Lloyd's Brussels

Solvency and Financial Condition Report 2018

lloyds.com/brussels

Contents

Introduction

This is the first Solvency & Financial Conditions Report (SFCR) for Lloyd's Insurance Company SA (Lloyd's Brussels). Lloyd's Brussels was authorised by the National Bank of Belgium (NBB) on 15 May 2018 to write non-life insurance across European markets through both Freedom of Services and Freedom of Establishment.

Lloyd's Brussels only commenced assuming risks from 1 January 2019. Therefore, for this SFCR as at 31 December 2018 there are no risks written. There are however policies that are Bound But Not Incepted (BBNI) that were concluded by the company prior to 1 January 2019 but commenced on this date or later. Reserves for these policies therefore appear on the company's balance sheet and are reflected in its Solvency Capital Requirements (SCR). This will though be a small proportion of the business that the company will eventually write.

This SFCR therefore gives an overview of the company as at 31 December 2018 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 "Lloyd's Brussels" or "the company") is a limited liability insurance company under the Belgian law. Lloyd's Brussels is headquartered in Bastion Tower, 14th Floor, Place du Champ de Mars 5, 1050 Brussels.

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

Lloyd's Brussels was incorporated on the 5 October 2017, was authorised on 15 May 2018 and wrote business incepting from 1 January 2019. As a new entity, Lloyd's Brussels is 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.

Lloyd's Brussels aims to offer a 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 its network of intermediaries established in the EU.

Lloyd's Brussels has freedom of establishment permission 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.

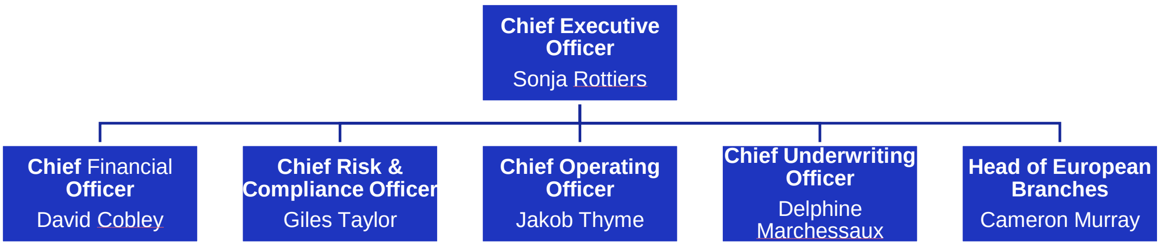
It also has permissions to write Freedom of Services business in Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungry, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia,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

As at 31 December 2018, the company had a pending application for permissions with the Ministry of Finance for Monaco.

Lloyd's Brussels' main class of businesses are:

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.

Lloyd's Brussels is headquartered in Brussels with the following Executive Committee as at March 2019.



The pattern of business written by the firm will be a diverse mix of insurance business focussed mainly on specialty property and casualty classes of business. Lloyd's Brussels will leverage where possible the expertise of Lloyd's in London or its network of intermediaries established in the EU/EEA. Lloyd's Brussels' business focus will reflect 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, Lloyd's Brussels will participate in public tender bids for public sector insurances. Because of the size and diversity of the company's underwriting strategy, the market segments addressed range across the whole spectrum of customers, from reinsured to large commercial policyholders to individual retail customers.

As such Lloyd's Brussels' underwriting will include a very wide portfolio of business, reflecting the diversity and expertise of the Lloyd's market. Classes to be underwritten include Casualty both Direct and Treaty, Marine all classes, Property Direct and Treaty, Accident and Health, Specialty including Political and Credit Risk and Auto. The main class not covered is Life. 100% of all risks will be reinsured to the Lloyd's Syndicates from Lloyd's Brussels.

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:

Authorisation	The National Bank of Belgium authorised Lloyd's Brussels on 15 May 2018.
Capitalisation	130 million EUR on 06 February 2018 65 million EUR on 12 December 2018
Ratings	The company received an S&P rating of A+, an A.M. Best rating of A and a Fitch rating of AA-

A.1.2 Details of group structure

Lloyd's Brussels' ultimate parent is Lloyd's of London, an insurance marketplace of members formally constituted as the Society of Lloyd's.

The Lloyd's market is made of syndicates, each run by a managing agent. The business written at Lloyd's is brought to specialist syndicates, who price and underwrite risk via brokers and coverholders. Much of the capital available at Lloyd's is provided on a subscription basis – where Lloyd's syndicates coinsure risks. This kind of structure, combined with the choice, flexibility and financial security of the market, makes Lloyd's the world's leading specialist insurance marketplace.

A.2 Underwriting Performance

The company only assumed risks from 1 January 2019. Therefore, at the end of the year the company had no incepted policies. The company's underwriting result is not reported in this reporting period.

A.3 Investment Performance

There was an investment return made by the company in 2018 of 0.6 million EUR. At the reporting date the company's assets of 192.3 million EUR were held in 15% Cash, 20% Corporate Bonds, and 65% EEA government bonds.

There are no gains or losses directly recognised in equity.

The company does not have any investments in securitisations.

A.4 Performance of other activities

The company does not carry out any activities which are not directly connected to the provision of insurance. Net operating result incurred in the day to day operation of the company and including specific start-up costs, disclosed in the reports and financial statements for the period ended 31 December 2018 were (27.3) million EUR.

Other than the income and expenses disclosed above the company does not have any other material income and expenses.

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[1]

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 7 and a maximum of 9 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;

j. Receive the minutes of the Executive Committee;

k. 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

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[1] The information in this chapter is based on the terms of reference as of the 31 December 2018.

internal risk and mitigation control systems, the financial reporting process, and compliance with applicable law, regulations best practice and internal policies.

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

m. 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

Membership

The membership of the Executive Committee ("ExCo") shall ordinarily comprise a minimum of 3 and a maximum of 6 natural persons and shall include the Chief Executive Officer ("CEO"), who shall be the Chairman of 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.

B.1.1.3 Audit and Risk Committee

Membership

The Audit and Risk Committee ("the Committee") shall ordinarily comprise a minimum of 3 and a maximum of 4 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.

The Committee shall appoint one of its members as the Chairman of the Committee ("the Chairman"). The Chairman may not also be the Chairman of the Board. In the absence of the Chairman the remaining members present shall elect one of themselves to chair the meeting.

Appointments to the Committee are made by the Board.

Only members of the Committee have the right to attend meetings of the Committee. However, it is expected that the Chief Risk Officer, Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and the external audit lead partner will ordinarily attend meetings.

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 Society of Lloyd's;

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 3 and a maximum of 4 members who are non-executive directors of the Board of Directors (the Board) at least 1 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 Society of Lloyd's. 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

Lloyd's Brussels 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 Lloyd's Brussels' 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

Lloyd's Brussels 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 Lloyd's Brussels 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 Lloyd's Brussels. 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 Lloyd's Brussels;
  - 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.

Elements applicable to all employees

Key elements of the remuneration package which apply for all Lloyd's Brussels employees are as follows:

Table B.1.2: 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

Lloyd’s Brussels total share capital is represented by 327,500 no par value registered shares and is currently held as follows:

- 99% of the share capital, being 324,225 shares, is held by the Society of Lloyd’s, with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.
- 1% of the share capital, being 3,275 shares, is held by Lloyd's Finance Company Limited “LFC”, with registered office at One Lime Street EC3M 7HA, London, United-Kingdom.
- 100% of the share capital in LFC is directly owned by the Society of Lloyd’s.

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 Lloyd’s Brussels 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. It applies to all members of the Board of Directors and Executive Committee, Senior Managers and personnel who occupy independent control functions.

The persons who influence, control or execute the management of Lloyd’s Brussels (“directors”) are:

- members of the Board of Directors of Lloyd’s Brussels; and
- members of the Executive Committee of Lloyd’s Brussels.

The persons who occupy independent functions within Lloyd’s Brussels are:

- the head of the Risk Management Function;
- the head of Internal Audit;

- the head of the Compliance Function; and
- the head of the Actuarial Function.

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

Initial application

The evaluation of the Fit and Proper of each person based on the NBB fitness and propriety requirements are examined prior to that person being appointed by the authorised body in question.

The process for the initial application is coordinated 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 Lloyd's Brussels 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 responsible body. This assessment corresponds with assessment if the identified persons are also exposed to potential conflicts of interest, have engaged in a personal transaction of any kind with Lloyd's Brussels or have another 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 Society of Lloyd's or Lloyd's Brussels 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 Lloyd's Brussels and such other members of the Executive Committee as it is designated to consider. These reviews will take into account supervisory authority Fit and Proper requirements.

B.3 Risk management system, ORSA process and risk management function

B.3.1 Risk Management System

The Lloyd's Brussels risk management framework (sometimes referred to as the "risk system") comprises a range of elements which collectively ensure the risks to which Lloyd's Brussels is exposed are effectively identified, assessed and managed.

A wide range of tools and processes are used to support the Risk Management system, the most material of which are described below.

B.3.1.1 Risk Strategy

Lloyd's Brussels is an insurance company that underwrites risks, but 100% of all underwriting risks taken will be reinsured, in line with Lloyd's Brussels' business model.

Lloyd's Brussels also has a role to play in overseeing the underwriting and associated activities that take place via its European branches. The oversight role covers performance management, capital setting and risk management. Lloyd's Brussels also ensures that its underwriting service providers operate efficiently and protect Lloyd's Brussels' reputation as a market of choice for specialist insurance and reinsurance risk.

The Risk Strategy is defined by the Lloyd's Brussels Board of Directors and formalised through this policy. It reflects Lloyd's Brussels' attitude towards risk through its desired "Risk Appetite / Tolerance to risk" and describes the way in which risk is embedded into the overall management of the company, its decision making and its strategic direction.

B.3.1.2 Risk Appetite

Risk appetite sets the boundaries within which a business operates and is integral to the overall Risk Management Framework. The Risk Appetite Framework translates stakeholder expectations into clear statements within which the business should operate.

The Risk Appetite Framework is an articulation of the level of risk believed to be acceptable for Lloyd's Brussels, with due consideration for the overall risk appetite of its parent, the Society of Lloyd's. It sets a clear strategic direction, acknowledges Lloyd's Brussels' willingness to take on risk and is a key tool by which risk taking is aligned with the strategic objectives of Lloyd's Brussels and of its parent, Society of Lloyd's.

B.3.1.3 Risk and control assessment

Lloyd's Brussels adopts an approach consistent with that of its parent, the Society of Lloyd's, for managing both the financial and non-financial risks to which it is exposed. The process is known as the Risk and Control Assessment (RCA) process.

The RCA process ensures that all material risks arising within Lloyd's Brussels are properly identified, assessed, managed and monitored in line with risk appetite to support delivery of Lloyd's Brussels' strategic goals, assets and reputation and to ensure that the risk profile of Lloyd's Brussels is commensurate with the Lloyd's global brand, rating and reputation.

B.3.1.4 Stress and Scenario Testing

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

The outcomes / 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 risk appetites, business plan decisions and capital management decisions (e.g. setting Economic Capital).

B.3.1.5 Own Risk and Solvency Assessment

As stated in the ORSA Policy, the Own Risk and Solvency Assessment (ORSA) is a key element of the Risk Management System of Lloyd's Brussels and covers assessments of the following:

- The overall solvency needs (OSN), taking into account Lloyd's Brussels' specific risk profile, approved risk tolerance limits and its business strategy;
- Whether Lloyd's Brussels will comply, on a continuous basis, with minimum (MCR) and Solvency Capital Requirements (SCR);
- Whether Lloyd's Brussels will comply, on a continuous basis, with technical provisions requirements.

The ORSA spans all processes and procedures used to identify, assess, monitor, manage and report short and long-term risks. It covers all pillars of Solvency II and brings the business strategy together with the risk strategy and capital management for current and future reporting dates, in line with the business planning horizon.

B.3.1.6 Overview

The ORSA is an ongoing process, the findings of which are summarised in the ORSA report. Following the occurrence of a significant event, the activities within the ORSA may be revisited to ensure that they are still valid and to assess any potential impact on the level of economic capital and the own funds necessary to meet solvency requirements.

The Lloyd's Brussels ORSA is the mechanism through which the Lloyd's Brussels Board of Directors ensures risks are effectively managed and appropriate capital is in place. As such, the Lloyd's Brussels ORSA incorporates many of the key business processes which operate through the course of the year.

The annual ORSA report will include the qualitative and quantitative results of the forward-looking assessment and any conclusions drawn. It will explain the methods and main assumptions used and, where applicable, a comparison between the overall solvency needs, the regulatory capital requirements and the own funds.

B.3.1.7 Link to the Business Strategy and structure of the Risk Profile

As part of the ORSA, the current business strategy and its impact on the risk profile of the company must be analysed. Lloyd's Brussels uses an ORSA structure consistent with that used by the parent, Society of Lloyd's to present this information. An overview of recent and foreseen business activities, the strategy, the economic environment, and the competition is performed to identify new emerging risks that should be considered in the ORSA alongside existing risks identified.

B.3.2 Risk management function

Risk Management mission statement

The Risk Management function (RMF) is defined as a key control function by the Solvency II Directive. The remit of the Risk Management function includes oversight of all activities and operations within Lloyd's Brussels to ensure that the risk profile of Lloyd's Brussels is effectively managed in line with Lloyd's Brussels' Risk Appetite. The execution is done by providing a secondary check and balance to ensure the range of risks taken by Lloyd's Brussels is well understood, effectively managed and in line with Lloyd's Brussels' overall strategy and risk appetite. Moreover, the function is responsible for ensuring that risk information is readily available and that a culture of risk awareness is in place within the company.

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

B.4.1 Organisational and operational 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, Head of European Branches and the CUO. They all report to the CEO.

B.4.1.1 Three lines of defence model as implemented

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 Lloyd's Brussels, the Risk Management function and the Compliance function have independent accountability from business operations and have thus no responsibility for Lloyd's Brussels's 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 Lloyd's Brussels Executive Committee has the ultimate responsibility to ensure that a sound and effective System of Governance is implemented within Lloyd's Brussels. 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 Lloyd's Brussels Executive Committee is expected to take appropriate measures.

B.4.2 Internal Control System (ICS)

B.4.2.1 Description of the ICS

Internal control at Lloyd's Brussels comprises a set of continually operating processes involving the Lloyd's Brussels Board of Directors, senior management and all levels of personnel who by acting together, ensure that the specific goals and objectives of Lloyd's Brussels are met and that a strong control culture is prevalent across the business.

B.4.2.2 ICS key processes

Internal Control Environment

The internal control environment sets the tone of an organisation, establishing the management's philosophy and operating style. Whilst the Lloyd's Brussels 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 Lloyd's Brussels. 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 key; influencing and developing the attitude of employees to the importance of effective controls and associated behaviours, ensuring adherence to company-wide policies such as Whistleblowing and the Prevention of Money Laundering, providing appropriate training, and recognising appropriate behaviours within recruitment and appraisal processes.

Risk Assessment

Lloyd's Brussels is exposed to a wide range of risks through the normal course of business. Some of these risks are drivers of value and should be optimised within a given tolerance, other mainly operational risks 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 Risk Management Policy sets out Lloyd's Brussels's risk taxonomy and describes the overall framework and approach for the management of risks to the company, including details of key tools, process and reporting procedures. A key tool within the risk framework, essential to the internal control system, is the Risk and Control Assessment (RCA). This is a quarterly process, coordinated by the Lloyd's Brussels Risk Management team. The process ensures that all material risks arising within Lloyd's Brussels are properly and consistently identified, assessed, managed and monitored, in line with risk appetite, to support delivery of Lloyd's Brussels's strategic goals and to protect the brand, reputation and assets of the parent, the Society of Lloyd's. The risk assessment also includes the identification and evaluation of the performance of key controls and ensures action plans are in place to help manage risks or improve weak controls.

Control activities

A diverse range of control activities exist throughout the business, at all levels and in all functions. 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.

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 Lloyd's Brussels's objectives are appropriately managed. Lloyd's Brussels business teams are responsible for designing and operating internal controls for the company, for example relating to information technology, accounting processes and supplier management, and for ensuring that they are documented within policies and detailed procedural manuals.

Monitoring and Reporting

Ongoing or regular monitoring of the internal control system occurs in the course of normal operations and includes ongoing activities and actions taken by employees when performing their duties. Employees are responsible for undertaking routine monitoring to detect control weaknesses or control failures.

On a monthly basis, Lloyd's Brussels and its European branches self-certify, via the Risk Incident Reporting (RIR), any internal control failures or breaches of compliance with legislation or regulation. The collection of such operational loss data is also detailed in the Operational Risk Management Policy. The exercise is facilitated by the Lloyd's Brussels Risk Management team. A summary of the findings is provided to the Lloyd's Brussels Executive Committee and the Lloyd's Brussels Audit and Risk Committee: where appropriate, escalation is to the parent, Society of Lloyd's, via the Society Risk Committee.

B.4.3 Compliance Function

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

Lloyd’s Brussels 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 Lloyd’s Brussels and liaising with Lloyd’s Brussels management on changes to processes; and periodically checking that management processes meet NBB / FSMA rules, as well as conduct rules for Lloyd’s Brussels 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.

The activities performed in the year of reporting this RSR can be found within the Activity Report for the Compliance function.

B.5 Internal Audit Function

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 Lloyd’s Brussels’ business performance, adding value and improving Lloyd’s Brussels’ operations. Internal Audit has a key role in supporting the accomplishment of Lloyd’s Brussels’ objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is accountable for developing and delivering a programme of assurance aimed at validating the effective control of key business risks. Internal Audit is accountable for reporting its findings, conclusions, and recommendations to the audited parties, Lloyd’s Brussels Executive Team, Lloyd’s Brussels Audit and Risk Committee and the Society Audit Committee. Lloyd’s Brussels 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 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 Lloyd’s Brussels Risk and Audit Committee.

B.5.1 Organisation

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

- Internal Auditors have 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).

The Head of Internal Audit has a direct reporting line, with direct and unlimited access, to the Chair of the Lloyd's Brussels Audit and Risk Committee.

The Lloyd's Brussels Audit and Risk Committee approves Internal Audit's annual Plan for Lloyd's Brussels.

Audit activity for Lloyd's Brussels is provided by the parent's, Society of Lloyd's, audit function. The Head of Internal Audit for the Society serves as Head of Internal Audit for Lloyd's Brussels.

B.5.2 Internal Audit activities

The usual internal audit function activities include:

- The Audit plan accomplished during the reference period;
- The Audit findings during the reference period;
- The Audit follow-up during the reference period;
- The Audit Universe and planning for the next reference period.

The activities performed in the year of reporting this RSR can be found within the Activity Report for the Internal Audit function.

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 performed within Lloyd's Brussels. 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;

- Lloyd's Brussels Actuarial Function Charter;
- Contribution to risk management;
- Reporting.

The activities performed in the year of reporting this RSR can be found within the Activity Report for the Actuarial function.

B.7 Outsourcing

B.7.1 Outsourcing principles

Lloyd's Brussels' 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.

A Contract Manager may be appointed as required to manage specific outsourcing arrangements. The COO and any contract manager, with support from the Society of Lloyd's Procurement Team ('Lloyd's Procurement'), will support Lloyd's Brussels in understanding 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 outsourced arrangement the following principles must be taken into account:

- Lloyd's Brussels remains responsible for its regulatory obligations i.e. it cannot contract out its regulatory obligations;
- Lloyd's Brussels must ensure that it effectively supervises the discharge of outsourced activities or functions by the third party; and
- Lloyd's Brussels must notify the NBB when it intends to enter into or significantly alter a critical or important outsourcing arrangement.

B.7.2 Critical activities/functions outsourced

Lloyd's Brussels defines its outsourcing arrangements as either 'Critical' or 'Non-Critical'.

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 outsourced arrangement should be considered, together with the risk of the impact that it may pose. The COO will support Lloyd's Brussels in determining the appropriate classification for outsourcing arrangements. Ultimate responsibility for approving outsourced services of critical or important functions or activities resides with the Lloyd's Brussels Board of Directors.

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

These are defined as:

- A contract where the products or services provided are of such importance that a weakness or failure could:
  - cause a significant deviation from the risk appetite;
  - significantly disrupt Lloyd's Brussels' core operations, including the provision of services in support of the efficient running of the market; and / or
  - compromise Lloyd's Brussels's ability to comply with legal and regulatory requirements.
- Concerns a "key function" under Solvency II (Actuarial Function, Risk Management Function, Compliance Function and Internal Audit Function)

B.7.2.2 Non-critical outsourced arrangements

The services listed below are not considered as critical or important under the Solvency II regime. Any disruption to the products or services provided by such arrangements would not materially impact Lloyd's Brussels's core operations or compromise its ability to comply with legal and regulatory requirements.

- the provision of advisory services such as legal advice, the training of personnel, billing services and the security of premises and personnel;
- the purchase of standardised services, including market information services or the provision of price feeds;
- the provision of logistical support, for example, catering or cleaning; and
- the provision of elements of human resources support, such as sourcing temporary employees and processing of payroll.

Non-critical outsourcing arrangements such as these follow the guidance set out in the Lloyd's Brussels Outsourcing Policy, as approved by the Board.

B.7.2.3 Suppliers

Lloyd's Brussels also uses a third category of "suppliers" for the provision of goods and services. These arrangements also follow the guidance of the Lloyd's Procurement Policy.

Supplier arrangements are differentiated from outsourced arrangements by the following features:

- they provide specific services or activities which Lloyd's Brussels could not reasonably perform itself; or
- they are one-off or ad-hoc arrangements.

Examples include the provision of travel management services.

B.8 Any other information

There is no additional relevant information.

C. Risk Profile

Lloyd's Brussels assumed business incepting from 1January 2019. At the end of the year the company had no incepted policies and was focused on preparing to write business on 1 January 2019. As such there was no ORSA prepared during 2018, which would have included among other items the medium-term business plan over 2019–21. Therefore, the company's projected balance sheet is not reported in the 2018 RSR, however the ORSA will be prepared during 2019. For the 2018 RSR, Lloyd's Brussels focused on the 2018 Year End risk exposure, calculation methodology, and commenting on the 2018 results.

This section contains information about the risk profile of Lloyd's Brussels. This includes a view of all the risks to which Lloyd's Brussels is exposed through its activities considering that Lloyd's Brussels started business with risks incepting on 1 January 2019 or later. 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.

A description is given for each risk category detailing the position and how the risk is monitored and managed.

All the calculations have been done in accordance with Solvency II requirements. Lloyd's Brussels uses only the standard formula as stated in the Delegated Acts 2015/35.

C.1 Underwriting risk

C.1.1 Non-Life Underwriting Risk (UWR)

Lloyd's Brussels ran no insurance risk in 2018 as it did not start writing business until 1st January 2019. When this business is written it will mitigate the impact of this risk through its use of reinsurance to the syndicates in the Lloyd's Market, which are backed by the central fund of the Society of Lloyd's.

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 of the 31 December 2018, Lloyd's Brussels had not yet started writing business, therefore, the premium and reserve risk calculated is 0 as well as the non-life catastrophe risk because 100% of the Business is reinsured by an assumed single counterparty Lloyd's London via the various syndicates backed by a central fund. Therefore, the Underwriting risk is only driven by the lapse risk which is based on future estimated premiums.

So, as it is summarised in the Annex F.1.4 S.25.01 Solvency Capital Requirement, the underwriting risk solvency capital requirement (UWR SCR) is 1.3 million EUR.

This Solvency capital requirement for the underwriting risk is low as Lloyd's Brussels did not write business for 2018. As the premium volume increases, more required capital is expected for this module, but it will remain insignificant comparing to the counterparty default risk given that Lloyd's Brussels reinsures 100% of its catastrophe risk.

Lloyd's Brussels also writes Class 2 Health (non-life) business. As at 31 December 2018 the health solvency capital requirement was around 0.2 Million EUR. Considering that Lloyd's Brussels has no business incepting prior to 1 January 2019, the SCR health premium and reserve is zero. Also 100% of the health catastrophe risk is reinsured via the various syndicates. Thus, the health underwriting risk is only driven by the lapse risk based on future premiums.

C.2 Market risk

Lloyd's Brussels runs a conservative investment strategy. It holds investments to meet its expenses and its capital requirements. It minimises the risks on this by holding short-term, 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

At 31 December 2018 Lloyd's Brussels had around 164 million EUR invested in bonds with a split of 23% in corporate bonds and 77% in government bonds.

Lloyd's Brussels has no Equity and Property assets, so those risks are zero.

On a standard basis, Lloyd's Brussels will have no currency risk as Insurance liabilities are 100% reinsured and claims payments are made instantly through the Lloyd's Settlement and Trust Fund Operations (STFO) system. However, as at year end 2018 the company had an intercompany debt to the Society in London and had accrued expenditure to UK suppliers. These were both associated with the start-up costs of the company. As Lloyd's Brussels must pay these costs in GBP, but holds its assets in EUR, the currency risk within Lloyd's Brussels at year end 2018 is 48% of the undiversified market risk.

As summarised in the Annex F.1.4 S.25.01 Solvency Capital Requirement, the market risk solvency capital requirement (SCR Market) is around 9 Million EUR driven mainly by interest rate risk.

As at 31 December 2018, the company has a modest bound but not incepted (BBNI) policy premium amounting to 140.1 million EUR. However, these liabilities were very well capitalised with an SCR coverage ratio of 713%. Therefore, the market risk is currently around 30% of the current risk driver (as a percentage of the undiversified BSCR) however this is likely to reduce to below 10% by the end of 2019, with the relative risk percentage increasing in counterparty default risk. The counterparty default risk will increase given the 100% reinsurance of the business to Lloyd's syndicates as discussed in more detail below.

C.3 Credit risk

In 2018 Lloyd's Brussels ran limited counterparty default risk in relation to its banking and investment portfolio, which is invested in short term, high-rated investments to minimise this risk. This risk will increase in 2019 with the inception of insurance policies reinsured back to the syndicates in the Lloyd's Market.

As at 31 December 2018 the counterparty default risk was around 19 million EUR predominantly driven by the 100% reinsurance to the Lloyds Market.

Lloyd's Brussels' insurance business incepted from 1 January 2019 onwards and counterparty default risk will be the main risk driver for the SCR.

Given that 64% of the undiversified basic solvency capital requirement is due to Type 1 (reinsurer) counterparty default risk (CPD), as Lloyd's Brussels had no Type 2 CPD risk, it is worth focussing on the drivers of this risk. The SCR type 1 CPD has two major drivers:

1. the best estimate of reinsurance recoverables; and

2. the risk mitigating effect of reinsurance on the SCR.

Most of type 1 CPD risk comes from the risk mitigation input, with the reinsurance mitigation on the SCR Non-Life Catastrophe risk being the largest category, contributing 84% of the counterparty default risk. It is expected that this overall type 1 CPD exposure will increase as Lloyd's Brussels' business increases, with the contribution due to the mitigation of the SCR Non-Life Catastrophe risk reducing to around 45%.

C.4 Liquidity risk

In 2018 Lloyd's Brussels only ran liquidity risk in relation to its expenses. This was managed through cashflow planning in relation to its bank accounts. When it writes insurance business in 2019 the liquidity risk in relation to premiums and claims will be managed through the operational processes linked to its reinsurance.

Lloyd's Brussels 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 Lloyd's Brussels 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 function.

Lloyd's Brussels has entered into 100% quota share reinsurance agreements with each of the managing agents of the syndicates who have been authorised under the outsourcing agreement to underwrite business on behalf of Lloyd's Brussels. In turn, all business written by Lloyd's Brussels is fully reinsured by the relevant members. The members of the syndicates meet their obligations in relation to the business written by them (including but not limited to their liability to Lloyd's Brussels) through the assets held in the various links of the Lloyd's chain of security. The first two of these are the Premiums Trust Funds and members' Funds at Lloyd's. In the event that Lloyd's becomes aware that any member of a syndicate is not going to be 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

Lloyd's Brussels is a new insurance company that has been developed during 2018. There are risks arising from the use of new processes and systems when the company starts to write insurance business from 1 January 2019, along with risks from any late delivery of these systems. This may require additional development or resources that has not been budgeted for specifically. However, there are mitigations in place through budget allocations for 2019 and the continued support of the development programme in the first quarter 2019.

As at the report date, the Company's operational risk component of the SCR was zero, because of the nature of the inputs to the Standard Formula calculation of SCR. However, the Company does not consider that it has zero operational risk and holds significantly more capital than the SCR, partly to absorb risks not included in the SCR.

C.6 Other Material risks

C.6.1 Brexit Risk

Lloyd's Brussels has been set up to enable the Lloyd's market to continue to access the markets of Europe following the UK's departure from the European Union ('Brexit'). However, the precise nature of the business and regulatory environment that will exist following Brexit has remained unclear throughout the period in which the company was established, authorised and started its operations. Indeed, the position remains uncertain at the time of writing.

Whilst the company is designed to cope with all Brexit outcomes, the exact nature of the outcome will have impacts on its risk profile. The company continues to mitigate volatility in these risk areas by closely monitoring developments, documenting these risks in its risk register and through contingency planning.

In a situation where the UK remained in the European Union or the European Economic Area, the future strategy for Lloyd's Brussels would be reviewed.

C.6.2 Capital Risk

Lloyd's Brussels is capitalised to meet its 2019 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.7 Any other information

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

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 (BGAAP). The following summarised balance sheet as at 31 December 2018 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 2018 illustrating the adjustments in valuation between the company's annual financial statements and Solvency II.

ASSETS	BGAAP value million EUR	Adjustment million EUR	Solvency II value million EUR
Intangible assets	6.74	(6.74)	-
Deferred tax assets	-	11.52	11.52
Property, plant and equipment held for own use	0.67	0.14	0.81
Investments (other than assets held for index-linked and unit-linked contracts)	161.83	2.24	164.07
Reinsurance recoverables from: Non-life and health similar to non-life	-	(10.47)	(10.47)
Receivables (trade, not insurance)	1.56	(1.55)	0.01
Cash and cash equivalents	28.22	-	28.22
Any other assets, not elsewhere shown	0.53	-	0.53
Total assets	199.55	(4.86)	194.69

LIABILITIES	BGAAP value million EUR	Adjustment million EUR	Solvency II value million EUR
Best Estimate	-	(12.11)	(12.11)
Risk margin	-	4.50	4.50
Provisions other than technical provisions	9.17	0.14	9.31
Payables (trade, not insurance)	16.25	-	16.25
Deferred tax liability	-	2.50	2.50
Total liabilities	25.42	(4.97)	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 (BGAAP).

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 2018 these are exclusively related to IT development cost. Amortisation of these costs will start as of 1st Jan 2019 when the technical insurance activity starts.
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 BGAAP 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 Lloyd's Brussels is renting, due on leaving the premises at the end of the rent contract. This will be amortised straight-line over the rent contract time.	In BGAAP only a liability provision is progressively set up on a straight-line basis to account for this.
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 as a receivable.
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 BGAAP balance sheet presents the reinsurer's share of unearned technical provisions and claims outstanding relating to reinsurance of direct business, which is zero as no policies have incepted as at year end 2018.
Receivables (trade, not insurance)	Does not include any accrued interest, this is included in the market price of the investments.	Includes accrued interest under Belgian GAAP.
Cash and other 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.	There are no differences from SII valuation

At the reporting date the company's assets of 192.3 million EUR were held in 15% Cash, 20% Corporate Bonds, and 65% EEA government 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 2018 are 2.86 million EUR. The table below lists the company's technical provisions by line of business.

Table D.3: This table lists the company's technical provisions by line of business as at year end 2018.

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	-252	-217	-35	96	61
	Income protection insurance	-2,195	-2,010	-185	390	204
	Workers' compensation insurance	12	14	-2	9	7
	Motor vehicle liability insurance	-3	-2	-1	4	3
	Other motor insurance	-268	-216	-52	158	106
	Marine, aviation and transport insurance	-1,083	-767	-316	1,041	725
	Fire and other damage to property insurance	-3,862	-3,444	-419	1,037	618
	General liability insurance	-656	-516	-141	440	299
	Credit and suretyship insurance	-127	-91	-36	117	81
	Legal expenses insurance	-16	-15	-1	1	0
	Assistance	-	-	-	-	-
	Miscellaneous financial loss	-6	-3	-3	10	7
Accepted Non-Proportional Reinsurance	Non-proportional health reinsurance	-1,176	-1,124	-52	30	-22
	Non-proportional casualty reinsurance	3	12	-8	32	24
	Non-proportional marine, aviation and transport reinsurance	-34	-27	-7	21	14
	Non-proportional property reinsurance	-2,447	-2,060	-387	1,116	729
Total Non-Life obligation		-12,109	-10,465	-1,643	4,500	2,857

D.2.1 Best estimate

The best estimate represents the probability weighted average of all future cash flows from bound contracts. As the company 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 Lloyd's London central reserving and capital function. These assumptions are used centrally in calculating the Lloyds London Solvency Capital Requirement and are also consistent with pricing and planning assumptions used within Lloyds London.

In the absence of any historic claims data, this is appropriate as Lloyd's Brussels 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

D.2.2 Uncertainty

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

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 (BGAAP).

Item	Solvency II Valuation	Financial Reporting Valuation
Contract Recognition	Technical provisions include only contracts which were bound but not incepted at the valuation date.	Financial reporting only recognised contracts that had incepted at the valuation date i.e. none.
Technical Provisions	Calculated as prescribed by Solvency II regulations.	The company did not report any technical items in its statutory accounts.

Apart from the differences 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

The company has 74 reinsurance agreements with Syndicates who form part of the Lloyds London Market, these are 100% quota share follow the fortune agreements.

The company's first reporting period is at 31 December 2018. Hence, there are no material changes to report since the previous reporting period.

D.3 Other liabilities

Provisions other than technical provisions relate mainly to Accrued Expenditure, and Payables (trade, not insurance) relate mainly to costs with Lloyd's of London.

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 does not operate a defined benefit 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 (BGAAP).

Item	Solvency II Valuation	Financial Reporting Valuation
Provisions other than technical provisions	This balance represents accrued expenses not yet paid.	Provision, for the total refurbishing cost due on leaving the premises that Lloyd's Brussels is renting, is progressively set up on a straight-line basis. Solvency II valuation includes this value at inception.
Payables (trade, not insurance)	Payables are recorded on an accruals basis.	There are no differences from SII valuation.
Deferred tax liability	Solvency II recognizes deferred tax liability as part of the balance sheet.	Deferred tax liabilities are not reported on the BGAAP 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 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) always. The amount of excess funds held will be reviewed from time to time. The level of excess funds was considered by the company's sponsor during the process to establish 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.

As this is the first reporting period for the company, there are not any changes in own funds to report. There were no distributions made to shareholders in the year.

E.1.1.1 Own funds classification

As at 31 December 2018 the company's excess of assets over liabilities is comprised of issued share capital of 201.4 million EUR, reconciliation reserve of (36.2) million EUR, and a net deferred tax asset of 9.0 million EUR. 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 the transitional arrangements. The company does not have any ancillary own fund items. Furthermore, the company has not deducted any items from own funds.

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 165.2 million EUR Tier 1 unrestricted, and 3.6 million EUR Tier 3 restricted, Table E.1 below 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 165.2 million EUR Tier 1 unrestricted. Table E.1 below shows the eligible amount available to cover the MCR.

E.1.1.4 Tier 1 basic own funds

Lloyds Brussels has Paid in Ordinary Share Capital of 201.4 million EUR. The reconciliation reserve at 31 December 2018 was (36.2) million EUR. Tier 1 own funds, of 165.2 million EUR, are eligible in full to meet both the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

Table E.1: The following table sets out Lloyds Brussels sources of funds on a Solvency II basis.

Basic Own Funds	Tier 1 – unrestricted million EUR	Tier 3 million EUR	Total million EUR
Ordinary share capital (gross of own shares)	201.4		201.4
Reconciliation reserve	(36.2)		(36.2)
An amount equal to the value of net deferred tax assets		9.0	9.0
Total basic own funds after deductions	165.2	9.0	174.2
Total ancillary own funds	-	-	-
Total available own funds to meet the SCR	165.2	9.0	174.2
Total available own funds to meet the MCR	165.2	-	165.2
Total eligible own funds to meet the SCR	165.2	3.6	168.8
Total eligible own funds to meet the MCR	165.2		165.2
SCR			23.7
MCR			5.9
Ratio of Eligible own funds to SCR			713%
Ratio of Eligible own funds to SCR			2790%

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

Table E.2: This table presents the difference between the own funds in BGAAP and the available own funds according to the Solvency II standard and illustrates what the reconciliation reserve is comprised of.

			million EUR
A	**Belgian GAAP Own Funds**		174.1
B	**Differences between Solvency II and BGAAP balance sheet and valuations**	Intangible assets	(6.7)
C		Reinsurance recoverables from: Non-life and health similar to non-life	(10.5)
D		Investments (other than assets held for index-linked and unit-linked contracts)	2.2
E		Receivables (trade, not insurance)	(1.5)
F		Technical provisions – non-life	(7.6)
G	**Assets over Liabilities Sol II. A+B+C+D+E-F**		165.2
H		Net Deferred tax assets	9.0
I	**Sol II Own Funds. G+H**		174.2
J	Total of reserves and retained earnings from financial statements		(27.3)
K	Differences between BGAAP and Sol II. **G-A**		(8.9)
L	**Reconciliation reserve. J+K**		(36.2)

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

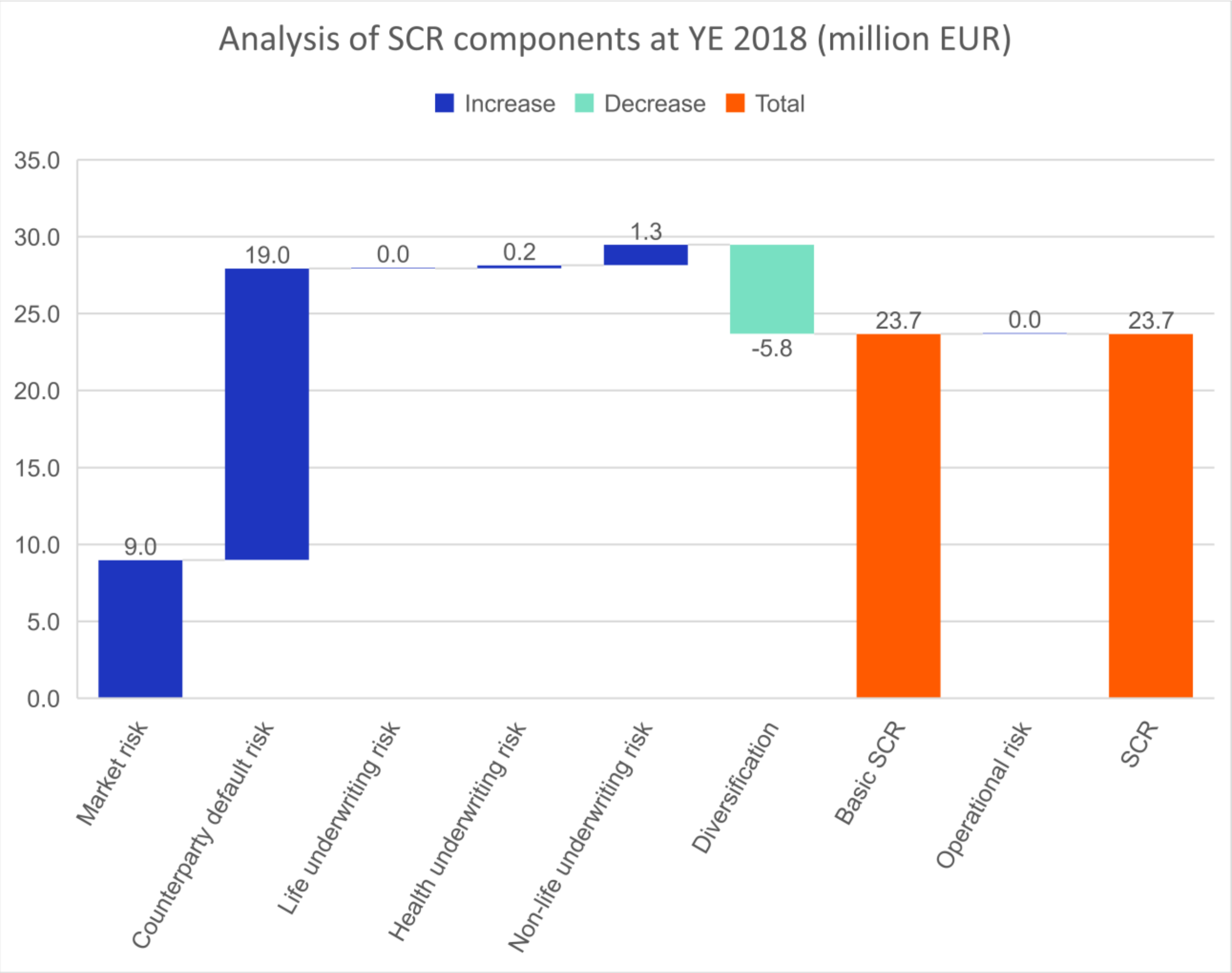
E.2 Solvency Capital Requirement and Minimum Capital Requirement

The company’s Standard Formula Solvency Capital Requirement at 31 December 2018 is 23.7 million EUR. 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 SCR. This models insurance, market, credit, and operational risk, and takes account of the company’s outwards reinsurance programmes. The company’s SCR calculation does not include any of the simplifications provided by the Solvency II Delegated Acts.

Table E.3: This table provides a breakdown of the company's Solvency Capital Requirement as at year end 2018 by risk type.

		million EUR
Non-Life Underwriting Risk	Premium and Reserve Risk	-
	Catastrophe Risk	-
	Lapse Risk	1.33
	Diversification Credit	-
	SCR	**1.33**
Health Underwriting Risk	NSLT Underwriting Risk	0.21
	SLT Underwriting Risk	-
	Catastrophe Risk	-
	Diversification Credit	-
	SCR	**0.21**
Life Underwriting Risk	**SCR**	-
Market Risk	Interest Rate Risk	4.83
	Equity Risk	-
	Property Risk	-
	Spread Risk	1.68
	Concentration Risk	0.03
	Currency Risk	5.94
	Diversification Credit	3.49
	SCR	**8.99**
Counterparty Default Risk	Type 1 Risk	18.95
	Type 2 Risk	-
	Diversification Credit	-
	SCR	**18.95**
Undiversified BSCR		29.48
Diversification Credit		5.79
Basic SCR		23.69
Operational Risk		-
Basic SCR + Operational Risk		23.69
Final SF SCR		**23.69**

Chart E.I: This Chart illustrates the breakdown of the company's Solvency Capital Requirement by risk type.



In addition to the 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 5.9 million EUR.

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

Item	Million EUR
Linear MCR	-
SCR	23.7
MCR cap	10.7
MCR floor	5.9
Combined MCR	5.9
Absolute floor of the MCR	3.7
Minimum Capital Requirement	5.9

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 713% and 2790%, 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 €3.7m is applied to calculate the overall MCR requirement.

As this is the company's first reporting period, there are not any changes relative to prior periods to report.

E.3 Use the 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 the 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 complied 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

The company 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
COO	Chief Operating Officer
CRCO	Chief Risk and Compliance Officer
CUO	Chief Underwriting Officer
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
ExCo	Executive Committee
FSMA	Financial Services and Markets Authority
ICS	Internal Control System
LFC	Lloyd’s Finance Company
MCR	Minimum Capital Requirement
NBB	National Bank of Belgium
ORSA	Own Risk and Solvency Assessment
OSN	Overall Solvency Needs
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.

Lloyds Brussels was authorised by the National Bank of Belgium to incept (re)insurance policies from the 1st January 2019. Therefore, as at year end 2018 there will be no incepted insurance policies, although there will be policies to be considered from a reserving viewpoint within contract boundaries. In this regard Lloyds Brussels has not reported S.05.01 Premiums, claims and expenses by line of business, S.05.02 Premiums, claims and expenses by line of country, and S.19.01 Non-Life Claims Information from Table F.1 below as there are no written premiums or claims to report in this reporting period. This has been agreed by the National Bank of Belgium.

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	11,518,876
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	808,450
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	164,069,844
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	0
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	164,069,844
Government Bonds	R0140	126,137,672
Corporate Bonds	R0150	37,932,172
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	0
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	-10,465,375
Non-life and health similar to non-life	R0280	-10,465,375
Non-life excluding health	R0290	-7,128,612
Health similar to non-life	R0300	-3,336,763
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	12,000
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	28,218,868
Any other assets, not elsewhere shown	R0420	532,046
Total assets	R0500	194,694,708

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	-7,608,332
Technical provisions – non-life (excluding health)	**R0520**	-4,521,538
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	-8,497,907
Risk margin	**R0550**	3,976,369
Technical provisions - health (similar to non-life)	**R0560**	-3,086,794
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	-3,610,719
Risk margin	**R0590**	523,924
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
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**	0
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	9,313,057
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	2,495,791
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	0
Debts owed to credit institutions resident domestically	**ER0801**	
Debts owed to credit institutions resident in the euro area other than domestic	**ER0802**	
Debts owed to credit institutions resident in rest of the world	**ER0803**	
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Debts owed to non-credit institutions	**ER0811**	0
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**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	16,250,948
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	20,451,464
Excess of assets over liabilities	**R1000**	174,243,244

F.2.2 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
Direct business	**R0020**	0	0	0	0	0	0	0	0	0	0	0	0					0
Accepted proportional reinsurance business	**R0030**	0	0	0	0	0	0	0	0	0	0	0	0					0
Accepted non-proportional reinsurance	**R0040**													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**	-251,802	-2,194,851	11,605	-3,059	-267,668	-1,082,665	-3,862,494	-656,273	-126,897	-16,058	0	-5,550	-1,175,671	3,288	-33,750	-2,446,782	-12,108,625
Gross - direct business	**R0070**	-132,411	-2,120,690	11,605	-3,059	-267,668	-862,886	-2,689,041	-635,202	-126,897	-16,058	0	-5,550					-6,847,856
Gross - accepted proportional reinsurance business	**R0080**	-119,391	-74,160	0	0	0	-219,779	-1,173,453	-21,071	0	0	0	0					-1,607,854
Gross - accepted non-proportional reinsurance business	**R0090**													-1,175,671	3,288	-33,750	-2,446,782	-3,652,915
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	**R0100**	-217,282	-2,011,143	13,532	-1,944	-216,134	-767,725	-3,446,320	-515,928	-91,290	-15,196	0	-2,787	-1,124,507	11,722	-26,847	-2,061,796	-10,473,645
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	**R0110**	-217,282	-2,011,143	13,532	-1,944	-216,134	-767,725	-3,446,320	-515,928	-91,290	-15,196	0	-2,787	-1,124,507	11,722	-26,847	-2,061,796	-10,473,645
Recoverables from SPV before adjustment for expected losses	**R0120**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	**R0130**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-217,110	-2,009,555	13,522	-1,942	-215,964	-767,119	-3,443,599	-515,521	-91,218	-15,184	0	-2,784	-1,123,619	11,713	-26,826	-2,060,168	-10,465,375
Net Best Estimate of Premium Provisions	R0150	-34,692	-185,296	-1,916	-1,117	-51,704	-315,546	-418,895	-140,752	-35,679	-874	0	-2,765	-52,052	-8,425	-6,924	-386,614	-1,643,250
Claims provisions																		
Gross - Total	R0160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - direct business	R0170	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - accepted proportional reinsurance business	R0180	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - accepted non-proportional reinsurance business	R0190													0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recoverables from SPV before adjustment for expected losses	R0220	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Best Estimate of Claims Provisions	R0250	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Best estimate - gross	R0260	-251,802	-2,194,851	11,605	-3,059	-267,668	-1,082,665	-3,862,494	-656,273	-126,897	-16,058	0	-5,550	-1,175,671	3,288	-33,750	-2,446,782	-12,108,625
Total Best estimate - net	R0270	-34,692	-185,296	-1,916	-1,117	-51,704	-315,546	-418,895	-140,752	-35,679	-874	0	-2,765	-52,052	-8,425	-6,924	-386,614	-1,643,250
Risk margin	R0280	95,553	389,534	8,906	3,794	157,712	1,040,824	1,036,912	439,623	117,049	1,026	0	9,681	29,932	32,366	21,418	1,115,964	4,500,294
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	-156,249	-1,805,317	20,511	735	-109,956	-41,841	-2,825,582	-216,650	-9,848	-15,032	0	4,132	-1,145,739	35,654	-12,332	-1,330,818	-7,608,332
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-217,110	-2,009,555	13,522	-1,942	-215,964	-767,119	-3,443,599	-515,521	-91,218	-15,184	0	-2,784	-1,123,619	11,713	-26,826	-2,060,168	-10,465,375

		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 minus recoverables from reinsurance/SPV and Finite Re-total	R0340	60,861	204,237	6,990	2,677	106,008	725,278	618,017	298,871	81,370	152	0	6,916	-22,120	23,941	14,494	729,351	2,857,043
Line of Business: further segmentation (Homogeneous Risk Groups)																		
Premium provisions - Total number of homogeneous risk groups	R0350	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Claims provisions - Total number of homogeneous risk groups	R0360	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Cash-flows of the Best estimate of Premium Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	R0370	1,918,873	7,822,546	178,851	76,187	3,167,148	20,901,641	20,823,087	8,828,423	2,350,549	20,614	0	194,417	601,087	649,972	430,110	22,410,602	90,374,107
Future expenses and other cash-out flows	R0380	796,207	3,640,504	62,364	29,269	1,264,187	8,112,036	9,021,929	3,493,570	913,998	13,064	0	73,927	619,901	239,774	170,803	9,132,058	37,583,590
Cash in-flows																		
Future premiums	R0390	2,966,881	13,657,900	229,609	108,515	4,699,004	30,096,341	33,707,510	12,978,266	3,391,443	49,736	0	273,894	2,396,658	886,458	634,663	33,989,443	140,066,323
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash-flows of the Best estimate of Claims Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	R0410	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Future expenses and other cash-out flows	R0420	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash in-flows																		
Future premiums	R0430	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage of gross Best Estimate calculated using approximations	R0450	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate subject to transitional of the interest rate	R0460	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions without transitional on interest rate	R0470	-156,249	-1,805,317	20,511	735	-109,956	-41,841	-2,825,582	-216,650	-9,848	-15,032	0	4,132	-1,145,739	35,654	-12,332	-1,330,818	-7,608,332
Best estimate subject to volatility adjustment	R0480	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions without volatility adjustment and without others transitional measures	R0490	-156,249	-1,805,317	20,511	735	-109,956	-41,841	-2,825,582	-216,650	-9,848	-15,032	0	4,132	-1,145,739	35,654	-12,332	-1,330,818	-7,608,332

F.2.3 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	201,412,500	201,412,500			
Share premium account related to ordinary share capital	R0030	0				
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	-36,192,341	-36,192,341			
Subordinated liabilities	R0140	0				
An amount equal to the value of net deferred tax assets	R0160	9,023,085				9,023,085
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
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	0				
Total basic own funds after deductions	R0290	174,243,244	165,220,159	0	0	9,023,085
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0				
Unpaid and uncalled preference shares callable on demand	R0320	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0				
Other ancillary own funds	R0390	0				
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	174,243,244	165,220,159	0	0	9,023,085
Total available own funds to meet the MCR	R0510	165,220,159	165,220,159	0	0	
Total eligible own funds to meet the SCR	R0540	168,773,087	165,220,159	0	0	3,552,928
Total eligible own funds to meet the MCR	R0550	165,220,159	165,220,159	0	0	
SCR	R0580	23,686,186				
MCR	R0600	5,921,546				
Ratio of Eligible own funds to SCR	R0620	7				
Ratio of Eligible own funds to MCR	R0640	28				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	174,243,244
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	210,435,585
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	-36,192,341
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	3,851,824
Total Expected profits included in future premiums (EPIFP)	**R0790**	3,851,824

F.2.4 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**	8,988,089	8,988,089	
Counterparty default risk	**R0020**	18,951,358	18,951,358	
Life underwriting risk	**R0030**	0	0	
Health underwriting risk	**R0040**	211,762	211,762	
Non-life underwriting risk	**R0050**	1,328,968	1,328,968	
Diversification	**R0060**	-5,793,991	-5,793,991	
Intangible asset risk	**R0070**	0	0	
Basic Solvency Capital Requirement	**R0100**	23,686,186	23,686,186	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	0
Operational risk	**R0130**	0
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	23,686,186
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	23,686,186
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
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation (*)	**R0450**	4 - No adjustment
Net future discretionary benefits	**R0460**	0

F.2.5 S.28.01 Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations		MCR components
		C0010
MCRNL Result	R0010	0

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

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	0
SCR	R0310	23,686,186
MCR cap	R0320	10,658,784
MCR floor	R0330	5,921,546
Combined MCR	R0340	5,921,546
Absolute floor of the MCR	R0350	3,700,000
Minimum Capital Requirement	R0400	5,921,546

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