Hartford Financial Products International Limited

Solvency and Financial Condition Report

For the year ended 31st December 2016

Hartford Financial Products International Limited

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SUMMARY

This is the first Solvency and Financial Condition Report (SFCR) prepared by Hartford Financial Products International Limited (HFPI, the Company) pursuant to the requirements of the Solvency II directive, the Commission Delegated Regulation 2015/35 and having regard to the guidelines published by European Insurance and Occupational Pensions Authority (EIOPA) in particular 15/109. The purpose of the SFCR is to assess the solvency position of the Company. Sections A, B and C of the SFCR are unaudited.

The Company is wholly owned by Nutmeg Insurance Company, a company incorporated in the state of Connecticut, USA and is ultimately a wholly owned subsidiary of the Hartford Financial Services Group, Inc. (HFSG, The Hartford) a publicly traded corporation incorporated in the state of Delaware.

The Company is an insurer in run-off which does not underwrite new business. In 2015, The Hartford undertook a restructuring of its UK run-off business which was consolidated into the Company. The business strategy is to pursue the orderly run-off of the Company's business, in essence whilst the Company does consider commutations on an opportunistic basis, the strategy has been to pay claims and collect reinsurance as they arise.

In July 2016 the Hartford entered into a Sale Purchase Agreement with Catalina Holdings (Bermuda) Limited for the sale of the whole of the Company's share capital to Catalina Holdings UK Limited. Regulatory approval from both the Prudential Regulation Authority (PRA) and the Bermuda Monetary Authority (BMA) has been received and the sale closed on 10 May 2017. The Company will effectively transfer from being a wholly owned subsidiary member of The Hartford to a wholly owned subsidiary of the Catalina group which will entail a change in the existing reinsurance arrangements. At the time of sale, the existing Adverse Development Cover and Quota Share reinsurance with Hartford Fire Insurance Company will be commuted and replaced by a 100% Quota Share with Catalina General Insurance Limited (CatGen), a Bermuda regulated company.

The Damages (Personal Injury) Order 2017, SI 2017 206 (Ogden), was made on 24 February 2017 and came into effect on 20 March 2017 changing the discount rate to minus 0.75%. The claims faced by the Company which are affected by the change are limited to certain UK employers liability claims, mainly mesothelioma, where the effect is mitigated by the average age of the claimant population, and on its motor reinsurance book where claims which are reserved as being likely to be resolved by way of periodic payment orders might be resolved instead on a lump sum basis. Management have made a provisional assessment of the likely impact to the Company and concluded that on a gross and net basis the impact was not material to the Company. Due to the protection provided by an Adverse Development Cover (ADC) contract with Hartford Fire Insurance Company (Hartford Fire), the overall impact to the Company is nil.

Whilst the Company met the SCR at 31 December 2015 and 31 December 2016, during the course of the year a deficiency of own funds was noted at Q2 and Q3. This was largely the result of the changes to yield curves published by EIOPA. The shortfall at Q2 was £1.5m and at Q3 £3.5m. On both occasions the current shareholder promptly made good the deficit by providing additional capital to the Company. The ADC is not recognised as a mitigant against insurance risk and the Company has a substantial surplus on a GAAP basis. The new shareholder, in their Change in Control application, has undertaken to ensure the residual capital held by the Company is kept at a level of at least 120% of SCR.

Hartford Financial Products International Limited

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

Hartford Financial Products International Limited is a limited liability company registered in England with number 05965916 whose registered office is situated at DLM House, Downlands Business Park, Lyons Way, Worthing, West Sussex, BN14 9RX.

The Company was incorporated on 13 October 2006 as Treebay Limited and changed its name to Hartford Financial Products International Limited on 1 November 2006. It received FSA authorisation on 29 October 2007. The Company was established by, and is a wholly owned subsidiary of, Nutmeg Insurance Company, a downstream subsidiary of HFSG and a member of the Hartford Fire pool of affiliated Property and Casualty insurance companies, all domiciled in the United States, primarily the State of Connecticut. The Company was intended to augment the underwriting operations of Hartford Financial Products, a specialty underwriting business segment within The Hartford, operating out of New York.

The Company is regulated by the PRA, 20 Moorgate, London, EC2R 6DA and the Financial Conduct Authority (FCA), 25 The North Colonnade, Canary Wharf, London, E14 5HS with firm reference number 468832. The firm is regulated as a solo entity.

The Company's auditor is Deloitte LLP, Hill House, 1 Little New Street, London EC4A 3TR.

The Company primarily wrote Directors' and Officers' insurance, with some financial loss business, principally in the UK and Europe, but with some worldwide business.

On 12th July 2012, the Directors decided to place the Company into run-off. The reason for the decision was that the business written no longer fitted within the wider underwriting strategy of The Hartford.

In October 2015, the Company received transfers of a number of portfolios of business in run off that were either owned by The Hartford or for which The Hartford was responsible pursuant to Part VII of the Financial Services and Markets Act 2000:

<u>Excess Insurance Company Limited (Excess)</u>

Excess was established in 1894 and wrote a mix of Personal Lines, Commercial Lines and Treaty business both in the UK and globally. The major lines written were North American Casualty, on a Direct, Treaty and retro basis and UK Employers Liability. It ceased writing business in 1992.

<u>Hartford Fire Insurance Company - London Branch (Hart Re)</u>

The London branch of Hartford Fire Insurance Company, a Connecticut corporation, Hart Re wrote purely reinsurance business, principally in Europe, from 1991 to 2001.

<u>London & Edinburgh</u>

A portfolio of business originally written by London & Edinburgh Insurance Company Limited (L&E) which was transferred from Aviva Insurance Limited. The former L&E reserves represent business mainly arising from four Pools:

- HS Weavers Pool – L&E participated between 1st January 1972 and 31st December 1976.
- BD Cooke Pool – L&E participated between 1948 and 1968. From 1962 to 1968, Dominion fronted on behalf of the other Pool members. The Pool is managed by BD Cooke & Partners.

- Old Tower Pool – this Pool ran from 1st January 1968 to 12th May 1972 (some three-year policies were written in 1972). There were three members: Phoenix, Continental and L&E, all of whom mutually insured and reinsured each other in equal shares. L&E fronted the majority of risks written on behalf of the Pool.
- Tower X/Highlands Underwriting Agents Pool – this was a continuation of the Old Tower Pool but with Highlands Insurance Company and American Home replacing Phoenix and Continental. The Pool initially operated as the Tower X Pool until 31st December 1975. In 1976 and 1977, the Pool operated as the Highlands Underwriting Agents Pool. L&E ceased its involvement in 1977. Prior to that, it had fronted much of the Pool's business.

The Company's business comprised almost entirely insurance underwritten in the United Kingdom.

Following the transfers, an adverse development cover (ADC), placed 100% with Hartford Fire, was put in place to protect against adverse development over and above the booked reserves of £309m on the transferred business at the time of the transfers.

Day-to-day activities are outsourced to Downlands Liability Management Limited (DLM), a fellow subsidiary, for which an outsourcing agreement is in place. The Boards of the Company and DLM are identical. For practical purposes, therefore, the Directors of the Company directly manage the business of the Company. References in this document to "employees" means employees of DLM.

In July 2016, The Hartford entered into a Sale Purchase Agreement with Catalina Holdings (Bermuda) Limited for the sale of the whole of the Company's share capital. The sale closed on 10 May 2017, regulatory approval having being obtained from the PRA and the BMA. The change in ownership will lead to a change in the capital structure and reinsurance arrangements.

The terms of the sale agreement are that the whole of the share capital in the Company will be acquired by Catalina Holdings UK Limited, the ultimate owner being Catalina Holdings (Bermuda) Limited. The Catalina group is regulated at group level by the BMA. The Company will be one of a number of UK entities owned by Catalina which will be regulated by the PRA.

The sale will see the commutation of the ADC and the Hartford Fire quota share reinsurance which protects the original business written by the Company and the purchase of 100% unlimited quota share reinsurance with Catalina General Insurance Limited, a Bermuda reinsurer which is part of the Catalina group.

In essence, the Company will move from being a wholly owned subsidiary of The Hartford protected by Hartford Fire reinsurance, to being a Catalina group company with the benefit of protection from CatGen.

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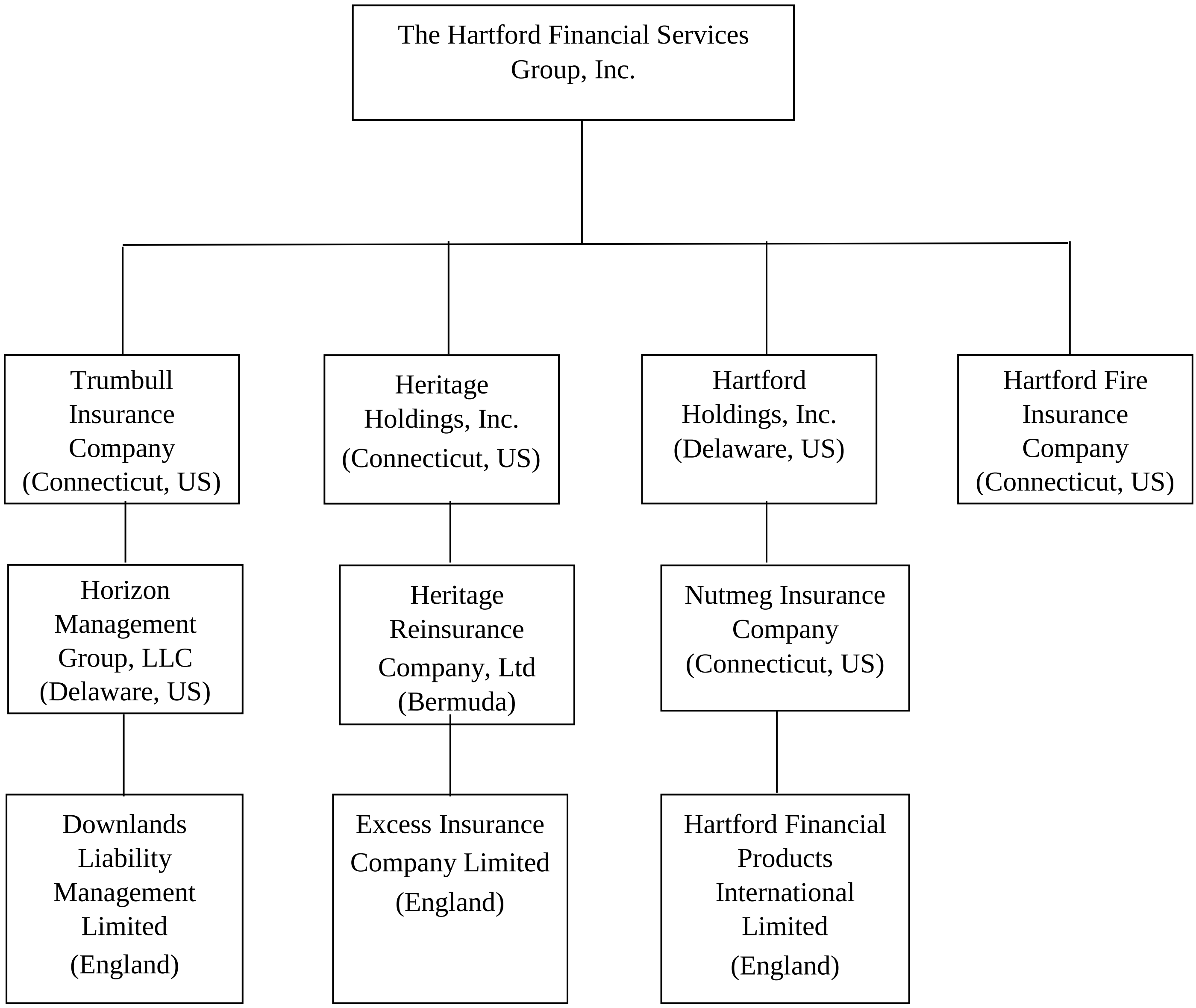
CORPORATE STRUCTURE 2016



All ownership is 100%.

A.2 UNDERWRITING PERFORMANCE

As the Company is in run-off, it does not write new business. It continues to receive small amounts of premium by way of reinstatement and similarly continues to pay small amounts to reinsurers. It does not purchase new inuring reinsurance. Since the Part VII Transfer, the Company has been protected against any deterioration in reserves on the transferring business. The original business written directly by the Company is protected by 100% Quota Share reinsurance with Hartford Fire.

Due to the significant change in size and profile of the Company resulting from the Part VII Transfer in 2015, it is difficult to give any meaningful like for like comparisons with previous years.

Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance by class of business.

	2016 Gross premiums written £'000	2016 Gross premiums earned £'000	2016 Gross claims incurred £'000	2016 Net operating expenses £'000	2016 R/I balance £'000
Direct Insurance					
Workers' compensation	-	-	(9,004)	(688)	9,004
Marine, aviation and transport	(19)	-	(7,706)	(527)	7,485
Fire and other damage to property	-	-	460	(66)	(464)
General liability	-	219	(27,626)	(2,391)	27,400
	(19)	219	(43,876)	(3,672)	43,425
Proportional and Non-proportional Reinsurance					
Casualty	(9)	-	(5,255)	(3,187)	5,246
Marine, aviation and transport	2	-	273	(352)	(448)
Property	13	-	(79)	(289)	74
	6	-	(5,061)	(3,828)	4,872
Total	(13)	219	(48,937)	(7,500)	48,297

	2015 Gross premiums written £'000	2015 Gross premiums earned £'000	2015 Gross claims incurred £'000	2015 Net operating expenses £'000	2015 R/I balance £'000
Direct Insurance					
Worker's compensation	-	-	(36,126)	(1,050)	15,243
Marine, aviation and transport	3	-	217	(98)	(3,456)
Fire and other damage to property	-	-	(1,495)	(2)	706
General liability	-	608	(3,492)	(102)	14,660
	3	608	(40,896)	(1,252)	27,153
Proportional and Non-Proportional Reinsurance					
Casualty	2	-	619	63	7,406
Marine, aviation and transport	-	-	(4,131)	(424)	(17,700)
Property	1	-	-	-	-
	3	-	(3,512)	(361)	(10,294)
Total	6	608	(44,408)	(1,613)	16,859

The reinsurance balance represents the reinsurance element of gross premiums, less gross claims and operating expenses.

As the Company's business comprised almost entirely insurance underwriting in the United Kingdom, no geographical analysis is provided.

A.3 INVESTMENT PERFORMANCE

The Company received a significant capital injection of £148m in 2015 as part of the restructuring. In view of The Hartford's intention to dispose of the Company a very conservative approach to investment management has been adopted. Investments are managed by Hartford Investment Management Company (HIMCO), a Hartford company.

The investments are in cash (5%) or bonds which are split 26% government bonds and 69% corporate bonds of at least an A rating when purchased. The company holds investments by currency in proportion to the liabilities. The assets are 44% in US dollars, 50% in pounds sterling and the remaining 6% is predominantly in Euros.

The Company has no equity holdings nor does it invest in derivatives.

Investment returns in 2016 were £16.4m:

Investment return on Government bonds	£3.5m
Investment return on corporate bonds	£12.8m
Investment return on fixed deposits	£0.1m
	£16.4m

Investment expenses totalled £0.4m.

In 2016, the Company had unrealised gains on investments of £4m and realised losses on investments of £84k.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION

The "Management Body" comprises:

- Chief Executive Officer (CEO), (Executive)
- Chief Risk Officer (CRO), (Executive) – also the Company Secretary
- Senior Vice President Large Loss Liability & Financial Products Management, The Hartford
- Senior Vice President Claim Field Operations, The Hartford

The Chief Finance Officer (CFO) and Chief Actuary (CA) also attend meetings of the Board of Directors. Due to the size of the Company, with the exception of the Risk Committee, it is not considered proportionate to have committees. All key functions report to an Executive Director. The Directors have established a set of regular reports which allow them to manage the business and comply with their statutory duties. The Directors set the policies, including a code of conduct, which all staff are required to read and certify annually that they have complied with its provisions. This code of conduct establishes the company culture.

The Board has established a protocol for the way it conducts its business and the matters which require its approval.

The Board has established written policies, including:

- Risk Management
- Risk Management Strategy
- Asset-Liability Management
- Investment Strategy
- Fit and Proper
- Credit Risk Management
- Liquidity Risk Management
- Concentration Risk Management
- Internal Control
- Compliance
- Conflicts
- Reserving
- Actuarial
- Internal Audit
- Capital Management
- Outsourcing
- Own Risk and Solvency Assessment (ORSA)
- SFCR Disclosure
- Operational Risk Management
- Valuation of Assets and Liabilities
- Remuneration policy

The two executive directors together with the CA and CFO fulfil the key functions required under the Senior Insurance Managers Regime. These four individuals work closely together and have regular formal and informal meetings to review the business.

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The remuneration scheme is established by the ultimate parent company. The scheme rewards performance at Group level but may take account of performance at Company level. The members of the Board do not set their own remuneration.

The US directors are employed by The Hartford and do not receive any remuneration from the Company. The UK officers are employed by the service company DLM. The Company has established a remuneration policy. No employee is remunerated on a basis that is directly linked to financial performance targets, bonuses are determined by the overall performance of The Hartford rather than the Company alone. Certain senior employees receive deferred shares in The Hartford by way of long term incentives. The variable component of remuneration is partially dependent on both the performance of the parent company and the tier and performance of the employee concerned.

The employees of DLM receive pension contributions into money purchase scheme, the levels of which are age related. There is no occupational scheme and the firm has no liability to any existing pensions.

B.2 FIT AND PROPER REQUIREMENTS

The Company assesses the suitability of all candidates and takes up regulatory and employment references where applicable and checks educational and professional qualifications. All holders of Senior Insurance Managers Functions (SIMF) have been passed by the Disclosure and Barring service as being of good character. The executives have all been with the company for over 10 years.

The assessment of fitness shall include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses, and shall take into account the respective duties allocated to that person and, where relevant the insurance, financial, accounting, actuarial and management skills of the person.

No one is appointed to the Board unless they are considered to be fit and proper individuals. A record is kept of the CV of each Director. A record is also maintained of anyone regarded as performing a key function. They are familiar with the System of Governance and other regulatory requirements. A record is maintained for each Board member of other Directorships or situations which could give rise to a conflict of interest. In addition, there is a policy on conflicts of interest.

With the introduction of the SIMR in 2016 certain functions require pre –approval by the PRA and Key Function Holders and notified NEDs have to be advised to the PRA. The fit and proper policy has been updated to reflect the requirements, in particular an individual's scope of responsibilities, the requirement for a comprehensive CV and checks made by the Disclosure and Barring Service, proof of professional qualifications and membership of professional bodies together with references from previous employers.

B.3 RISK MANAGEMENT SYSTEM INCLUDING OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

The Board has established a Risk Management policy. The overall policy is to identify risks which might affect the solvency of the Company, assess those risks, put in place controls to mitigate them and monitor the residual exposures. The policy makes clear that the overall Risk Management system is the responsibility of the Directors. Oversight of the system is the responsibility of the CRO. A risk committee has been instigated to ensure that risks are monitored and considered on a monthly basis and are considered holistically and not in isolation. The members of the risk committee are CEO; CRO; CFO and CA. The policy sets out the risk categories and the methods to measure the risks, where appropriate. It also addresses risk accumulation and risk interaction.

Risk identification is the responsibility of the Board based on advice from the committee. The risks faced by the Company are documented in the Risk Register. This sets out the inherent risk, the mitigating controls in place and the residual risk. Where the risk has a link with other risks in other categories of risk, this is noted. The assessment of risks includes emerging risks, quantifiable or non-quantifiable.

As the Company is in run-off, there is no underwriting risk. Instead, the main risk in this area is the risk that reserves may prove to be inadequate. The Company has the benefit of an ADC with its parent group which protects against any deterioration in the reserves transferred into the Company in October 2015. It also has the benefit of a Quota Share reinsurance protecting 100% of the D&O business originally written by the Company between 2007 and 2012.

The most significant reserving risks are the potential increase in the cost per claim of US Asbestos claimants and the potential increase in frequency and severity costs of UK Employers Liability claims. Both of these have the potential to affect the Company's solvency position adversely, although any impact would be greatly mitigated by the ADC. The policy sets out the procedures to manage and report on these risks.

The company's management information enables each line of business to be assessed individually. The actuaries review each line of business in detail annually as part of the reserve review process.

The Board has established a separate Asset-Liability Management policy. This sets out the risk characteristics of the business written and describes any special features which give rise to correlations with any asset class. It also describes the risk characteristics of the reinsurance protections and their correlation with any other asset class. The policy describes the procedures for management of assets and liabilities. These are more fully described in the Investment Strategy Statement.

The policy is to conduct an ORSA at least annually which fairly reflects the risks of the Company's business and estimates the capital required to meet those risks on an economic basis. The last ORSA was approved by the Board and submitted to the PRA in December 2016.

The overall ownership of the ORSA belongs to the Board of Directors. Oversight of the ORSA process and production of the ORSA report is the responsibility of the CRO. It is the responsibility of the CFO and CA to ensure that the ORSA calculations are conducted in accordance with this policy.

The main exposures facing the Company relate to reserve risk. This risk has been considerably reduced following the purchase of an unlimited adverse development cover from Hartford Fire. While this increases the counterparty default risk relating to the exposure to Hartford Fire, the remaining risks are relatively low and it is considered appropriate, and proportionate, to use a modified version of the Standard Formula for the ORSA, rather than an Individual Capital Assessment model.

As the Company's policy is to use a modified standard formula, the ORSA process will only start after the standard formula calculations have been completed. The CRO and CA should identify the areas where the standard formula is to be modified. These areas may change from year-to-year, taking account of changes in social, economic and judicial conditions.

The calculations are to be performed by the Actuarial department and, once complete, the results will be reviewed by the CRO and CFO. The ORSA report will then be drafted by the Company Secretary and the results presented to the Board for approval.

The Company has been in run-off since 2012. As such, the risks it faces are predominantly driven by external factors such as claims frequency and severity or economic conditions, as opposed to risks it can actively assume via underwriting or reinsurance selection. The risk tolerance limits, therefore, reflect a narrower set of activities than would be the case for a live writer. The tolerance limits that have been set principally relate to investment risk. Consequently, the overall solvency level has to be sufficient to cover external factors over which the Company can exercise little control and where tolerance limits cannot be set. Principal among these is reserving risk.

The key risks facing the Company relate to adverse development of losses on asbestos, pollution and health hazard (APH) business and UK Employers Liability. These manifest themselves in adverse frequency or severity or can arise from adverse court decisions or legislation, over which the Company has no control.

Being a wholly owned subsidiary of The Hartford, the Company does not have the ability itself to raise capital independently but is reliant upon its ultimate parent for any additional capital needs.

B.4 INTERNAL CONTROL SYSTEM

The Board has established an Internal Control policy. The policy is to have internal controls which are adequately designed and operating effectively to ensure that the Company is complying with its regulatory responsibilities and that transactions are properly authorised, classified, substantiated and processed accurately, completely and promptly. It makes clear that the overall Internal Control system is the responsibility of the Board of Directors. The CFO is responsible for the control environment, control activities, communication and monitoring. The CRO is responsible for compliance.

The culture of the control environment is set out in the Code of Ethics and Business Conduct. Every employee is required to certify annually to the CRO that he or she has read the Code and understands it. Failure to comply with the Code can lead to disciplinary action. The Code emphasises the Company's commitment to maintaining a system of internal controls that ensures compliance with all UK laws, rules and regulations.

At a business level, the controls which serve to mitigate business risk are identified in the Risk Register. These controls are reviewed at least annually and are subject to compliance reviews.

In summary the key control is the segregation of duties so that the same individual cannot agree a claim or commutation and authorise or effect the payment. There are clear limits of authority so that any substantial claim movement has to be approved by a manager. Any payment over £250k or $250k has to be approved by both UK executive directors.

At a regulatory level, the controls which address regulatory risk are identified in the Systems and Controls (SYSC) documentation.

The Board has established a Compliance policy. This allocates responsibility for the Compliance function to the CRO. The policy is to ensure that the Company complies with its obligations under Solvency II. All employees are to give full assistance to the CRO in the reviews of compliance activities.

The duties of the Compliance function are to identify, assess, monitor and report the compliance risk exposure of the Company. The CRO scans the regulatory environment for changes in regulations and establishes a plan to review all compliance activities on a rolling three year basis. He reports his findings and recommendations to the Board of Directors and, where his recommendations are accepted, follows up on implementation.

A member of the finance team undertakes compliance tests and checks at the request of the CRO. In 2016, all large claim payments were reviewed to ensure that the correct approvals were being obtained.

B.5 INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to The Hartford. The Internal Audit Department has an independent reporting line to the Hartford Audit Committee in order to establish independence from the day to day activities of the Company. It therefore sets its own Internal Audit policy. The CEO is the Board member with responsibility for co-ordinating with the Internal Audit Department.

The Internal Audit policy sets out its independence and reporting lines. Its staff are not permitted to carry out any operational duties or initiate or approve accounting transactions. It is not formal policy to rotate staff on assignments.

Internal Audit carries out an annual plan which ensures that all key activities are audited on a rolling three year basis. This can encompass requests by the Company's management. The work is documented in working papers. After each assignment a report is issued to the Board of Directors which identifies any deficiencies and makes recommendations to remedy them. The report identifies the results of its work against its objectives. There is an annual report to the Board by Internal Audit of its activities and Plan.

Once a report has been issued, Internal Audit follows up each month on the status of implementation of their recommendations.

Due to the sale agreement, no internal audit work was undertaken in 2016.

B.6 ACTUARIAL FUNCTION

The Board has established an Actuarial Policy. This allocates responsibility for the coordination of the calculation of the technical provisions to the Chief Actuary. The results of the reviews of the technical provisions must be reported to the Board. It is not Company policy to utilise “internal models”, as defined by the Solvency II regulations.

Six reserve reviews are conducted each year, covering US Asbestos, US Pollution, UK Employers Liability, D&O (original HFPI business), original Hart Re business and all other risks. The Chief Actuary reviews the adequacy of the technical provisions, assessing the suitability of the methods used, compares best estimates against experience and assesses the reliability of the data used in the calculations. The Actuarial Department is required to identify any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of the technical provisions and propose corrections as appropriate. It is also required to explain any material effect of changes in data, methodologies or assumptions between valuation dates on the amount of technical provisions.

A separate study of the reserves and tied assets required for the Swiss Branch is undertaken by the branch’s appointed actuary, a partner with the Swiss office of KPMG.

The Actuarial Department contains staff who are members of the Institute and Faculty of Actuaries and possess appropriate experience to undertake their duties. While functionally the Actuarial Department reports to the CEO, they also have a technical reporting line to the Senior Vice President, Actuarial, of The Hartford. The results of their reviews are subjected to peer reviews in Hartford so as to ensure consistency of approach and adequacy of control over the process. The reports of each reserve review are considered by the Directors at Board meetings.

While the CA is assigned other tasks on occasion, principally commutation pricing, he does not carry out activities which could give rise to a conflict of interest (for example, he does not negotiate commutations).

As the Company is in run-off, a report on underwriting policy and reinsurance arrangements is not required.

B.7 OUTSOURCING

The Board has established a policy on Outsourcing. The Company's policy is to outsource functions only where there is insufficient in-house expertise or where it is cost-effective to do so. Any outsourcing must not compromise the firm's ability to comply with its regulatory obligations.

Each supplier of outsourced services must be vetted beforehand and, upon selection, sign an agreement which sets out the terms and conditions of the service. Performance against targets is monitored at least annually.

The functions currently outsourced are:

- Investment Management, which is outsourced to Hartford Investment Management Company (a fellow subsidiary), located in the USA. Responsibility has been allocated to the Chief Financial Officer.
- Internal Audit, which is outsourced to The Hartford's own Internal Audit Department, located in the USA. Responsibility has been allocated to the Chief Executive Officer. This is a key function.
- Claims handling, Reinsurance, Finance, Actuarial, IT, Human Resources and Administration, which is outsourced to Downlands Liability Management Ltd, a fellow subsidiary, located in the UK. Responsibility has been allocated to the Chief Executive Officer. Reinsurance, Finance, Human Resources and IT are important functions. Claims handling and Actuarial are key functions.
- Some claims handling is outsourced to BD Cooke & Partners Limited, located in the UK.
- The Swiss Branch office service providers are Prime Re-Insurance Solutions A.G., located in Switzerland.

B.8 ANY OTHER INFORMATION

SWISS BRANCH

The Company established a Branch in Switzerland in 2009 to enable it to write business in Switzerland. The Branch is under the supervision of the Swiss Financial Market Supervisory Authority (FINMA). In 2011, the Company appointed Berndt Raeder of Prime Re-Insurance Solutions A.G. (PRS) as its General Representative of the branch in accordance with Swiss regulations. The Branch has appointed William Southwell of KPMG to perform the role of Responsible Actuary, a position required by the FINMA regulations.

Under FINMA regulations, the Branch must hold assets equivalent to its gross reserves plus 4%. Investment assets are subject to rules regarding credit quality, diversification and liquidity. Assets have to be denominated as “Tied” and are used to cover the claims, giving policyholders priority over all other creditors. Allowable ceded reinsurance assets are capped depending on the credit rating of the individual reinsurer. As a branch of a non-Swiss corporation, there is no requirement to value assets and liabilities at fair value under Swiss rules, though they are valued at fair value as part of the overall company balance sheet in the UK reporting.

Responsibility for the Branch has been allocated to the CEO and CRO. There is a requirement to maintain an investment strategy and an internal controls system. A separate Investment Strategy Statement therefore exists for the Swiss branch assets. The credit quality and duration targets do not materially differ from those in the overall Investment Strategy Statement quoted above. In all other aspects, the System of Governance includes governance of the affairs of the Swiss Branch.

The internal controls system is operated in conjunction with Prime Re-Insurance Solutions A.G. and considered to be appropriate for the company taking account of the nature, scale and complexity of the risks inherent in the business.

C RISK PROFILE

C.1 UNDERWRITING AND RESERVING RISK

As the Company is in run-off, there is no underwriting risk. It is therefore not applicable to set limits for risk tolerance or risk appetite arising from underwriting. Any deterioration in reserves will cede to the ADC which protects the entire HFPI portfolio (after the application of other reinsurance) on an unlimited basis. The ADC does not receive credit in the SCR of the standard formula giving capital charges of £118.5m and £1.1m for non-life and life respectively. Not receiving credit for the ADC means that the underwriting risk calculated in HFPI's Standard Formula SCR is enormously overstated.

There is no new potential exposure to accumulation of risks. Instead, the main risk in this area is the risk that reserves may prove to be inadequate. The Company is particularly exposed to deterioration in two key areas:

1. US asbestos exposures arise from US Casualty business written from 1947 until 1992. The majority of the exposure is concentrated in 1967 – 1980, with additional exposures arising out of Marine policies written in the 1980's. It is the company's largest source of liabilities, comprising approximately 45% of the total statutory gross reserves. 30% of the gross liabilities are in respect of Direct business, with the rest coming from business written on a Treaty and LMX basis.
2. UK Employers Liability exposures arise from UK Employers Liability business written between 1908 and 1992, with the majority of the exposures coming from the period 1967 – 1992. Most of the claims arise from the UK's major industrial centres. The company is aware of 137,000 policies, representing 44,000 unique policyholders. Policies are recorded, to the extent possible, on the register of the Employers Liability Tracing Office (ELTO), which allows interested parties to search for the employers liability insurers of companies and businesses. Around 1,500 new claims are notified each year and there are currently around 3,500 open cases. The main exposures relate to mesothelioma claims (which comprise 70% of the claim reserves by value), but other types of claims can arise, including noise induced hearing losses (which comprise 80% of the open claims by volume), asbestos-related lung cancer, pleural thickening, pleural plaques and vibration white finger. In 2016, a marked decline in Noise Induced Hearing Loss (NIHL) cases was noted in line with industry experience. The volume of asbestos related disease claims has been stable over the past 3 years.

The Risk Register identifies specific areas of risk in these areas as set out below.

1. Settlement costs of US Asbestos claimants may increase in value. This could arise from an increase in claim filings, the emergence of new accounts, or deterioration on known accounts due to court awards or general increases in severity. Adverse development of losses has the potential to affect the Company's overall solvency needs and regulatory capital requirements, prior to consideration of the reinsurance arrangements. Risk tolerance and appetite limits are not applicable. Instead, the Actuarial department conducts an annual exposure-based review to estimate the ultimate cost of these claims. The results of this study are presented to the Directors for consideration. New information is regularly evaluated in assessing potential exposures. Round table meetings are held with the Managing Director to review movements on large individual cases. Overall movements on US Asbestos claims are reported monthly by the Financial Reporting department to Directors as part of the Monthly Operating Reports.

2. UK Employers Liability claims may increase in value due to either increased severity, as a result of changes in legislation or court decisions, or increased frequency. Adverse development of losses has the potential to affect the company's overall solvency needs and regulatory capital requirements, prior to consideration of internal reinsurance arrangements. Risk tolerance and appetite limits are not applicable. Instead, the Actuarial department conducts an annual exposure-based review to estimate the ultimate cost of these claims. The results of this study are presented to the Directors for consideration. Incurred movements are reviewed by senior management daily and round tables are held to discuss large movements and claim strategy. Overall movements are reported monthly by the Financial Reporting Department to Directors as part of the Monthly Operating Reports.

While other lines of business have the potential for reserve deterioration, it is not considered likely that such deterioration would result in significant cessions of loss to the ADC. In any event, any loss deterioration would cede to this protection and would not affect the solvency position of the Company, provided that the reinsurance security remains adequate. The standard formula addresses the material risks faced by the Company.

C.2 MARKET RISK

The Board has established an Investment Strategy Statement for the strategy it wishes to pursue with regard to its investments. This is contained as an appendix to the Investment Management Agreement. While it is recognised that extreme movements in the market value of investments could affect the solvency of the Company, there is little appetite for risk-taking with regard to asset allocation and credit quality. Derivatives are not to be used. Unquoted investments are not to be used either. The Company has no equity investments.

The standard formula applies spread risk charges depending on the creditworthiness of the investment, so the risk is quantified. This is not considered a significant area of risk for the Company in view of its conservative investment strategy. However, the risks are addressed by the standard formula.

The Company is exposed to the following areas of Market Risk:

- Interest rate risk – this arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. At 31 December 2016, a 1% increase in interest rates would reduce the value of invested assets by £24.4m. If such a 1% increase led to a reserve strengthening, the protection provided by the ADC would mean there would be no impact on the technical provisions due to the reinsurance protections in place.

- Currency risk – this arises in respect of assets and liabilities in currencies denominated in currencies other than Sterling. The most significant foreign currencies to which the Company is exposed are the US Dollar and the Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. At 31 December 2016, a 1% increase in the rate of the US Dollar and Euro to Sterling would decrease net assets by £67k.

The risk tolerance limits are:

- The portfolio duration should deviate no more than +/- 1 year from the current desired target duration of 5.6 years;
- The Weighted Average Life (WAL) of the assets should not exceed the WAL of the liabilities by more than one year; and
- The currency exposure of assets should match within 5% of the currency exposure of the liabilities.

HFPI’s invested assets consist of Government bonds, Corporate bonds and cash assets (fixed term deposits and pure cash on account). The bonds range in credit rating from AAA to BBB and are therefore all considered to be investment grade with very low risk of default. The spread risk capital charge (which applies to the bonds and deposits) of £17.1m represents a charge of 3.3% of the market value of bonds and deposits of £525.3m. It is derived from the table below:

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Bonds and deposits	Amount	Proportion	Charge
AAA	£21.5m	5.5%	£0.6m
AA	£107.2m	27.5%	£3.7m
A	£225.5m	57.7%	£10.6m
BBB	£36.3m	9.3%	£2.2m
Total	**£390.4m**	**100.0%**	**£17.1m**

HFPI's small element of concentration risk charge of £0.9m stems from one of its cash deposit accounts which slightly exceeds the allowed threshold.

HFPI's currency risk charge of £26.1m stems predominantly from an over-exposure in USD. HFPI's assets are matched by currency on an undiscounted basis. When the liabilities are discounted in the SII process, HFPI has significantly greater USD assets than liabilities. This issue makes up £24.5m of the total currency risk charge of £26.1m.

HFPI currently has no interest rate risk charge. Regardless of whether the interest rate is stressed up or down under the prescribed scenarios, there is no adverse impact on HFPI's capital position and hence no capital charge is set.

There are monthly reports which monitor the matching of durations and currencies. These reports are reviewed in monthly meetings with the Investment Manager. In the light of these controls, asset-liability mismatches are not considered a significant risk.

The standard formula prescribes risk charges where the duration of the assets is not matched to the duration of the liabilities or where there is a mismatch between the currency of the assets and the currency of the liabilities. Asset liability mismatches are therefore addressed by the standard formula.

As the Company is in run-off, it has no concentration risks which might arise from the writing of new business. The Company monitors exposures to individual cedants and policyholders. It also monitors exposures to regions of the USA, which is the country with the largest claim exposures.

Concentration risk can arise where reinsurance was placed in the past with single reinsurers. Alternatively, where reinsurers merge into one group, this can give rise to increased concentration risk. There is no exposure to a single reinsurer which is greater than the capital of the Company. Hence, there is a reduced risk that the overall solvency could be affected. In any case, the Company reviews its counterparty exposures annually and sets bad debt provisions, where considered appropriate. The ADC responds to increases in the bad debt provisions.

Concentration risk can arise in respect of the internal reinsurance arrangements within the group. This is discussed more fully in the section below.

Deposit accounts are spread across banks to reduce concentration risk.

Risk tolerance limits are set for exposures to single investment issuers.

C.3 CREDIT RISK

The Board has established a Credit Risk Management policy.

The company is exposed to credit risk in the following areas:

- Ceded reinsurance
- Corporate bonds
- Deposit takers
- Assumed claim deposits
- Intercompany accounts
- Insurance intermediaries

The policy sets out the procedures for managing each category of risk. In general terms, credit ratings are used to evaluate risk exposures. The only area where the company can proactively take risk on an ongoing basis and therefore have a risk appetite or a risk tolerance is that of Investments.

HFPI's credit risks stem, most significantly from its SII reinsurance asset of £201.7m (GAAP)/ £154.7m (SII). The value of £201.7m is increased to allow for balance assets, ledger 1 elements and funded reserves to give a total exposure of £240.6m.

However, significant offset exists on HFPI's exposures meaning that credit risk is effectively eliminated by the potential of HFPI to withhold equivalent balances owing to its outwards reinsurers. This reduces the outwards reinsurance exposure to credit risk by approximately 1/3.

Hence, only £162.9m of the reinsurance is subject to credit risk. As the balances are calculated elsewhere in the Credit risk sub-module, these are removed, bringing the exposed element down to £135.8m.

There is a further £4.2m of pure cash that is also subject to credit risk under the Standard Formula.

Element	Total	LGD	Charge
Reinsurance asset	£135.8m	£67.9m	£4.2m
Stressed reinsurance asset	£63.2m	£15.8m	(Included in £4.2m)
Cash	£4.2m	N/A	(Included in £4.2m)
Balances – Type 1	£10.2m	£5.1m	£1.4m
Balances – Type 2	£1.5m	N/A	(Included in £1.4m)
Diversification saving	-	-	£(0.3m)
Total	-	-	£5.3m

The standard formula applies a counterparty default risk to address the potential failure of reinsurers and a spread risk which addresses the potential failure of bond issuers. The concentration risk charge covers the possibility of failure of deposit providers and also bond issuers. All risks are therefore covered by the standard formula.

As described above, as regards business transferred in, the Company has an unlimited adverse development cover to protect against adverse development over and above the booked reserves at the time of the Part VII transfers.

The standard formula applies a concentration risk charge for bonds and deposits. There is an implicit charge for concentration of reinsurance assets within the counterparty default risk. The diversification of assets employed by the Company is such that this is not an area of significant risk. It is, however, addressed by the standard formula.

As regards original HFPI business, a 100% quota share reinsurance agreement is in place. Hartford Fire Insurance Company provides coverage in the event of failure by an external reinsurer. Risk of failure by Hartford Fire Insurance Company is itself addressed by a Reinsurance Trust Deed, whereby amounts equal to any exposure to this reinsurer in excess of HFPI’s capital are placed into a separate trust fund for the benefit of HFPI.

C.4 LIQUIDITY RISK

The Company is not exposed to catastrophe type losses which could lead to an unexpectedly high volume of claim payments to be made in short order. The losses are largely attritional and cash flow is projected on a monthly and annual basis to ensure sufficient liquidity to pay claims as they arise.

The Board has established a policy for liquidity risk. This sets out the investment risk appetite and risk tolerance limits. It describes the procedures for managing and monitoring liquidity at a weekly, monthly and annual level. Variable buffers are used to minimise the risk of liquidity shortfall.

The policy also sets out the liquidity contingency plan. Assets would normally be sold to meet funding obligations – in this regard, it should be noted that the Investment Strategy is to invest in assets which are readily realisable in the form of cash. On occasion, the Company may prefer to seek funds from its parent rather than realise a loss, to avoid consequent adverse impact on its capital position.

The standard formula applies spread risk charges as set out above, such that illiquid assets receive a heavier charge. Again, this is not considered a significant area of risk for the company, but the risks are addressed by the standard formula.

The timing of the net cash outflows resulting from recognised insurance liabilities is set out below:

- 2017 – 2021 33%
- 2022 – 2026 23%
- 2027 – 2031 17%
- 2032 – 2036 12%
- 2037 – 2041 8%
- 2042 – 2046 4%
- 2047 – 2051 2%
- 2052 – 2056 1%
- 2057 – 2061 <1%

C.5 OPERATIONAL RISK

Operational risk arises under one of the following broad categories:

- IT
- Fraud
- HR
- Changes in tax legislation
- Business interruption

The controls to mitigate these risks are contained within the business continuity plan or the IT disaster recovery plan. The potential impact of these risks is considered and quantified as part of the ORSA.

HFPI’s operational risk stems mainly from its Worthing office and in the risks associated with maintaining staff of appropriate skill and experience to manage the run-off of its liabilities. These staff are presently employed by Downlands Liability Management Limited (DLM) but the risks are effectively with HFPI.

The Company has 65 equivalent full time employees many of whom have been with the company for many years, who are based on a single office location in Worthing. IT is managed locally using the Hartford’s infrastructure and utilising a claims system which is standalone from the Hartford.

HFPI’s risk register considers some possible extreme adverse scenarios but none of these scenarios suggest a risk as high as the standard formula operational risk charge of £15.1m. HFPI has a simple structure in terms of its operations and hence the capital charge for operational risk is viewed by the management as more than adequate to cover HFPI’s true risks.

Events which give rise to near misses or actual losses are tracked and reported to the Board annually.

C.6 OTHER MATERIAL RISKS

The company has material reinsurance arrangements with Hartford Fire. This is the primary risk-carrier of HFSG. The arrangements are:

- The unlimited ADC protecting against adverse development on business transferring in under the Part VII. This reinsurance contract is placed 100% with Hartford Fire.

- The 100% quota share of the original HFPI business, which was placed 100% with Hartford Fire prior to 2010 and from 2010 was placed 60% with that same company. Hartford Fire provides a backstop in the event that the external reinsurers fail to pay.

As the Company is in run-off, it has no concentration risks which might arise from the writing of new business. Concentration risk can arise in the following areas.

- Exposure to individual Policyholders and Cedants arising from past underwriting. The Company monitors exposures to individual cedants and policyholders. It also monitors exposures to regions of the USA, which is the country with the largest claim exposure. Risk is sometimes mitigated for cedants by virtue of ceded reinsurance placed in the past with those same entities. It is also mitigated where cedants and reinsurers merge.

- Exposure to individual Reinsurers arising from past reinsurance placement. The Company monitors exposure to individual reinsurers. There is no exposure to a single reinsurer which is greater than the capital of the Company. Hence, there is a reduced risk that the overall solvency could be affected. The Company reviews its counterparty exposures annually and sets bad debt provisions, where considered appropriate. The risk is sometimes mitigated by virtue of assumed reinsurance written in the past with those same entities. It can also be mitigated where reinsurers or cedants merge.

It should be noted that Hartford Fire is also exposed to the same US Asbestos and US Pollution risks as HFPI. A rapid and severe deterioration of such risks on a mass scale could therefore cause HFPI to cede very large amounts of loss to the ADC, which Hartford Fire may be unable to pay, having been exposed to the same losses itself. While this is unlikely given the diversity of risks within Hartford Fire's portfolio and its capital strength, it is a risk which is not adequately addressed by the Standard Formula, which rates reinsurers on their credit ratings, without taking account of the risk accumulation occurring across the group.

The risk is mitigated to a degree by the existence of a Trust Fund which contains $15m which HFPI can call upon in the event of Hartford Fire's failure to pay reinsurance claims. However, this Trust Fund only protects original HFPI business, not business that transferred in under the Part VII Transfer.

Additionally, group risk can arise in the following circumstances:

- Failure of DLM, such that all support services would be withdrawn; or
- Failure of HIMCO, such that investment support services would be withdrawn.

Failure of DLM and HIMCO would in practice only occur in the event of failure of the rest of the group. Even if these companies were to fail independently, there are other service providers in the market who could perform the functions.

There are no off balance sheet positions or use of single purpose vehicles.

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The Prudent Person principle approach is evidenced by the conservative investment strategy adopted and the minimum A rating of investments. HIMCO make their own assessment of potential and actual investments using a variety of techniques and do not simply follow rating agency guidelines.

As part of the ongoing review of the risks faced by HFPI, four main areas were identified as the key material areas of risk. It should be pointed out, however, that as a run-off insurer with a highly-rated investment portfolio and a highly-rated reinsurance contract covering any future reserve deteriorations, HFPI is well protected against risks that might be expected to face similar companies. This is borne out in the results of the stress testing shown in this section. The four scenarios considered were:

- the creditworthiness of The Hartford group (as a major reinsurer of HFPI)
- expense risk stemming from an increased expense base in the future
- a major financial event leading to defaults on HFPI's investments
- a significant reserve deterioration (although this would be covered by the ADC)

These scenarios and their results are outlined below. It is worth noting that HFPI remained adequately capitalised in all but the asset default scenario. Furthermore, given the credit quality of HFPI's investments, a financial event leading to complete loss of 10% of HFPI's investments is regarded as being an exceptionally unlikely event, far beyond that required at the 1 in 200 year level.

Hartford Fire is currently A-rated but a stress test has been performed to explore the impact of a deterioration in this rating to BBB.

	HFPI standard formula	Stressed scenario	Impact
SCR	£119,572,661	£120,934,547	£1,361,886
Own Funds	£135,423,967	£134,237,418	£(1,186,549)
SCR surplus	£15,851,306	£13,302,872	£(2,548,434)

A stress test was performed to evaluate the impact of a 10% increase in expenses.

	HFPI standard formula	Stressed scenario	Impact
SCR	£119,572,661	£121,912,480	£2,339,819
Own Funds	£135,423,967	£126,029,712	£(9,394,255)
SCR surplus	£15,851,306	£4,117,232	£(11,734,074)

A stress test was performed to evaluate the impact of a 10% increase in bond portfolio defaults.

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	HFPI standard formula	Stressed scenario	Impact
SCR	£119,572,661	£117,403,399	£(2,169,262)
Own Funds	£135,423,967	£85,016,382	£(50,407,585)
SCR surplus	£15,851,306	£(32,387,018)	£(48,238,324)

A stress test was performed to evaluate the impact of an increase in gross reserves of $50m.

	HFPI standard formula	Stressed scenario	Impact
SCR	£119,572,661	£120,792,185	£1,219,524
Own Funds	£135,423,967	£135,009,309	£(414,658)
SCR surplus	£15,851,306	£14,217,124	£(1,634,182)

D VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The assets as at 31 December 2016 are set out below. HFPI's invested asset classes consist of Government bonds, Corporate bonds and cash assets only.

Asset class	Valuation	Method
Government bonds	£135,731k	Market value (bid value less any accrued interest included in such value)
Corporate bonds	£370,239k	Market value (bid value less any accrued interest included in such value)
Cash and deposits	£28,614k	Market value
Reinsurance asset	£154,660k	Discounted cashflow model allowing for default risk and using VA interest rates
Insurance debtors	£11,732k	Discounted cashflow model
Accrued investment income	£5,149k	As per financial statements
Intercompany receivables	£124k	Discounted cashflow model
Cedant deposits	£12,833k	As per financial statements
Deferred tax asset	£17,936k	Given the presence of the ADC reinsurance contract, HFPI's future profits are significant and of an extremely high probability. The potential DTA is capped at 15% of the SCR due to its status as Tier 3 capital.

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Material differences in valuations comparing financial statements with solvency valuation:

Asset class	Financial statements	Solvency valuation	Explanation
Government bonds	£135,731k	£135,731k	No difference
Corporate bonds	£370,239k	£370,239k	No difference
Cash & Deposits	£28,614k	£28,614k	No difference
Reinsurance asset	£201,653k	£154,660k	Discounted cashflow model as required by SII
Insurance debtors	£12,826k	£11,732k	Discounted cashflow model
Accrued investment income	£5,149k	£5,149k	No difference
Intercompany receivables	£138k	£124k	Discounted cashflow model
Cedant deposits	£12,833k	£12,833k	No difference
Deferred tax asset	£8,577k	£17,936k	Solvency valuation capped at 15% of SCR
Other assets	£9k	£9k	No difference
Ceded UPR	£91k	-	Trivial and disproportionate to allow for explicit Premium Provisions
Total Assets	£770,714k	£731,880k	

D.2 TECHNICAL PROVISIONS

Valuation and methods for technical provisions:

SII Line of Business	Gross claims & expenses	Ceded claims	Risk margin	Gross technical provisions	Net technical provisions
Marine, aviation and transport insurance	£22,881,320	£5,291,233	£3,846,109	£26,727,429	£21,436,196
Fire and other damage to property insurance	£1,154,621	£382,012	£168,932	£1,323,553	£941,541
General liability insurance	£275,379,166	£80,555,087	£42,598,687	£317,977,853	£237,422,765
Non-proportional casualty reinsurance	£188,160,266	£60,586,271	£27,894,317	£216,054,583	£155,468,312
Non-proportional marine, aviation and transport reinsurance	£5,123,316	£2,168,057	£646,173	£5,769,489	£3,601,432
Non-proportional property reinsurance	£7,520,162	£2,801,995	£1,031,637	£8,551,799	£5,749,805
Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	£10,188,283	£2,875,476	£1,598,960	£11,787,243	£8,911,768
TOTAL	£510,407,133	£154,660,130	£77,784,816	£588,191,949	£433,531,819

Gross claims – All Lines of Business (LoB)

Gross claim costs are valued for Solvency II purposes using a discounted cashflow model with Volatility Adjustment (VA) interest rates. Liabilities are broken down by currency and LoB and the appropriate currency's prescribed interest rate, including the impact of the VA for all currencies and lines is used for the discounting process.

Expenses

Expense projections for the next three years are provided by the finance function of HFPI. This short term projection is extrapolated out to the termination of the business using the run-off pattern of the net reserves to pro-rate down the future expenses.

Ceded claims (All LoBs)

Ceded claim costs are valued for Solvency II purposes using a discounted cashflow model with VA interest rates. Asset is broken down by currency and LoB and the appropriate currency's prescribed interest rate, including the impact of the VA for all currencies and lines is used for the discounting process. A small credit risk adjustment reduces the value of the final asset in the SII balance sheet.

Risk margin

The Risk Margin is calculated using method 3 of the calculation hierarchy. Method 3 runs the current SCR off in the same proportion as the run-off of the reserves. These future SCRs are discounted using non-VA interest rates and a prescribed 6% charge is applied to calculate the risk margin.

Uncertainty in technical provisions

Technical provisions are uncertain in nature. They can vary as a result of the inherent uncertainty in claims reserves (including expenses) or as a result of economic changes affecting the level of discounting applied to the cashflows. This latter change is likely to be largely, but not completely, offset by equivalent movements in the valuation of the assets.

The 2016 Actuarial Function Report attempts to quantify the uncertainty in the claims reserves with the following results:

Required reserve distributions

USD to GBP @ 1.23565

Centile	Gross reserves (£m)	Net reserves (£m)
20th	432.2	296.2
50th	518.2	333.0
Mean	534.7	333.0
80th	626.8	333.0
95th	759.8	333.0

These results highlight the significant uncertainty in the gross reserves but also that this does not translate into a net impact to HFPI due to the presence of the ADC reinsurance.

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Material differences in valuations comparing financial statements with solvency valuation:

Technical provision	Financial statements	Solvency valuation	Explanation
Gross claims – Non-life	£520,393k	£422,861k	Discounted cashflow using VA
Gross claims – Life	£14,298k	£8,544k	Discounted cashflow using VA
Gross claims	£534,691k	£431,405k	
Expenses	-	£79,002k	Only required for SII as expenses covered by investment return in UK GAAP.
Ceded claims – Non-life	£196,830k	£151,785k	Discounted cashflow using VA with small credit risk reduction
Ceded claims – Life	£4,823k	£2,875k	Discounted cashflow using VA with small credit risk reduction
Ceded claims	£(201,653k)	£(154,660k)	
Gross UPR	£90k	-	Trivial and disproportionate to allow for explicit Premium Provisions
Ceded UPR	£(91k)	-	Trivial and disproportionate to allow for explicit Premium Provisions
Risk Margin	-	£77,785k	Method 3 of hierarchy
Total TP	£333,037k	£433,532k	

No matching adjustment is used by HFPI.

Valuation excluding volatility adjuster:

	HFPI standard formula (with VA)	HFPI standard formula (without VA)	Impact
SCR	£119,572,661	£122,449,885	£2,877,224
Own Funds	£135,423,967	£124,722,204	£(10,701,763)
SCR surplus	£15,851,306	£2,272,319	£(13,578,987)

The company was granted permission by the PRA to use the volatility adjuster.

The Company has a significant inuring reinsurance asset. The gross to net ratio for the main lines of business is set out below:

As noted previously, the Company is protected by two substantial reinsurance contracts with Hartford Fire which protects the Company from any reserve deterioration. The 100% quota share agreement in respect of the original HFPI Directors and Officers business is recognized under the standard formula and gets full credit against reserve risk. The unlimited ADC does not get recognition under the standard formula even though it provides protection against any deterioration in the net reserves of the business transferred into the Company under the Part VII Transfer in 2015. Accordingly, reserve risk is significantly overstated in the SCR calculation under the standard formula.

In addition to the ADC the Company also has a significant reinsurance asset from third parties. The valuation of this asset is reviewed regularly and in particular an annual bad debt review is carried out to identify issues which may affect the recoverability of reinsurance and a provision for bad debt is made where considered appropriate. These issues could arise for example from the nature of the underlying loss, allocation of a loss to a programme or particular policy, the solvency or creditworthiness of the counterparty. Ultimately, any non-recoverability from third party reinsurers cedes to the ADC.

In the financial statements, the reinsurance asset as at 31 December 2016 is valued at £202m.

The reinsurance asset is reviewed every year to identify actual and potential bad debt arising from default of reinsurers and issue disputes.

D.3 OTHER LIABILITIES

The Company has no non-insurance liabilities. The staff working on the Company’s business are employed by DLM. DLM is the lease holder of the premises and is the party which has entered into contracts with outsourced suppliers. The Company has a service agreement with DLM.

E CAPITAL MANAGEMENT

E.1 OWN FUNDS

The Company has one class of shares namely ordinary share each of £1 nominal value. A total of 158m shares have been issued, all are fully paid up and were issued at par. All are held by Nutmeg Insurance Company. No new shares were issued during 2016, the last share issue was of 138m shares in October 2015 at the time of the Part VII Transfer.

The company has not issued any bonds or created any other financial instruments.

The Company's capital management objectives are to ensure that it has sufficient capital to meet its needs through the life of the run-off. The Company submits an annual Own Risk and Solvency Assessment, using Solvency II principles, to its primary regulator, the PRA. Future management objectives and timescales will be determined by the business strategy adopted by the Catalina Group.

Eligible own funds for SCR

	Eligible own funds
Tier 1	£117,488k
Tier 2	-
Tier 3	£17,936k
Total	£135,424k

Tier 3 capital cannot exceed 15% of the SCR.

Eligible own funds for MCR

	Eligible own funds
Tier 1	£117,488k
Tier 2	-
Total	£117,488k

Tier 3 capital cannot be used to support the MCR.

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An explanation of any material differences between equity as shown in the Company's financial statements and the excess of assets over liabilities as calculated for SII purposes is given below:

Statutory capital	£227.5m
Gross claims discounting	£103.3m
Ceded claims discounting	£(46.6m)
Credit risk adjustment to ceded	£(0.3m)
Increase in value of DTA	£9.4m
Discounting insurance debtors	£(1.1m)
Discounting insurance creditors	£0.2m
Expense reserve	£(79.0m)
Risk margin	£(77.8m)
Rounding/Other smaller effects	£(0.2m)
SII capital	£135.4m

E.2 SCR and MCR

	Valuation
MCR	£47,261k
SCR	£119,573k

The Company's SCR, split by risk modules is set out below:

Module	SCR charge
Interest rate risk	£0k
Spread risk	£17,112k
Currency risk	£26,073k
Concentration risk	£869k
Market risk diversification	£(9,464k)
Market risk	£34,590k
Default risk	£5,347k
Non-life reserve risk	£118,502k
Life reserve risk	£1,123k
BSCR diversification	£(25,148k)
BSCR	£134,414k
Operational risk	£15,052k
Adjustment for loss-absorbing capacity of deferred taxes	£(29,893k)
SCR	£119,573k

No simplifications are used in the calculations for the individual modules of the SCR.

No undertaking specific parameters (USPs) are used in the modelling process.

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The inputs used to calculate the MCR are those prescribed in the standard formula. They are as follows:

SII LoB	**j**	**α_j**	**TP_j**
Marine, aviation and transport	3	10.3%	£17,590k
Fire and other damage	4	9.4%	£773k
General liability	5	10.3%	£194,824k
Credit and suretyship	6	17.7%	-
Non-proportional RI - Property	10	18.6%	£4,718k
Non-proportional RI - Casualty	11	18.6%	£127,574k
Non-proportional RI - MAT	12	18.6%	£2,955k
All other life insurance and reinsurance obligations	(life,4)	2.1%	£7,313k
		TOTAL	£355,747k

The total input of £355,747k is the net Best Estimate from the SII balance sheet.

E.3 NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

No occurrences of MCR non-compliance took place during the reporting period.

Whilst the Company met the SCR at 31 December 2015 and 31 December 2016, during the course of the year a deficiency of own funds was noted at Q2 and Q3. This was largely the result of the changes to yield curves published by EIOPA. The shortfall at Q2 was £1.5m and at Q3 £3.5m. On both occasions the current shareholder promptly made good the deficit by providing additional capital to the Company. The ADC is not recognised as a mitigant against insurance risk and the Company has a substantial surplus on a GAAP basis. The new shareholder, in their Change in Control application, has undertaken to ensure the residual capital held by the Company is kept at a level of at least 120% of SCR.

The improvement in yield curves at the year-end was a significant driver of the surplus of £15.9m.

HFPI is compliant with the SCR at the end of the reporting period.

Hartford Financial Products International Limited

APPROVAL BY THE BOARD OF DIRECTORS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

For the year ended 31 December 2016, we certify that:

1. The Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that:

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

    b. it is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the insurer has continued so to comply, and will continue so to comply in future.

David Rooney
Chief Executive Officer

19 May 2017

Hartford Financial Products International Limited

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF HARTFORD FINANCIAL PRODUCTS INTERNATIONAL LIMITED (“THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2016, (`the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 and S.28.02.01 (`the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

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

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR (`the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with international Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)). including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the APB's Ethical Standards as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required to report in respect of the following matters where:

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

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

We have nothing to report in relation to these matters.

Emphasis of Matter – Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

In connection with our audit of the SFCR, our responsibility is to read the Other Information and. in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

This report is made solely to the Directors of Hartford Financial Products International Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA’s rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Hartford Financial Products International Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Elanor Gill, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 May 2017

Appendix — relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the SFCR that are not subject to audit comprise:

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

HARTFORD FINANCIAL PRODUCTS INTERNATIONAL LIMITED

Solvency and Financial Condition Report

Disclosures

31 December

2016

(Monetary amounts in GBP thousands)

General information

Undertaking name	HARTFORD FINANCIAL PRODUCTS INTERNATIONAL LIMITED
Undertaking identification code	213800JEV93JTFJ41Q27
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	17,936
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	530,432
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	505,970
R0140	*Government Bonds*	135,731
R0150	*Corporate Bonds*	370,239
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	24,462
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	154,660
R0280	*Non-life and health similar to non-life*	151,785
R0290	*Non-life excluding health*	151,785
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	2,875
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	2,875
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	12,833
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	11,732
R0380	Receivables (trade, not insurance)	124
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,153
R0420	Any other assets, not elsewhere shown	9
R0500	**Total assets**	731,880

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	576,405
R0520	*Technical provisions - non-life (excluding health)*	576,405
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	500,219
R0550	*Risk margin*	76,186
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	11,787
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	11,787
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	10,188
R0680	*Risk margin*	1,599
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	5,819
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	915
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,158
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	372
R0900	**Total liabilities**	596,456
R1000	**Excess of assets over liabilities**	135,424

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business																	0
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net				0		0	0	0						0	0	0	0
	Premiums earned																	
R0210	Gross - Direct Business																	0
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net				0		0	0	0						0	0	0	0
	Claims incurred																	
R0310	Gross - Direct Business						2,976	-531	38,888									41,334
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted														26,377	1,053	762	28,192
R0340	Reinsurers' share						1,258	-8	25,598						7,666	123	-236	34,399
R0400	Net				0		1,718	-522	13,291						18,711	931	998	35,126
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0		0	0	0						0	0	0	0
R0550	**Expenses incurred**				0		303	16	4,246						3,010	84	122	7,780
R1200	**Other expenses**																	
R1300	**Total expenses**																	7,780

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									0
R1420	Reinsurers' share									0
R1500	Net						0			0
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net						0			0
	Claims incurred									
R1610	Gross						175			175
R1620	Reinsurers' share						91			91
R1700	Net						85			85
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net						0			0
R1900	**Expenses incurred**						154			154
R2500	**Other expenses**									
R2600	**Total expenses**									154

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business							0
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	0	0	0	0	0	0	0
	Premiums earned							
R0210	Gross - Direct Business							0
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	0	0	0	0	0	0	0
	Claims incurred							
R0310	Gross - Direct Business	41,334						41,334
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted	28,192						28,192
R0340	Reinsurers' share	34,399						34,399
R0400	Net	35,126	0	0	0	0	0	35,126
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	7,780						7,780
R1200	**Other expenses**							
R1300	**Total expenses**							7,780

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0	0	0	0	0	0	0
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0	0	0	0	0	0	0
	Claims incurred							
R1610	Gross	175						175
R1620	Reinsurers' share	91						91
R1700	Net	85	0	0	0	0	0	85
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	154						154
R2500	**Other expenses**							
R2600	**Total expenses**							154

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								10,188		10,188						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								2,875		2,875						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								7,313		7,313						
R0100	**Risk margin**								1,599		1,599						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**								11,787		11,787						

S.17.01.02

Non-Life Technical Provisions

		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
R0010	**Technical provisions calculated as a whole**				0		0	0	0						0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				0		0	0	0						0	0	0	0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**				0		0	0	0						0	0	0	0
	Claims provisions																	
R0160	Gross				0		22,881	1,155	275,379						188,160	5,123	7,520	500,219
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				0		5,291	382	80,555						60,586	2,168	2,802	151,785
R0250	**Net Best Estimate of Claims Provisions**				0		17,590	773	194,824						127,574	2,955	4,718	348,434
R0260	**Total best estimate - gross**				0		22,881	1,155	275,379						188,160	5,123	7,520	500,219
R0270	**Total best estimate - net**				0		17,590	773	194,824						127,574	2,955	4,718	348,434
R0280	**Risk margin**				0		3,846	169	42,599						27,894	646	1,032	76,186
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				0		26,727	1,324	317,978						216,055	5,769	8,552	576,405
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				0		5,291	382	80,555						60,586	2,168	2,802	151,785
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				0		21,436	942	237,423						155,468	3,601	5,750	424,620

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 **Accident year / underwriting year** Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											34,616	34,616	34,616
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	15	10,006			10,006	10,021
R0180	N-7	0	0	10	3	0	0	0	0				0	12
R0190	N-6	0	0	0	9	0	0	1					1	9
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	0	0	0									0	0
R0240	N-1	0	0										0	0
R0250	N	0											0	0
R0260												**Total**	44,622	44,658

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											501,228	406,902
R0160	N-9	0	0	0	0	0	0	0	0	0	8		7
R0170	N-8	0	0	0	0	0	0	0	0	940			783
R0180	N-7	0	0	0	0	0	0	0	7,314				6,091
R0190	N-6	0	0	0	0	0	0	2,859					2,381
R0200	N-5	0	0	0	0	0	1,284						1,069
R0210	N-4	0	0	0	0	6,759							5,628
R0220	N-3	0	0	0	0								0
R0230	N-2	0	0	0									0
R0240	N-1	0	0										0
R0250	N	0											0
R0260												**Total**	422,861

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	158,000	158,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	74,620	74,620		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-115,132	-115,132			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	17,936				17,936
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	135,424	117,488	0	0	17,936
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	135,424	117,488	0	0	17,936
R0510	Total available own funds to meet the MCR	117,488	117,488	0	0	
R0540	Total eligible own funds to meet the SCR	135,424	117,488	0	0	17,936
R0550	Total eligible own funds to meet the MCR	117,488	117,488	0	0	
R0580	**SCR**	119,573				
R0600	**MCR**	47,261				
R0620	**Ratio of Eligible own funds to SCR**	113.26%				
R0640	**Ratio of Eligible own funds to MCR**	248.59%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	135,424
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	250,556
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-115,132
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	34,590		
R0020	Counterparty default risk	5,347		
R0030	Life underwriting risk	1,123		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	118,502		
R0060	Diversification	-25,148		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	134,413		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	15,052
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-29,893
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	119,573
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	119,573
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	47,107

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	17,590	
R0080	Fire and other damage to property insurance and proportional reinsurance	773	
R0090	General liability insurance and proportional reinsurance	194,824	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	127,574	
R0160	Non-proportional marine, aviation and transport reinsurance	2,955	
R0170	Non-proportional property reinsurance	4,718	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	154

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	7,313	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	47,261
R0310	SCR	119,573
R0320	MCR cap	53,808
R0330	MCR floor	29,893
R0340	Combined MCR	47,261
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	47,261