a legal Entity level.

- Vertically protection by line of business to cover a significant proportion of the largest tail loss;
- For catastrophe exposed lines, retentions set with regard to the annual aggregate loss;
- For attritional lines, retentions are set with regard to the line of business maximum line size;
- Modelled 1 in 1000 catastrophe losses, across all lines, must not exceed a set level of shareholder equity;
- Modelled 1 in 100 year reinsurance credit losses must not exceed a set shareholder equity;
- Exposure to one reinsurer must not exceed more than a set level of overall reinsured exposure.

Claims Management Risk

Nature of the Risk

Claims management risk may arise within TME in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage our brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claim life cycle.

Managing & Mitigating the Risk

TME’s claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy’s terms and conditions, the regulatory environment, and the business’ broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

The following appetite statements are measured to monitor our claims management on TME:

- Incurred movement less than 110% of benchmark;
- Case reserve stability (% of benchmark);
- Volume of denials less than 10% of claims.

Reserving Risk

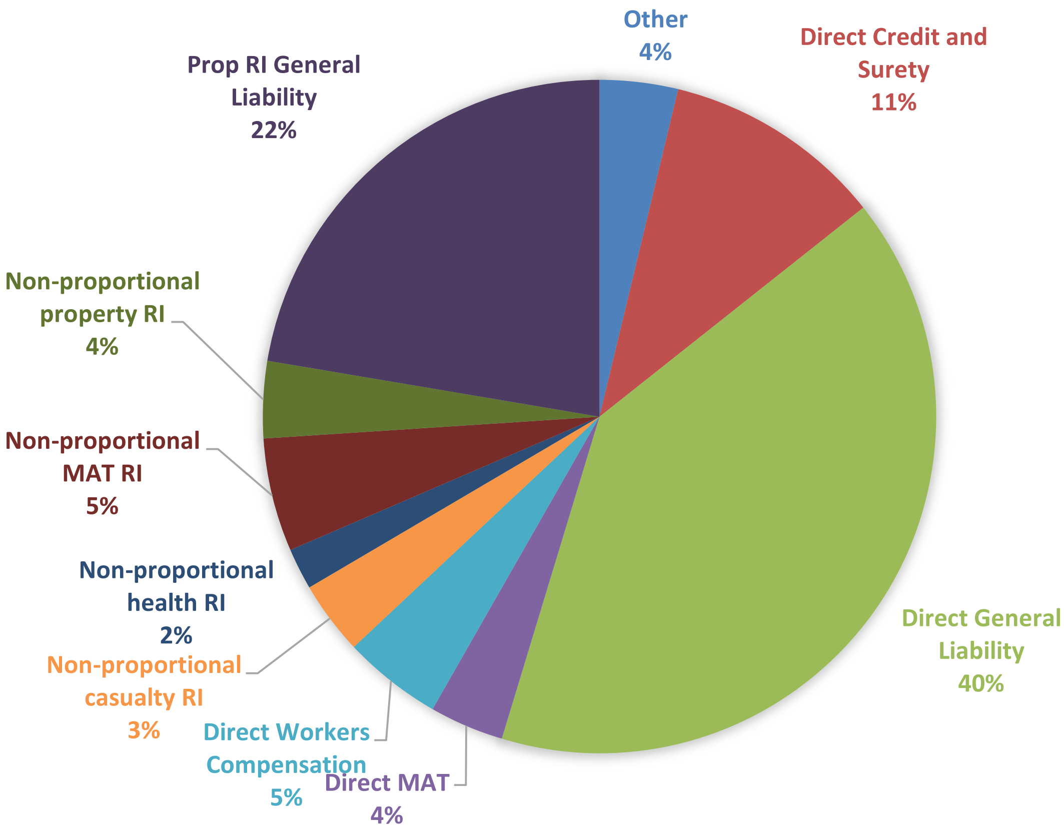
Nature of the Risk

Reserving risk occurs within TME where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

Risk Profile & Concentration of the Risk

Overall Reserve Position Net of Reinsurance as at 31 December 2019

The following table and graph present the current reserve position net of reinsurance (including Unallocated loss adjustment expenses) for TME as at 31 December 2019.



Overall, there is a LUX GAAP surplus of 2.4% above the actuarial best estimate reserves net of reinsurance.

It should be noted that the reserves as a whole are concentrated in the Surety UK class which accounts for 43% of the reserves. Financial Lines and all classes within the European P&C group (which consists of the lines of business formerly written by TMK) are 100% reinsured out of TME, with the exception of the 2019 underwriting year for Local TMSL. As a result, Financial Lines and the remaining European P&C lines of business have net nil reserves and so are not broken out within this exhibit.

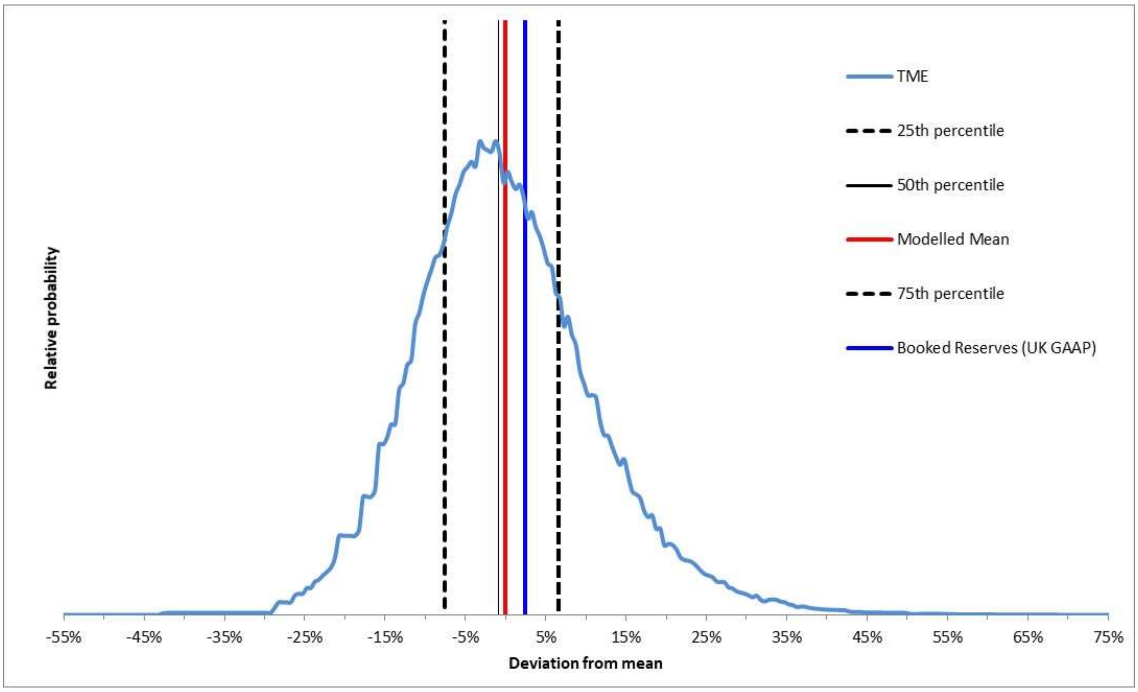
Movements since Previous Review (31 August 2019)

The table below shows movements in the estimated net of reinsurance surplus in the LUX GAAP booked reserves over the actuarial estimate for the period from 31 August 2019 (when the Q3 actuarial review was carried out) to 31 December 2019. A comparison of actual incurred experience in the period against actuarial expectation is also provided, along with details of adjustments made to the LUX GAAP booked reserves by the Q4 IBNR Committee.

It should be noted that a comparison of actual against expected incurred experience is not currently carried out for the lines of business actuarially analysed in Houston (Financial Lines, Credit US and Disability Sports) and so these lines are greyed out in the table below. An analysis of this metric at entity level has been requested for these lines and will be included in future versions of this memo.

Reserve Uncertainty

The table and graph below display the estimated net of reinsurance reserve distribution for TME, and shows where both the booked and actuarial reserve estimates sit on this distribution. This distribution is based upon applying the reserve uncertainty parameters used within the internal Economic Capital Model ("ECM") to the actuarial best estimate reserves at 31 December 2019.



	25th percentile	50th percentile	75th percentile	Actuarial Reserves	LUX GAAP Reserves
% Deviation from mean	(7.6%)	(0.9%)	6.6%	0.0%	2.4%
Percentile	25%	50%	75%	53%	61%

The LUX GAAP booked reserves currently sit at the 61st percentile of the reserve distribution, above the actuarial best estimate mean.

The following appetite statements are measured to monitor our reserving risk:

1) Maintaining LUX GAAP reserves at, or above, actuarial midpoint;
2) Maintaining a less than 20% probability of total reserve deterioration, exceeding 100% of annual budgeted profit;

C2 Market Risk

Nature of the Risk

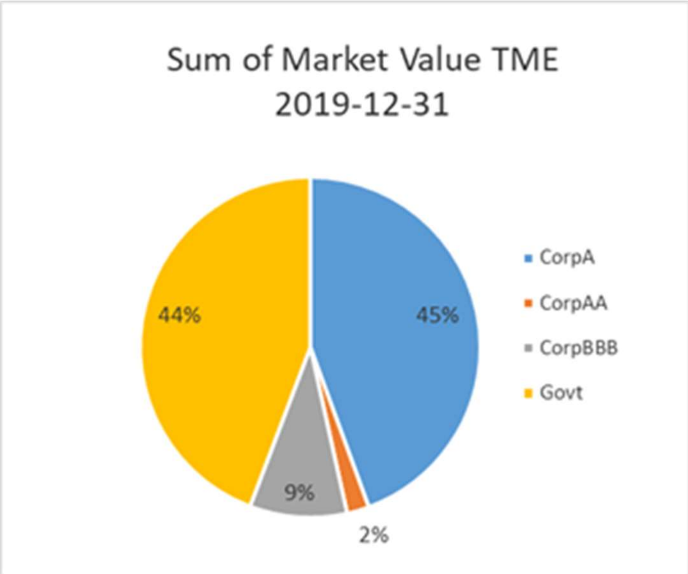
Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.

For foreign exchange risk, TME's functional and reporting currency is the US Dollar and when possible TME generally hedges currency liabilities with assets in those same currencies of similar value and duration. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that TME is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar denominated positions.

For interest rate risk, some of TME's financial instruments, including cash and certain financial assets measured at fair value, are exposed to movements in market interest rates.

Risk Profile & Concentration of the Risk

In summary, the split of assets at Q4 2019 is as shown in the pie chart below:



Managing & Mitigating the Risk

Managing investment risk as a whole is fundamental to the operation and development of our investment strategy key to the investment of Group assets.

The Investment Committee has an objective to ensure funds are invested in accordance with the "prudent person principle", whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and localised; and iii) broadly match the liabilities in terms of value and duration. This is achieved by: i) setting an appropriate strategy and risk appetite; ii) regular monitoring of the portfolio against key metrics (outlined at the end of the section); and iii) use of independent experts.

The investment strategy is developed by reference to an investment risk budget, set annually by the Directors as part of the overall risk budgeting framework of the business. As of 2019, the investment risk budget is set at a level such that the amount of an investment loss, at the 1-in-200 Tail Value at Risk ('TVaR') level, is limited to TME's excess capital (above the regulatory minimum).

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis with the assistance of New England Asset Management ('NEAM') who serve as TMHCC's asset management firm.

For foreign exchange risk, TME operates in three main currencies: US Dollars, Pound Sterling and Euros. Transactions in all currencies are converted to the US Dollar functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollar spot rate. Foreign exchange risk is mitigated by the fact that most of our premiums and claims are paid in Euros. Additionally, our Finance department regularly monitor and address where necessary currency mismatches between assets and liabilities.

For interest rate risk, TME manages interest rate risk by investing primarily in short duration financial assets along with cash. The Investment Committee monitors the duration of these assets on a regular basis.

Changes in interest rates also impact the present values of estimated liabilities, which are used for solvency calculations. Our investment strategy reflects the nature of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following appetite statements are measured to monitor asset risk on TME:

- Investment returns to be greater than zero (i.e. investments are not destroying capital values);
- To maintain asset duration at less than 2.5 times average reserve duration by entity and no greater than 5 years at the maximum deviation from matched duration;
- To maintain a minimum average rating of investment portfolios of A+;
- To maintain a portfolio that ensures a 1 in 200 year TVaR Asset risk loss does not exceed specified % SII Excess Capital;
- To maintain a portfolio where the 1 year yield curve shift at 200 bps impact does not exceed specified % of SII Excess Capital;
- To maintain a portfolio where the 1 year credit spread wide of +++[1] impact does not exceed specified % of SII Excess Capital;
- To maintain a portfolio where the combination of a 1 year yield curve shift at 200 bps and spreads widen ++[1] impact does not exceed specified % of SII Excess Capital;
- Maintaining a portfolio where significant historical scenarios (Carter Reagan, Russian Default, & Lehman) are less than specified % of SII Excess Capital;
- No single holding of specified % or more (excluding government guaranteed securities);
- Risk of currency mismatch exposure at 1 in 100 years should not exceed specified% of SII NET ASSETS.

1. GR-NEAM use +, ++ and +++ notation to indicate magnitude of credit spread changes. Spread changes are determined by sector and by rating cohort. This is done to capture the volatility associated with specific sectors. The various gradations of spread widening and tightening are denoted by:

- Benign (+)
- Moderate (++)
- Extreme (+++)

The magnitude of spread widening in the “extreme” scenario would be far greater for a “High Yield B Rated” security as compared to a “Corporate Industrial A Rated” security. The “extreme” spread widening and “higher” interest rate scenarios could be viewed as relatively high “stress” scenarios.

C3 Credit Risk

Nature of the Risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for TME are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by TME;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of TME;
- investments – whereby issuer default results in TME losing all or part of the value of a financial instrument; and
- financial institutions holding cash.

Risk Profile & Concentration of the Risk

Reinsurers

The table below shows the credit rating, based on S&P ratings, of the reinsurers backing the reinsurance programme. As the programme is shared across all TMHCC International entities, the figures shown relate to all entities.

Reinsurer Rating	Proportion of Reinsurance Exposure[1]
AA	4.1%
AA-	36.9%
A+	30.8%
A	13.5%
A-	1.1%
Not Rated	13.6%

[1]: Reinsurance Exposures based on based on XoL first loss contracts, across all entities

Managing & Mitigating the Risk

TME's core business is to accept significant insurance risk and the appetite for other risks is low. This protects TME's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

Due to the significant intra-company reinsurance arrangements between TME and TMHD, TMK, and HCCII, TME maintains a high amount of counterparty exposure to TMHD Group companies. However, TME limits exposure to a single counterparty or a group of counterparties that are external to the TMHD Group and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and TME's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for TME's Investment Managers regarding the type, duration and quality of investments acceptable to TME to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of our Investment Managers is regularly reviewed to confirm adherence to these guidelines.

TME has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's ('S&P') ratings are used.

The following appetite statements are measured to monitor our credit risk on TME:

- External reinsurers to have a minimum rating of A, unless specifically approved;
- Maintaining a maximum exposure to any one external (to TM Group) reinsurer in any one programme of no more than specified % of SII Net Assets;
- Maintaining no more than specified % of outward reinsurance balances over 180 days old;
- Maintaining a 1 in 100 year Credit loss not exceeding a specified % of SII Net Assets.

C4 Liquidity Risk

Nature of the Risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. TME is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

Risk Profile & Concentration of the Risk

A significant proportion of assets are readily realisable. This allied with the regular inflow of premiums means that a very high level of liquidity is maintained, should the need arise.

Managing & Mitigating the Risk

TME's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of TME's management of its exposure to loss scenarios are provided above under the heading of Underwriting Risk). This means that TME maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. TME can also draw on parental funds to bridge short-term cash flow requirements, should the need arise.

The following appetite statement is measured to monitor our liquidity risk on TME:

- Maintaining no more than a specified % of outward reinsurance balances over 180 days old;
- Maintaining a ratio of asset duration to loss reserve duration of less than 250%.

C5 Operational Risk

Nature of the Risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

As TME is a still a relatively new entity with expanded European branch operations, we believe operational risk is currently elevated and this is reflected in the risk profiles shown below. As we continue to strengthen and embed our risk management framework across the organisation, we believe operational risk will reduce to levels consistent with TMHCC – International's other legal entities.

Risk Profile & Concentration of the Risk

The tables below show the top10 worst case and near term risks for TME from the 2019 Operational Risk scenario review.

Worst Case As at 31st December 2019	Near Term As at 31st December 2019
Data Protection	Conduct Risk
Conduct Risk	Business Continuity Risk
Cyber Risk	Data Quality Risk

Claims Management Risk	Failure to meet regulatory requirement
Capital model error or failure in use	Failure to achieve desired staff culture
Action by Overseas Regulator	Action by Overseas Regulator
Data Quality Risk	Data Protection
External Fraud	Cyber Risk
Aggregations Risk	Capital model error or failure in use
Selection/Wordings Risk	Aggregations Risk

Ranking includes all risks categorised under Operational Risk within TMHCC Int. capital models

Managing & Mitigating the Risk

TME actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. TME regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of TME's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. TME's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and our Conduct Risk Policy broadly defines conduct risk as "…the risk that detriment is caused to TME, our customers, clients or counterparties because of the inappropriate execution of our business activities".

TME therefore seek at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable UK and International laws and regulations and internal policies and procedures. We ensure that this ethos is clearly communicated from the TME Board downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the International Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

The following risk appetites are monitored by the RCMC and Board on a quarterly basis:

- To maintain a modelled 1 in 250 year Operational Loss less than a specified % of SII NET ASSETS;
- To maintain a less than 20% probability of an Operational Loss exceeding a defined amount.
- *As 2019 was our first full year of operation, during 2020 we are further developing specific HR, IT and Compliance metrics that are consistent with TMHCC – International's other entities.*

C6 Other Material Risks

This section covers strategic, regulator and group risks which TME manages together, but which are outlined separately below. The recently identified Covid-19 pandemic and Sustainability Risk, both of which could represent a material risk to TME are also outlined. Potential risks arising from Covid-19 pandemic are covered in Section C7.

Strategic Risk

Nature of the Risk

This is the risk that TME's strategy is inappropriate or that TME is unable to implement its strategy. Where an event occurs outside TME's strategic plan, this is escalated at the earliest opportunity through TME's monitoring tools and governance structure.

Managing & Mitigating the Risk

On a day-to-day basis, TME's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and TME as a whole.

The following appetite statements are measured to monitor our strategic risk:

- The combined ratio to be achieved in the current year to ensure an overall combined ratio of 88% or better over the underwriting cycle (during TME's first year, we monitor the forecast combined ratio, and will build up a rolling-ratio in the coming years as we gain more history);
- Net earnings to be within 20% negative variance of budget;
- Maintaining a less than specific probability of a net loss, including investment income, exceeding a specified % of SII NET ASSETS;
- Forecast expense ratio + commission ratio to be within a specified % negative variance of budget;
- Maintaining LUX GAAP reserves at, or above, actuarial midpoint;
- Maintaining a less than a specified probability of total reserve deterioration, exceeding 100% of annual budgeted profit;
- Maintaining SII available assets above the SII SCR + Buffer;
- Maintaining less than a specified probability of falling below the SII SCR.

Regulatory Risk

Nature of the Risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of TME are subject to legal and regulatory requirements within the jurisdictions in which it operates and TME's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk.

Managing & Mitigating the Risk

Our compliance department employ a team of experts with experience in the regulatory jurisdictions in which TME operate. Where there is a potential language barrier or less experience in a particular jurisdiction, our compliance team will engage local attorney consultants for assistance.

The capital and solvency requirements for TME are determined using the Solvency II SF. Nevertheless, identifying a capital buffer above the regulatory minimum is considered prudent. We have implemented a method, consistent with TME's stated risk appetite, whereby a buffer equal to a 1 in 25 return period loss is added to the SF SCR.

This self-imposed economic capital requirement therefore reduces the availability of 'free' assets from those allowed by the SF calculation.

Group Risk

Nature of the Risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of the overall Group, as well as the risks arising from these activities. There are two main components of group risk, Contagion and Reputation, which are explained below.

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. TME is a member of the TMHD Group and therefore may be impacted by the actions of any other group company.

Reputation risk is the risk of negative publicity as a result of the TMHD's contractual arrangements, customers, products, services and other activities.

Risk Profile & Concentration of the Risk

TME engages in the following Intra-group transactions, which are transacted on an arm's length or open market basis, where relevant:

Managing & Mitigating the Risk

Contagion risk is managed by operating with clear and open lines of communication across TMHCC International to ensure all entities are well informed and working to common goals.

For reputation risk, TME's preference is to minimise reputation risks, but it is not possible or beneficial to avoid them, as the benefits of being part of the Tokio Marine brand are significant. We consider reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

Sustainability Risk

Nature of the Risk

The issue of Sustainability, whether it relates to the strategic and operational risks of addressing environmental, social and governance concerns, including climate change, or our social responsibilities to both our external and internal stakeholders, is not a new risk, but its profile has been raised significantly in 2019.

Managing & Mitigating the Risk

Progress has been made by TME in 2019 towards articulating its philosophy related to Sustainability, and all its component elements, through the establishment of a Sustainability Committee. This Board committee, and its various sub-groups, have responsibility for agreeing the sustainability strategy and risk appetite and will coordinate the advancement and implementation of sustainability initiatives, as well as initiating development of potential stress and scenario tests which may provide insight into the climate change risks. Sustainability risk is also in the process of being incorporated into TME's risk management framework.

C7 Any Other Information

Top 10 Risks

The table below identifies the top ten risks, on both a worst case and near term scenario basis for TME, as a result of the most recent risk register review and scoring exercise.

Worst Case As at 31st December 2019	Near Term As at 31st December 2019
Catastrophe/Large Losses Outside of Business Plan	Catastrophe/Large Losses Outside of Business Plan
Systemic Losses outside of Business Plan	Systemic Losses outside of Business Plan
Reserving Risk	Reserving Risk
Data Protection	Investment Market Volatility
Investment Market Volatility	Inadequate Pricing Methodology
Conduct Risk	Foreign Exchange Risk
Operational Cyber	Failure to Comply with Regulatory Requirements
Inadequate Pricing Methodology	Data Quality Risk
Claims Management Risk	Conduct Risk
Capital Model Error or Failure in Use	Business Continuity Risk

On both a worst case and near term basis, insurance and market risks constitute the majority of the top ten risks. These quantifications are derived from TME's economic capital model. The operational and credit risks are calculated from scenario analysis performed with risk owners.

In addition to identifying the quantitative nature of the risks, we also look at the qualitative nature that takes into account the controls we have in the business to reduce these risks and assign residual score probability and impact assessments to each of the risks in turn, independently of the worst case scenarios.

The business, by its very nature, has the potential for some significant losses and it is important that these exposures are mitigated. The Board is comfortable, based on the above analysis, that these risks are adequately mitigated and therefore would not expect these losses to occur, even in the tail.

Stress and Scenario Testing

As part of the overall process of risk control and in consideration of business strategy, capital setting and understanding the risk profile, various risks are considered by the business. These risks broadly fall into three areas:

- Risk of ruin, as considered via reverse stress tests (RSTs);
- Risk of multiple events on the business model and strategy considered via compound stress tests;
- Emerging risks that are potential risks to the business model and strategy.

The work completed in this area is key to ensuring the full range and impact of risks, both current and potential, is understood and represented in the capital model and risk register.

The following sub-sections provide further details of the three areas, with consideration as to how they could potentially impact the business on a forward-looking basis. The events described could happen in any of the following three years. However, the numerical analysis assumes that the events occur in the first future year, as this would be the most adverse time for them to occur.

Risk of Ruin via Reverse Stress Tests

The identification of the reverse stress tests (RSTs), incorporating events or combination of events that could threaten the viability of the business, was completed by a committee of senior and executive management representing Underwriting, Claims, Finance and Operations, with the support of the Enterprise Risk and Actuarial teams to quantify the potential exposures.

The two key risks for TME relate to Financial Lines Directors & Officers Liability (with regard to both reserving and underwriting risks) and European Windstorms. These risks have been captured (amongst other ones) in the four RSTs designed by the business.

The RSTs considered are shown in the table below. They were calibrated to threaten the viability of the business, which was defined as leading TME's own funds to fall close to, or below, TME's MCR, on either a one year or ultimate basis. Smaller reductions in net assets (which might, for example, initially lead to a breach of the SCR) are assumed to be replenished through the revolving loan facility described previously. It is believed that this facility will be available due to the significant diversification in business between the International business and the rest of the TM Group.

Scenario	Summary of Scenario
RST1: Two natural catastrophe events	Two large European Windstorms occurring in the same quarter:
RST2: Inflationary event	An inflationary event that leads to economic and insurance/reinsurance market turmoil, followed:

Risk of multiple events on business model via Compound Scenarios

On top of the RSTs, which are likely to cause TME failure, we have identified various nearer term scenarios that help the business better understand risk drivers of HCCII. It was felt that these represented an appropriate set of 'near term' events that could realistically impact the business and could be used to help test the economic capital model at lower return periods. The scenarios were discussed and agreed by the same committee of individuals that assessed the RSTs.

The compound scenarios assessed were as follows:

CS1 - Cat event and Business Interruption	• Major European windstorm and flooding
CS2 – Credit & Surety Losses	• A major construction company completely failing

Covid-19 Pandemic
A pandemic risk register has been developed to sit alongside the existing risk framework and which will be incorporated into reporting to the Risk & Capital Management Committee. The table below illustrates the principal potential risks for TME's business and operations by risk area that were identified as a result of the pandemic risk review. The overall strategy of TME includes some fundamental aspects which will mitigate the potential impacts of these Covid-19 risks and the various mitigations in place to reduce the impact of these risks are also described in the table below.

Risk Area	Principal Potential Pandemic Risks	Mitigating actions/factors
Insurance	• Increased claims activity. • Reinsurance exhaustion. • Insufficient reserves held. • Reduction in future business. • Inability to purchase future	• Contract-by-contract review of direct and indirect potential exposures. • Consideration of the impact of the global economic environment on the portfolios. • Daily underwriter briefings ensure senior management

	reinsurance.	is kept abreast of the rapidly developing market conditions, enabling the business to operate proactively. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom the Group has long-standing trading relationships. • Several unlimited Quota Share treaties in place (internal and with third parties) for a number of lines of business. • Partnering with reinsurers as claims develop. • Reserving policy produces accurate and reliable estimates that are consistent over time and across classes of business.
Strategic, Regulatory and Group	• Inability to implement strategy. • Inability to meet future business plan targets. • Failure of other TM Group companies.	• Diversified and well-balanced portfolio of business comprised of a number of low correlating lines of business. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom the Group has long-standing trading relationships. • Maintain good liquidity. • Reserving policy produces accurate and reliable estimates that are consistent over time and across classes of business. • Regular monitoring of regulatory capital and maintenance of a high excess over regulatory capital. • Each TM Group company independently capitalised.
Market	• Investment market volatility. • Asset /Liability mismatch due to different claims/premium profiles.	• Investment in secure and readily realisable assets.
Operational	• Inability of the business to fully work remotely. • Staff welfare/sickness issues. • IT Security / Fraud issues. • Outsourcing arrangements do not function as expected.	• IT infrastructure and software has enabled a smooth transition to remote working without substantial disruption. • Early instigation of the established business continuity protocols, which included specific pandemic responses facilitating a successful quick transition of TME's operations from primarily office-based to almost exclusively remote-based. • Each material outsource arrangement has regular audits confirming the appropriateness of the supplier's own business continuity arrangements, allied with closer interaction with the suppliers during the pandemic, to ensure early identification of any potential issues. • Additional monitoring of third-party outsourcing where considered appropriate.
Credit	• Reinsurance / premium or investment counterparties unable to make payments.	• Comprehensive outwards reinsurance purchased from high quality reinsurers with whom TMHCC has long-standing trading relationships. • Proactive claims mitigants in place with reinsurer involvement. • Increased cash flow and reinsurance credit monitoring.
Liquidity	• Disinvesting from assets due to increase in claim payments, delay in reinsurance recovery payments and decrease in premium inflows.	• Investment in secure and readily realisable assets.

Section D – Valuation for Solvency Purposes

The Solvency II Directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the Luxembourg statutory financial statements, unless otherwise documented below. This applies to TME Solvency II net asset valuation.

The TME financial statements have been prepared in conformity with LUX GAAP on a going concern basis.

The table below shows TME's balance sheet reconciliation from LUX GAAP, through to the Solvency II balances reported in the QRTs, detailing the reclassifications ('reclass') and valuation adjustments between LUX GAAP and Solvency II.

	As at 31 December 2019					
TME Balance Sheet Reconciliation from LUX GAAP to Solvency II	**LUX GAAP**	**SII Reclass Adj**	**SII Valuation Adj Tech. Provisions**	**SII Valuation Adj DAC & UPR**	**SII Valuation Adj Other**	**Solvency II**
As at 31 December 2019	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Assets						
Investments	191,555	25,149	-	-	4,137	220,841
Goodwill	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-
Deferred acquisition costs	25,661	-	-	(25,661)	-	-
Property, plant & equipment held for own use	698	-	-	-	-	698
Reinsurance recoverables from non-life	496,581	(14,783)	10,333	(88,681)	-	403,450
Insurance and intermediaries receivables	98,600	(43,252)	-	-	-	55,348
Reinsurance receivables	76,001	(33,836)	-	-	-	42,165
Receivables (trade, not insurance)	13,372	-	-	-	-	13,372
Cash and cash equivalents	93,883	(23,816)	-	-	-	70,067
Any other assets, not elsewhere shown	1,821	(1,429)	-	-	-	392
Total assets	**998,172**	**(91,967)**	**10,333**	**(114,342)**	**4,137**	**806,333**
Liabilities						
Technical provisions - non-life	600,614	(77,088)	50,300	(138,315)	-	435,511
Deferred tax liabilities	(9)	-	-	-	7,038	7,029
Insurance & intermediaries payables	44,768	-	-	-	-	44,768
Reinsurance payables	112,116	(14,783)	-	-	-	97,333
Any other liabilities, not elsewhere shown	102,156	(96)	-	(39,007)	(661)	62,392
Total liabilities	**859,645**	**(91,967)**	**50,300**	**(177,322)**	**6,377**	**647,033**
Excess of assets over liabilities	**138,527**	**-**	**(39,967)**	**62,980**	**(2,240)**	**159,300**

The only area where significant assumptions and judgments have been applied in the valuation process for the Solvency II balance sheet is in respect of the technical provisions. These assumptions and judgements are detailed in Section D2.

The following sections detail the Solvency II adjustments and the valuation basis for each line of the balance sheet.

D1 Assets

The Solvency II adjustments and valuation approach for each asset group in the above balance sheet order are detailed below with the exception of the technical reserves that are discussed in Section D2.

D1.1 Investments

At 31 December 2019, TME's investments were as follows:

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass	SII Valuation Adjustment	SII Valuation Adj Other	Solvency II
Government Bonds	40,301	455	-	1,611	42,367
Corporate Bonds	95,639	773	-	1,943	98,355
Collateralised Securities	34,891	105	-	583	35,579
Collective Investments Undertakings	20,724	-	-	-	20,724
Deposits other than cash equivalents	-	23,816	-	-	23,816
Investments	191,555	25,149	-	4,137	220,841

Solvency II Reconciliation

TME's $25.1m Solvency II reclassifications made to the value of the investments is to classify accrued interest on bonds and equities as Investments instead of prepayments and accrued interest and the reclassification of deposits from cash as shown under LUX GAAP. The $4.1m Solvency II valuation adjustment arises from the move from amortised cost, as reported under LUX GAAP, to market value under Solvency II.

Valuation

Bonds, Securities, Equities and Collective Investment Undertakings

Under LUX GAAP, TME values its debt securities and other fixed income transferable securities at amortised cost, with premiums and discounts amortised over the period to maturity. The amortised cost of debt securities and other fixed income transferable securities are evaluated periodically and adjusted for credit risk in cases where a decrease in the ultimate recovery value is considered to be of a durable nature. These value adjustments may not be carried when the reasons for which they were made cease to apply.

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of acquisition cost, including expenses incidental thereto and calculated based on the specific identification method, and market value. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Under Solvency II, TME values its financial investments at fair value in accordance with Solvency II.

The fair value measurement of these financial investments is in accordance with the following.

- Level 1 – Inputs are based on quoted prices in active markets for identical instruments; Company's Level 1 investments consist of U.S. Treasuries, money market funds and equity securities traded in an active exchange market. TME uses unadjusted quoted prices for identical instruments to measure fair value.

- Level 2 – Inputs are based on observable market data (other than quoted prices) or are derived from or corroborated by observable market data;

TME's Level 2 investments include most of its fixed maturity securities, which consist of U.S. government agency securities, foreign government securities, municipal bonds (including those held as restricted securities), corporate debt securities, bank loans, middle market senior loans, foreign debt securities, mortgage-backed and asset-backed securities (including collateralized loan obligations). TME measures fair value for the majority of its Level 2 investments using matrix pricing and observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures. TME measures fair value for its structured securities using observable market data in cash flow models.

TME is responsible for the prices used in its fair value measurements. TME uses independent pricing services to assist itself in determining fair value of all of its Level 2 investments. The pricing services provide a single price or quote per security. TME uses data provided by TME's third-party investment managers to value the remaining Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, TME performs various quantitative and qualitative procedures, including:

- evaluation of the underlying methodologies;
- analysis of recent sales activity;
- analytical review of TME's fair values against current market prices; and
- comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

No markets for TME's investments were judged to be inactive at period end. Based on these procedures, TME did not adjust the prices or quotes provided by its independent pricing services, third party investment managers as of 31 December 2019.

- Level 3 – use of a valuation technique where there is no active market of other transactions which is a good estimate of fair value.

These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such are Level 2 securities is impractical. That fair value is established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. TME has no Level 3 securities.

D1.2 Deferred Acquisition Costs

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Valuation Adj DAC & UPR	Solvency II
Deferred acquisition costs	25,661	(25,661)	-

Solvency II Reconciliation & Valuation

For LUX GAAP, acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. For Solvency II valuation purposes, deferred acquisition costs are valued at nil at the balance sheet date.

D1.3 Receivables

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass	Solvency II
Insurance and intermediaries receivables	98,600	(43,252)	55,348
Reinsurance receivables	76,001	(33,836)	42,165
Receivables (trade, not insurance)	13,372	-	13,372
Total receivables	**187,973**	**(77,088)**	**110,885**

Solvency II Reconciliation

For LUX GAAP, receivables which relates to outstanding premiums from policyholders are recognised in the financial statement as current assets. For Solvency II valuation purposes the outstanding premiums not yet due from policyholders are reclassed to the technical provisions. The remaining balances are due or past due as at the reporting date.

Valuation

The insurance and intermediaries receivables balance represents premiums receivable due and past due once adjusted for Solvency II as noted above. The balances are all due within 12 months and their fair value is not considered to be different to their amortised cost so no further Solvency II adjustments are required.

The reinsurance receivables balance represents paid losses recoverable net of bad debt. The balances are all due within 12 months and their fair value is not considered to be different to their amortised cost so no Solvency II adjustment is required.

The receivables (trade, not insurance) include various balances including inter-group receivables and tax. All amounts are due within 12 months and the LUX GAAP values are considered to be appropriate fair value and are therefore do not need to be adjusted for Solvency II.

D1.4 Property, Plant and Equipment

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass	Solvency II
Property, Plant & Equipment held for own use	698	-	698

Solvency II Reconciliation

There are no Solvency II valuation adjustments to the Property, Plant & Equipment held for own use.

Valuation

TME values Property, Plant and Equipment in the financial statements at cost, or open market valuation, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, costs directly attributable to bringing the assets to its working condition for its intended use, dismantling and restoration costs. Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives.

For Solvency II purposes, the Directive states that Property, Plant and Equipment should be valued on a basis that reflects its fair value. TME believes that the depreciated cost of Property, Plant and Equipment held at 31 December 2019 is a materially fair approximation for fair market value.

D1.5 Cash and cash equivalents

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass Adj	Solvency II
Cash and cash equivalents	93,883	(23,816)	70,067

Solvency II Reconciliation & Valuation

Solvency II reporting requires distinction between cash that can (unrestricted) and cannot (restricted) be used to make payments until a specific maturity date and that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

D1.6 Other Assets

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass Adj	SII Valuation Adj' Other	Solvency II
Any other assets, not elsewhere shown	1,821	(1,429)	-	392

Solvency II Reconciliation & Valuation

Under LUX GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets'. The Solvency II adjustment of $1.4m for the branch is in relation to this accrued interest, being reclassified to investments under Solvency II.

The Branch has not provided any unlimited guarantees and does not have any off balance sheet assets.

D1.7 Other Matters

TME has not provided any unlimited guarantees and does not have any off balance sheet assets.

D2 Technical Provisions

At 31 December 2019, the total value of net technical provisions for TME was $32.1m, which included $10.7m in respect of the risk margin. The movement of LUX GAAP Provisions to Solvency II net technical provisions was as follows:

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Reclass Adj	SII Valuation Adj Tech. Provisions	SII Valuation Adj DAC & UPR	Solvency II
Technical provisions – non-life	600,614	(77,088)	50,300	(138,315)	435,511
Reinsurance recoverables from non-life	(496,581)	14,783	(10,333)	88,681	(403,450)
Net technical provisions – non-life	104,033	(62,305)	39,967	(49,634)	32,061

Solvency II Reconciliation

The main Solvency II valuation adjustment to the technical reserves is to reverse the unearned premium reserves as they are valued at nil under Solvency II. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis.

The other Solvency II valuation adjustment represents the net impact on the claims reserves of applying the Solvency II valuation methodology detailed below that include the reclassification of not yet due premiums from debtors and creditors.

Valuation

The table below details the net technical provisions by Solvency II line of business by best estimate and risk margin.

TME Net Technical Provisions	Amounts in USD'000		
	Net Best Estimate	Risk Margin	Net Technical Provision
Medical expense insurance	-	-	-
Income protection insurance	4,839	648	5,487
Workers' compensation insurance	2,103	369	2,472
Marine, aviation and transport insurance	1,036	254	1,290
Fire and other damage to property insurance	5,179	509	5,688
General liability insurance	(13,175)	2,161	(11,014)
Credit and suretyship insurance	40,150	5,986	46,136
Assistance	-	-	-
Miscellaneous financial loss	1,612	285	1,897
Non-proportional health reinsurance	136	21	157
Non-proportional casualty reinsurance	(14,092)	-	(14,092)
Non-proportional marine, aviation and transport reinsurance	(83)	9	(74)
Non-proportional property reinsurance	(6,313)	427	(5,886)
Total	21,392	10,669	32,061

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of the best estimate and a risk margin.

The actuarial function carries out the valuation of technical provisions and ensures continuous compliance with the requirements set out in Articles 75 to 86 regarding the calculation of technical provisions and the risks arising from this calculation.

The actuarial function's involvement in the whole reserving process allows us to opine that the technical provisions at 31 December 2019 are sufficient and the methods / assumptions used are appropriate given the nature, scale and complexity of TME's risk profile.

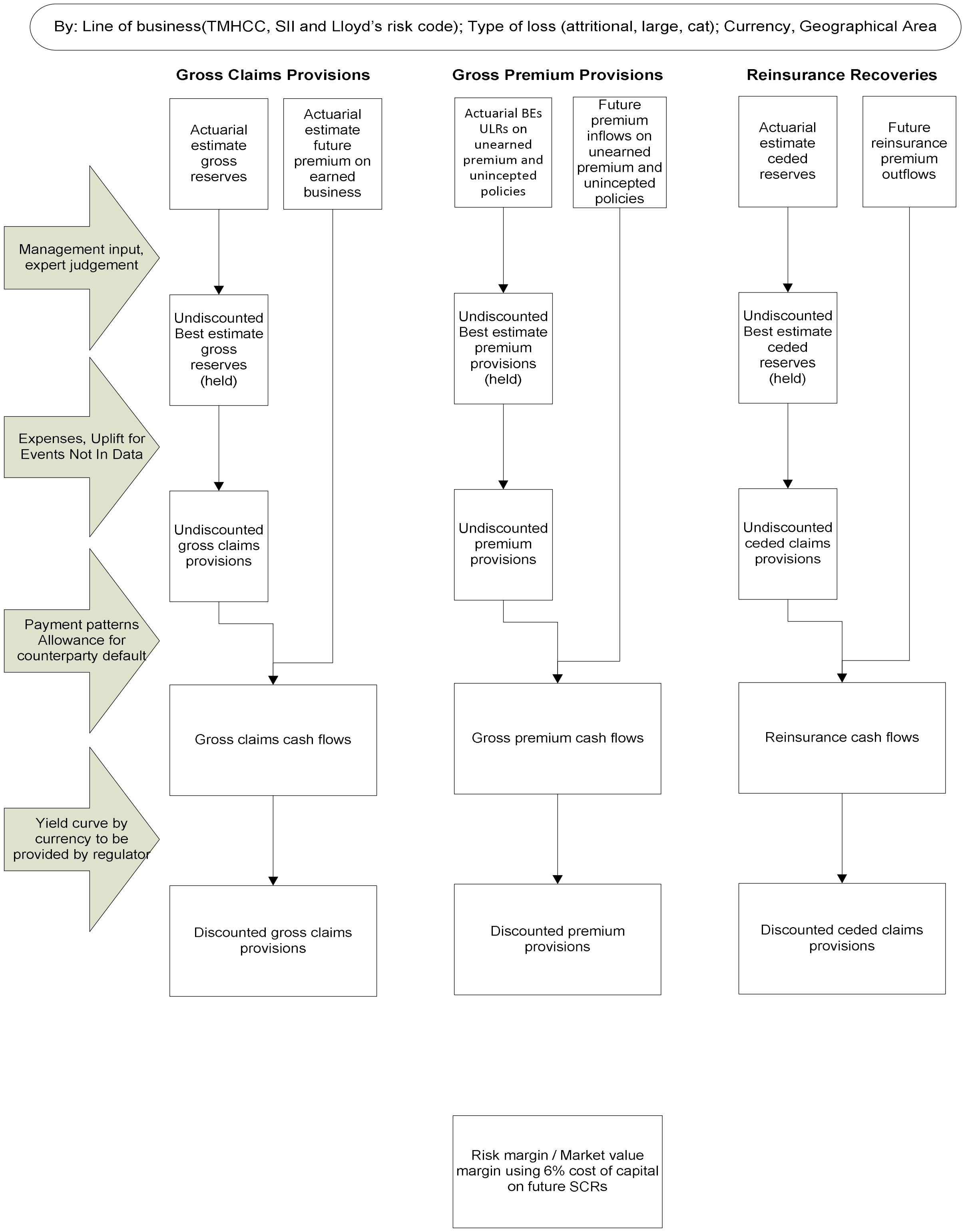
Sufficiency in this context means that TME is satisfied that the process for estimating technical provisions is thorough and proportionate, and the resulting amounts are within a reasonable range that might be calculated by a number of different qualified people using various reasonable methods and assumptions.

The methodologies used are consistent across all material lines of business and the key items are summarised below. In addition, we have included a heading looking at identified future enhancements.

Technical Provisions Calculation Overview

TMHCC International, within which TME resides, builds the Technical Provisions value from 3 components: i) the undiscounted best estimates, ii) discounting credit; and iii) risk margin.

The process is summarised in the flowchart below. Further details are found in the remaining sub-sections.


By: Line of business(TMHCC, SII and Lloyd's risk code); Type of loss (attritional, large, cat); Currency, Geographical Area
Gross Claims Provisions
Gross Premium Provisions
Reinsurance Recoveries
Management input, expert judgement
Expenses, Uplift for Events Not In Data
Payment patterns Allowance for counterparty default
Yield curve by currency to be provided by regulator
Actuarial estimate gross reserves
Actuarial estimate future premium on earned business
Undiscounted Best estimate gross reserves (held)
Undiscounted gross claims provisions
Gross claims cash flows
Discounted gross claims provisions
Actuarial BEs ULRs on unearned premium and unincepted policies
Future premium inflows on unearned premium and unincepted policies
Undiscounted Best estimate premium provisions (held)
Undiscounted premium provisions
Gross premium cash flows
Discounted premium provisions
Actuarial estimate ceded reserves
Future reinsurance premium outflows
Undiscounted Best estimate ceded reserves (held)
Undiscounted ceded claims provisions
Reinsurance cash flows
Discounted ceded claims provisions
Risk margin / Market value margin using 6% cost of capital on future SCRs

Undiscounted Best Estimate Claims Provisions

As part of TME's current reserving process, the starting point for valuing Solvency II claims provisions is the actuarial best estimate of provisions for claims including outstanding claims, IBNR and allocated loss adjustment expense.

For the purpose of our analysis, we subdivide the data using TMHCC International lines of business, as defined in section A, where segmentation is decided subject to similar coverage, reporting patterns, underwriting controls, claims handling and homogeneity of risks. These also reflect the way its business is underwritten, reported and managed. Further details may be found under the segmentation heading below.

In general, each line of business is written across multiple TMHCC International entities. The default position is that an analysis is carried out gross and net of reinsurance and that results be reported at both these levels. In some cases, due to the lack of reinsurance or its immaterial nature, explicit allowance is not made for reinsurance.

Full analyses of reserves take place at least annually. During the full analyses, attritional claims and large losses gross and net of reinsurance are projected to ultimate using the following four standard actuarial methods:

- Paid Chain Ladder ('PCL');
- Incurred Chain Ladder ('ICL');
- Incurred Bornhuetter-Ferguson ('IBF');
- Loss Ratio method ('LR').

The method selected depends on the accident or underwriting year, gross or net of reinsurance perspective and the line of business. This is documented within the reserving files and analysis spreadsheets. Generally for more developed years, the ICL is used and for less developed years, the IBF method is used. For the years where the IBF or LR is used, the ultimate claim projected is sensitive to the Initial Expected Ultimate Loss Ratio ('IEULR') assumption (also referred to as the 'prior loss ratio' assumption). TMHCC International bases its IEULRs on historical rebased loss ratios, taking into account premium rate changes and claims inflation.

Undiscounted Best Estimate Premium Provisions

The starting point of the premium provisions is the unearned premium reserve (UPR) and, for bound but not incepted ('BBNI'), an estimate of the premium relating to policies that have an inception date post the valuation date and a bound date pre the valuation date. TMHCC International uses historical and budget data to estimate the volume of premium related to BBNI policies. This approach allows for policies bound before the valuation date but which have not yet been captured within the policy underwriting systems at the time of calculating the Technical Provisions due to typical processing delays.

For lines of business that undergo actuarial review as part of TME's reserving process the undiscounted premium provision is calculated by applying the relevant actuarial best estimate ultimate loss ratios to the UPR and the BBNI premium amounts. Where no actuarial review has been undertaken budgeted loss ratios are assumed to represent this best estimate.

The actuarial best estimate ultimate loss ratios arise from actuarial reserving analysis and correspond to a central expectation based on relevant historical experience on prior years and adjusted where appropriate for changes in mix of business and anticipated premium rate movements and loss trends. Where the actuarial best estimate loss ratio does not include provision for large losses or catastrophes, management applies loads consistent with the internal model large loss and catastrophe parameters, to account for the future occurrence of these events.

Undiscounted Best Estimate Reinsurance Provisions

Reinsurance recoveries on claims provisions are calculated directly from the estimated cash flows from current ceded claims. Reinsurance recoveries on premium provisions are estimated differently depending on the type of reinsurance.

For Lines of Business ('LOBs') with quota share ('QS') reinsurance, the ceded cash flows are calculated by applying the ceded percentage to the estimated gross claim cash flow.

For LOBs with excess of loss reinsurance, there will be cessions on large and catastrophe losses. Identification of the reinsurance contracts that respond to the gross losses in the premium provisions is an important aspect of estimating reinsurance recoveries as well as the associated cost of this reinsurance cover. The key considerations are the basis of the reinsurance (losses occurring or risks-attaching), the inception date of the reinsurance contract and its binding status at the valuation date.

Reinsurance contracts that have already incepted will respond to losses, regardless of the basis. As such we make full provision for any reinsurance premiums payable in the future and the associated reinsurance recoveries.

Losses-occurring ('LOD') reinsurance contracts that incept in the future will respond to losses that occur during the reinsurance policy period.

Unless the reinsurance contract is already bound at the valuation date, we include a portion of both reinsurance premiums payable and losses ceded to future LOD reinsurance contracts to the extent that the cover relates to existing inwards business.

Risks-attaching ('RAD') reinsurance contracts that incept in the future will respond to losses incurred on policies that incept during the reinsurance treaty period only.

The BBNI inward policies, included in the technical provisions as at 31 December 2019, will have reinsurance treaties, incepting during 2020, attaching to their premiums and losses. A corresponding portion of the cost of this reinsurance and expected ceded losses is included in the technical provisions.

In summary, the treatment of reinsurance premiums and recoveries is as follows:

<table>
<tr><th>Contract status at point of valuation</th><th>Reinsurance premiums</th><th>Reinsurance recoveries</th></tr>
<tr><td>Incepted, bound</td><td rowspan="2">Future premiums due allowed for in full</td><td rowspan="3">Full allowance for expected future recoveries associated with losses arising from all incepted as well as bound-but-not-incepted inwards business that falls within scope of the technical provisions (where the purchase of reinsurance is subject to future management actions it is assumed that cover will be renewed on existing terms)</td></tr>
<tr><td>Unincepted, bound</td></tr>
<tr><td>Unincepted, not bound</td><td>Allow for a portion of expected premiums payable under such reinsurance contract(s) relating to the run-off of existing incepted and bound-but-not-incepted inwards business</td></tr>
</table>

Events Not In Data (ENIDs)

Parameterization of models for estimating mean claims reserves using historic data will only allow for the scale of events that have been observed within the history. An ENID loading ensures consideration of all possible future outcomes and so allows the 'true' mean to be determined.

At least three types of events should be considered:

- Outstanding events which could go one way or another with a material change in the reserves determined by the outcome, e.g. court cases establishing liability;
- Events which will affect only the premium provision, e.g. future catastrophes; and
- Events which will affect both the premium provision and claims provision, e.g. future latent claims.

Management add an explicit load to the best estimate for ENIDs. The approach assumes that the distributions and Coefficients of Variation ('CVs') selected as part of the internal model parameterization represent truncated distributions. The level of realistically foreseeable events for this purpose is taken as 1-in-40/97.5%, noting that this is broadly in line with a once-in-a-career return period. An uplift factor is derived as the ratio of the 'true mean' to the 'mean only including realistically foreseeable events'. This factor is then scaled in line with the results of a qualitative scoring framework which assesses each line of business's relative exposure to ENIDs.

The explicit provision for ENIDs increases total technical provisions by around 1%-3% depending on business mix.

The catastrophe and large loss loads applied to prospective business should be considered in conjunction with the explicit ENID load. Catastrophe and large losses in the internal model are parameterized to best capture the prospective risk. The parameterization does not rely solely on historical losses but also on the nature and scale of current risk exposures. The catastrophe and large losses will model events not seen in TMHCC International's history. They can therefore be considered as contributing to bringing technical provisions from the 'foreseeable events' basis to 'all possible outcomes' required under Solvency II.

Counterparty Default Risk

The traditional reinsurer bad debt provision is generally increased to include potential losses on recoveries on premium provisions, and from any other counterparties. For the current year, and consistent with the internal model assumptions, we have concluded that counterparty default risk on policyholder debtors, deposits with ceding institutions, and letters of credit is not material and thus is not included in technical provisions. These assumptions are consistent with the prior year.

Cash Flows and Discounting

Solvency II technical provisions are valued with consideration of the time value of money, and thus the potential investment income on reserves decreases the amounts of the liabilities. Cash flows are calculated by applying appropriate payment patterns to the undiscounted best estimates.

Payment patterns are derived using triangles of relevant historical paid losses. Where there is insufficient data to calculate a credible payment pattern from internal data, payment patterns from a similar line of business, adjusted or unadjusted, may be used or the payment pattern exhibited by a suitable benchmark dataset, such as the Lloyd's Market Association risk code triangles, may be used. Payment patterns may differ according to year of loss, whether the claims are attritional / large / catastrophe, or relate to gross or ceded cash flows.

The payment patterns are fitted to quarterly development data and we discount cash flows assuming payments take place at the end of each quarter.

TME uses the yield curves as provided by the European Insurance and Occupational Pensions Authority ('EIOPA'). These are applied to the best estimates of undiscounted annual cash flows by currency. It should be noted that the Economic Scenario

Assumptions about policyholder behaviour

The two main areas of policyholder behaviour considered relate to lapses and renewal rates.

The valuation of the technical provisions assumes that the policies will remain in force including any policies where the policyholder has an option to lapse or TME has an option to lapse. In the expected course of events TME does not operate a policy of cancelling contracts and historical experience implies a best estimate based on no policyholder lapses. This assumption is unchanged since the last reporting period.

Risk Margin

Article 37 of the Delegated Acts sets out the formula which should be used to calculate the risk margin.

The risk margin is calculated as a part of technical provisions in order to ensure that the value of technical provisions is equivalent to the amount that an undertaking would be expected to require in order to take over and meet the transferred obligations.

The method used involves the following three step process:

- Calculation of SCRs that are required to support the technical provisions at time=0 and time=1.
- For estimating SCRs at t=2 onwards, we assume that future SCRs are proportional to the best estimate technical provision for the relevant year, including a cumulative uplift to allow for the increase in variability relative to the best estimate provisions. This is an appropriate simplification because TME's exposure to catastrophe risk and underwriting risk is only significant at t=0 due to potential catastrophe losses and expected future premium income over the one year time horizon starting at t=0. The SCR at t=1 is therefore considered suitably representative of the run-off risk profile in which catastrophe and other underwriting risk is expired.
- The projected SCRs are then multiplied by the cost of capital of 6% p.a. (as put forward by EIOPA) to determine the cost of providing this amount of eligible own funds. This cost is discounted by the risk-free rate and the sum of the discounted cost of capital for each future year over the lifetime of the business giving the total risk margin.

Overview of material changes in the level of Technical Provisions since last reporting period

As this is the first time the technical provisions have been reported for TME, there is no comparison to previous reporting periods. Therefore only the 31 December 2019 for TME are set out below.

TME's NET Technical Provisions: Comparison to Prior Valuations (USD'000)			
	31 December 2019 (2019 YE FX Rates)	**31 December 2018 (2019 YE FX Rates)**	**31 December 2018 (2018 YE FX Rates)**
Claims Provisions	54,603	-	-
Premium Provisions	(33,211)	-	-
Total excluding Risk Margin	21,392	-	-
Risk Margin	10,669	-	-
Total including Risk Margin	**32,061**	**-**	**-**

Segmentation

Calculation of technical provisions for application of the SF and for statutory reporting requires recasting of the internal line of business ('LOB') segmentation into Solvency II line of business. In many cases, the Solvency II LOB is composed of multiple TMHCC International LOBs, or subsets thereof. TMHCC International LOBs are allocated to Solvency II line of business based on policy master class coding, Lloyds risk coding (where available) and transaction type. This allows for the unbundling of contracts into the corresponding Solvency II LOBs. The mapping is broadly unchanged from the previous year.

Internal data improvements, procedural changes and significant deficiencies

One of the operational risks faced by TME is that resulting from the use of poor quality data in processes including reserving and technical provisions. In order to mitigate this risk across TMHCC International's insurance entities, TMHCC International agreed a common Data Governance Policy in late 2011 which sets out how the organisation will document the data used to perform key business processes and ensure that it is fit for purpose. From 2012 onwards, this Data Governance Policy has been applied to the Actuarial Reserving and Calculation of Technical Provisions, as they are critical business processes, with the Policy being reviewed on a regular basis.

In order to confirm that the data used to drive these processes is fit for purpose TME has assessed data quality using the criteria we have adopted for Solvency II (appropriateness, completeness, consistency & accuracy) following the process described below:

- Produced a data-flow chart for each business process that shows the data-sets that flow into and out of the process, along with the reconciliation points that ensure data is consistent throughout the process.
- Documented at field level, the data-sets used to drive each business process and recorded this information in the Data Directory.
- Assigned each data set to a subject matter expert and asked them to complete a standard data quality template containing an assessment as to whether that data set is complete & appropriate for its intended business usage.
- Developed a series of automated reconciliation reports that highlight any data inconsistencies between IT systems.
- Introduced compliance procedures to ensure that all relevant manual reconciliations are completed whenever a specific business process is performed.
- Introduced audit procedures to assess, report on and remedy the accuracy of those data elements that are material to the organization and are manually entered into systems.

Further detail of the implementation of the above processes has been documented within 'Internal Model Data Policy'.

Having applied the Data Governance Policy as discussed above the organisation believes that it has significantly reduced the residual risk relating to the use of poor quality data. The process of extracting and processing the TP data was significantly streamlined during 2015 through the development of a Pillar 3 data mart dedicated to Solvency II reporting. The data mart is a joint initiative between the Business Intelligence and Finance teams with significant support provided by the Actuarial Function during its development.

One area of limitation has been identified, which relates to the lack of IBNRs being available at the required level of granularity (eg, origin period / currency / risk code combinations). This is remediated by incorporating allocation algorithms in the Pillar 3 data mart.

Group adjustments to individual technical provisions

This is not applicable for TME's technical provisions.

Third country insurance and reinsurance undertakings

All of TME's Branches in Europe are all within the EU.

Material changes to assumptions or methods since the prior period

As part of the Solvency II technical provision process, various actual versus expected ('A v E') analyses are undertaken, including comparison of projected technical provisions with actual technical provisions and comparisons line by line (on a GAAP basis).

As TME was established this year, an A v E analysis was not undertaken. However, an A v E analysis is carried out as part of the annual full re-projection process which occurs in the 3rd quarter, and if applicable, adjustments to our assessment of the appropriateness, accuracy and completeness of the data, or to the methodologies would be applied where necessary.

Description of the level of uncertainty associated with the value of technical provisions

Any estimates of loss and ALAE liabilities are inherently uncertain. In our judgment, we have employed techniques and assumptions that are appropriate for the purposes of this analysis, and the conclusions presented herein are reasonable, given the information currently available. However, it should be recognized that the actual emergence of loss and ALAE amounts will likely deviate, perhaps materially, from our estimates.

TME's gross reserves are dominated by Financial Lines comprising a sizeable portfolio of International D&O business. These lines tend to be both volatile and long-tailed. However, due to the existence of internal reinsurance arrangements within the wider International Group, the net reserves are nil. In addition, TME writes a small Employers' Liability book, which is exposed to potential latent disease claims.

Our Solvency II premium provision projections cover unexpired risks, and any period of future exposure is necessarily subject to a higher degree of uncertainty. This is especially the case for catastrophe-exposed classes of business, which are characterised by losses of an inherently uncertain low-frequency/high-severity nature.

Our selected point estimates are central estimates in the sense that they are not deliberately biased upwards or downwards. They do not necessarily represent a mid-point of the range of possible outcomes, as the potential for adverse movement generally exceeds the potential for favourable movement.

The conclusions of the analysis were:

- The technical provisions (excluding future premium) are most sensitive to the earned reserve levels and the loss ratios assumed in the unearned provisions. For example, using 25th and 75th percentiles from the underlying reserve distribution, rather than best estimate would change the technical provisions in the region of 10%.
- The technical provisions (excluding future premium) are also sensitive to the discount rate used, to the extent that if discount rates returned to the levels seen before the financial crisis, this would have an impact on the technical provisions in the region of 10%. It should be noted that for the higher range test (i.e. assuming no discounting credit), the impact is also a reduction to the technical provisions, which arises due to the volume of Euro denominated provisions and the negative Euro yield curve at shorter terms as at 31 December 2019.
- The technical provisions (excluding future premium) are not so sensitive (less than 5%) to changes to the risk margin calculation or the use of future management actions.

Transitional provisions on technical provisions, matching adjustment and volatility adjustment

TME does not have any transitional provisions on technical provisions, nor make any matching or volatility adjustments.

The use of simplified approaches

A simplified approach is used within the Risk Margin calculation. Further details were provided in the Risk Margin section.

Assumptions about future management actions

TME's Technical Provisions include one future management action relating to Reinsurance Structure, whereby it is assumed reinsurance that is in-force at the beginning of the year is maintained with regard to structure and cost.

This will impact the unearned and unincepted components of the Technical Provisions only; known claims will have attached to prior reinsurance, if applicable.

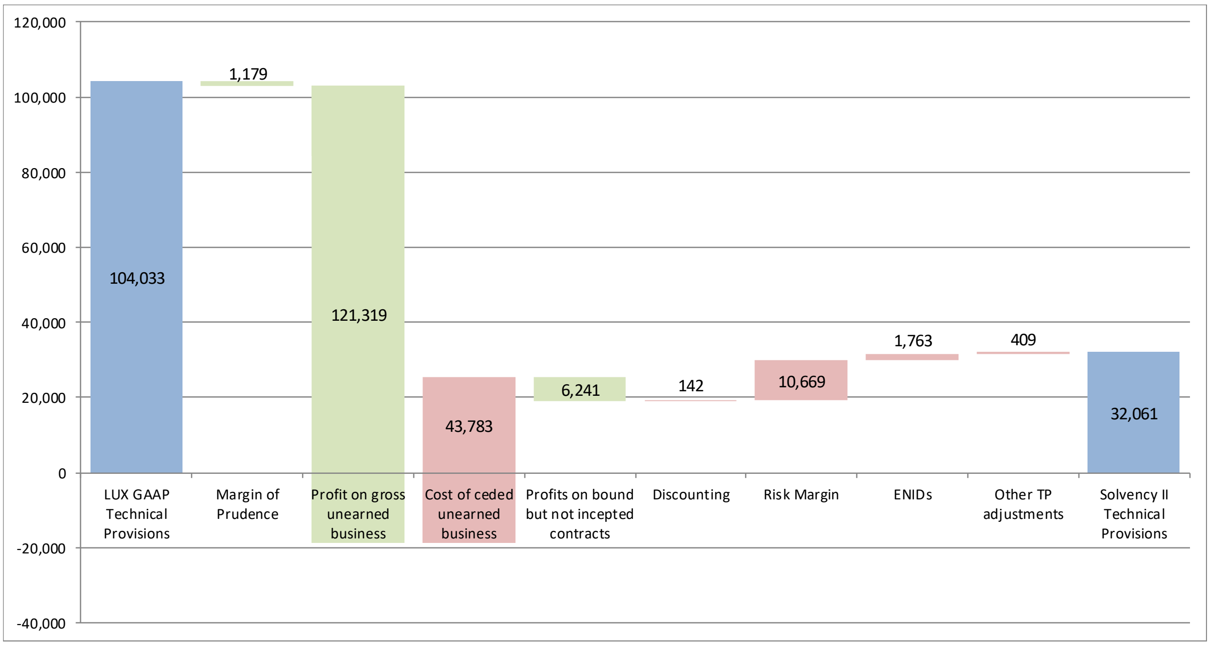
The secondary risk associated with this reinsurance - reinsurer credit risk - is also included in the Technical Provisions.

Differences to UK GAAP Technical Provisions

Differences between the current GAAP reserves and Solvency II technical provisions can be broken down into the following drivers:

- Removal of booked reserve margins (decrease)
- Loading for events not in data (increase)
- Change of expense basis (increase)
- Adjustments to earned provisions, including future development in earned premium where appropriate (usually decrease)
- Emergence of profit on future premium, including removal of 100% UPR (usually decrease)
- Bound but not incepted policies (usually decrease)
- Discounting (usually decrease)
- Risk margin (increase)

The waterfall chart below illustrates the impact of each of these on TME's GAAP and Solvency II reporting positions, followed by a table that provides the underlying figures for each component:



Reconciliation of TME's Net Technical Provisions: LUX GAAP to Solvency II ($'000)		
	as at 31 Dec 2019	**as at 31 Dec 2018**
LUX GAAP Technical Provisions	**104,033**	**-**
Removal of booked reserve margins	(1,179)	-
Allowance for events not in data (binary events)	1,763	-
Change of expense basis	17,687	-
Adjustments to earned provisions	409	-
Removal of unearned LUX GAAP provisions	(49,522)	-
Future premium iro unearned incepted business	(61,846)	-
Projected losses arising from UPR	16,145	-
Future premium iro unincepted business	(20,042)	-
Projected losses arising from unincepted contracts	13,801	-
Discounting credit	142	-
Inclusion of risk margin	10,669	-
SII Technical Provisions	**32,061**	**-**

Except for the explicit margin of prudence, all items are a function of the Solvency II valuation requirements. All items are in line with expectation, both with regard to direction and quantum. Although, it should be noted that the discounting credit would usually be expected to result in a decrease to the technical provisions. However, as a significant proportion of TME's provisions are denominated in Euros and the Euro yield curve is currently negative at shorter terms, the overall impact of the discounting credit is actually a small increase to the technical provisions.

D3 Other Liabilities

The Solvency II adjustments and valuation approach for each liability group in the above balance sheet order are detailed below with the exception of the technical provisions that are discussed in sub section D2.

D3.1 Deferred Tax

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Valuation Adj Other	SII Reclass	SII Valuation Adj Other	Solvency II
Deferred tax liabilities	(9)	-	-	7,038	7,029

Solvency II Reconciliation

The Solvency II valuation adjustment to the deferred tax liabilities represents the net impact of all the Solvency II valuation adjustments, including the reinstatement of deferred tax itself, which is not recognised under LUX GAAP.

Valuation

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Profit and Loss Account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Other Comprehensive Income. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax balances are not discounted.

D3.2 Payables

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Valuation Adj Tech. Provisions	SII Reclass	Solvency II
Insurance & intermediaries payables	44,768	-	-	44,768
Reinsurance payables	112,116	-	(14,783)	97,333
Total payables	**156,884**	**-**	**(14,783)**	**142,101**

Solvency II Reconciliation

The Solvency II valuation adjustments to Insurance & intermediaries payables reflect not yet due balances that are reclassified to the technical provisions. The remaining balances are due or past due.

Valuation

The insurance and intermediaries payables represent premiums, commissions and claims payable. The balances are all due within 12 months and are considered to be stated at fair value that is not considered to be different to their amortised cost so no further Solvency II adjustment is required.

The reinsurance payables represent reinsurance premiums and commissions payable past due. All balances are due within 12 months and, once adjusted for Solvency II as noted above, their fair value is not considered to be different to their amortised cost so no additional Solvency II adjustment is required.

D3.3 Other liabilities

TME Reconciliation from LUX GAAP to Solvency II USD'000	LUX GAAP	SII Valuation Adj DAC & UPR	SII Reclass	SII Valuation Adj Other	Solvency II
Any other liabilities, not elsewhere shown	102,156	(39,007)	(96)	(661)	62,392

Solvency II Reconciliation

The Solvency II adjustment is in respect of reinsurance acquisition costs, which represent commission and other related expenses that are deferred over the period in which the related premiums are earned under LUX GAAP. For Solvency II valuation purposes, deferred acquisition costs are valued at nil at the balance sheet date.

Valuation

The remainder of the other liabilities includes obligations relating to Surety collateral, accrued premium taxes, settlements for investment purchases and staff costs and tax accruals. These balances are valued at fair value under both LUX GAAP and Solvency II.

D3.4 Other Provisions and Contingent Liabilities

TME does not have any Other Provisions and does not have any material Contingent Liabilities outside of the normal course of insurance.

D3.5 Employee benefits

TME operates a defined contribution pension scheme to which is contributes a percentage salary of an employee. There are no unpaid employer contributions.

D4 Alternative methods for valuation

TME has not applied any alternative methods of valuation.

D5 Any other information

There is no additional information that requires disclosure.

Section E – Capital Management

TME is a single shareholder entity. It has no debt financing, nor does it have any material plans to issue new shares in the short or medium term.

TME's capital planning process is dynamic and forward-looking and is informed by the output from its risk management activities and the ORSA process. TME carries an S&P rating of A+.

As such, capital planning activities take into account current and anticipated changes in TME's risk profile, such as those reflected in its three year business plan, and forecasting the related impact on capital. In addition, as part of its capital planning, TME integrates projected capital needs with its business planning and financial forecasting processes.

In order to ensure the maintenance of appropriate capital level at all times, TME has defined a specific capital risk appetite with thresholds and limits that trigger actions, including the source of capital and/or associated corrective actions. These appetites have been developed in line with regulatory requirements under the Solvency II regime whilst also including an appropriate level of prudence over and above minimum levels. These are monitored through the Risk and Capital Management Committee on a regular basis.

Own funds are comprised of items on the balance sheet, which are referred to as basic own funds consisting of paid-up ordinary share capital, retained earnings and a reconciliation reserve. There are no transitional provisions or ancillary own funds for TME.

E1 Own Funds

At 31 December 2019 the own funds held by TME were $159.3m. All own funds qualify as Tier 1 core capital and are unrestricted.

Reconciliation reserve	2019 USD'000
Excess of assets over liabilities	159,300
less:	
Own Share Capital	1,159
Share premium	139,000
Deferred Tax Assets	
Reconciliation reserve	19,141

The classification into tiers is relevant for the determination of own funds that are eligible for covering the solvency capital requirement and the regulatory minimum capital requirement. The table below represents for the SCR and MCR with respect to tiers:

Available Funds 31 Dec 2019	Total USD'000	Tier 1 unrestricted USD'000	Tier 1 restricted USD'000	Tier 2 USD'000	Tier 3 USD'000
Total eligible funds to meet the **SCR**	159,300	159,300	-	-	-
Total eligible funds to meet the **MCR**	159,300	159,300	-	-	-

The table below represents the ratio of eligible own funds that the Branch holds to cover the SCR and MCR:

Eligible own funds to cover capital requirements	2019 USD'000
Solvency II Net Assets	159,300

Standard Formula Solvency Capital Requirement ('SF SCR')	101,708
MCR	25,427
Excess Net Assets over SF SCR	57,592
Excess Net Assets over MCR	133,873
Solvency Ratio (i.e. SII Net Assets / SF SCR)	157%
SII Net Assets as a Percentage of MCR	627%

Material differences between equity in the financial statements and the excess of assets over liabilities

Assets and liabilities are calculated differently between Solvency II and LUX GAAP resulting in reclassifications and differences in valuation including:

- Deferred acquisition costs are not recognised under Solvency II;
- Intangibles are disallowed;
- Technical provisions are calculated on a discounted best estimate basis;
- Deferred tax changes due to valuation differences under Solvency II.

The differences arising from the change in valuation are reported in the table below:

Excess of Assets over Liabilities - Attribution of Valuation Differences 31st December 2019	TME USD'000
Arising from SII asset valuations	191,839
Arising from SII technical provisions	(165,103)
Arising from SII other liabilities	(47,509)
Total of reserves and retained earnings from financial statements	(1,632)
Reserves from financial statements adjusted for Solvency II valuation differences	19,141
Ordinary share capital	140,159
Excess assets over liabilities	159,300
Less: Foreseeable dividends	-
Add: Subordinated liabilities	-
Excess assets over liabilities	159,300
Add: Letters of credit	-
Total own funds	**159,300**

E2 Solvency Capital Requirements and Minimum Capital Requirements

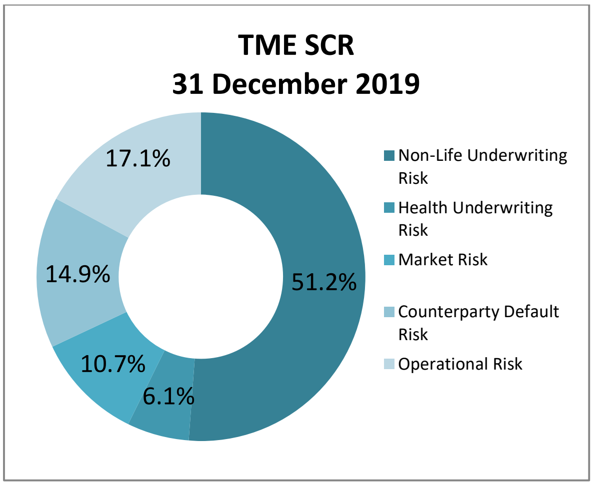
At 31 December 2019, the SCR of TME is $101.7m. The SCR is calculated using the SF. The Branch does not apply any simplifications or undertaking specific parameters in the calculation.

TME has assessed and confirmed the appropriateness of the SCR as calculated using the SF.

The SCR's key Risk Modules for TME are set out in the diagram below before diversification credit:

Capital Requirement for each Risk Module USD'000	Net SCR 2019
Non-Life Underwriting Risk	66,403
Health Underwriting Risk	7,902
Market Risk	13,877
Counterparty Default Risk	19,314
Diversification Credit	(23,557)
Operational Risk	22,221

Pre Deferred Tax SF SCR	106,161
Loss Absorbing Capacity of Deferred Tax	(4,453)
Final SF SCR	**101,708**



The overall MCR for TME of $25.4m is calculated on the net premiums due to TME during the twelve months ending 31 December 2019 and the net technical provisions, excluding risk margin, as at 31 December 2019, represented by the tables below:

TME MCR Calculation	2019 USD'000
Linear MCR	22,202
SCR	101,708
MCR cap	45,768
MCR floor	25,427
Combined MCR	25,427
Absolute floor of the MCR	4,181
MCR	**25,427**

Calculation of MCR (inputs) USD'000 31 December 2019	Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	-	-
Income protection insurance and proportional reinsurance	4,839	5,679
Workers' compensation insurance and proportional reinsurance	2,103	2,199
Motor vehicle liability insurance and proportional reinsurance	-	-
Other motor insurance and proportional reinsurance	-	-
Marine, aviation and transport insurance and proportional reinsurance	1,036	14,320
Fire and other damage to property insurance and proportional reinsurance	5,179	7,095
General liability insurance and proportional reinsurance	0	8,580
Credit and suretyship insurance and proportional reinsurance	40,151	43,931
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	1,612	2,140

Non-proportional health reinsurance	136	671
Non-proportional casualty reinsurance	-	709
Non-proportional marine, aviation and transport reinsurance	-	2,399
Non-proportional property reinsurance	-	20,022

There have been no periods of non-compliance or material changes with the SCR or the MCR during the year. The SF SCR has no undertaking specific parameters or simplifications used in the SCR calculations.

E3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration-based equity risk sub-module is not used in the calculation of the SCR for Company.

E4 Differences between the standard formula and any internal model used

Not applicable.

E5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There were no instances of non-compliance with the MCR or SCR, for either TME, during the period from 1 January 2019 to 31 December 2019.

E6 Any other information

Undertaking-Specific Parameters ('USPs') and matching adjustments

TME does not have any USPs and the Group does not require matching adjustments, as they are not required for a Non-Life Company.

Other material information for capital management

TME does not consider any other material information for managing capital.

Simplified calculation in the standard formula

No material simplifications are used in calculating the SF.

Section F – ANNEX: Quantitative Reporting Templates

This Annex lists the annual Quantitative Reporting Templates ('QRTs') submitted to the CAA on behalf of Tokio Marine Europe 'TME') in respect of the year ended 31 December 2019.

The following QRTs are presented in this annex:

Form	Description	TME (Solo)
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.23.01.01	Own funds	✓
S.23.01.22	Own funds	
S.25.01.21	Solvency Capital Requirement for undertakings on Standard Formula	✓
S.25.01.22	Solvency Capital Requirement for groups on Standard Formula	
S.28.01.01	Minimum Capital Requirement – Only life or non-life insurance or reinsurance activity	✓
S.32.01.22	Undertakings in the scope of the group	

Solo Quarterly Reporting Templates

S.02.01.02

Balance Sheet

Amounts in USD 000's

Assets		Solvency II value
		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	698
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**220,841**
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	176,301
Government Bonds	R0140	42,368
Corporate Bonds	R0150	98,354
Structured notes	R0160	-
Collateralised securities	R0170	35,579
Collective Investments Undertakings	R0180	20,724
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	23,816
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	**R0230**	**-**
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	**R0270**	**403,450**
Non-life and health similar to non-life	R0280	403,450
Non-life excluding health	R0290	387,365
Health similar to non-life	R0300	16,085
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	55,348
Reinsurance receivables	R0370	42,165
Receivables (trade, not insurance)	R0380	13,372
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	70,067
Any other assets, not elsewhere shown	R0420	392
Total assets	**R0500**	**806,333**

S.02.01.02

Balance Sheet

Amounts in USD 000's

Liabilities

Technical provisions - non-life	**R0510**	**435,511**
Technical provisions - non-life (excluding health)	**R0520**	**411,310**
TP calculated as a whole	R0530	-
Best estimate	R0540	401,679
Risk margin	R0550	9,631
Technical provisions - health (similar to non-life)	**R0560**	**24,201**
TP calculated as a whole	R0570	-
Best estimate	R0580	23,163
Risk margin	R0590	1,038
TP - life (excluding index-linked and unit-linked)	**R0600**	**-**
Technical provisions - health (similar to life)	**R0610**	**-**
TP calculated as a whole	R0620	-
Best estimate	R0630	-
Risk margin	R0640	-
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**-**
TP calculated as a whole	R0660	-
Best estimate	R0670	-
Risk margin	R0680	-
TP - index-linked and unit-linked	**R0690**	**-**
TP calculated as a whole	R0700	-
Best estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	7,029
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	44,768
Reinsurance payables	R0830	97,333
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	**R0850**	**-**
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	62,392
Total liabilities	**R0900**	**647,033**

Excess of assets over liabilities	**R1000**	**159,300**

S.05.01.02

Premiums Claims and Expenses by Line of Business

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)
Amounts in USD 000's

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums Written													
Gross - Direct Business	R0110	0	21,845	2,363	0	0	78,884	55,507	170,394	54,569	0	0	16,515
Gross - Proportional reinsurance accepted	R0120	0	8,491	0	0	0	12,639	14,607	15,671	0	0	0	859
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	0	24,656	164	0	0	77,204	63,019	177,485	10,638	0	0	15,234
Net	R0200	0	5,679	2,199	0	0	14,320	7,095	8,580	43,931	0	0	2,140
Premiums earned													
Gross - Direct Business	R0210	0	16,507	1,490	0	0	64,109	45,963	110,740	29,162	0	0	12,814
Gross - Proportional reinsurance accepted	R0220	0	7,725	0	0	0	10,671	10,633	12,811	0	0	0	760
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	0	19,968	68	0	0	66,666	52,141	121,677	7,722	0	0	11,787
Net	R0300	0	4,265	1,422	0	0	8,114	4,455	1,873	21,440	0	0	1,788
Claims incurred													
Gross - Direct Business	R0310	15	7,896	926	0	0	34,758	24,560	45,911	38,062	0	9	13,378
Gross - Proportional reinsurance accepted	R0320	0	3,683	0	0	0	5,559	8,590	2,181	0	0	0	87
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	0	9,250	54	0	0	35,801	30,097	26,188	10,204	0	(1)	11,388
Net	R0400	15	2,328	872	0	0	4,517	3,052	21,905	27,858	0	9	2,077
Changes in other technical provisions													
Gross - Direct Business	R0410												
Gross - Proportional reinsurance accepted	R0420												
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440												
Net	R0500												
Expenses incurred	R0550	0	3,820	519	0	0	1,717	2,766	(11,231)	17,613	0	0	(953)
Other expenses	R1200												
Total expenses	R1300	0	3,820	519	0	0	1,717	2,766	(11,231)	17,613	0	0	(953)

		Line of Business for: accepted non-proportional reinsurance				
		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
Premiums Written						
Gross - Direct Business	R0110					400,076
Gross - Proportional reinsurance accepted	R0120					52,267
Gross - Non-proportional reinsurance accepted	R0130	856	22,739	3,428	27,806	54,829
Reinsurers' share	R0140	185	22,030	1,029	7,784	399,427
Net	R0200	671	709	2,399	20,022	107,744
Premiums earned						
Gross - Direct Business	R0210					280,786
Gross - Proportional reinsurance accepted	R0220					42,600
Gross - Non-proportional reinsurance accepted	R0230	694	17,628	2,809	25,834	46,965
Reinsurers' share	R0240	78	17,389	954	7,497	305,947
Net	R0300	616	239	1,855	18,337	64,404
Claims incurred						
Gross - Direct Business	R0310					165,515
Gross - Proportional reinsurance accepted	R0320					20,100
Gross - Non-proportional reinsurance accepted	R0330	249	(13,403)	841	1,285	(11,029)
Reinsurers' share	R0340	9	8,176	138	1,467	132,771
Net	R0400	240	(21,579)	703	(183)	41,814
Changes in other technical provisions						
Gross - Direct Business	R0410					0
Gross - Proportional reinsurance accepted	R0420					0
Gross - Non-proportional reinsurance accepted	R0430					0
Reinsurers' share	R0440					0
Net	R0500					0
Expenses incurred	R0550	137	2,230	398	6,471	23,487
Other expenses	R1200	0	0	0	0	0
Total expenses	R1300	137	2,230	398	6,471	23,487

S.05.02.01
Premiums, claims and expenses by country
Amounts in USD 000's

S.05.02.01.01
Home Country - non-life obligations

S.05.02.01.02
Top 5 countries (by amount of gross premiums written) - non-life obligations

S.05.02.01.03
Total Top 5 and home country - non-life obligation

		Home Country	Spain	France	Belgium	United Kingdom	Germany	Total Top 5 and home country
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	347	129,261	113,466	73,056	33,517	41,308	**387,693**
Gross - Proportional reinsurance accepted	R0120	366	0	47	0	16,479	1,595	**19,951**
Gross - Non-proportional reinsurance accepted	R0130	384	1,598	2,155	640	2,024	6,393	**14,690**
Reinsurers' share	R0140	68	125,174	103,488	73,695	17,971	47,152	**428,327**
Net	R0200	1,030	5,684	12,180	0	34,049	2,144	**(5,992)**
Premiums earned								
Gross - Direct Business	R0210	142	80,358	79,303	75,198	17,765	33,809	**283,510**
Gross - Proportional reinsurance accepted	R0220	88	0	25	0	14,089	741	**16,420**
Gross - Non-proportional reinsurance accepted	R0230	97	1,046	2,043	376	1,195	6,101	**11,697**
Reinsurers' share	R0240	20	77,869	72,803	75,574	11,417	38,882	**341,667**
Net	R0300	306	3,536	8,569	0	21,632	1,768	**(30,041)**
Claims incurred								
Gross - Direct Business	R0310	488	41,819	54,483	7,913	12,053	11,865	**128,621**
Gross - Proportional reinsurance accepted	R0320	928	(528)	15	0	8,342	124	**8,882**
Gross - Non-proportional reinsurance accepted	R0330	(501)	281	295	(217)	(1,132)	(446)	**(1,719)**
Reinsurers' share	R0340	0	39,746	39,643	7,377	5,936	11,276	**121,751**
Net	R0400	915	1,826	15,151	318	13,328	267	**14,032**
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	**R0550**	**1,157**	**(5,822)**	**1,914**	**(12,838)**	**2,183**	**(116)**	**(13,522)**
Other expenses	**R1200**							
Total expenses	**R1300**	1,157	(5,822)	1,914	(12,838)	2,183	(116)	**(13,522)**

S.17.01.02

Non-Life Technical Provisions
Amounts in USD 000's

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	**R0010**												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050												
Technical Provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross - Total	R0060	(0)	765	867	0	0	2,135	7,593	147	7,615	0	0	(275)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	(1,735)	(9)	0	0	4,712	3,817	27,659	(5,505)	0	0	(67)
Net Best Estimate of Premium Provisions	**R0150**	**(0)**	**2,501**	**876**	**0**	**0**	**(2,577)**	**3,776**	**(27,512)**	**13,120**	**0**	**0**	**(208)**
Claims provisions													
Gross - Total	R0160	0	20,118	1,317	0	0	30,041	43,806	246,290	54,065	0	12	13,600
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	17,780	90	0	0	26,427	42,403	231,953	27,034	0	12	11,780
Net Best Estimate of Claims Provisions	**R0250**	**0**	**2,338**	**1,227**	**0**	**0**	**3,613**	**1,403**	**14,337**	**27,030**	**0**	**0**	**1,820**
Total Best estimate - gross	**R0260**	**(0)**	**20,884**	**2,184**	**0**	**0**	**32,175**	**51,399**	**246,437**	**61,680**	**0**	**12**	**13,325**
Total Best estimate - net	**R0270**	**(0)**	**4,839**	**2,103**	**0**	**0**	**1,036**	**5,179**	**(13,175)**	**40,151**	**0**	**0**	**1,612**
Risk margin	**R0280**	**0**	**648**	**369**	**0**	**0**	**254**	**509**	**2,161**	**5,986**	**0**	**0**	**286**
Amount of the transitional on Technical Provisions													
TP as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	(0)	21,531	2,553	0	0	32,429	51,908	248,598	67,666	0	12	13,610
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	16,045	81	0	0	31,139	46,220	259,611	21,529	0	12	11,713
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	(0)	5,487	2,472	0	0	1,290	5,687	(11,013)	46,136	0	0	1,897

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050					
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	R0060	(148)	(12,880)	(409)	(4,835)	574
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(46)	1,249	89	3,623	33,785
Net Best Estimate of Premium Provisions	**R0150**	**(103)**	**(14,129)**	**(497)**	**(8,458)**	**(33,211)**
Claims provisions						
Gross - Total	R0160	244	12,330	505	1,941	424,267
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	6	12,293	90	(204)	369,665
Net Best Estimate of Claims Provisions	**R0250**	**238**	**37**	**415**	**2,144**	**54,603**
Total Best estimate - gross	**R0260**	**96**	**(550)**	**96**	**(2,894)**	**424,842**
Total Best estimate - net	**R0270**	**136**	**(14,092)**	**(83)**	**(6,313)**	**21,392**
Risk margin	**R0280**	**21**	**0**	**9**	**427**	**10,669**
Amount of the transitional on Technical Provisions						
TP as a whole	R0290					
Best estimate	R0300					
Risk margin	R0310					
Technical provisions - total						
Technical provisions - total	R0320	117	(550)	105	(2,467)	435,511
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	(40)	13,542	178	3,419	403,450
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	157	(14,092)	(73)	(5,887)	32,061

S.19.01.21

Non-Life insurance Claims
Amounts in USD 000's

S.19.01.21.01

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											9,073
N-9	R0160										1,349	
N-8	R0170									2,716		
N-7	R0180								366			
N-6	R0190							1,012				
N-5	R0200						6,447					
N-4	R0210					2,297						
N-3	R0220				30,650							
N-2	R0230			12,893								
N-1	R0240		53,002									
N	R0250	30,074										

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Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	9,073	9,073
N-9	R0160	1,349	1,349
N-8	R0170	2,716	2,716
N-7	R0180	366	366
N-6	R0190	1,012	1,012
N-5	R0200	6,447	6,447
N-4	R0210	2,297	2,297
N-3	R0220	30,650	30,650
N-2	R0230	12,893	12,893
N-1	R0240	53,002	53,002
N	R0250	30,074	30,074
Total	R0260	149,880	149,880

S.19.01.21.03

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											61,051
N-9	R0160										13,021	
N-8	R0170									5,180		
N-7	R0180								7,251			
N-6	R0190							26,194				
N-5	R0200						30,378					
N-4	R0210					29,173						
N-3	R0220				31,956							
N-2	R0230			48,180								
N-1	R0240		81,580									
N	R0250	95,046										

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Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	61,069
N-9	R0160	13,037
N-8	R0170	5,142
N-7	R0180	7,248
N-6	R0190	26,107
N-5	R0200	30,129
N-4	R0210	27,469
N-3	R0220	31,060
N-2	R0230	47,369
N-1	R0240	81,136
N	R0250	94,502
Total	R0260	424,267

S.23.01.01

Own Funds

Amounts in USD 000's

S.23.01.01.01

Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**1,159**	1,159		-	
Share premium account related to ordinary share capital	R0030	**139,000**	139,000		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	**19,141**	19,141			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	**R0290**	159,300	159,300	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	**R0400**	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	159,300	159,300	-	-	-
Total available own funds to meet the MCR	R0510	159,300	159,300	-	-	
Total eligible own funds to meet the SCR	R0540	159,300	159,300	-	-	-
Total eligible own funds to meet the MCR	R0550	159,300	159,300	-	-	
SCR	**R0580**	101,708				
MCR	**R0600**	25,427				
Ratio of Eligible own funds to SCR	**R0620**	1.5663				
Ratio of Eligible own funds to MCR	**R0640**	6.2650				

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Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	159,300
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	140,159
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	19,141
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	36,065
Total Expected profits included in future premiums (EPIFP)	**R0790**	**36,065**

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Amounts in USD 000's

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	13,877	
Counterparty default risk	R0020	19,314	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	7,902	
Non-life underwriting risk	R0050	66,403	
Diversification	R0060	(23,557)	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	**R0100**	83,939	

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Calculation of Solvency Capital Requirement

		Value
		C0100
Total capital requirement for operational risk	R0130	22,221
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(4,453)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	**R0200**	**101,708**
Capital add-on already set	R0210	0
Solvency capital requirement	**R0220**	**101,708**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.28.01.01

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

Amounts in USD 000's

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	22,202

S.28.01.01.02

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	0
Income protection insurance and proportional reinsurance	R0030	4,839	5,679
Workers' compensation insurance and proportional reinsurance	R0040	2,103	2,199
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	1,036	14,320
Fire and other damage to property insurance and proportional reinsurance	R0080	5,179	7,095
General liability insurance and proportional reinsurance	R0090	-	8,580
Credit and suretyship insurance and proportional reinsurance	R0100	40,151	43,931
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	0	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,612	2,140
Non-proportional health reinsurance	R0140	136	671
Non-proportional casualty reinsurance	R0150	-	709
Non-proportional marine, aviation and transport reinsurance	R0160	-	2,399
Non-proportional property reinsurance	R0170	-	20,022

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{NL} Result	R0200	-

S.28.01.01.04

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

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

S.28.01.01.05

Overall MCR calculation

		C0070
Linear MCR	R0300	22,202
SCR	R0310	101,708
MCR cap	R0320	45,768
MCR floor	R0330	25,427
Combined MCR	R0340	25,427
Absolute floor of the MCR	R0350	4,181
Minimum Capital Requirement	**R0400**	**25,427**