LLOYD'S

Lloyd's Insurance Company S.A. SFCR 2019

(Solvency and Financial Condition Report 2019)

www.lloydsbrussels.com

Contents

Introduction

This is the second Solvency and Financial Condition Report (SFCR) for Lloyd's Insurance Company SA (hereafter "LIC"). LIC was set up to ensure that the insurance business previously written through the Lloyd's of London (hereafter "the Corporation") market in the European Union, European Economic Area and associated territories can continue to be written post the UK leaving the European Union (Brexit). Authorised by the National Bank of Belgium (NBB) in May 2018, it started writing business from 1 January 2019.

LIC's corporate strategy is to offer non-life insurance and reinsurance to policyholders throughout the EU and EEA. This will be done leveraging, where possible, existing Lloyd's underwriting expertise in London or via the network of intermediaries established in the EU.

The company focuses on underwriting risks bound by Lloyd's managing agents and intermediaries identified and introduced by them. The firm's underwriting therefore relies on the outsourcing of its underwriting activity to Lloyd's managing agents, and on delegation of underwriting authority within defined parameters to intermediaries throughout the EEA. In addition, there is delegation of authority to intermediaries outside the EEA (where permitted by local rules) where insurances for EEA risks are required.

This SFCR therefore gives an overview of the company as at 31 December 2019 through its:

- Business and Performance
- System of Governance
- Risk Profile
- Valuation for Solvency Purposes
- Capital Management

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of the insurer

Lloyd's Insurance Company S.A (hereafter "LIC") is a limited liability insurance company under the Belgian law. LIC is headquartered at Bastion Tower, 14th Floor, Place du Champ de Mars 5, 1050 Ixelles.

LIC's activity is conducted according to Solvency II and to Belgian legislation and regulation. LIC is an insurance company authorised and regulated by the National Bank of Belgium (NBB) and regulated by the Financial Services and Markets Authority (FSMA). The address of the NBB is as follows;

National Bank of Belgium
Boulevard de Berlaimont 14
1000 Brussels

The independent auditors of LIC are;

PricewaterhouseCoopers Reviseurs d'Entreprises srl
Woluwedal 18
1932 Brussels

LIC was incorporated on the 5 October 2017, was authorised on 15 May 2018 under Number 3094 and wrote business incepting from 1 January 2019. As a new entity, LIC was set up to ensure that the insurance business currently written through the Lloyd's of London market in the European Union, European Economic Area and associated territories can continue to be written following the UK's departure from the European Union.

LIC aims to offer non-life insurance and reinsurance for risks located in the EEA, the UK and Monaco. This will be done leveraging, where possible, existing Lloyd's underwriting expertise in London or via its network of intermediaries established in the EEA.

LIC has Freedom of Establishment permissions in 19 countries, namely: Austria, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom.

It also has permissions to write Freedom of Services business in 30 countries: Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungry, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

The company was authorised by the Ministry of Finance in Monaco on 24 January 2019 to write insurance risks located in Monaco.

LIC's authorisations are held in:

Accident, Sickness, Land vehicles, Railway rolling stock, Aircraft, Ships, Goods in transit, Fire and natural forces, Motor vehicle liability, Aircraft liability, Liability for ships (sea, lake and river, and canal vessels), General liability, Credit- Insolvency (general), Miscellaneous financial loss – employment risks, Legal expenses and Assistance.

LIC is headquartered in Brussels with the following executive committee:

Figure A.1: Executive committee as at year end 2019

The pattern of business written by the company is a diverse mix of insurance business focussed mainly on specialty property and casualty classes of business. LIC leverages, where possible, the expertise of the Corporation and its own network of intermediaries established in the EU/EEA. LIC's business focus reflects the reputation of its parent as a marketplace for specialist underwriting skills for commercial risks of all sizes as well as for tailor-made programmes geared to the requirements of particular groups of consumers.

In addition, LIC participates in public tender bids for public sector insurances. Owing to the size and diversity of the company's underwriting strategy, the market segments addressed range across the whole spectrum of customers, from reinsureds to large commercial policyholders to individual retail customers.

As such, LIC's underwriting encompasses a very wide portfolio of business, reflecting the diversity and expertise of the Lloyd's market. Classes underwritten include Casualty both Direct and Treaty, Marine all classes, Property Direct and Treaty, Accident and Health, Specialty including Political and Credit Risk and Motor. LIC does not write any life (re)insurance. 100% of all risks written are reinsured by LIC to Lloyd's Syndicates.

The important events that occurred during the reporting period are stated in the table below:

Table A.1: The following significant events occurred during the reporting period:

Capitalisation	99,015,000 EUR on 11 December 2019 (Total capital 300,427,500 EUR)
Ratings	The company's ratings (S&P rating of A+, an A.M. Best rating of A and a Fitch rating of AA-) were reconfirmed.

LIC’s business objectives

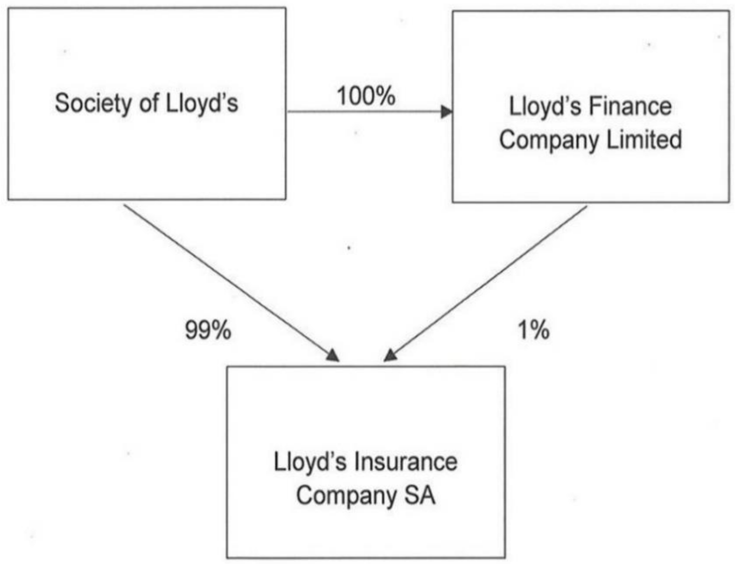
LIC’s objectives are to maintain its position as one of the leading insurers across the EEA. The company’s overarching objective is to ensure that LIC is able to support and facilitate EEA business on behalf of the Corporation in the most efficient and cost-effective way and is governed and overseen through our base in Brussels, Belgium. LIC is supported by a strong and established branch network that is able to support the needs of our customers across Europe. From a distribution perspective we continue to work across our main stakeholder groups – Coverholders, Brokers and Customers - as well as with our outsourced partner in the UK - the Managing Agents.

A.1.2 Details of group structure

99% of the share capital in LIC is directly owned by the Society of Lloyd’s.

1% of the share capital in LIC is directly owned by Lloyd’s Finance Company Limited, a limited liability company incorporated in England and Wales, registered under number 10896 566 (LFCL).

100 % of the share capital in LFCL is directly owned by the Society of Lloyd’s.



LIC’s parent organisation, the Society of Lloyd’s, operates an insurance marketplace of underwriting members.

The Lloyd’s market consists of underwriting members that form syndicates. Each syndicate is run by a managing agent, to whom all underwriting and other authority is granted by each underwriting member. The (re)insurance business written at Lloyd’s is placed by brokers and coverholders with specialist syndicates, whose underwriting staff price and underwrite the risks. Much of the insurance capacity available at Lloyd’s is provided on a subscription basis, i.e., where Lloyd's syndicates co-insure risks. This type of structure, combined with the choice, flexibility and financial security of the market, makes Lloyd’s the world’s leading specialist insurance marketplace.

A.1.3 COVID-19 update

Owing to the requirement as set out in the NBB communication dated 31 March 2020 to view the COVID-19 as a major development in accordance with Article 54 (1) of the Solvency II Directive, this section sets out the nature and impact of the Covid-19 outbreak on LIC. This is presented here separately to the main body of the SFCR and covers the impact expected in each section of the SFCR.

The Covid-19 pandemic is a post-balance sheet event causing global economic uncertainty and social restriction.

It is not a significant event for the results of 2019

It may have a significant impact for the results of 2020

The company continues to comply with the Solvency II Minimum Capital Requirement and Solvency Capital Requirement and is not expected to become non-compliant.

A.1.3.1 Section A – Business and performance

The following is the expected or potential impact on the underwriting and investment performance.

Section A.2 – Underwriting performance

Impact of increased claims on written policies

All risk is 100% reinsured to the syndicates of the Society of Lloyd's. Therefore, the impact of higher claims as a result of the Covid-19 situation would be mitigated by the reinsurance in place. The diversity of the business written by Lloyd's Insurance Company means that there is not a concentration on any particular line of business (only 18.5% of business may have any impact from the situation) and therefore there may be compensating lower claims on other lines of business.

Impact on reinsurance

The syndicates are backed by the Lloyd's chain of security which includes Syndicate Assets, Member's Funds at Lloyd's and the Central Fund. This model helps in terms of both liquidity for paying claims and the strength of reserves that sit behind it. The strength of this chain is under regular monitoring by the Board of the Society of Lloyd's to ensure that the protection for all business, including the reinsurance of Lloyd's Insurance Company business, remains strong.

Impact on new business

New business may be written at a reduced rate due to the overall financial crisis. However, the business was predicted to be profitable based on its reinsurance commission income in 2020 and therefore it would take a significant reduction in volumes written for the expenses not to be able to be covered.

Impact on existing business

Existing policies may see cancellations or premium reductions may be agreed where risk is reduced. This would remove the expected commission income from these policies where premiums were still due to be paid or refunds were contractually permissible. This is potentially a significant value for the organisation based on the premium receivable at year end. Owing to the 100% reinsurance model any impact of selection in this process should be felt by the reinsurers.

Impact on profitability

Through the impact on existing policies and the writing of new policies there is likely to be a negative impact of this situation on the profitability of Lloyd's Insurance Company compared to plan, but it is likely to be mitigated by the company's business model.

Section A.3 – Investment performance

Impact on investments

Lloyd's Insurance Company holds a portfolio of short-dated Government and high-quality corporate bonds. Whilst these are not immune to the current financial conditions, they offer a degree of protection compared to alternative investment approaches. Exposures to areas of the economy particularly impacted by Covid-19 are limited.

A.1.3.2 Section B – System of governance

There are no current or expected changes to the firm's risk management or internal control systems. The following highlights the current and potential impacts on LIC related to this section of the SFCR.

Section B.4 – Operational structure

Lloyd's Insurance Company staff have been operating from home since 13th March. All staff have access to the same systems that they would in the work environment. Development on these systems are continuing. Therefore, the operational impacts of this situation are being managed and the impact on the business is being mitigated.

Section B.8 - Other information

Other impacts may be felt through the actions of governments or other regulatory bodies, for example in influencing terms and conditions of existing or future policies or setting in place industry compensation or pooled risk funds.

A.1.3.3 Section C – Risk profile

The potential impact on the risk profile and the Solvency II SCR can be outlined as follows.

Section C.1 – Underwriting risk

Owing to the business model with 100% quota share reinsurance, underwriting risk is a small driver of the SCR, contributing approximately 5%. Those underwriting risks considered in Section A are not expected to materially change the underwriting risk profile or overall SCR.

Section C.2 – Market risk

The assets under management are held to meet expenses and capital requirements, meaning that market risk is a small driver of the SCR, contributing approximately 7%. Those market risks considered in Section A in relation to the investment performance are not expected to materially change the market risk profile or overall SCR.

Section C.3 – Credit risk

The largest driver of the SCR for LIC is its exposure to its reinsurers through its counterparty default risk. Higher claims would lead to higher exposure to reinsurers, but lower business written would also reduce this exposure. Lloyd's Insurance Company was capitalised for its 2020 new business plan. The combined impact of potential increased claims, and reduced new business will need to be assessed, but there are likely to be offsetting factors. The biggest risk to the capital position would be a downgrade of credit quality step of its counterparty. However, as this has not occurred even after other significant events such as 9/11 this is thought to be unlikely, although the nature and scale of this crisis and its comparability is yet to be fully seen.

Section C.4 – Liquidity risk

The operational model of LIC means that claims are paid by its reinsurer before they are paid to the customer. Therefore, LIC itself will not be subject to liquidity risk, but may be impacted by any liquidity issues with its reinsurers. However, the Funds at Lloyd's model helps mitigate these risks.

Section C.5 – Operational risk

There is no material change to the quantification of operational risk.

A.1.3.4 Section D – Valuation for solvency purposes

There has not been a material impact at the current date on the valuation of assets and liabilities due to the development of the COVID-19 pandemic.

A.1.3.5 Section E – Capital Management

There has not been a material impact on the ability for LIC to comply with the SCR or MCR due to the development of the COVID-19 pandemic.

A.2 Underwriting Performance

LIC started assuming risks from 1 January 2019 and therefore, there is no comparison with any prior period. The company relies on the outsourcing of services to Lloyd's managing agents, with oversight by LIC and with 100% of all risks reinsured back to the Lloyd's syndicates.

Given the size and diversity of the Company's underwriting strategy, the market segments addressed range across the whole spectrum of customers, from ceding insurance companies being reinsured to large commercial policyholders to individual retail customers. The main class not covered is Life.

Annual Syndicate Business Forecasts (SBF) are made annually (from September to November). Every syndicate submits a detailed Syndicate Business Forecast (SBF) of the business it plans to write via LIC in the following calendar year.

A.3 Investment Performance

At the reporting date the Company's investments of 248.9 mEUR were held in 65% government bonds and 35% corporate bonds. An investment income of 0.9 mEUR was made in the year. Investment management expenses were at 0.2 mEUR leading to a net performance of 0.7 mEUR.

In 2019 bond valuations increased due to the decrease in interest rates. This has partially mitigated the Company's realised and unrealised losses for 2019.

The investment policy of LIC prescribes that only investment-grade EUR denominated bonds and money market instruments can be purchased. The valued weighted duration of the portfolio will be maintained between 0 and 4 years.

Since only EUR denominated bonds are allowed, there is no currency risk on the investments. Given the relatively short duration and high credit quality, the impact of interest and spread rate movements on the market value of the investments is limited.

A.4 Performance of other activities

The Company does not carry out any activities which are not directly connected to the provision of insurance.

A.5 Any other information

The Company does not have any other material information to disclose regarding business and performance.

B. System of Governance

B.1 Management structure, remuneration and ownership structure

B.1.1 Management Bodies

B.1.1.1 Board of Directors

Membership

The Board of Directors ("the Board") shall ordinarily comprise a minimum of seven and a maximum of nine natural persons provided that the majority of directors shall be non-executive and shall ordinarily include:

a. The Chief Executive Officer, Chief Financial Officer, and Chief Risk and Compliance Officer (the executive directors); and

b. Four non-executive directors, at least two of whom shall be independent non-executive directors.

Functions, responsibilities and powers of the Board of Directors

The purpose of the Board is to undertake all actions necessary to achieve the objectives of the company, except for those which are reserved by law to the shareholders. Subject to paragraph 5 below, the Board may appoint committees and individuals to perform its functions and exercise its powers within set Terms of Reference.

Only the Board shall perform the following functions and exercise the following powers:

General Company Policy

a. Setting the objectives, budget and strategy of the company;

b. Setting the company's economic requirements;

c. Approval of solvency reporting and the consolidated financial statements for the company including the annual report and accounts, interim accounts and social balance report;

d. The appointment and setting of Terms of Reference for the committees of the Board;

e. Appointing members of the committees of the Board and determining their terms of office;

The Board shall also consider any matter referred to it by the Chief Executive or the Executive Committee including any major new business areas proposed, major projects or items of significant expenditure.

Risk Management

f. Considering and approving the risk appetite framework and annual ORSA report;

Approval of risk management policies;

Supervision of management

g. Approval of the policy on reporting to the National Bank of Belgium (“NBB”);

h. Approval of the Solvency and Financial Conditions Report, the Regulatory Supervisory Report and the Memorandum of Governance;

i. Perform an annual assessment of the effectiveness of the system of governance, the internal audit function, the systems for operational and financial controls, to report the outcome of the governance review to the NBB and ensure that the Executive Committee takes the necessary measures to remedy any shortcomings;

   Receive the minutes of the Executive Committee;

j. Oversee the performance of the Executive Committee in the delivery of its functions including the achievement of the company’s objectives, the implementation of general company policy, the internal risk and mitigation control systems, the financial reporting process, and compliance with applicable law, regulations best practice and internal policies.

k. Determine the measures defined as a response to Internal Audit findings

l. Assess the compliance report and associated actions and approve the compliance planning after advice from the Audit and Risk Committee

B.1.1.2 Executive Committee

This Chapter defines the composition, roles and autonomous powers of the Executive Committee of LIC, in line with the general company policy and strategy set by the Board of Directors and its members, as well with the obligations and relation to other company committees and corporate bodies.

Membership

The membership of the Executive Committee (“ExCo”) shall ordinarily comprise a minimum of three and a maximum of six natural persons and shall include the Chief Executive Officer (“CEO”), who shall Chair the ExCo, the Chief Financial Officer (CFO) and the Chief Risk and Compliance Officer (“CRCO”).

Functions, responsibilities and powers of ExCo

The purpose of ExCo is to ensure that the day to day management of the company’s business activities are conducted in accordance with the general company policy set by the Board of Directors.

The functions of the ExCo shall be:

Objectives and strategy

a. The implementation of the strategy defined by, and the policies approved by, the Board of Directors by incorporating them into processes and procedures;

b. The management of the company’s activities in accordance with the strategic objectives determined by the Board of Directors and in line with the risk tolerance limits and operational budget defined by the Board of Directors;

c. The submission of proposals and opinions, and giving advice, to the Board of Directors with a view to shaping the company’s general policy and strategy;

Risk management

d. The incorporation of the risk appetite framework and overall risk management policy as defined by the Board of Directors into processes and procedures and overseeing the implementation of those policies and procedures;

e. To receive and review reports from the risk management function and the independent control functions to ensure that all of the relevant risks to which the company is exposed are identified, measured, managed, controlled and reported in an appropriate manner with appropriate internal controls in place;

f. Approving, recommending and reviewing policies and guidelines governing the company’s underwriting risk, as well the processes and procedures relating to these;

g. Approving, recommending and reviewing policies and guidelines governing the company’s counterparty risk, as well the processes and procedures relating to these;

Performance and operations

h. The implementation, monitoring and oversight of an organisational structure, including suitable internal controls, designed to support the strategic objectives and to conform with the risk appetite framework by specifying the powers, responsibilities, reporting lines and reporting procedures of each department;

i. The implementation of the organisational policies defined by the Board of Directors;

j. To ensure timely communication to the Board of Directors and/or where appropriate its sub-committees, all relevant information and data to enable the Board and its committees to monitor the company’s activities and take informed decisions;

k. The prioritisation and allocation of resources in accordance with the budget set by the Board of Directors;

l. Ensuring compliance with relevant legislation and regulations and ensuring that the information and reporting requirements of the regulator and statutory auditor are met including but not limited to the provision, on an annual basis, of the solvency certification required under the Solvency II Act.

The ExCo shall act as a collegial body and all decisions are made on the basis of a simple majority. In case a majority is not achieved, the CEO has the deciding vote. The ExCo shall have all necessary powers as delegated by the Board of Directors as mentioned above under point 6 and as per other Board decisions

B.1.1.3 Audit and Risk Committee

Membership

The Audit and Risk Committee ("the Committee") shall ordinarily comprise a minimum of three and a maximum of four members who are non-executive directors of the Board of Directors (the Board), a majority of whom are independent non-executive directors of the Board. At least one of the independent non-executive directors shall have recent and relevant financial experience and competence in accounting and/or auditing.

Functions, responsibilities and powers of the Audit and Risk Committee

The purpose of the Committee is to assist the Board in its oversight duties in respect of the identification of and control by the management of material risks to the objectives of the company and to ensure that the financial activities of the company are subject to independent review and audit.

The functions of the Committee shall be to:

Audit functions

a. Consider, on behalf of the Board, the appointment or removal of the external auditors, the audit fee, and to monitor the company's relationship with its external auditors;

b. Discuss with the external auditors, before the audit commences, the nature and scope of the audit and to review the external audit plan;

c. Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Belgian professional and regulatory requirements;

d. Develop and implement policy on the engagement of external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

e. Review the annual report, the financial statements and interim financial statements prior to presentation to the Board and review and report to the Board on significant financial reporting issues and judgments which those statements contain having regard to matters communicated to it by the auditor;

f. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board;

g. Monitor and review the objectivity and effectiveness of the internal audit function in particular through reviewing and approving the annual internal audit plan, to consider any material matters which the internal auditors may wish to discuss (in the absence of management where necessary).

Internal controls and risk management systems

h. Review the company's systems of control and approve the compliance statement and in particular to review:

    i. The procedures for identifying business and market risks and controlling the financial impact on the company;

ii. The company's policies for preventing and detecting fraud;

iii. The operational effectiveness of the policies and procedures; and

iv. Review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

i. Ensure that appropriate arrangements are in place by which employees may, in confidence, raise concerns relating to possible improprieties relating to the company including in relation to financial matters.

Risk and compliance functions

j. Review at least annually the risk appetite and risk limits and make recommendations as to their appropriateness to the Board;

k. Bring emerging risks to the attention of the Board;

l. Review and make recommendations to the Board regarding the company's economic capital requirements;

m. On a quarterly basis to review and annually to recommend to the Board for approval the ORSA report a copy of which shall also be provided to the Risk Committee and Corporation Risk Committee of the Corporation;

n. Review and recommend for approval to the Board the annual risk plan and to monitor the progress against the plan respectively;

o. Review and approve annual compliance plan and ensure that appropriate arrangements are in place to ensure that the company's activities are in compliance with relevant laws and regulations;

p. Consider and approve the remit of the risk management function and ensure it has adequate independent appropriate access to resources and information to enable it to perform its functions effectively and in accordance with the relevant professional standards.

The Committee shall be accountable to the Board for properly performing its functions and the Committee shall have all the powers of the Board, other than those reserved to the Board, in order to properly perform its functions.

B.1.1.4 Remuneration Committee

Membership

The Remuneration Committee ("the Committee") shall ordinarily comprise a minimum of three and a maximum of four members who are non-executive directors of the Board of Directors (the Board) at least one of whom is an independent non-executive director of the Board.

Functions, responsibilities and powers of the Remuneration Committee

The functions of the Committee shall be to:

Remuneration Policy

a. To review and make recommendations to the Board as to the framework or broad policy for the remuneration of the Chairman of the Board, the Chief Executive Officer, the executive directors, and any other direct reports of the Chief Executive Officer, key function holders and such other members of the executive management or other persons (including individual consultants) as it is designated to consider or where their remuneration levels are above such thresholds as the committee may from time to time determine;

b. In reviewing such policy, the Committee shall take into account all factors which is deems necessary including relevant legal and regulatory requirements, including any relevant legal or regulatory requirements and shall ensure that the company's remuneration policy is aligned with the remuneration policy of the parent, the Corporation and compliant with local social law and regulations and local market practices. The objective of such policy shall be to ensure those subject to the policy are provided with appropriate incentives measured against appropriate metrics to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the company and of the Lloyd's market as a whole;

c. To approve the list of "identified" Solvency II staff and ensure that the remuneration policy incorporates specific arrangements for Solvency II staff which meet the relevant criteria set out in the Solvency II regulation and any associated guidance from the National Bank of Belgium;

d. Within the terms of the remuneration policy and in consultation with the Board, the Chairman of the Board and/or the Chief Executive Officer, as appropriate, to set/decide on the total remuneration package, including any bonuses and incentive/variable payments, of the Chairman of the Board, the Chief Executive Officer, each executive director, any other direct reports of the Chief Executive Officer, key function holders and such other members of the executive management or other persons (including individual consultants) as it is designated to consider or where their remuneration levels are above such thresholds as the committee may from time to time determine;

e. To obtain reliable, up to date information about remuneration in other companies (including companies in the Lloyd's market) and in this regard the Committee may appoint remuneration consultants or commission or purchase any relevant reports (subject to any budgetary restraints imposed by the Board);

f. To appoint and set the Terms of Reference for any remuneration consultants who advise the Committee;

Incentive schemes

g. To oversee the operation of and make any amendments to any incentive schemes operated by the company and agree (decide on) any new schemes;

Pensions and other benefits

h. To consider the policy for, and scope of, pension arrangements for the Chief Executive Officer, each of the executive directors, and any other direct reports of the Chief Executive Officer and such other members of the executive management or other persons as it is designated to consider or where their remuneration levels are above such thresholds as the Committee may from time to time determine;

i. To advise on any major changes in employee benefits structures throughout the company and to review any proposed annual percentage increase in salary for all company employees;

Termination

j. To oversee any contractual terms on termination of employment of the Chairman of the Board, the Chief Executive Officer, an executive director or any other direct report of the Chief Executive Officer, and any payments made, to ensure that they are fair to the individual, and the company and that failure is not rewarded;

Evaluation

k. To review annually the performance of the Chairman of the Board, the Chief Executive Officer, the executive directors, any other direct reports of the Chief Executive Officer and such other members of the executive management or other persons as it is designated to consider or where their remuneration levels are above such thresholds as the Committee may from time to time determine;

Other advice

l. Remuneration of members of the Board and members of their committees (other than where those members are executive directors) is a matter for the Board on the recommendation of the Chairman of the Board and the Chief Executive Officer. The Chairman of the Board and the Chief Executive Officer may liaise and consult with the Remuneration in this regard as they think appropriate,

and to consider such other matters as the Board may from time to time refer to the Committee.

The Committee shall be accountable to the Board for properly performing its functions and the Committee shall have all the powers of the Board, other than those reserved to the Board, in order to properly perform its functions.

B.1.1.5 Underwriting Committee (executive sub-committee)

Membership

The membership of the Underwriting Committee ("the Committee") shall ordinarily comprise a minimum of 3 and a maximum of 5 natural persons and shall include the Chief Executive Officer ("CEO"), who shall be the Chairman of the Committee, the Chief Underwriting Officer, and the Chief Risk and Compliance Officer ("CRCO") who shall be a non-voting member.

Functions, responsibilities and powers of the Committee

The purpose of the Committee shall be to oversee all aspects of insurance risk and to design and implement adequate controls and processes to ensure that key underwriting decisions including but not limited to pricing, contract wording and product related decisions, are taken in line with the risk appetite framework set by the Board of Directors.

The functions of the Committee are:

a. Reviewing performance targets used to monitor underwriting performance;

b. Reviewing the level of risk assumed by the company and the associated policies and procedures;

c. Monitoring the major underwriting and reinsurance risks being assumed by the company;

d. Monitoring the performance of the underwriting account, including the review of the company's reserves;

e. Reviewing and validating, or otherwise, the business plans submitted to the company by the company's CUO and underwriters;

f. Requesting and reviewing risk-based reviews of the underwriting activities of any those managing agents or syndicates accepting business on behalf of the company;

g. Ensuring that reinsurance structures and contracts are in place and that they are fit for purpose;

h. Monitoring conduct risk in relation to the insurance policies underwritten by the company;

i. Reporting to the Board on its activities.

B.1.2 Remuneration

LIC operates a total reward and recognition approach, which is designed to meet employee and company needs by providing rewards that are linked to individual performance and the delivery of LIC's objectives.

The total reward approach is supported by the following practices:

- the approach looks beyond base salary to the value of the total reward package in meeting the needs of officers and employees;
- it recognises and rewards superior performance;
- the remuneration practices are designed to promote and reward sound and effective risk management

LIC's remuneration approach is based on providing a package of rewards (salary plus benefits) that is business-driven, competitive, fair and flexible. It is also founded on the proposition that the ultimate source of value in the business is people.

B.1.2.1 Scope

The remuneration policy applies to all LIC employees.

A specific focus is put on all identified staff. 'Identified staff' is defined as all staff that have a material impact on the risks and results of LIC. This is defined as:

- Board of Directors (incl. Audit and Risk Committee), including Non-Executive Directors
- Executive Committee
- Heads of the Key Functions (independent control functions)

- “Risk-takers”: The Human Resources Department annually initiates a process to analyse the professional profiles that may fall under the category called "Risk-Takers”. HR takes the following requirements into consideration in the qualification of the "Risk Takers":
    - The powers entrusted by the Board of Directors for the execution of the job;
    - Hierarchical reporting and consequent operational autonomy linked to governance;
    - Sensitivity / importance of the governed with immediate and significant impact on the accounts of LIC;
    - Ability to take significant risk.

Specific requirements can be defined for identified staff. This includes that the criteria for deciding any variable component of pay for Key Function heads may not be linked to the performance of an activity under its control.

B.1.2.2 Elements applicable to all employees

Key elements of the remuneration package which apply for all LIC employees are as follows:

Table B.1: Key elements

Element	Purpose
Base salary (fixed)	• To appropriately recognise responsibilities and to be broadly market competitive
Annual bonus (Variable)	• To link reward to short-term performance and contribution (not applicable for (independent) non-executive directors)
Lloyd’s Performance Plan (Variable)	• To offer an incentive which is directly linked to the profitability of the Lloyd’s market (not applicable for (independent) non-executive directors)
Benefits	• To provide benefits in line with the market (not applicable for (independent) non-executive directors)
Pensions	• To make pension provision(s) in line with the market (not applicable for (independent) non-executive directors)

The elements are aligned to the remuneration practices of the parent, Society of Lloyds.

B.1.3 Shareholdership

LIC total share capital is represented by 488.500 no par value registered shares and is currently held as follows:

- 99% of the share capital, being 483.615 shares, is held by the Corporation, with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.
- 1% of the share capital, being 4.885 shares, is held by Lloyd's Finance Company Limited “LFCL”, with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.

- 100% of the share capital in LFC is directly owned by the Corporation.

Future changes to the ownership structure will always be represented in a next review of the RSR.

There are no material transactions executed during the reporting period with shareholders, and persons that exercise a significant influence on the company (stating any cross-participations).

B.2 Fit and Proper, external functions and transactions with managers

B.2.1 "Fit and Proper"

The LIC Fit and Proper framework and requirements are set out in its Fit and Proper Policy. This Policy sets out the principles and guidelines that must be applied to ensure compliance with the statutory and regulatory expertise and reliability requirements in the context of the risk management system (in accordance with the Law of 13 March 2016 on the supervision of insurance and reinsurance companies, the NBB Circular NBB_2018_25 and Handbook on Fit and Proper and the NBB Circular NBB-2018-23 on the System of Governance). It applies to all persons who are subject to the NBB's Fit and Proper requirements, as listed below.

- Members of the Board of Directors, both Executive and Non-Executive Directors.
- Members of the Executive Committee.
- General Representatives and, where applicable, the persons in charge of senior management of the branch. Senior managers of branches are individuals, whether or not members of the management body, whose function within the branches implies that they have a direct and decisive influence on the management of all or certain activities of the LIC branch.
- Employees of LIC that are a function holder of an independent control function.
- *Personne relais* in respect of independent control functions that are outsourced.

The Fit and Proper Policy covers the following elements:

- Fit and Proper requirements;
- Procedure, application and control framework; and
- Conduct and behavioural guidelines.

B.2.1.1 Fit and Proper requirements

Expertise requirements (fit)

A person will be considered "fit" if he or she has the necessary "competence" and consequently the professional and formal qualifications, knowledge and expertise in the insurance sector or other financial sectors or other businesses that enable him or her to fulfil the responsibilities of his or her position.

As part of this assessment, account will be taken of the qualities attributed to the position in question, as well as other relevant insurance-related, financial, accounting, actuarial and management qualities.

As a group, directors and persons with independent functions must cover a sufficient diversity of qualifications, knowledge and relevant experience to ensure that LIC is managed and controlled in a professional manner.

When the obligations include leadership responsibilities, an adequate level of previous leadership experience is required.

Integrity requirements (proper)

A person will be considered to be "proper" if he or she has a good reputation and integrity. This cannot be the case if the honesty and professional integrity of the person – based on that person's character, personal conduct and professional dealings, including any criminal, financial and/or other aspects, give rise to suspicion that such aspects might adversely affect the healthy and cautious execution of the (independent) function.

It is also assumed that the person in question, wherever possible, will avoid activities that might lead to conflicts of interest or that might arouse the appearance of conflicts of interest. Consequently, they may not consider any personal interests in their decisions, nor may they make use of company opportunities based on their own interests. A person must also be able to demonstrate professional conduct.

Initial application

The evaluation of the fitness and propriety of each person based on the NBB fitness and propriety requirements will be performed prior to that person being appointed by the Board.

The assessment process for the initial application is co-ordinated by the Compliance function to ensure that all stakeholders are informed, including the respective person and the supervisor (NBB). A file is archived for every application done and all applications are reported to the Board of Directors.

The members of LIC management bodies fulfil where applicable the independence requirements of the Belgian Companies Code. Independence of judgement is required in the decisions of all directors, executive and non-executive alike, whether the non-executive directors are independent or not.

The members are appointed for terms of three or six years.

Continuous evaluation and exception handling

The Fit and Proper requirements of the individual will be assessed on an annual basis by the Board. This assessment identifies whether the person is also exposed to potential conflicts of interest, has engaged in a personal transaction of any kind with LIC or has an external function at another company.

The results of this assessment are communicated to the Remuneration Committee. They can advise/mandate the Board of Directors at either the Corporation or LIC to take remedial actions if required.

This Remuneration Committee is responsible for reviewing annually the performance of the Chairman, the CEO, the executive directors of LIC and such other members of the Executive Committee as it is designated to consider.

B.3 Risk Management System, ORSA process and Risk Management function

B.3.1 Risk Management System

B.3.1.1 Risk Management Framework

LIC's Risk Management Framework (sometimes referred to as the "risk system") comprises a range of elements which collectively ensure the risks to which LIC is exposed are effectively identified, assessed, managed and monitored.

The core components of the Risk Management Framework are:

- **Risk strategy** – This is defined by the LIC Board of Directors. The risk strategy reflects LIC's attitude towards risk through its desired risk appetite and corresponding risk thresholds and describes the way in which risk is embedded in the overall management of the company, its decision making and strategic direction.

- **Risk appetite** – This is defined and set by the Board of Directors. Risk appetite translates stakeholder expectations into clear statements and boundaries within which the business should operate. Risk appetite is an articulation of the level of risk LIC is prepared to pursue, aligned with the strategic objectives of the organisation and with due consideration for the overall risk appetite of its parent, the Corporation. It enables effective monitoring of risks and of the organisation's risk profile on an ongoing basis, and guides business decision-making.
- **Risk and control assessment ('RCA')** – The RCA process ensures that all material risks arising within LIC are properly identified, assessed, managed and monitored in line with the corresponding risk appetites to support delivery of LIC's strategic objectives. This approach is consistent with that of its parent, the Corporation, for managing both the financial and non-financial risks to which the company is exposed. A number of individual activities are conducted within the broader RCA: risk incident reporting, Internal Control System maturity assessment, and the Risk and Control Self Assessments ('RCSAs'). All activities are performed with the same objective of appropriately managing material risks that may adversely impact LIC's risk profile.
- **Own Risk and Solvency Assessment ('ORSA')** – The ORSA is a key process which forms a crucial part of Pillar 2 of the Solvency II framework. It enables LIC to assess the adequacy of its risk management and current and forward-looking solvency positions under normal and severe stress scenarios. The ORSA comprises of multiple components including assessing LIC's overall solvency needs and whether LIC will comply on a continuous basis with the Minimum and Solvency Capital Requirements as well as with technical provisions requirements.
- **Stress and scenario testing** – LIC identifies stress tests and scenarios that may have an adverse impact on its operating business model, to ensure that potential risks are clearly understood and monitored effectively and that adequate controls are in place. The outcomes of these tests act as prompts for senior management to take action across a number of areas (e.g., re-evaluating risk appetites, business plan and capital management decisions).
- **Thematic reviews** – Separate from the RCAs, thematic reviews are top-down, ad-hoc deep dives on particular risks or themes co-ordinated by the Risk Management function in order to ensure there is appropriate understanding and effective management of material risks.
- **Emerging risks** - On a continuous basis, LIC seeks to identify emerging risks to ensure that the impact of such risks on the business are understood, considered in decision-making processes and included where agreed upon in the organisational risk taxonomy to drive the scope of subsequent risk assessments.

B.3.1.2 Risk & Control Register

The Risk & Control Register, as described in the LIC Internal Control System (ICS) Policy, is a complete repository of remediation actions to address risks identified and raised by the first line through a number of risk management processes (i.e., Internal Control Maturity Questionnaire, RCSA, RESOG). This register is owned and updated on a regular basis by the Risk Management team and serves as a dynamic working record of the organisation's risks, both existing and remediated. Information from the Register is used as input for the function's Quarterly Risk Report to provide the Audit & Risk Committee with a view of all critical risks and the status of the corresponding remediation actions. For further details on the Register and its use in LIC's Internal Control System, please refer to the LIC ICS Policy and the ICS Framework.

B.3.1.3 Risk taxonomy

LIC's risk taxonomy provides a universal overview of all risk categories LIC recognises, the owners and the definitions of the risks. It enables LIC to have in place a common universe to identify, describe and manage all risks and issues that are observed across all governance bodies and functions in the organisation. It also allows for more efficient collection and reporting of risk data and information. The risks are aligned with the Solvency II framework as well as how the respective risks are defined in the corresponding policies. In addition, first-line and second-line ownership of each risk category in the risk taxonomy is also defined.

LIC risk taxonomy serves as the first building block of the ORSA exercise, in which it forms the basis population of risks from which the organisation's material risks are determined for Pillar 2 SCR calculation.

Risk categories correspond to risk policies which describe the management of each specific risk type in more detail. In some cases, a number of risk categories are grouped within a single policy (e.g., all non-financial risks are covered by the LIC Non-Financial Risk Management Policy).

B.3.1.4 Risk culture

Risk management is considered as a company-wide activity that everyone in the company is part of. The management of all risks is, first and foremost, the responsibility of each employee and team at LIC and decisions taken across the business have the potential to impact the risk profile of LIC to a greater or lesser degree. An effective risk culture ensures that risk management principles and activities are embedded and translated into the day-to-day activities, business practices (e.g., in the business plan cycle) and behaviours of all LIC employees, with reinforcement being provided by visible risk leadership. It also promotes risk transparency and responsiveness to external and internal changes, adds value and facilitates timely risk mitigation.

LIC's Risk Management function aims to create an environment in which risk is managed on an ongoing basis by all employees. This is achieved through:

- **Risk leadership and ownership:** The CEO has responsibility for risk management supported by the CRCO. Both are accountable to the Board of Directors for all areas of risk within the business. In addition, each risk type has an executive owner, ensuring that the right level of oversight and scrutiny is applied to actual and potential exposures.
- **Risk awareness and competency:** Various levels of training are delivered to ensure that all LIC employees understand their responsibilities with respect to risk management. Training varies from principles-based training to technical training as required.
- **Risk-based decision making:** Risk management is at the heart of decision making with regards to setting LIC's business strategy. Promoting a common risk language and framework allows management to make effective and structured risk decisions.
- **Risk communication:** Risk information and initiatives are communicated within LIC via the intranet, the LIC Sharepoint and relevant forums which allow effective sharing of information between technical areas regarding market oversight.

B.3.1.5 Risk monitoring, reporting and escalation

Monitoring

Findings arising from the Risk Management Framework's tools and processes such as risk incident reporting and risk assessments are centrally documented and monitored by the Risk Management function on an ongoing basis.

Action owners are defined, and remediation actions for outstanding risks, issues and management actions are formally agreed upon prior to them being documented and monitored. Where management actions are defined and approved in the Audit & Risk Committee or Board of Directors for material risks, these are communicated to risk owners on the first line, who have responsibility for implementing the management actions and reporting progress against targets. The Risk Management function follows up with the first line owners on the status of each outstanding risk, issue and management action on a regular basis.

Reporting

The Executive Committee and the Board of Directors must have appropriate knowledge about the outcome of managing the day-to-day operations and the actual risks being identified, assessed, managed and monitored. For this purpose, structured and regular risk reporting to the Executive Committee, Audit & Risk Committee and the Board of Directors is required. The following types of reporting apply:

- Quarterly Risk Reports (QRR): Internal reports presented to the Audit & Risk Committee and Board by the CRCO on a quarterly basis to provide combined assurance that LIC's risk management system is operating adequately and effectively. QRRs summarise the quarterly position of risk appetites, material risk exposures, key findings from annual RCAs, and the capital and solvency position, providing transparency on LIC's overall risk profile on an ongoing basis. The information is collated by the LIC CRCO and the LIC Senior Risk Manager.
- Annual regulatory reporting to the NBB under the Solvency II framework, which comprises:
    - LIC's Regulatory Supervisory Reporting (Pillar 3)
    - Own Risk and Solvency Assessment (Pillar 2)
    - Report on Effectiveness of the System of Governance
- Annual function report to the Board: A report documenting the Risk Management function's activities and outcomes over the past year, as well as provides a forward-looking plan for the following year. This activity report is used for internal purposes, and also subject to submission to the NBB if requested.

As part of day-to-day operations and ongoing risk management activities, the Risk Management function also produces where relevant ad-hoc reports and communications outside of the above formal reporting channels.

Escalation

The CRCO, as the function holder, has the right to escalate significant risks affecting LIC to the Audit & Risk Committee and the Board of Directors where appropriate.

Issues that are monitored by the Risk Management function such as breaches in material risk appetite thresholds, aged outstanding remediation items and critical issues highlighted from material risk exposures are raised to the Executive Committee before being escalated to the Audit & Risk Committee/Board of Directors.

Escalation of risks or issues identified by LIC business teams is also facilitated by the Risk Management function. In situations where the Risk Management function disagrees with business decisions, it also has the authority to raise this in its reports to the Audit & Risk Committee and Board of Directors.

B.3.2 Own Risk and Solvency Assessment

The ORSA is an integral part of risk and capital management at LIC. It comprises a series of processes employed to identify, assess, monitor, manage and report the short- and long-term risks an insurer faces or may face, and to determine the capital necessary to ensure the organisation's solvency needs are met based on its strategy set by the Board of Directors.

Although LIC is required by the NBB to calculate and meet the Solvency Capital Requirement (‘SCR’), the key focus of the ORSA is to present LIC’s own view of the risks faced and the associated economic capital needs in order to meet its strategic goals. This process is aligned with the regulations at both EU and national levels and is integrated into the overall Solvency II framework ensuring consistency with Pillar 1 and Pillar 3.

LIC’s risk profile and the size and quality of its assets influence the definition of the scope of the ORSA. The ORSA considers the risks arising from the company’s activities, both non-financial (e.g., operational) and financial (e.g. underwriting), including the risks arising from the company’s role in overseeing the underwriting and associated activities that take place through its European branches.

The ORSA process and report are facilitated by the CRCO and the Senior Risk Manager, bringing together inputs from across the company to ensure a co-ordinated approach to risk and capital management. The undertaking of an ORSA is a key element of the LIC Risk Management Framework.

B.3.2.1 ORSA calculations

Application of standard formula

A standard formula calculation is used to cover all material risks faced by LIC and to ensure that the amount of capital is appropriate. Non-quantifiable risks which are not considered as part of the standard formula do form part of the ORSA. Therefore, the ORSA report considers these risks and the appropriateness of controls that have been put in place to manage them.

Use of stress and scenario testing

LIC identifies and examines stress and scenario tests (SSTs) that may have an adverse impact on the business model in order to ensure that potential risks are clearly understood, are monitored effectively and that adequate controls are in place.

Stress and scenario tests (including reverse stress tests) are used throughout the process wherever it is deemed to be appropriate by the Audit & Risk Committee. The overarching purpose is to identify and analyse current or potential issues that are of market-wide concern or could have potential impact on LIC’s assets or, in extreme circumstances, the viability of its business model. As a minimum they are used annually both as part of ongoing risk monitoring and oversight and in the forward-looking assessment of capital and solvency.

The outcomes and conclusions of the SSTs form an integral part of the overall risk management system and act as a prompt to senior management to take action across a range of areas such as re-evaluating the set of risk appetites, business plan decisions and capital management decisions.

Calculation of technical provisions

The LIC second line Actuarial function is responsible for co-ordinating the calculation of technical provisions for LIC, as set out in Solvency II. It also ensures the use of appropriate methods and assumptions, the sufficiency and quality of data and performs the validation of the technical provisions.

The Actuarial function uses various tools to monitor and maintain its oversight of company’s reserves and contributes to the effective implementation of the risk management system with particular regard to risk modelling and ORSA.

Actuarial calculations and activities are performed by the first line Actuarial team under the supervision of the Chief Finance Officer (CFO). The monitoring and review of the calculations of the technical provisions is overseen by the second line Actuarial function. The Actuarial function reports at least annually to the Board of Directors on the results, noting any deficiencies identified and including recommendations to address these. A summary of the Actuarial function report is included in the annual ORSA report.

Data quality management

The quality of the data inputs used in each process within the ORSA is also part of the scope of the ORSA. Those responsible for managing each process within the ORSA are also responsible for ensuring an appropriate quality of data.

B.3.3 Risk Management function

B.3.3.1 Risk Management function definition

The Risk Management function is defined as the LIC CRCO and Risk Management team. The Risk Management team is managed by the Senior Risk Manager who reports to the LIC CRCO. This team is supported by the Risk Management team of the parent, the Corporation, in London if required.

B.3.3.2 Risk Management function responsibilities

The Risk Management team is responsible for facilitating the Risk Management Framework, ensuring the various governance forums receive relevant and timely information regarding risk exposures of LIC and actively challenging the risk-taking of first line business departments where appropriate. The team works closely with such departments to support risk identification and management where necessary; however, it is required to take an independent view on risk exposures and can escalate these views to the LIC Audit & Risk Committee where required.

The Risk Management function has the following overall objectives:

- Develop, implement, maintain and embed a trusted risk management framework and sound risk management practices across LIC;
- Manage LIC's risk profile in line with its agreed risk appetite;
- Provide risk-based support and challenge to the business that is valued;
- Provide timely risk reports that are concise, provide clarity and facilitate business decisions;
- Ensure a company-wide risk awareness culture is in place and embedded;
- Advise the Board of Directors via the Audit & Risk Committee on risk-related matters, including risk appetite, risk governance, material risks and capital management; and
- Ensure that the Board of Directors via the Audit & Risk Committee is informed and has the necessary information to take decisions on risk-related matters.

B.3.4 Contingency plans (Recovery Plan Methodology)

The objective of the recovery plan methodology is to ensure that, in the event that LIC's capital and liquidity position were to deteriorate and become, or risk becoming, problematic, a plan would be in place to initiate a recovery with pre-defined options already analysed. As described below, the purpose of the recovery plan is to ensure that LIC gets back to its risk capacity level determined in accordance with the current solvency and liquidity levels.

Practically, the own funds capital thresholds triggering the recovery plan are aligned with SCR and MCR requirements, with an additional 'gap to crisis' for conservative purposes. The resolution plan for capital falling under MCR is not included in the approach as it falls under the scope of the supervisor.

LIC has defined the Risk Appetite in the Risk Appetite Framework. Each risk appetite statement and accompanying metrics have set limits which specify Red (breach), Amber (approaching appetite) and Green (operating range) levels. Clear potential actions are defined for all Amber and Red exposures.

The target capital/liquidity positioning in the operating range is aligned with the Risk Appetite Framework and Management actions are foreseen in case of a breach in LIC Risk Profile positioning until the lower end of the Stress Buffer (Amber zone).

Recovery Scenarios will also be part of the reverse stress-testing of the ORSA exercise.

In case the Solvency Ratio falls below the lower threshold of operating range, new capital may have to be injected by LIC's parent, under approval of LIC Board of Directors.

B.4 Operational structure, internal control system, compliance function, integrity and IT infrastructure

B.4.1 Organisational and operational structure

Organisational structure

The organisation is divided in separate core organisational entities, each under the leadership of one of the Executive Committee members, being the CFO, CRCO, COO, CMDO and the CUO. They all report to the CEO.

B.4.1.1 Three lines of defence

Governance arrangements are organised according to the "three lines of defence" model which supports the effective segregation of duties between the business areas (i.e. the risk takers) and those who perform independent risk control activities i.e. Risk Management function, Actuarial function and Compliance function.

In order to assure a sound System of Governance, with main focus on Risk Governance, the model distinguishes between:

- functions that own and manage risks: first line of defence;
- functions that oversee risks: second line of defence;
- functions that provide independent assurance: third line of defence.

At LIC, the Risk Management function and the Compliance function have independent accountability from business operations and have thus no responsibility for LIC'ss economic results. The person responsible for taking risk cannot at the same time, even indirectly, be entrusted with their monitoring and control. Independent accountability is made apparent in clearly documented reporting structures as discussed earlier.

The LIC Executive Committee has the ultimate responsibility to ensure that a sound and effective System of Governance is implemented within LIC. This includes ensuring that all policies and procedures supporting the soundness of the System of Governance are being applied and adhered to: where a breach against one of these is identified, the LIC Executive Committee is expected to take appropriate measures.

B.4.2 Internal Control System (ICS)

B.4.2.1 Key elements of ICS

The internal control system is based on the COSO framework and comprises the following components:

- Internal control environment
- Risk and control assessment
- Internal control activities
- Communication and information

- Monitoring and reporting

Internal control environment

The internal control environment sets the tone of an organisation, establishing the management's philosophy and operating style with regard to risks and controls. It defines the context in which risks are taken and managed.

Whilst the Board of Directors is responsible for establishing the "tone at the top", the Executive Committee and senior management act to direct and embed an appropriate control culture throughout the company. Internal control environment factors include an effective organisational structure, clear assignment of authority and responsibility and promotion of integrity and ethical values.

The competence and development of employees is crucial in influencing and developing the attitude of employees to the importance of effective controls and associated behaviours, ensuring adherence to company policies, such as the LIC Whistleblowing Policy and the Anti-Money Laundering, Sanctions and Counter-Terrorism Financing Policy, providing appropriate training, and recognising appropriate behaviours within recruitment and appraisal processes.

Risk and control assessment

LIC is exposed to a wide range of risks through the normal course of its business. Some of these risks are drivers of value and should be optimised within agreed limits. Others are primarily 'downside' risks which are a natural consequence of conducting business and should be minimised to the extent it is possible and cost-effective to do so.

The LIC Risk Management Policy describes the overall framework and approach for the management of risks to the company, including details of key tools, process and reporting procedures.

A number of key process within the risk management framework, which are essential to the ICS, are performed by the Risk Management function:

1. **Risk and Control Self-Assessment ('RCSA')**: This is an annual process, co-ordinated by the Risk Management team. The process ensures that all material risks arising within LIC's key processes are properly and consistently identified, assessed, managed and monitored in line with risk appetite. Through this, the RCSA supports delivery of the company's strategic goals and protects the brand, reputation and assets of LIC and of the parent, the Corporation. It also includes an evaluation of the performance of key controls and ensures action plans are in place to help manage risks further or to improve weak controls.
2. **ICS maturity questionnaire**: This is an annual questionnaire for which all functional managers are required to assess their department/function's current and targeted maturity level based on the 5 COSO components. Outcomes of this questionnaire are reported in the annual regulatory Report on Effectiveness of the System of Governance ('RESOG').
3. **System of Governance ('RESOG') assessment**: This is an annual assessment which evaluates LIC's overall governance system against the requirements set out in the NBB System of Governance circular (2016_31). Results from this assessment are reported in the annual regulatory Report on Effectiveness of the System of Governance ('RESOG').

Internal control activities

Internal controls are the operational activities performed by employees and reporting systems which help ensure management directives are acted upon and that the risks to the achievement of LIC's objectives are appropriately managed.

A diverse range of control activities exist at all levels and in all functions throughout the business. Internal control activities should be commensurate with the risks arising from the activities and processes performed. It is not the aim to eradicate inherent risks but to ensure appropriate controls are in place to enable risks to be managed in a commercial and prudent manner.

Business teams are responsible for designing and operating internal controls, for example relating to information technology, accounting processes and supplier management, and for ensuring that they are documented in policies and detailed procedural manuals.

Key control activities are evaluated and documented through the RCSA.

Communication and information

Clear communication and reporting lines are established throughout LIC via the governance structure, allowing the efficient and effective flow of information up and down the business. The ICS encourages open and honest communication and provides a means for employees to communicate significant information upwards.

Appropriate information must be identified, captured and communicated in a form and timeframe that enables senior management and employees to carry out their responsibilities and to make informed decisions. Such information, where necessary and relevant, can be communicated formally by the Risk Management department to LIC's governance bodies (i.e., Executive Committee, Audit & Risk Committee, Board of Directors) via risk reports, in order to keep senior management informed and enable them to take appropriate risk-based decisions.

Monitoring

Monitoring of the ICS occurs during normal operations and includes on-going activities and actions taken by employees when performing their duties. Any risk or control owner can raise a point about his/her risks and controls to the Risk Management function at any time during the year. All employees are responsible for undertaking routine monitoring to detect control weaknesses or control failures.

The Risk Management function also challenges the first line in their risks and controls, which is performed separately from the annual RCSA. It ensures that risk updates can be registered and monitored when triggered by the business or by a certain event or incident. Identified risks and corresponding actions from all ICS activities and processes are centrally documented and monitored in the Risk & Control Register, maintained by the function.

Reporting

The Risk Management function reports on the outcomes of the various ICS activities and processes via the reports below:

1) **RESOG report** – This is an annual regulatory report LIC submits to the NBB that demonstrates LIC's system of governance and internal control system at both an organisational and business unit level. Findings from the ICS maturity questionnaire and RESOG assessment are reflected here.
2) **Quarterly Risk Report ('QRR')** – This is a quarterly internal report presented to the Audit & Risk Committee and Board by the CRCO to provide combined assurance that LIC's risk management system is operating adequately and effectively. Key findings of the RCSAs, as and when concluded, are presented on an ad hoc basis via the QRR to the Audit & Risk Committee and Board of Directors for their attention. Follow-up of critical management actions arising from the RCSAs as well as progress on the remediation plans for material risks are also reported on a regular basis.

B.4.3 Compliance Function

LIC ensures that the compliance function is organised appropriately and permanently in accordance with the organisational principles of the supervisory laws and regulations.

LIC ensures that the head and the staff of the compliance function execute their tasks independently and with integrity.

The Compliance Function aims at ensuring compliance with all relevant regulations, rules and guidelines as defined in the Compliance circular NBB_2012_14 and Lloyd's Brussels Compliance Charter.

B.4.3.1 Organisation

The Compliance function establishes the Compliance Charter, compliance plan and report. It is also responsible for maintaining the NBB / FSMA relationships; reviewing regulatory requirements for impact on LIC and liaising with LIC's management on changes to processes; and periodically checking that management processes meet NBB / FSMA rules, as well as conduct rules for LIC and all EU branches.

B.4.3.2 Compliance Function activities

The Compliance function responsibilities can be summarized as follow:

- Identification and assessment of the compliance risks;
- Advice and guidance;
- Monitoring, testing and reporting;
- Education via training or awareness sessions and
- Statutory responsibilities and liaison contact point.

B.4.4 Integrity Policy

In accordance with the Law of 13 March 2016 on the supervision of insurance and reinsurance companies, LIC has an Integrity Policy. It was updated and re-approved by the Board on 26 September 2019. The policy contains the company's values and code of conduct, which are the same as those of its parent organisation, the Corporation. It also refers to specific and related policies, e.g., Anti-Money Laundering, Sanctions and Financial Crime; Anti-Bribery and Corruption; Conflicts of Interest. The Integrity Policy is updated annually or whenever significant events occur that could influence the company's compliance risk profile. The Compliance function fulfils an important role in the updating of this policy.

B.4.4.1 Company's values and code of conduct

The company's values are set out in the Spirit of Lloyd's, which is based on the following five principles:

- We are *market focused* and constantly ask the question: "How are we adding value?".
- We are *responsible* and care about the contributions we make, and the legacies we leave.
- We are *pioneering* and bring ambition and curiosity to our work, seeking to innovate wherever we can.
- We are *collaborative* and inclusive, creating a strong sense of shared endeavor.
- We are *committed to excellence* with high standards of performance and accountability.

In addition to the *Spirit of Lloyd's*, the company also firmly believes in the fundamental importance of honesty, integrity, trust, teamwork and professionalism.

The company's code of conduct is as follows:

Our people

- We treat people with fairness, respect and decency.

- We do not tolerate discrimination or any form of abuse or harassment in the workplace.
- We are committed to encouraging diversity in the workplace.
- We encourage our employees to develop their full potential.
- We provide healthy, safe and secure work environments.

Our conduct

- We are open and honest and act fairly and with integrity.
- We comply with legal, regulatory and licence requirements.
- We do not tolerate corruption in any form.
- We respect and maintain the confidentiality of everyone's personal information and the confidentiality of information disclosed to us in confidence.
- We do not misuse Lloyd's information technology systems.
- High standards of corporate governance are integral to the way we manage our business.

B.4.4.2 Prevention from anti-money laundering and anti-terrorist financing

The LIC Compliance team will be supported in the operation of its controls in relation to AML and other financial crime activities (where applicable) by the Corporation Financial Crime team. This London-based team will be able to share its Lloyd's experience and skills necessary to operate the controls on an outsourced basis, with responsibility for the proper functioning of the controls resting with the LIC Head of Compliance in Brussels.

Note that LIC does not, and does not intend, to carry out life insurance activities. Therefore, the risk of money laundering is assessed as low.

B.4.4.3 Whistleblowing

LIC is committed to the highest standards of openness, probity and accountability and expects all employees to act in accordance with ethical standards. An important aspect of accountability and transparency is a mechanism to enable individuals to raise concerns relating to wrongdoing or malpractice at work in a responsible and effective manner. The escalation of such concerns is commonly known as "whistleblowing".

Main principles

The LIC Whistleblowing Policy covers the following main principles:

Guarantee of confidentiality

LIC will treat all disclosures in a secure and confidential manner. Every effort will be made to keep the identity of the person who made the disclosure confidential, when they have requested that LIC does so.

Investigating a whistleblowing report

When a whistleblowing report is made, the whistleblowing investigator in the Compliance function will carry out an initial assessment to determine the scope of any further investigation. Meetings may be held with the whistle-blower in order to obtain further information. LIC does not require evidence to be produced for a preliminary look into a concern raised under its Whistleblowing Policy.

The relevant persons will then discuss, plan and conduct an investigation or review, if and when deemed reasonably necessary to address the matter. This might include discussions with appropriate staff, members of management, review of company documents and discussions with LIC's internal and/or external auditors. In appropriate cases, LIC might also engage independent counsel and other advisors regarding the investigation. LIC will ensure that reportable concerns are notified to the relevant regulators, e.g. the NBB and/or FSMA, where appropriate.

Protection of whistle-blower and persons involved

The Whistleblowing Policy is designed to protect LIC staff who disclose serious concerns to an appropriate person in a reasonable belief that an issue covered by the policy has occurred, even if they turn out to be mistaken.

B.4.4.4 Conflicts of Interest

Conflicts of interest can be broadly described as scenarios where a person's interest in the outcome of a activity differs from the interests of LIC. A person should not be in a position that could impair his or her judgement or objectivity in carrying out his or her duties and responsibilities to LIC as it can have a large impact on the overall functioning of a company and on the underlying risks it assumes. This means that conflicts of interest need to be avoided and if that is not possible, they need to be recorded and managed through adequate processes and procedures.

B.4.5 IT infrastructure and continuity

B.4.5.1 IT infrastructure

IT structure overview

LIC IT services will leverage the IT infrastructure and relationships that the Corporation of Lloyd's ('the Corporation') already operates and maintains in conjunction with any LIC specific IT services that may be taken up throughout the creation of the office and its subsequent business operation(s). The Corporation operates a global IT service orientated around eight data centres globally. There are two data centres in the UK that will house some of the services provided to the LIC business, these will work in conjunction with technology deployed locally in the LIC office in Belgium and a number of third parties operating in the 'cloud' or as bureau services.

The Corporation IT department and Data department located in the UK will be accountable to LIC for the IT services and associated data residency and controls through the outsourcing agreement in place between LIC and the Corporation. These departments will manage the service in line with the specific business requirements set out by the LIC and detailed in the outsourcing agreement between LIC and the Corporation. Any third party that is engaged via the LIC or the Corporation will be expected to comply with these controls.

The IT configuration for the LIC includes consideration of but not limited to the following legislative requirements:

- EU General Data Protection Regulation (EUGDPR);
- Solvency II
- Security of Network and Information Systems Directive (NIS);
- Belgian Privacy Act.

LIC and the Lloyd's Corporation both follow the ISO270001:2013 standard for Information Security Management Systems.

B.4.5.2 Business continuity

Business continuity management is designed to guarantee the continuation of the critical business operation of LIC during an emergency or a crisis. This includes the measures taken in order for LIC to ensure that its services are delivered, and its operations carried out without interruption. In case of a serious unplanned interruption of business, the company should be able to maintain or restore as soon as possible its critical functions, and resume activities within reasonable timetable.

B.5 Internal Audit Function

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit activity for LIC is provided by the Corporation's global audit function. The Head of Internal Audit for the Society serves as Head of Internal Audit for LIC.

Internal Audit is the "third line of defence" in the risk governance structure, providing independent and objective risk-based assurance over the design and effectiveness of controls in place to manage the key risks impacting LIC's business performance, adding value and improving LIC's operations. Internal Audit has a key role in supporting the accomplishment of LIC's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is responsible for developing and delivering a programme of assurance aimed at validating the effective control of key business risks. Internal Audit is responsible for reporting its findings, conclusions, and recommendations to the audited parties, LIC Executive Team and LIC Audit and Risk Committee. LIC management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Internal Audit is responsible for ensuring that timely follow-up on management actions occurs. Management is responsible for implementing corrective actions on reported weaknesses.

Management can request Internal Audit to perform audit reviews subject to these requests not affecting Internal Audit's independence and objectivity. The final decision for any changes to the Internal Audit plan rests with the LIC Audit and Risk Committee.

B.5.1 Independence and objectivity

Internal Audit must be independent from management at all times in order to be effective in executing its work freely and objectively.As such::

- The Head of Internal Audit has a direct reporting line, with unlimited access, to the LIC Chair of the Audit and Risk Committee and a secondary, administrative reporting line to the Chief Executive Officer.
- The LIC Audit and Risk Committee is responsible for the approval of Internal Audit's annual plan and the overall budget.
- Internal Audit is authorised to review all areas of LIC and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work including correspondence with regulators and the Board and Committees meeting minutes.
- Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside LIC to accomplish its objectives.
- All Internal Audit reports will be reported to the LIC Audit and Risk Committee. Significant reports will also be advised to the Chair of the Audit and Risk Committee on a timely basis.
- Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management or the external auditor.
- The Head of Internal Audit has the right to attend and observe all or part of the LIC Executive Committee meetings and any other key management decision making forums where they would have the appropriate standing, access and authority to challenge the LIC Executives.

Internal Audit has no direct responsibility or authority over any operating activities reviewed and should not relieve others of their responsibilities. Internal Audit are specifically prohibited from performing management activities, including:

- Performing operational duties, including operation of policies and procedures;
- Initiating or approving accounting transactions; and
- Undertaking consulting engagements, specifically, those engagements where the primary aim includes process improvement, implementation of systems, or advising on operating practices (e.g. benchmarking).

Crucial in the independence of the Internal Audit function is the fact that it can conduct its work free of undue influence. Moreover, it has direct and unrestricted access to the LIC Chairman of the Audit and Risk Committee and the LIC Board of Directors at all times.

B.6 Actuarial function

B.6.1 Organisation

The Actuarial function is a second-line control function. It reports to the CRCO, who is identified as the ‘Personne-Relais’ for the Actuarial function. The Actuarial function is outsourced to a third party, under supervision from the ‘Personne-Relais’. The activities are subject to the provisions of the Outsourcing Policy and appropriate Service Level Agreements.

The Actuarial Function reports at least annually through the CRCO to the Audit and Risk Committee.

The actuarial work itself on calculations, setting of assumptions and others is done by the LIC Actuarial team. The calculations will be verified by the Actuarial Function under an external outsourcing agreement.

B.6.2 Actuarial function activities

The usual actuarial function activities include:

- Co-ordinate the calculation of technical provisions;
- Opinion on underwriting policy;
- Opinion on adequacy of reinsurance;
- LIC Actuarial Function Charter;
- Contribution to risk management;
- Reporting.

B.7 Outsourcing

B.7.1 Outsourcing principles

LIC' procurement, supplier management and outsourcing process is managed by the Executive Committee, which has appointed the COO to be responsible for managing the processes on a day-to-day basis and ensure that the aggregate of outsourcing arrangements is adequately overseen and controlled.

For each outsourcing agreement, a Contract Manager is appointed to manage the specific outsourcing arrangement. The COO, and any Executive Sponsor or Contract Manager, with support from the Lloyd's Procurement Team, examine the main risks that might arise from a specific outsourcing arrangement and how they can mitigate or manage such risks. The COO supports the mitigation of risks through the provision of guidance and best practice procedures. Guidance is provided throughout the life-cycle of an outsourcing arrangement from inception and the sourcing of new service providers prior to contract award, through ongoing monitoring and review activities post contract award, and finally to contingency planning and termination.

When entering into an outsourcing agreement the following principles are taken into account:

- LIC remains responsible for its regulatory obligations i.e. it cannot contract out its regulatory obligations.
- LIC must ensure that it effectively supervises the discharge of outsourced activities or functions by the service provider.
- LIC must notify the NBB when it intends to enter into or significantly alter a critical or important outsourcing agreement.

B.7.2 Critical or important and non-critical or non-important functions or activities

LIC defines its outsourcing arrangements as either 'Critical/Important' or 'Non-Critical/Non-important'.

It is necessary to determine which outsourced functions or activities should be identified as critical or important. There is an element of subjectivity in this task and therefore the specific nature of each outsourcing arrangement should be considered, together with the risk of the impact it may pose. The COO will support LIC in determining the appropriate classification for outsourcing arrangements. Ultimate responsibility for approving outsourced services of critical or important functions or activities resides with the LIC Board of Directors.

More strict rules will apply to outsourcing critical or important functions or activities, than to outsourcing functions or activities that are not critical or important.

Before a function or activity is outsourced, the COO, supported by the service manager, will assess the functions or activities based on the criteria mentioned under the following section.

B.7.2.1 Critical or important outsourced arrangements

Critical or important outsourcing agreements are defined by LIC as:

- An agreement where the products or services provided are of such importance that a weakness or failure could cause:
    - A significant deviation from the company's risk appetite;
    - A significant disruption to LIC' core operations, including the provision of services in support of the efficient running of the company; and / or
    - A compromise in LIC' ability to comply with legal and regulatory requirements.

- An agreement that concerns an "independent control function" under Solvency II (Actuarial Second-line Function, Risk Management Function, Compliance Function and Internal Audit Function).

B.7.2.2 Non-critical outsourced arrangements

A non-critical or non-important outsourcing arrangement is one where any disruption to the products or services provided by such arrangements would not materially impact LIC' core operations or compromise its ability to comply with legal and regulatory requirements.

Non-critical or non-important outsourcing arrangements are managed in accordance with the Lloyd's Procurement Policy.

Approval of non-critical outsourcing arrangements will follow the financial authority process.

B.7.3 Oversight and assurance of critical outsourcers

B.7.3.1 Service delivery and monitoring

Multiple activities across first (i.e., contract owners, Service Management function) and second (i.e., Risk Management and Compliance functions) line are performed on a continuous or regular basis as part of the service delivery and monitoring stage. This stage pertains to the ongoing delivery of the outsourced function or activity, and ends at the point of termination.

The activities performed at this stage address the ongoing responsibilities of the various stakeholders, predominantly:

- Contract owners are actively managing the third-party relationships and monitoring the performance of the third party in accordance with the contract;
- Contract owners are identifying, assessing, remediating and escalating any issues and risk incidents that arise;
- Service Management oversees the service delivery of the third parties via the contract owners by performing consolidated reporting on performance and issues;
- ExCo is informed based on reporting from Service Management of any critical risks and issues that arise; and
- Risk Management and Compliance functions facilitate the necessary root-cause analysis and remediation of risk incidents, and perform regular reporting to the Audit & Risk Committee on the organisation's outsourcing risk profile and appetite.

B.7.3.2 Annual review

The COO conducts an annual review of all critical or important outsourcing arrangements to ensure that there are adequate procedures in place for the control and management of the service providers. This involves the Contract Manager completing a Supplier Review Checklist, it may involve an interview between the Contract and Service Manager, face-to-face meetings with the service provider, and it may involve the COO, supported by the Service Manager and by Lloyd's Procurement team, requesting copies of documentation such as contract review meeting minutes and KPI reports.

B.8 Any other information

B.8.1 Assessment of adequacy of the system of governance

In accordance with Article 35 of the SII Directive 2009/138/EC and Circular 2016_31 of the National Bank of Belgium ("NBB") updated on September 2018, the LIC Executive Committee is required to provide a statement of the adequacy of its system of governance on an annual basis. This statement is issued on the basis of an assessment performed by the Committee, which determines the degree of adherence against the minimum requirements set out across NBB's seven prescribed governance domains.

Based on the assessment outcomes, the Executive Committee considers LIC's system of governance as appropriate as at end-2019. Overall, LIC had minor deficiencies relating to its effectiveness of system of governance. The Committee acknowledges two overarching findings: firstly, the need to formalise, develop and implement existing processes and controls, and secondly, the challenges persisting in domains where resource constraints were identified. Looking forward, there is a recognised need to apply lessons learned from the company's first year of operations and enhance the maturity of particular domains' processes and operating frameworks. procurement, supplier management and outsourcing process is managed by the Executive Committee, which has appointed the COO to be responsible for managing the processes on a day-to-day basis and ensure that the aggregate of outsourcing arrangements is adequately overseen and controlled.

B.8.2 Any other material information

There is no other material information to report.

C. Risk Profile

This section contains information about LIC's risk profile. This includes a view of all the risks to which LIC is exposed through its operations. In order to understand the risk profile, the nature of the risk needs to be understood, as well as the changes and trends that affect it.

To meet its solvency requirement, LIC received a capital injection at year-end 2019, for an amount of 99 mEUR.

All the calculations have been carried out in accordance with Solvency II requirements, and LIC uses the standard formula as stated in the Delegated Acts 2015/35.

C.1 Underwriting risk

LIC has 100% quota share reinsurance treaties with individual syndicates. Thus, there is no use of special purpose vehicles.

C.1.1 Non-Life Underwriting Risk

LIC's started to incept business on 1 January 2019. LIC mitigates its written business impact through its use of 100% reinsurance to the syndicates in the Lloyd's Market, which are backed by the central fund of the Corporation.

The underwriting risks represent the potential loss arising from entering into or underwriting insurance policies. In practice it can be subdivided into:

- Premium and reserve risk
- Catastrophe risk
- Lapse risk

As at 31 December 2019, LIC has written approximately 2.4 bEUR premium in non-life business. The premium and reserve risks calculated amounted to 3.9 mEUR. There is no non-life catastrophe risk exposure, owing to the 100% quota share reinsurance to Lloyd's syndicates, which are treated as an assumed single counterparty, and backed in turn by the Lloyd's Central Fund. Therefore, underwriting risk is mostly driven by the lapse risk, which is based on future estimated premiums which amounts to 6.1 mEUR.

As summarised in the Annex F.2.7 "S.25.01 Solvency Capital Requirement", the underwriting risk solvency capital requirement (SCR) amounts to 7.3 mEUR.

As at 31 December 2019, the solvency capital requirement for non-life underwriting risk represents 6% of the total undiversified basic solvency capital requirement (BSCR) and can therefore be considered an immaterial risk for LIC. As premium volume increases, non-life underwriting risk will be expected to remain stable in relation to LIC's undiversified basic capital requirement.

C.1.2 Health Underwriting Risk

LIC also writes Class 2 health similar to non-life business. LIC has no health similar to life business and reinsures 100% of its catastrophe risk to Lloyd's syndicates. The SCR for health catastrophe risk is therefore equal to 0. The only driver of the Health Underwriting module is the Non-Similar to Life Techniques (NSLT) health underwriting premium risk sub-module which consists of the following:

- The NSLT health premium and reserve risk sub-module
- The NSLT health lapse risk sub-module

As at 31 December 2019, the health underwriting premiums represent 10% of the total premiums and amounts to 273 mEUR. The SCR for the NSLT underwriting risk module amounts to 0.97 mEUR and represents 1% of the total undiversified BSCR. NSLT underwriting risk is therefore considered immaterial.

The business written by LIC is very well diversified both by line of business and geography, and as such is not very sensitive to changes in mix of business in this regard.

If the LIC gross written premiums changed by plus or minus 30%, the company is expected to remain above its risk appetite threshold SCR ratio of 125%. Underwriting risk is considered immaterial for LIC under this stressed condition and is well mitigated by reinsurance.

The expected profits included in future premiums (EPIFP) as reported in the Annex F.2.6 "S.23.01.01 Own Funds" amounts to 17.2 mEUR. Future premiums result from the sum of the unreceived premium not yet due and the BBNI. As a 100% reinsured insurance company, LIC's expected profits on future premiums is the result of the percentage of ceding commission applied to these premiums.

C.2 Market risk

LIC runs an investment strategy with conservative investment parameters and holds no derivatives. It holds investments to meet its expenses and its capital requirements. It minimises the risks on this by holding short-term (duration between 0 – 4 years) and high-quality government and corporate bonds. In today's economic environment this quality does come at the risk of lower and sometimes negative returns.

The market risk is subdivided as follows:

- Interest rate risk
- Equity risk
- Spread risk
- Concentration risk
- Currency risk
- Property risk

The risk drivers for the market risk module are interest rate risk, spread risk and currency risk, each contributing around 33% of the undiversified market risk capital requirement.

As at 31 December 2019, LIC had approximately 249 mEUR invested in bonds with a composition of 35% in corporate bonds and 65% in government bonds, where the majority had a credit rating of A or higher.

LIC has no equity or property as part of its assets. However, the small amount of equity and property risks identified are due to the accounting treatment of LIC's company cars and its office leasing. These risks remain insignificant.

Currency risk within LIC represents around 33% of its undiversified market risk. The company has no investment in foreign currencies. The company's currency risk comes from its reinsurance commission on the earned premium in the denominated currency of the premium, which is mainly in USD as at 31 December 2019. LIC has negligible liabilities in foreign currencies owing to its insurance liabilities being 100% reinsured and the claims payments, which are made through the Lloyd's Settlement and Trust Fund Operations (STFO) system.

As summarised in Annex F.2.7 "S.25.01 Solvency Capital Requirement". the market risk solvency capital requirement is approximately 11.5 mEUR and represents 9% of the undiversified BSCR.

As LIC holds a well-diversified and high-quality investment portfolio, its market concentration risk is considered immaterial.

LIC's profitability is based on receiving a commission on the written premium, denominated in the currency of the premium. Therefore, a mismatch of ceding commission currency compared to LIC's net liabilities, would increase the currency risk. In assessing this sensitivity, the year-end 2019 currency risk was increased by 200% however this only reduced the SCR ratio by less than 5%. Therefore, currency risk is considered immaterial for LIC under this stressed condition.

C.3 Credit risk

Counterparty default risk is the most material risk for LIC. Its solvency capital requirement as at 31 December 2019 amounts to 110.4 mEUR and represents 85% of the undiversified BSCR. This is owing to its 100% reinsurance business model.

The LIC Actuarial and Risk Management teams have assessed the main elements of its counterparty default risk calculation and adequacy of the parameters.

As at 31 December 2019, counterparty default risk is composed of 82% of type 1 exposure and 18% of type 2 exposure, with type 1 counterparty default therefore being the main risk driver of the company's counterparty default risk.

Counterparty default risk is the main risk driver for LIC's SCR owing to the company's reinsurance to the Corporation, which represents almost all of type 1 risk.

The SCR counterparty default risk has two main components, firstly the best estimate of reinsurance recoverables, and secondly the risk mitigating effect of reinsurance on the SCR.

Most of type 1 counterparty default risk comprises risk mitigation, with reinsurance mitigation of SCR Non-Life Catastrophe risk being the largest category.

LIC's counterparty default risk exposure is sensitive to the credit rating of the Corporation. As mentioned above, counterparty default risk contributes to 85% of the undiversified BSCR. This is because insurance risks written by LIC are 100% ceded to Lloyd's syndicates. Therefore, the SCR is driven primarily by the credit rating of the Corporation and the subsequent credit quality step applied in the standard model.

As at year end 2019 Lloyd's ratings were "A" by AM Best, "AA-" by Fitch and "A+" by S&P. The second-best rating is therefore S&P A+, which equates to a Credit Quality Step (CQS) of 2 under the standard model. The credit rating assigned to our counterparty drives the overall SCR result, and a movement up or down the CQS will reduce the SCR by around 40% or increase it by around 90%.

C.4 Liquidity risk

There is no Standard Formula calculation for liquidity risk. Liquidity risk is part of LIC's risk taxonomy but is not deemed by the company as a material risk.

The rationale is that LIC needs to pay claims or other liabilities as they fall due. It does this by using processes that ensure that claims are not paid by LIC until the money for that claim is provided by its reinsurer. This way it is not subject to any short-term funding or basis risk. The liquidity to meet expense payments is managed as part of the day-to-day cash management of the Finance department.

LIC has entered into 100% quota share reinsurance agreements with each of the syndicates whose managing agents have been authorised under an outsourcing agreement to underwrite business on behalf of LIC. Through this arrangement all business written by LIC is fully reinsured by the relevant syndicates. The members of the syndicates meet their obligations in relation to the business written by them (including but not limited to their liability to LIC) through the assets held in the various links of the Lloyd's chain of security. The first two of these are the Premium Trust Funds and members' Funds at Lloyd's. In the event that Lloyd's becomes aware that any member of a syndicate is not able to meet its liabilities from those assets, the Council of Lloyd's would be invited to exercise its discretion under the Lloyd's Byelaws to grant an undertaking to that member to provide it with sufficient assets from the Central Fund in order that the liabilities can be met as and when they fall due.

C.5 Operational risk

LIC observes risks arising from the use of new processes and systems since the company began writing insurance business from 1 January 2019, along with risks arising from late onboarding of these systems. This is mitigated by the continued allocation of a development budget and the recruitment of additional FTE to strengthen the organisation.

As at 31 December 2019, operational risk amounts to 35.4 mEuR and represents 23% of the total SCR.

Scenario analysis was conducted on Operational risk as part of the ORSA process and considered the potential impact of increased operational expenses. Under this assumption LIC assumes that additional human resources are required to address and rectify data quality issues and challenges. The company is expected to respect its own risk appetite threshold based on these assumptions.

C.6 Other material risks

C.6.1 Capital Risk

LIC is capitalised to meet its 2020 new business plan under Solvency II requirements. Its shareholders have made clear that they will support the business with future capital injections to support the writing of new business in future years.

C.6.2 Other material risks identified by the Risk Management function

In addition to the above, the risk management function has, from a top-down ORSA assessment, defined the following key risks at LIC.

- Outsourcing

- Sanctions & Financial crime
- Data quality and controls
- Reinsurance
- Governance

The Company actively manages the above risks and minimises them through governance structures supported by processes and controls. Risks are identified and assessed on an ongoing basis with stress and sensitivity testing conducted as part of the ORSA process.

C.7 Any other information

The company does not have any other material information to disclose regarding its risk profile.

D. Valuation for Solvency Purposes

The Company values assets and liabilities, other than technical provisions, at fair value, being the amount which an asset could be exchanged between knowledgeable, willing parties using market consistent valuation methods. The financial statements of the Company are prepared under Belgian General Accepted Accounting Principles (BEGAAP). The following summarised balance sheet as at 31 December 2019 analyses the differences in valuation between the Company's annual financial statements and Solvency II.

Table D.1: Summarised balance sheet as at 31 December 2019 illustrating the adjustments in valuation between the Company's annual financial statements and Solvency II.

ASSETS	BEGAAP mEUR 2019	Difference mEUR 2019	Solvency II mEUR 2019	Solvency II mEUR 2018
Intangible assets	11.74	-11.74	0.00	0
Deferred tax assets	0.00	17.85	17.85	11.52
Property, plant and equipment held for own use	0.64	0.32	0.96	0.81
Investments (other than assets held for index-linked and unit-linked contracts)	246.59	2.28	248.87	164.07
Reinsurance recoverables from: Non-life and health similar to non-life	2,114.75	-833.54	1,281.21	-10.47
Insurance and intermediaries' receivables	1,410.89	-576.51	834.39	0
Reinsurance receivables	371.40	-371.40	0.00	0
Receivables (trade, not insurance)	2.28	0.15	2.42	0.01
Cash and cash equivalents	47.35	0.01	47.36	28.22
Any other assets, not elsewhere shown	3.75	-3.75	0.00	0.53
Total assets	**4,209.40**	**-1,776.33**	**2,433.07**	**194.69**

LIABILITIES	BEGAAP mEUR 2019	Difference mEUR 2019	Solvency II mEUR 2019	Solvency II mEUR 2018
Best Estimate	2,114.75	-809.37	1,305.38	-12.11
Risk margin	0.00	31.13	31.13	4.50
Provisions other than technical provisions	0.04	-0.04	0.00	9.31
Pension benefit obligations	0.36	0.00	0.36	0
Debts owed to credit institutions	0.00	0.01	0.01	0
Financial liabilities other than debts owed to credit institutions	0.00	1.05	1.05	0
Insurance & intermediaries payables	332.74	-332.74	0.00	0
Reinsurance payables	1,408.46	-604.77	803.69	0
Payables (trade, not insurance)	47.46	-21.94	25.52	16.25
Any other liabilities, not elsewhere shown	33.41	-13.83	19.57	0
Deferred tax liability	0.00	0.00	0.00	2.50
Total liabilities	**3,937.22**	**-1,750.51**	**2,186.71**	**20.45**

D.1 Assets

D.1.1 Key differences between valuation for Solvency II and financial reporting

Table D.2: Summarised valuation basis between Solvency II and the Company's annual financial statements (BEGAAP).

ASSET	Solvency II Valuation	Financial Reporting Valuation
Intangible assets	Intangible assets are not accounted for under the Solvency II balance sheet.	As at year end 2019 these are exclusively related to IT development cost. Amortisation of these costs will commence from the start of their usefulness and typically depreciated over a 5 years period. Additional depreciation is booked when the it's justified by economic circumstances.
Deferred tax assets	Solvency II recognises Deferred Tax Asset as part of the balance sheet and includes expected profit in future premiums.	Deferred tax assets are not reported on the BEGAAP balance sheet.

Property, plant and equipment held for own use	Under Solvency II the asset value includes a dilapidation amount anticipating the future refurbishing cost of the premises that Lloyds Insurance Company is renting, due on leaving the premises at the end of the rent contract, as well as the value of our lease agreements. These will be amortised straight-line over the lease periods.	In BEGAAP only a liability provision is progressively set up on a straight-line basis to account for the dilapidation amount, and fixed assets are included and amortised over their useful lifetime.
Investments (other than assets held for index-linked and unit-linked contracts)	Bonds are valued at market value with the accrued interest included in the value of the bond.	Bonds are valued at amortised cost with accrued interest reported separately under, "any other assets, not elsewhere shown".
Reinsurance recoverables from: Non-life and health similar to non-life	On a Solvency II basis, this balance presents the net of cash inflows with respect to recoveries on business bound at the reporting date and cash outflows with respect to premiums payable on outwards reinsurance arrangements, including reinsurer bad debt, in respect of bound business.	The BEGAAP balance sheet presents the reinsurer's share of unearned technical provisions and claims outstanding relating to reinsurance of direct business.
Insurance and intermediaries' receivables	These represent all debtor cash flows related to premiums which are past due. Balances which are not past due are deemed to be future cash flows and reclassified as part of the technical provisions.	This asset category primarily relates to premium and policy holder tax which is valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery.
Reinsurance receivables	Solvency II amounts receivable from the reinsurers in respect of overdue premiums we will pay to them, are valued considering the actual cash flow. As such they are net of commissions, policyholder taxes and any other charges, hence this value is always zero.	This asset category relates to commissions, policy holder taxes and other charges which are valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery.
Receivables (trade, not insurance)	Includes pre-paid rent.	This asset category includes pre-paid expenses and VAT, which are valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery.
Cash and cash equivalents	Cash and cash equivalents are monies held as cash on hand, cash and short-term deposits held on call with banks. Such balances are held at fair value under Solvency II. The difference between BEGAAP value is due to the classification of a negative balance of a single bank account under "Debts owed to credit institutions".	There are no differences from SII valuation basis.

Any other assets, not elsewhere shown	Does not include any accrued interest, this is included in the market price of the investments.	Includes accrued interest under Belgian GAAP and the value of the cash suspense account.

At the reporting date the Company's investments of 248.9 mEUR were held in 65% government bonds and 35% corporate bonds. The Company does not provide any guarantees.

D.2 Technical provisions

The Head of Actuarial Function is responsible for the oversight of the calculation of technical provisions.

The technical provisions net of reinsurance as at 31 December 2019 are 55.43 mEUR. The table below lists the Company's technical provisions by line of business.

Table D.3: Technical provisions by line of business as at year end 2019.

Segmentation	Solvency II Line of Business	Gross Best Estimate €'000	Recoveries €'000	Net Best Estimate €'000	Risk Margin €'000	Total Net Technical Provisions
Direct Business and Accepted Proportional Reinsurance	Medical expense insurance	10,243	10,073	169	269	439
	Income protection insurance	73,487	72,202	1,285	1,846	3,131
	Workers' compensation insurance	44,232	43,343	888	968	1,856
	Motor vehicle liability insurance	1,010	991	19	24	43
	Other motor insurance	26,439	25,945	494	625	1,119
	Marine, aviation and transport insurance	345,294	338,927	6,367	8,266	14,633
	Fire and other damage to property insurance	185,563	182,383	3,180	4,742	7,922
	General liability insurance	491,582	482,156	9,426	11,320	20,745
	Credit and suretyship insurance	57,864	56,763	1,102	1,343	2,445
	Legal expenses insurance	475	468	6	14	21
	Assistance	-	-	-	-	-
	Miscellaneous financial loss	14,195	13,934	261	340	602
Accepted Non-Proportional Reinsurance	Non-proportional health reinsurance	1,807	1,797	9	73	82
	Non-proportional casualty reinsurance	7,315	7,169	145	162	307
	Non-proportional marine, aviation and transport reinsurance	4,068	4,006	62	113	175
	Non-proportional property reinsurance	41,809	41,055	754	1,021	1,775
Total Non-Life obligation		1,305,381	1,281,214	24,167	31,128	55,295

D.2.1 Best estimate

The best estimate represents the probability weighted average of all future cash flows from bound contracts. As LIC has only recently commenced writing business, it cannot use any of its own claims data to calculate best estimate technical provisions. We have therefore relied upon claims assumptions, by business segment, supplied by the Corporation's Market Reserving & Capital team. These assumptions are used centrally in calculating the Lloyd's Solvency Capital Requirement and are also consistent with pricing and planning assumptions used within Lloyd's.

In the absence of any historic claims data, this is appropriate as LIC is:

- Subject to similar underwriting guidelines
- Targeting similar types of business
- Reinsuring 100% to the same segment underwriting leaders and
- Following the same pricing models, where applicable.

An allowance is made for events not in the data to reflect the possibility of adverse claims' experience not included in the claim's assumptions.

The future cash flows are discounted by applying the risk-free yield curves by currency.

A Solvency II expense provision is required, predominately for overhead expenses incurred in servicing insurance obligations, arising from contracts bound at the valuation date.

Future reinsurance premiums, ceding commissions and recoverables have been estimated by applying the applicable reinsurance arrangements to projected gross premiums and claims.

The company reinsurers to 78 Syndicates who form part of the Lloyd's market, via 100% quota share agreements. Furthermore, owing to these 100% back to back reinsurance agreements the company's SCR is not very sensitive to interest rate changes used for discounting future liabilities.

The company does not have any arrangements with special purpose vehicles and hence technical provisions are not adjusted for recoveries from such vehicles.

As at year end 2018 the reported best estimate equated to a Gross Premium Provision only, as there were no incepted policies at that time, the valuation was based solely on bound but not incepted business volumes. Furthermore, the gross premium provision was negative as for profitable business, where the present value of future cash inflows exceeds the present value of future cash outflows the premium provision excluding risk margin is negative. As at year end 2019 with a full year of incepted policies, where the bound but not incepted business is now only a fraction (<3%) of the bound volume, the gross best estimate is positive and over 100 times larger compared to year end 2018.

Other than the volume of incepted business change during this reported period, there were no material changes to assumptions, and no significant simplifications have been used to calculate the best estimate technical provisions.

D.2.2 Uncertainty

The claims experience of the company could deviate significantly from that of Lloyd's syndicates. While LIC writes business with similar characteristics and according to similar guidelines to Lloyd's syndicate, LIC business is in the EEA only and as such is a subset of the global performance by Lloyd's Class of Business. However, this is mitigated by the 100% reinsurance protections that are in place.

There is a significant volume of future premium included in technical provisions. If these amounts are not received the company's technical provisions' liability would increase.

As the company is 100% reinsured to syndicates who form part of the Lloyd's market, in the event of a syndicate failure or dispute, recoveries could be lower than expected.

D.2.3 Risk margin

Technical provisions include a risk margin to ensure that the value of technical provisions is equivalent to the amount that an insurer would be expected to require taking over the insurance obligations of the company. In calculating the risk margin, Simplified Method 3 was applied, as outlined in Guideline 62, "Hierarchy of methods for the calculation of the risk margin" of EIOPA's "Guidelines on the Valuation of Technical Provisions". Method 2 is not appropriate as the company has negative technical provisions while Method 4 is too simplistic, given that it is possible to apply Method 3. In calculating technical provisions, none of the other simplifications provided in the Solvency II Delegated Acts have been used.

D.2.4 Key differences between valuation for Solvency II and the Company's annual financial statements.

Table D.7: Summarised valuation differences between Solvency II and the Company's annual financial statements.

Item	Solvency II Valuation	Financial Reporting Valuation
Contract Recognition	Technical provisions include all contracts which were bound at the valuation date.	Financial reporting only recognised contracts that have incepted at the valuation date.
Technical Provision	The best estimate represents the probability weighted average of all future cash flows from bound contracts. Includes an explicit risk margin, as prescribed by Solvency II regulations.	Unearned premium reserve is calculated from the gross written premium and doesn't asses the economic value of these unearned premiums. Claim Provisions include an additional margin in the statutory accounts, however unlike the Solvency II valuation exclude; 1. Discounting 2. Events Not in Data (ENIDs) 3. Future premiums 4. An expense provision other than for direct claim fees

Apart from the differences outlined in Table D.7. above, there would not be any material differences between the bases, methods and main assumptions used by for the valuation for solvency purposes and those used for valuation in financial statements.

Because of the nature of the company's business set-up, it does not apply any of the following as provided in the Solvency II Delegated Acts:

- Matching adjustment
- Volatility adjustment
- Transitional risk-free rate structure volatility adjustment and
- Transition deduction

D.3 Other liabilities

The company values other liabilities at fair value, being the amount which an asset could be exchanged between knowledgeable, willing parties using market consistent valuation methods.

The company operates a defined contribution pension scheme. There were no changes made to the recognition and valuation bases used or on estimations during the reporting period.

D.3.1 Solvency II valuation for each material class of other liabilities

Table D.8: Summarised valuation basis between Solvency II and the Company's annual financial statements (BEGAAP).

Item	Solvency II Valuation	Financial Reporting Valuation
Provisions other than technical provisions	There are no items classified here under the Solvency II balance sheet.	Provision, for the total refurbishing cost due on leaving the premises that Lloyds Insurance Company is renting, is progressively set up on a straight-line basis. Includes other future expenses not yet paid.
Pension benefit obligations	Under Solvency II the entire liability is booked, which at year end equates to the contributions yet to be invested.	Based on the actual value of the Company's engagement, as such only the legal obligation related to a minimum return guarantee, for Belgian defined contribution pension schemes is booked. At year end this also includes the contributions not yet invested.
Debts owed to credit institutions	These balances are held at fair value under Solvency II.	There is no difference in the valuation basis between Solvency II and BEGAAP, the difference is that these liabilities are included under the asset item "Cash and cash equivalents" in the BEGAAP balance sheet.

Financial liabilities other than debts owed to credit institutions	Under Solvency II the liability value includes a dilapidation amount anticipating the future refurbishing cost of the premises that Lloyds Insurance Company is renting, due on leaving the premises at the end of the rent contract, as well as the liability value of our lease agreements.	There are no items classified here under the BEGAAP balance sheet.
Insurance & intermediaries payables	Solvency II amounts payables in respect of overdue premiums are valued considering the actual cash flow, which is net of commissions and any other charges, hence is always zero.	This liability category relates to commissions and other charges which are valued at the nominal or acquisition value.
Reinsurance payables	These represent all reinsurance cash flows related to direct premiums which are past due. Balances which are not past due are deemed to be future cash flows and reclassified as part of the reinsurance recoverables.	This liability category primarily relates to reinsurance of premium and policy holder tax which is valued at the nominal or acquisition value.
Payables (trade, not insurance)	Solvency II payables are valued on the same basis as BEGAAP. The difference is due to an inter-Company debt classified under "Any other liabilities, not elsewhere shown" in the Solvency Ii balance sheet, and policy holder taxes payable are excluded and subsequently included as part of the technical provisions calculation.	Payables are recorded on an accruals basis.
Any other liabilities, not elsewhere shown	Payable relating to an inter-Company debt, recorded on an accruals basis.	This liability category relates to deferred reinsurance commissions which are valued at the nominal or acquisition value. Impairments are registered to take into account the uncertainties of their recovery. This deferral follows the same pattern as unearned premium therefore reinsurance commission is earned following the same pattern as the premiums they related to.
Deferred tax liability	Solvency II recognizes deferred tax liability as part of the balance sheet.	Deferred tax liabilities are not reported on the BEGAAP balance sheet.

D.4 Alternative methods for valuation

The company does not use any alternative methods for valuation.

D.5 Any other information

The company does not have any other material information to disclose regarding valuation for solvency purposes.

E. Capital Management

E.1 Own funds

E.1.1 Objective, policies and processes for managing own funds

The company aims to maintain sufficient own funds to cover its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). The amount of excess funds held will be reviewed on an ongoing basis. The level of excess funds was considered by the company's sponsor during the process in establishing the company, and as part of the application for regulatory approval. The company holds excess funds to absorb potential volatility in SCR coverage and to absorb risks not included in the SCR, such as strategic risk, and will monitor coverage of SCR and MCR on a quarterly basis. The company will consider its objectives for managing its own funds as part of its annual ORSA process, which is based on a three-year business plan. The company does not plan to have any ancillary own fund items.

The CRCO and CFO report to the Board at its meetings on the level of eligible own funds and the ratio of cover over the SCR and MCR. Ultimate responsibility for maintenance of own funds lies with the Board of Directors.

There were no material changes in respect to the structure of LIC's available own funds compared to the previous reporting period, being solely Tier 1 unrestricted own funds except for the net deferred tax asset included under Tier 3 own funds. The quantum has increased as the ordinary share capital (gross of own shares) has benefited from a capital injection at year-end 2019, for an amount of 99 mEUR.

There were no distributions made to shareholders in the year.

E.1.1.1 Own funds classification

As at 31 December 2019, the company's excess of assets over liabilities is comprised of issued share capital of 300.4 mEUR, reconciliation reserve of -71.9 mEUR, and a net deferred tax asset of 17.9 mEUR. The entire balance is available as Tier 1 unrestricted own funds, except the net deferred tax asset, to meet both SCR and MCR requirements.

The company does not have any Tier 1 own funds that fall within the following categories:

- paid-in subordinated mutual member accounts
- paid-in preference shares and the related share premium account
- paid-in subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC

None of the company's own funds are subject to transitional arrangements. The company does not have any ancillary own fund items. Furthermore, the company has not deducted any items from its own funds.

Table E.1: Sources of funds on a Solvency II basis

Basic Own Funds	Tier 1 – unrestricted mEUR	Tier 3 mEUR	Total mEUR
Ordinary share capital (gross of own shares)	300.4		300.4
Reconciliation reserve	-71.9		-71.9
An amount equal to the value of net deferred tax assets		17.9	17.9
Total basic own funds after deductions	228.5	17.9	246.4
Total ancillary own funds	0.00	0	0.0
Total available own funds to meet the SCR	228.5	17.9	246.4
Total available own funds to meet the MCR	228.5	0	228.5
Total eligible own funds to meet the SCR	228.5	17.9	246.4
Total eligible own funds to meet the MCR	228.5		228.5
SCR			153.4
MCR			38.4
Ratio of Eligible own funds to SCR			161%
Ratio of Eligible own funds to MCR			596%

E.1.1.2 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The company’s Own Funds are represented by 228.5 mEUR Tier 1 unrestricted, and 17.9 mEUR Tier 3 restricted, Table E.1 above shows these eligible amounts available to cover the SCR.

E.1.1.3 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The company’s Own Funds are represented by 228.5 mEUR Tier 1 unrestricted. Table E.1 above shows the eligible amount available to cover the MCR.

E.1.1.4 Tier 1 basic own funds

LIC has Paid in Ordinary Share Capital of 300.4 mEUR. The reconciliation reserve at 31 December 2019 was -71.9 mEUR. Tier 1 own funds of 228.5 mEUR are eligible in full to meet both the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

E.1.1.5 Reconciliation of BEGAAP own funds to Solvency II own funds

Table E.2: Composition of reconciliation reserve, based on difference between own funds in BEGAAP and available own funds according to the Solvency II standard

			mEUR
A	**Belgian GAAP Own Funds**		272.18
B	**Differences between Solvency II and BEGAAP balance sheet valuation**	Any other assets, not elsewhere shown	-3.75
C		Insurance and intermediaries receivables	-576.51
D		Intangible assets	-11.74
E		Investments (other than assets held for index-linked and unit-linked contracts)	2.28
F		Reinsurance receivables	-371.40
G		Reinsurance recoverables from: Non-life and health similar to non-life	-833.54
H		Other Assets	0.47
I		Any other liabilities, not elsewhere shown	-13.83
J		Best Estimate	-809.37
K		Insurance & intermediaries payables	-332.74
L		Payables (trade, not insurance)	-21.94
M		Reinsurance payables	-604.77
N		Risk margin	31.13
O		Other Liabilities	1.02
P	**Assets over Liabilities Sol II. A+B+C+D+E+F+G+H-I-J-K-L-M-N-O**		228.51
Q		Net Deferred tax assets	17.85
R	**Sol II Own Funds. P+Q**		246.36
S	Total of reserves and retained earnings from financial statements		-28.24
T	Differences between BGAAP and Sol II. P-A		-43.68
U	**Reconciliation reserve. S+T**		-71.92

Solvency II Guidelines on “Reporting and public disclosure” require disclosure in Section 5.1 of information about any additional solvency ratios reported other than those included in template S.23.01. LIC has not reported any such additional solvency ratios.

E.1.1.6 Deferred tax assets (DTA)

The Deferred tax asset consists of two elements, firstly the difference between the Solvency II and BEGAAP balance sheet valuation, secondly based on the carry forward or unused tax losses.

As a Start-up company, LIC’s carry forward of unused tax losses from 2018 was -27.19 mEUR, and -0.56 mEUR from 2019.

The valuation difference represents the excess of assets over liabilities in the Solvency II balance sheet minus the excess of assets over liabilities in the BEGAAP balance sheet and amounts to -43.68 mEUR, as detailed above in Table E.2, row T.

As at 31 December 2019 the LIC total tax-deductible Solvency II loss amounts to -71.42 mEUR, calculated by adding the carry forward losses and valuation difference together.

The total DTA is equal to the total loss × Corporate tax rate of 25% and amounts to 17.85 mEUR.

All of the deferred tax asset is recognised, as LIC forecasts future taxable profits will be available, against which the deferred tax can be utilised. The local tax rules and limits are considered in making this assessment.

LIC has no Tier 2 capital. The net deferred tax asset is available as basic own funds and classified as Tier 3, all of which are eligible as own funds to meet the SCR, as the amount is less than the prescribed limit of 15% x SCR.

As a 100% reinsured insurance company, LIC's principal source of income is the reinsurance commission based on earned premium. The forecasted profit and loss account, plan to start generating a net profit by the end of 2020. Furthermore, LIC's forecasted profit and loss account over the next three years, demonstrates the probability that future taxable profit will be available against which the deferred tax asset can be offset.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The company's Standard Formula Solvency Capital Requirement as at 31 December 2019 is 153.4 mEUR. The SCR is designed to absorb the loss resulting from the occurrence of a 1-in-200-year loss event over the next 12 months. The company uses the Standard Formula specified by EIOPA to estimate the SCR. This models insurance, market, credit, and operational risk, and takes account of the company's outwards reinsurance programmes. The company's SCR calculation includes the use of a simplification provided by the Solvency II Delegated Acts 2019 update for the natural catastrophe risk sub-module within the underwriting module. It requires the map of the sum insured by risk zones. However, LIC does not have the data at this level of granularity. The Company therefore uses the simplified calculation of the sum insured for natural catastrophe risks as stated in the *Article 90b* from the *Commission Delegated Regulation (EU) 2019/981, 2019,* which is based on a risk weight approach.

Table E.3. below provides a breakdown of the company's SCR as at 31 December 2019.

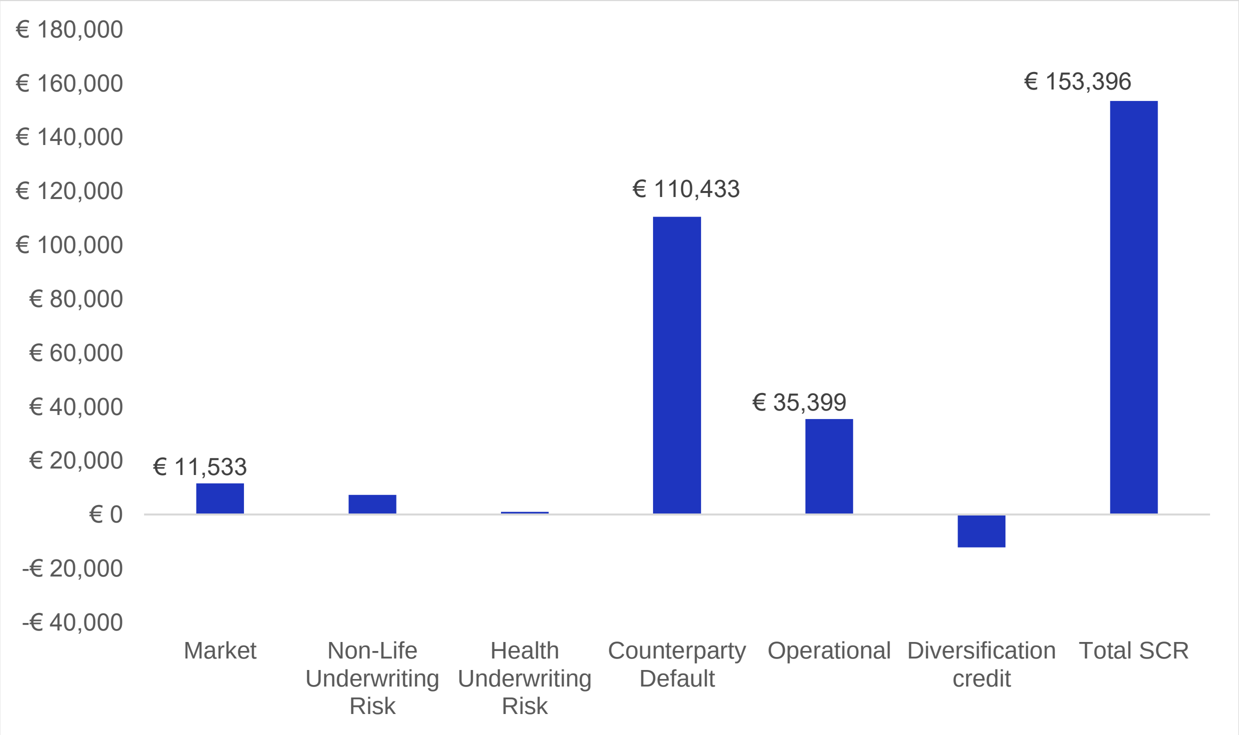
Table E.3: This table provides a breakdown of the company's Solvency Capital Requirement as at year end 2019 by risk type (mEUR)

		mEUR
Non-Life Underwriting Risk	Premium and Reserve Risk	3.90
	Catastrophe Risk	0.00
	Lapse Risk	6.14
	SCRnl Pre-Div	10.04
	Diversification credit	-2.76
	SCRnl	**7.27**
Health Underwriting Risk	NSLT Underwriting Risk	0.97
	SLT Underwriting Risk	0.00
	Catastrophe Risk	0.00

	SCRhealth Pre-Div	0.97
	Diversification credit	0.00
	SCRhealth	**0.97**
Life Underwriting Risk		-
	Interest Rate Risk	5.98
	Equity Risk	0.05
	Property Risk	0.21
	Spread Risk	5.74
Market Risk	Concentration Risk	0.17
	Currency Risk	5.46
	SCRmkt Pre-Div	17.61
	Diversification credit	-6.08
	SCRmkt	**11.53**
	Type 1 Risk	93.85
	Type 2 Risk	20.95
Counterparty Default Risk	SCRdef Pre-Div	114.80
	Diversification credit	-4.36
	SCRdef	**110.43**
Undiversified BSCR		130.21
Diversification Credit		-12.21
Basic SCR		**118.00**
Operational Risk		35.40
Basic SCR + Operational Risk		**153.40**

Loss-Absorbing Capacity of Deferred Tax Liabilities	**-**
Final SCR	**153.40**
Own Funds	**246.36**
SCR Ratio	**161%**

Chart E.1: Breakdown of company's Solvency Capital Requirement by risk type in thousands EUR



In addition to SCR, the MCR is also required to be calculated. This is lower than the SCR and is designed to correspond to a solvency level below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurer could continue its operations. MCR as at the report date was 38.35 mEUR.

Table E.4: The following table is an extract from form S28.01.

Item	mEUR
Linear MCR	2.66
SCR	153.40
MCR cap	69.03
MCR floor	38.35
Combined MCR	38.35
Absolute floor of the MCR	3.7
Minimum Capital Requirement	38.35

Basic Own Funds is the excess of assets over liabilities as determined by the Solvency II balance sheet. The company's own funds include only Tier 1 unrestricted funds, without imposed capital add-ons. Throughout the period the company has eligible own funds available to meet the SCR and MCR. The own funds ratio to SCR and MCR at the reporting period end are 161% and 596%, respectively.

The company has not used any undertaking-specific parameters in calculating the SCR using the Standard Formula.

In calculating the MCR, the company has used the following approach:

- A linear MCR based on the net of reinsurance best estimate technical provisions and the net written premiums in the last 12 months.
- A floor of 25% of the SCR and a cap of 45% of the SCR is applied.
- An absolute floor of 3.7 mEUR is applied to calculate the overall MCR requirement.

As at year end 2018 there were no incepted policies, the valuation was based solely on bound but not incepted business volumes. As at year end 2019 with a full year of incepted policies, the values in Table E.4. above are around 550% larger (except for the absolute floor of the MCR) than at year end 2018.

Other than the volume of incepted business change during this reported period, there were no material changes to assumptions.

E.3 Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company did not make use of the duration-based equity sub-module in the reporting during the reporting period.

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

The company uses the Standard Formula to calculate its Solvency Capital Requirement. Therefore, no differences exist.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The company complies with the Solvency II Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period. The company held Own Funds in excess of both the Minimum Capital Requirement and Solvency Capital requirement throughout the reporting period.

E.6 Any other information

LIC does not have any other material information to disclose regarding capital management.

F. Annex

F.1 Glossary of terms

Table F.1: This table provides a description of each abbreviation referred to throughout the document.

Abbreviation	Description
BBNI	Bound But Not Incepted
BGAAP	Belgian General Accepted Accounting Principles
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMDO	Chief Market Development Officer
COO	Chief Operating Officer
CRCO	Chief Risk and Compliance Officer
CUO	Chief Underwriting Officer
CQS	Credit Quality Step
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
ExCo	Executive Committee
ENIDs	Events Not in Data
FSMA	Financial Services and Markets Authority
FTE	Full Time Employee
ICS	Internal Control System
LFC	Lloyd's Finance Company
MCR	Minimum Capital Requirement
NBB	National Bank of Belgium
NSLT	Non-Similar to Life Techniques
ORSA	Own Risk and Solvency Assessment
OSN	Overall Solvency Needs
RACI	Responsible, Accountable, Consulted, and Informed
RCA	Risk and Control Assessment

RIR	Risk Incident Reporting
RMF	Risk Management Function
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SSTs	Stress Test and Scenarios
STFO	Settlement and Trust Fund Operations
UWR	Underwriting Risk

F.2 Quantitative Reporting Templates (QRT)

The following QRT templates, applicable to the company, are required for the Solvency and Financial Condition Report.

The reporting currency is Euro.

Table F.2: QRT List

S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.05.02	Premiums, claims and expenses by line of country
S.17.01	Non-Life Technical Provisions
S.19.01	Non-Life Claims Information
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement
S.28.01	Minimum Capital Requirement

F.2.1 S.02.01 Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	17,854,747
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	960,454
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	248,873,687
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	248,873,687
Government Bonds	**R0140**	161,788,425
Corporate Bonds	**R0150**	87,085,262
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	-
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	1,281,214,301
Non-life and health similar to non-life	**R0280**	1,281,214,301
Non-life excluding health	**R0290**	1,153,797,489
Health similar to non-life	**R0300**	127,416,812
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**	834,385,035
Reinsurance receivables	**R0370**	-
Receivables (trade, not insurance)	**R0380**	2,421,503
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**	47,357,540
Any other assets, not elsewhere shown	**R0420**	-
Total assets	**R0500**	2,433,067,267
		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	1,336,509,130
Technical provisions – non-life (excluding health)	**R0520**	1,203,583,325
Technical provisions calculated as a whole	**R0530**	-
Best Estimate	**R0540**	1,175,612,560
Risk margin	**R0550**	27,970,766
Technical provisions - health (similar to non-life)	**R0560**	132,925,804
Technical provisions calculated as a whole	**R0570**	-
Best Estimate	**R0580**	129,768,834
Risk margin	**R0590**	3,156,970
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
Technical provisions calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
Technical provisions calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
Technical provisions calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-

Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	358,110
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	-
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	9,349
Debts owed to credit institutions resident domestically	**ER0801**	-
Debts owed to credit institutions resident in the euro area other than domestic	**ER0802**	9,349
Debts owed to credit institutions resident in rest of the world	**ER0803**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	1,046,175
Debts owed to non-credit institutions	**ER0811**	-
Debts owed to non-credit institutions resident domestically	**ER0812**	-
Debts owed to non-credit institutions resident in the euro area other than domestic	**ER0813**	-
Debts owed to non-credit institutions resident in rest of the world	**ER0814**	-
Other financial liabilities (debt securities issued)	**ER0815**	1,046,175
Insurance & intermediaries payables	**R0820**	-
Reinsurance payables	**R0830**	803,688,596
Payables (trade, not insurance)	**R0840**	25,520,210
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in Basic Own Funds	**R0860**	-
Subordinated liabilities in Basic Own Funds	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	19,574,529
Total liabilities	**R0900**	2,186,706,099
Excess of assets over liabilities	**R1000**	246,361,168

F.2.2 S.05.01 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	25,359,942	167,889,325	67,896,962	2,361,714	53,332,887	654,214,860	448,172,642	871,296,279	110,586,083	1,675,163	-	27,989,552					2,430,775,409
Gross - Proportional reinsurance accepted	R0120	2,174,988	1,417,435	89,507	0	-	56,702,056	31,010,136	18,640,016	2,270,827	-	-	1,473,288					113,778,254
Gross - Non-proportional reinsurance accepted	R0130													7,030,065	11,586,531	15,492,854	74,626,433	108,735,884
Reinsurers' share	R0140	27,534,930	169,306,760	67,986,469	2,361,714	53,332,887	710,916,917	479,182,778	889,936,295	112,856,910	1,675,163	-	29,462,840	7,030,065	11,586,531	15,492,854	74,626,433	2,653,289,547
Net	R0200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums earned																		
Gross - Direct Business	R0210	12,551,418	88,642,143	43,774,280	994,943	25,833,917	349,852,016	235,733,566	464,651,981	47,298,132	892,688	-	15,097,692					1,285,322,776
Gross - Proportional reinsurance accepted	R0220	1,512,611	999,483	53,426	-	-	33,695,593	18,876,489	10,301,258	388,018	-	-	709,694					66,536,571
Gross - Non-proportional reinsurance accepted	R0230													5,658,179	6,714,862	12,804,934	63,332,728	88,510,702
Reinsurers' share	R0240	14,064,029	89,641,626	43,827,705	994,943	25,833,917	383,547,609	254,610,055	474,953,239	47,686,150	892,688	-	15,807,385	5,658,179	6,714,862	12,804,934	63,332,728	1,440,370,049
Net	R0300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims incurred																		
Gross - Direct Business	R0310	7,819,643	55,398,983	35,031,841	675,461	17,598,965	231,088,584	135,662,730	326,197,820	30,763,431	435,584	-	10,821,789					851,494,831
Gross - Proportional reinsurance accepted	R0320	951,674	626,955	42,760	-	-	22,329,313	10,919,891	7,235,006	252,608	-	-	514,164					42,872,371
Gross - Non-proportional reinsurance accepted	R0330													2,680,593	5,235,524	8,509,978	44,946,159	61,372,255
Reinsurers' share	R0340	8,771,316	56,025,938	35,074,601	675,461	17,598,965	253,417,897	146,582,621	333,432,826	31,016,039	435,584	-	11,335,953	2,680,593	5,235,524	8,509,978	44,946,159	955,739,457
Net	R0400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	2,772	17,666	8,637	196	5,091	75,588	50,178	93,602	9,398	176	-	3,115	1,115	1,323	2,524	12,481	283,864
Other expenses	R1200																	376,857
Total expenses	R1300																	660,720

F.2.3 S.05.02 Premiums, claims and expenses by line of country

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			FR	DE	IE	NL	IT	
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	67,220,950	321,421,396	303,102,254	341,501,409	264,610,745	248,761,944	1,546,618,697
Gross - Proportional	R0120	215,893	9,260,137	26,890,015	5,932,517	8,448,089	7,820,041	58,566,691
Gross - Non-	R0130	5,965,809	34,240,471	26,076,403	1,474,269	14,485,348	1,408,724	83,651,024
Reinsurers' share	R0140	73,402,652	364,922,003	356,068,672	348,908,195	287,544,183	257,990,708	1,688,836,413
Net	R0200	-	-	-	-	-	-	0
Premiums earned								
Gross - Direct Business	R0210	35,532,135	168,270,790	159,268,410	185,451,439	138,115,163	131,719,560	818,357,498
Gross - Proportional	R0220	129,380	5,307,037	15,984,109	3,510,471	4,955,652	4,590,204	34,476,854
Gross - Non-	R0230	5,047,995	28,437,709	21,743,888	1,118,817	11,517,250	1,066,443	68,932,103
Reinsurers' share	R0240	40,709,510	202,015,536	196,996,408	190,080,728	154,588,065	137,376,208	921,766,454
Net	R0300	-	-	-	-	-	-	0
Claims incurred								
Gross - Direct Business	R0310	22,880,019	110,964,027	104,518,309	128,007,639	89,725,353	88,776,545	544,871,891
Gross - Proportional	R0320	80,016	3,206,014	10,183,184	2,230,258	3,048,763	3,064,356	21,812,592
Gross - Non-	R0330	3,561,803	19,554,652	15,132,145	688,707	8,283,698	735,103	47,956,108
Reinsurers' share	R0340	26,521,838	133,724,693	129,833,638	130,926,604	101,057,814	92,576,004	614,640,591
Net	R0400	-	-	-	-	-	-	0
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	0
Gross - Proportional	R0420	-	-	-	-	-	-	0
Gross - Non-	R0430	-	-	-	-	-	-	0
Reinsurers' share	R0440	-	-	-	-	-	-	0
Net	R0500	-	-	-	-	-	-	0
Expenses incurred	R0550	8,023	39,813	38,823	37,461	30,466	27,074	181,659
Other expenses	R1200							376,857

Total expenses	**R1300**							636,028

F.2.4 S.17.01 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	**R0060**	4,210,901	23,455,017	9,134,100	588,129	10,659,157	108,256,498	57,379,090	160,027,169	26,810,519	118,869	-	5,404,491	-827,644	2,074,224	-157,837	-293,336	406,839,348
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	4,183,177	23,346,617	9,071,877	579,417	10,536,644	107,464,788	57,212,580	158,401,832	26,439,444	120,929	0	5,349,843	-776,073	2,052,216	-125,790	-100,559	403,756,941
Net Best Estimate of Premium Provisions	**R0150**	27,725	108,400	62,223	8,713	122,513	791,710	166,510	1,625,337	371,075	-2,060	0	54,648	-51,571	22,008	-32,047	-192,777	3,082,407
Claims provisions																		
Gross - Total	**R0160**	6,032,029	50,032,337	35,097,491	421,426	15,779,584	237,037,753	128,183,452	331,554,931	31,053,753	355,865	0	8,790,924	2,634,603	5,240,289	4,225,444	42,102,164	898,542,046
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	5,890,285	48,855,808	34,271,565	411,523	15,408,445	231,462,438	125,169,950	323,754,574	30,323,264	347,505	0	8,584,204	2,573,555	5,116,978	4,131,716	41,155,548	877,457,360
Net Best Estimate of Claims Provisions	**R0250**	141,744	1,176,529	825,926	9,902	371,139	5,575,316	3,013,502	7,800,356	730,489	8,360	0	206,720	61,048	123,311	93,728	946,616	21,084,686
Total Best estimate - gross	**R0260**	10,242,930	73,487,354	44,231,591	1,009,555	26,438,741	345,294,251	185,562,541	491,582,100	57,864,272	474,734	0	14,195,416	1,806,959	7,314,513	4,067,607	41,808,828	1,305,381,394
Total Best estimate - net	**R0270**	169,468	1,284,929	888,148	18,615	493,652	6,367,025	3,180,012	9,425,694	1,101,564	6,301	0	261,368	9,477	145,319	61,681	753,838	24,167,093
Risk margin	**R0280**	269,331	1,846,490	968,268	24,176	625,445	8,265,675	4,741,518	11,319,739	1,342,964	14,413	0	340,293	72,882	162,104	113,481	1,020,957	31,127,736
Amount of the transitional on Technical Provisions																		
TP as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																		
Technical provisions - total	**R0320**	10,512,261	75,333,844	45,199,859	1,033,731	27,064,186	353,559,926	190,304,060	502,901,839	59,207,236	489,148	-	14,535,709	1,879,841	7,476,617	4,181,088	42,829,785	1,336,509,130
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	10,073,462	72,202,425	43,343,442	990,940	25,945,089	338,927,226	182,382,530	482,156,406	56,762,708	468,434	-	13,934,048	1,797,482	7,169,194	4,005,926	41,054,990	1,281,214,301
Technical provisions minus recoverables from reinsurance/SPV	**R0340**	438,799	3,131,419	1,856,416	42,791	1,119,097	14,632,700	7,921,530	20,745,433	2,444,528	20,714	-	601,661	82,359	307,423	175,162	1,774,795	55,294,829

F.2.5 S.19.01 Non-Life Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Underwriting year

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

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	0	0	0	0	0	0				
N-5	R0200	0	0	0	0	0	0					
N-4	R0210	0	0	0	0	0						
N-3	R0220	0	0	0	0							
N-2	R0230	0	0	0								
N-1	R0240	0	0									
N	R0250	59,407,167										

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative)

		In Current year	Sum of all years (cumulative)
		C0170	C0180
Prior	R0100	0	0
N-9	R0160	0	0
N-8	R0170	0	0
N-7	R0180	0	0
N-6	R0190	0	0
N-5	R0200	0	0
N-4	R0210	0	0
N-3	R0220	0	0
N-2	R0230	0	0
N-1	R0240	0	0
N	R0250	59,407,167	59,407,167
Total	R0260	59,407,167	59,407,167

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	0	0	0	0	0	0				
N-5	R0200	0	0	0	0	0	0					
N-4	R0210	0	0	0	0	0						
N-3	R0220	0	0	0	0							
N-2	R0230	0	0	0								
N-1	R0240	0	0									
N	R0250	893,061,636										

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative)

		Year end (discounted data)
		C0360
Prior	R0100	0
N-9	R0160	0
N-8	R0170	0
N-7	R0180	0
N-6	R0190	0
N-5	R0200	0
N-4	R0210	0
N-3	R0220	0
N-2	R0230	0
N-1	R0240	0
N	R0250	898,542,046
Total	R0260	898,542,046

F.2.6 S.23.01 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**	300,427,500	300,427,500		-	
Share premium account related to ordinary share capital	**R0030**	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	-	-		-	
Subordinated mutual member accounts	**R0050**	-		-	-	-
Surplus funds	**R0070**	-				
Preference shares	**R0090**	-		-	-	-
Share premium account related to preference shares	**R0110**	-		-	-	-
Reconciliation reserve	**R0130**	-71,921,079	-71,921,079			
Subordinated liabilities	**R0140**	-		-	-	-
An amount equal to the value of net deferred tax assets	**R0160**	17,854,747				17,854,747
Other own fund items approved by the supervisory authority as basic own 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**	246,361,168	228,506,421	-	-	17,854,747

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**	246,361,168	228,506,421	-	-	17,854,747
Total available own funds to meet the MCR	**R0510**	228,506,421	228,506,421	-	-	
Total eligible own funds to meet the SCR	**R0540**	246,361,168	228,506,421	-	-	17,854,747
Total eligible own funds to meet the MCR	**R0550**	228,506,421	228,506,421	-	-	
SCR	**R0580**	153,396,454				
MCR	**R0600**	38,349,114				
Ratio of Eligible own funds to SCR	**R0620**	1.61				
Ratio of Eligible own funds to MCR	**R0640**	5.96				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	246,361,168
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	318,282,247
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	-71,921,079
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	17,195,003
Total Expected profits included in future premiums (EPIFP)	**R0790**	17,195,003

F.2.7 S.25.01 Solvency Capital Requirement

Article 112*	**Z0010**	2 - Regular reporting

Basic Solvency Capital Requirement

		Net solvency capital requirement	**Gross solvency capital requirement**	**Allocation from adjustments due to RFF and Matching adjustments portfolios**
		C0030	**C0040**	**C0050**
Market risk	**R0010**	11,533,232	11,533,232	
Counterparty default risk	**R0020**	110,433,336	110,433,336	
Life underwriting risk	**R0030**	-	-	
Health underwriting risk	**R0040**	968,031	968,031	
Non-life underwriting risk	**R0050**	7,273,023	7,273,023	
Diversification	**R0060**	-12,210,349	-12,210,349	
Intangible asset risk	**R0070**	-	-	
Basic Solvency Capital Requirement	**R0100**	117,997,272	117,997,272	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	-
Operational risk	**R0130**	35,399,182
Loss-absorbing capacity of technical provisions	**R0140**	-
Loss-absorbing capacity of deferred taxes	**R0150**	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	-
Solvency Capital Requirement excluding capital add-on	**R0200**	153,396,454
Capital add-on already set	**R0210**	-
Solvency capital requirement	**R0220**	153,396,454
Other information on SCR		

Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

F.2.8 S.28.01 Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	**R0010**	2,660,282

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**	169,468	-
Income protection insurance and proportional reinsurance	**R0030**	1,284,929	-
Workers' compensation insurance and proportional reinsurance	**R0040**	888,148	-
Motor vehicle liability insurance and proportional reinsurance	**R0050**	18,615	-
Other motor insurance and proportional reinsurance	**R0060**	493,652	-
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	6,367,025	-
Fire and other damage to property insurance and proportional reinsurance	**R0080**	3,180,012	-
General liability insurance and proportional reinsurance	**R0090**	9,425,694	-
Credit and suretyship insurance and proportional reinsurance	**R0100**	1,101,564	-
Legal expenses insurance and proportional reinsurance	**R0110**	6,301	-
Assistance and proportional reinsurance	**R0120**	-	-
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	261,368	-
Non-proportional health reinsurance	**R0140**	9,477	-
Non-proportional casualty reinsurance	**R0150**	145,319	-
Non-proportional marine, aviation and transport reinsurance	**R0160**	61,681	-
Non-proportional property reinsurance	**R0170**	753,838	-

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

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

Overall MCR calculation		C0070
Linear MCR	**R0300**	2,660,282
SCR	**R0310**	153,396,454
MCR cap	**R0320**	69,028,404
MCR floor	**R0330**	38,349,114
Combined MCR	**R0340**	38,349,114
Absolute floor of the MCR	**R0350**	3,700,000
Minimum Capital Requirement	**R0400**	38,349,114

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