



Uzbekinvest International Insurance Company Limited

Solvency & Financial Condition Report 2017

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EXECUTIVE SUMMARY

Review of the business

The Local GAAP results of the Company for the year show a profit on ordinary activities before tax of US\$343,196 gain (2016: US\$735,700 gain). At 31 December 2017, the shareholders' funds of the Company total US\$50,919,901 (2016: US\$50,661,018). The level of gross premiums written has decreased to US\$90,132 (2016: US\$273,629).

The Company offers a range of insurance policies designed to protect the business and assets of companies investing in or doing business in the Republic of Uzbekistan. The coverage provides for investment and trade transactions against certain political risks and events in Uzbekistan. The investment covers include confiscation, expropriation and nationalisation. The trade covers include contract repudiation and wrongful calling of guarantees.

The above covers are sought by various industries and sectors, mainly concentrating in commodities, energy, mining, construction and transport.

Consistent with prior years no claims have been notified in 2017. The directors are of the view that no additional potential claims were incurred but not reported during the year. As a result no reserve for outstanding claims or IBNR has been established. The Best Estimate and Risk Margin are calculated for Solvency II Valuation purposes as prescribed by Solvency II regulation.

Business Environment

In spite of a robust recovery and stable growth, the global economy still face challenges and tensions, both political and economic, that might put further downward pressure on global trade and investment activity. The experts said that the global economy is likely to maintain its positive momentum in the short term, barring a correction in financial markets. But there are also several risk factors that could hamper growth over the longer run, including political instability and "inward-looking policies" that could result in barriers to trade, as well as in redirection of investments flows on a global scale.

In such a challenging environment the Government of Uzbekistan has been carrying out wide-scale reforms aimed to boost resilience and improve investment attractiveness of the national economy.

It is expected that the Uzbek Government will be continuing its policy of attracting more FDI (Foreign Direct Investment) and stimulating business activity, particularly in export-oriented industries (e.g., energy, machines, automotive equipment, textile and agrifood).

Our confidence is boosted by the recent measures taken by the new Head of State – notably the liberalisation of exchange rates, easing business registration procedures, customs reforms and tax incentives for investors, expansion of free trade economic zones, and further development of WTO accession.

Further enhancing international and regional integration by promoting trade and foreign direct investment, as well as providing strong government support for the major sectors of economy, continuing improvement of business environment, fiscal stimulus and creation of favourable investment conditions, in conjunction with political stability - these all factors will be supporting our confidence that Uzbekistan is to remain as one of the attractive countries in Central Asia to foreign investors.

Business Strategy

The Company's business strategy and its strategic partnerships were established with a long term view and aimed to be an essential part of the national system of trade and investments attraction and protection. While having the state as a sole equity holder and being one of guaranty institutions to support foreign investors, the Company's strategy is unchanged and focused on capital preservation, both as in the business writing, and so in the investment activity.

The Company's operational business model is based on the outsourcing of all services. While keeping ongoing control of the processes by the Board and management, the Company transfers the operational risks to the outsourcing partner. Such model allows the Company to minimize the operating costs and to stay resistant to low business volumes in the medium run.

The Company will continue to write one line business, political risk, while serve the same customers – the foreign companies investing or doing business in the Republic of Uzbekistan.

The Company will continue to maximize its efforts to get more business and increase its underwriting profit by conducting active direct marketing and close cooperation with the participants of the investment projects, both domestic and foreign, as well as

with the banks which are involved in a trade financing projects. The Company's potential target sectors include agriculture, textile, transport, cotton trade, oil & gas industries, auto and machinery sectors.

In terms of investment strategy - the Company will continue to keep its investment portfolio within strict investment guidelines and aim to generate minimum 2% return on an annual reporting basis.

Capital Management

The Company uses the Standard Formula to calculate its solvency capital requirement. The Company's Standard Formula Solvency Capital Requirement (SF-SCR) at 31 December 2017 is \$2.1m. This is covered by \$50.8m of eligible capital resources, providing a Solvency II surplus of \$48.7m and a Solvency II coverage ratio of 2,419%. Both metrics are defined by the regulations to mean the excess of the Company's total eligible own funds over its solvency capital requirement.

Future Developments

The Company's future presence and activity on the market would heavily depend on both global investment flows into the region and demand on insurance of political risk on Uzbekistan.

Uzbekistan is attracting more world investments and trade while reducing the barriers and creating comfortable business environment. From another hand, investors and financing banks are feeling more comfortable to take these risks on their own, or they are looking for the non-insurance alternatives of risk mitigation, having in mind the fact of a political stability and more predictability in Uzbekistan.

As the Company is better positioned for the Uzbek market through close co-ordination with immediate government trade departments and ministries, therefore the bulk of Company's efforts and business appetite we will be focusing towards the investment projects and trade deals, which are prioritised by the Government and included into the State investment programmes.



Hasan Mamadjonov
Chief Executive Officer

DIRECTORS' REPORT

Directors

The current listing of Directors for 2017 is as follows:

Chief Executive Officer	Mr H Mamadjovov
Director	Mr R Gulyamov
Director	Mr F Saidakhmedov
Director	Mr S Vafaev

Mr. Ray Antes resigned as a Director from the Board on 2 March 2017.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with PRA Rules and the Solvency II Regulations.

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which the Company operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

Compliance with PRA Rules and the Solvency II Regulations

The directors acknowledge their responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

The directors are satisfied that:

- a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company; and
- b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director in office at the date this report is approved, confirms that:

- (a) so far as each of them is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) each of them have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The Company has, by elective resolution, dispensed with the appointment of auditors annually and subject to the terms of their appointment, PricewaterhouseCoopers LLP are deemed to continue in office until the resolution is revoked.

On behalf of the Board,



04 May 2018
Director

Report of the external independent auditors to the Directors of Uzbekinvest International Insurance Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2017:

The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, (**'the Narrative Disclosures subject to audit'**); and

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

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

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02 and S.05.02.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report 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 Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

Auditors' 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 information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector, of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's 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.



PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London

4 May 2018

BUSINESS AND PERFORMANCE

A.1 - BUSINESS

Company Information

Uzbekinvest International Insurance Company Limited (the Company) was set up in November 29, 1994 to offer political risk insurance to potential and existing investors, thereby removing many of the uncertainties of investing in an unknown market. The main objective of the company is to offer political risk insurance to encourage new foreign investment in the infrastructure, natural resource development and industrial production in Uzbekistan.

Since creation of the company and until mid-September 2009 it was a joint venture company with the American International Group Inc. (AIG), and with more than 19 years no-claims history, the Company became strong and well-known company in the political risks insurance market.

All business insured by the Company is accepted on its behalf by an underwriting agency – AIG Uzbekinvest Limited, established for this purpose. The use of such an agency enables the company to be established in a cost-effective way and to employ the considerable world-wide resources of AIG to assist in the production of business. Underwriting process, claim handling and other insurance issues are managed in the United Kingdom. AIG Uzbekinvest Limited is a member company of AIG.

The Company is a private company limited by shares and is incorporated in England. The Company's ultimate parent company is the Government of Uzbekistan and National Bank of Uzbekistan who hold shares of 83.3% and 16.7% respectively.

The Company's registered office and principal place of business and the contact details of its external auditors and supervisory authority are shown below:

Registered Office	External Auditors	Supervisory Authority
The AIG Building 58 Fenchurch Street London EC3M 4AB +44 (0) 20 7954 8397	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT +44 (0) 20 7583 5000	Prudential Regulation Authority (PRA) 20 Moorgate London EC2R 6DA +44 (0) 20 7601 4444

The Company is a relatively small entity. The gross premium written for 2017 amounted to \$90k (2016, \$274). In line with the EU Solvency II Directive of the European Parliament, Article 4 (1)(a) concludes that the Directive shall not apply to an insurance undertaking with an annual gross written premium income below EUR5m. However, in line with Article 4 (1) (d), the Company writes political risk, under Solvency II ('SII') this falls under credit and suretyship line of business. Thus, this removes the exemption of the EU Directive on the basis of line of business written.

The Solvency and Financial Condition Report (SFCR) is presented in thousands of USD, and the attached public quantitative reporting templates (QRT's) in Section F are presented in thousands of USD as set out in Article 2 of the Commission Implementing Regulation (EU) 2015/2452.

The SFCR has been authorised for issue by the Board of Directors on 3 May 2018.

Country Branches

The Company does not have any branches.

MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

The Company writes one line of business, political risk. For Solvency II purposes, political risk falls under credit and suretyship insurance line of business. This decision is made by the Mapping Committee.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On the 12 December 2017, the PRA approved a modification to the Company's Solvency II quarterly reporting requirements under PRA Rulebook Reporting 2.2(1). The direction is given by the PRA under section 138A of the Financial Services and Markets Act 2000. The quarterly requirements have been modified given the small size of the Company.

A.2 - UNDERWRITING PERFORMANCE**Underwriting performance by material lines of business and geographical areas**

The Company writes one line of business, political risk. Under Solvency II, political risk falls under credit and suretyship insurance. Consistent with prior years no claims have been notified in 2017. The Directors are of the view that no potential claims were incurred but not reported during the year. As a result no reserve for outstanding claims or IBNR has been established under UK GAAP.

Underwriting performance by Solvency II lines of business

The table below provides key performance indicators for major Solvency II lines of business.

Key Performance Indicators, Credit and Suretyship (SII LoB)	\$'000 (USD) 2017	\$'000 (USD) 2016
Gross Premium Written	90	274
Change in gross provision for unearned premiums	8	210
Net Premium Earned	98	484
Claims incurred	-	-
Expenses incurred	(348)	(413)
Underwriting performance	(250)	70

All premiums relate to the political risk business transacted and underwritten in the United Kingdom. The policy risk location is the Republic of Uzbekistan. The Company's future presence and activity on the market would heavily depend on both global investment flows into the region and demand on insurance of political risk on Uzbekistan.

A.3 - INVESTMENT PERFORMANCE

The Company holds a diversified and prudent investment portfolio consisting of government bonds, corporate bonds, fiduciary short term deposits and cash. The custodian of the investment held by the Company is Falcon Private Bank which is based in Switzerland and the asset manager, Falcon Private Wealth Limited is based in London. The entire portfolio is held in USD.

The Company classifies debt securities and other fixed income securities at fair value through profit or loss, as they are managed and their performance evaluated on a fair value basis. The fair values of listed securities are based on the current market bid prices at the balance sheet date or the last trading day before that date.

Any gains or losses arising from changes in the fair value of the investments are presented in the profit and loss account within net unrealised gains or net unrealised losses on investments in the period in which they arise.

Interest on debt securities is recorded on an accruals basis with amounts owed at year end being shown within accrued interest on the balance sheet.

INVESTMENT RETURN

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and either their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment Return	\$'000 (USD) 2017	\$'000 (USD) 2016
Investment Income		
Interest on other financial investments	888	700
Investment expenses and charges		
Investment management expenses including interest expense	(156)	(156)
Losses on the realisation of investments	35	(2)
	(121)	(158)
Unrealised gains/(losses) on investments	(175)	116
Total investment income	592	658

The investment portfolio structure can be split as follows:

Investment Portfolio – Local GAAP	\$'000 (USD) 2017	\$'000 (USD) 2016	Accrued Interest 2017	Accrued Interest 2016	% of Portfolio 2017	% of Portfolio 2016
Short Term Investments & Cash	7,648	15,628	25	56	15.0%	31.0%
Bonds	43,461	34,882	197	111	85.0%	69.0%
Portfolio Total	51,108	50,510	222	167	100%	100%

In line with the prudent investment approach over 99.6% of bonds have investment grade A or greater which is highlighted in the below rating overview:

Bonds – Investment Grade Solvency II Valuation Basis	\$'000 (USD) 2017	\$'000 (USD) 2016	% of Portfolio 2017	% of Portfolio 2016
AAA	15,151	22,629	29.6%	48.0%
AA	8,639	10,264	16.9%	21.8%
A	26,247	14,262	51.2%	30.2%
BBB	204	-	0.4%	-
NR	1,007	-	2.0%	-
Total	51,248	47,155	100%	100%

A.4 - PERFORMANCE FROM OTHER ACTIVITIES

The 'Performance from other activities' subsection of the report aims to provide an overview of the qualitative and quantitative information regarding income from other activities and other expenses.

OTHER MATERIAL INCOME AND EXPENSES

Other Material Income and Expenses	\$'000 (USD) 2017	\$'000 (USD) 2016
Net foreign exchange (losses)/gains	2	8
Administrative expenses	326	292

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions at year end exchange rates are recognised in the income statement as part of other income.

Administrative expenses are incurred to support the infrastructure of the organisation and include but are not limited to personnel costs and service provider fees. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions at year end exchange rates are recognised in the income statement as part of other income.

A.5 - ANY OTHER MATERIAL INFORMATION

There is no additional material information to present as at year end.

B - SYSTEM OF GOVERNANCE

B.1 – GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

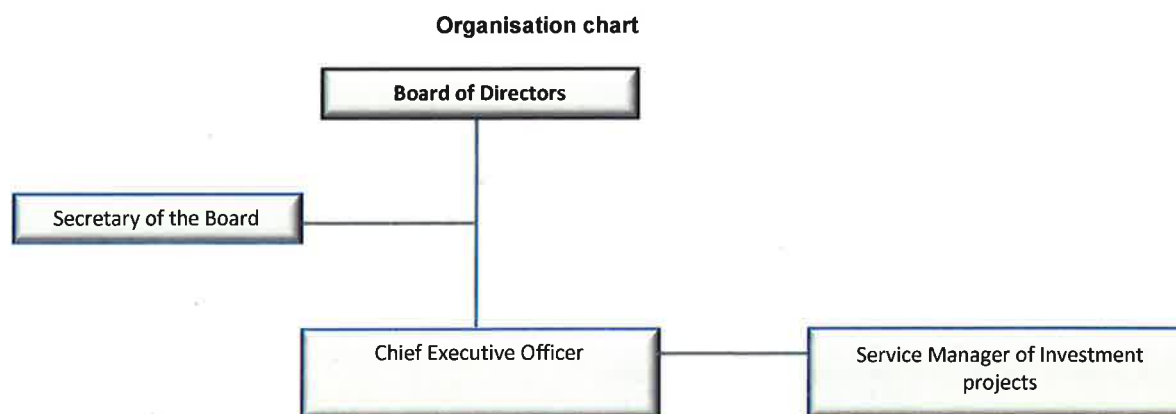
The 'General Information on the System of Governance' subsection of the report aims to provide details of the Company's management structure, Board, Chief Executive Officer and the outsourced functions.

The Company depends on AIG Uzbekinvest Limited who acts as its agent for business development and also manages the outsourcing arrangements with AIG Europe (Services) Limited such as accounting, actuarial, claims, company secretary, risk management and underwriting. The investment managers and custodian of the asset portfolio is outsourced to Falcon Private Wealth Ltd and Falcon Private Bank Ltd respectively.

Governance starts with the Company's Board, which has overall responsibility for management of the company by overseeing the operations of the company and providing leadership.

The Company has two employees as per the organisation chart below. The Chief Executive Officer manages the operations and outsourcing activities of the Company and also sits on the Board of Directors. The Service Manager of Investment projects reports directly to the Chief Executive Officer.

The governance structure has been designed to ensure that the Chief Executive Officer is able to provide the appropriate levels of oversight to business development and outsourcing arrangements.



The Board of Directors

The main objective of the Board is to provide effective oversight of the Company and ensure risk is properly monitored and managed. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance and regulations, legal and technical standards is a high priority for the Company. The Company's Risk Register is reviewed internally by the company on a regular basis.

B.2 – FIT AND PROPER

The 'Fit and Proper' subsection of the report aims to provide a description of the Company's processes for assessing the fitness for persons who run the Company or who have key functions. Persons who effectively run the Company or have other key functions are required to meet the fit and proper requirements which comply with the current Approved Persons regime.

The Senior Insurance Managers Regime (SIMR) came into force on 7 March 2016 and replaces the Approved Persons regime. The regime applies to the most senior executive management and directors who are subject to regulatory approval. Under section 59 of the Financial Services and Markets Act 2000 (FSMA), authorised firms are required to ensure that individuals seeking to perform one or more of the PRA- designated Senior Management Functions seek PRA approval prior to taking up their position.

B.3 – RISK MANAGEMENT

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Company. The Company's Risk Register is reviewed internally by the CEO on a regular basis and by the Board on an annual basis. The Company conforms to an appropriate internal control framework which

exists to manage financial risks and ensures that controls operate effectively. Through this process the Company identifies the risks to which it is exposed, and assesses their impact on own funds. This process is risk based to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders, regulators and rating agencies.

This Own Risk and Solvency Assessment (ORSA) provides details of the Company's current and forward looking risk profile and is completed annually. The ORSA process has been developed to draw together the suite of risk management activity carried out at the entity to ensure the most material risks the firm faces are identified, assessed, monitored, managed and mitigated.

This ORSA specifically highlights to the entity's senior management the set of current and emerging risks faced by the Company and the steps being taken to address these.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Company. The Risk Register is reviewed internally by the Company on a quarterly and by the Board on an annual basis. The Company conforms to a proper internal control framework which exists to manage financial risks and ensures that controls operate effectively.

Through this process the Company identifies the risks to which it is exposed, and assesses their impact on economical capital. This process is risk based to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders, regulators and rating agencies.

In particular, the Company is vulnerable to various political or economic events within the Republic of Uzbekistan, which if triggered could result in insurance claims. In addition, the Company is exposed to financial risks through its financial assets and financial liabilities.

B.4 – B.6 - KEY FUNCTIONS, ROLES AND RESPONSIBILITIES

Chief Executive Officer

The Chief Executive Officer is responsible for the management of all functions within the Company. This involves ensuring that all functions are compliant and support each other and combine to meet the strategy of the Company. The role of the CEO also involves the establishment and ongoing review of internal systems and internal controls that is appropriate to the scale, nature and complexity of the company.

The duties of the CEO are summarised below by function:

1. Commercial Lines

Adherence to profit centre, targets both in term of overall booking of premium, and for successful identification of new clients, cross selling and renew business.

Management of ongoing broker relationships to ensure maximum opportunity presented for business.

Close integration with broker and client strategy to ensure UIIC product and price offering competitive.

2. Finance

Implementation and ongoing review of agreed business plans.

Oversight of management information and effective review of functions performance as per business plan.

Adherence to all statutory financial requirements for the Company.

3. Legal and compliance

Has responsibility for represent the UIIC at Appropriate levels in the Industry, Government and Press. Specifically on the FCA/PRA, ABI, CBI and GISC.

Management of reporting and control of the businesses to ensure compliance with both legal and regulatory requirements.

Commits and adheres to the FCA/PRA Code of Practice and Statement of Principle for Approved Persons in respect of the controlled functions for which the job holder is registered and approved.

Adherence to the requirements of being an Approved Person for the "Chief Executive Officer" and "Apportionment & Oversight" Controlled Functions

4. Claims

Oversight of terms negotiated with principals third part suppliers.

Oversight of claims management procedures.

Monitoring and analysis of major losses, trends and developments.

5. Marketing

- Ensures Corporate image is enhanced and protected by adherence with UIIC and AIG Corporate standards.
- Provides support for industry/business seminar of Uzbekistan.

6. Operations & systems

- Ensures IT strategy fits and support the business strategy.
- Ensures the building and infrastructure is adequate and conforms to levels of security and Health & Safety.
- Establishes and maintains systems and operational practice appropriate to the scale, nature and complexity of the UK Operation and subsidiary companies which cover exposures from underwriting, claims reserving, investment and other business activities and ensure compliance with Group, Legal and Regulatory requirements including both Statutory FSA and Voluntary GISC codes.
- Oversight of terms negotiated with principal third party suppliers.

The Company's business activity is expected to increase when the global economy is fully stabilised and foreign investors return to the country, however the Company anticipates that implementation of current structural reforms and new market incentives of the Government (e.g., internal currency market liberalization, tax benefits, business registration and licencing easing), while reducing bureaucratic and legal barriers, will contribute substantially to growth of trade and investment attractiveness of Uzbekistan and, therefore, to the growth of business and premiums of the Company.

For the above reason, the Company will continue to outsource the key functions of the business. Refer to outsourcing subsection for a detailed listing.

B.7 – OUTSOURCING ARRANGEMENTS

The 'Outsourcing' subsection of the report aims to provide a description of the Company's outsourcing activities and the outsource service providers. The Company utilises outsourcing arrangements in order to reduce operational costs and gain access to qualified professionals.

The Chief Executive Officer of the company liaises and manages all of the outsourced relationships. An established relationship between the Company and the outsourcing providers has been built upon over the years.

Administrative and Service Providers	Nature of Outsourced Service	Jurisdiction
Accommodation	AIG Europe (Services) Limited	United Kingdom
Accounting and Tax Function	AIG Europe (Services) Limited	United Kingdom
Actuarial Function	AIG Europe (Services) Limited	United Kingdom
Asset Management Function	Falcon Private Wealth Limited	United Kingdom
Claims Function	AIG Europe (Services) Limited	United Kingdom
Company Secretarial	AIG Europe (Services) Limited	United Kingdom
Internal Audit Function	AIG Europe (Services) Limited	United Kingdom
Investment Custodian	Falcon Private Bank Limited	Switzerland
IT Management and Support	AIG Europe (Services) Limited	United Kingdom
Risk Management	AIG Europe (Services) Limited	United Kingdom
Underwriting Function	AIG Europe (Services) Limited	United Kingdom
HR Services	AIG Europe (Services) Limited	United Kingdom

Remuneration Policy

The remuneration policy of the Company is decided by the Board due to there being one employee of the Company, the CEO.

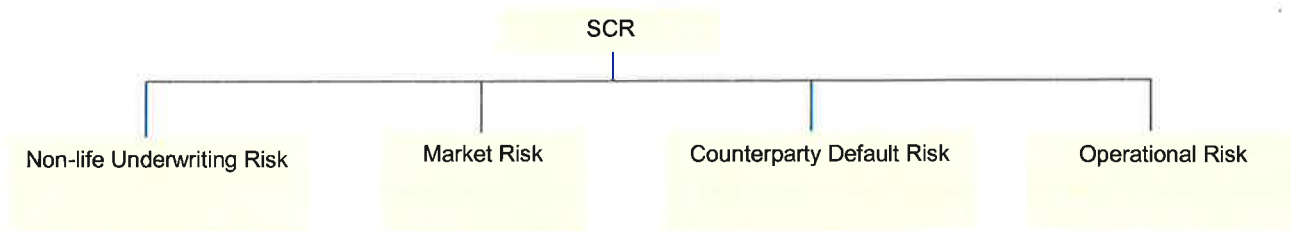
B.8 - ANY OTHER MATERIAL INFORMATION

There is no additional material information to present as at year end.

C - RISK PROFILE

The Company believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability.

The Company's Solvency Capital Requirement (SCR) is calculated using the Standard Formula.



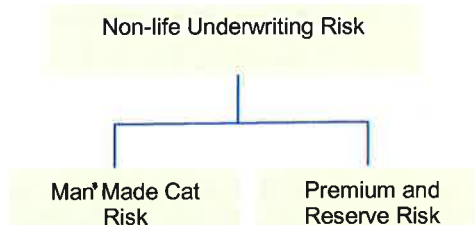
Risk Profile, Measurement and Assessment

The Company's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the four major risk groupings the Company is exposed to, including:

- Underwriting Risk;
- Market Risk;
- Counterparty Default Risk;
- Operational Risk.

C.1 - INSURANCE RISK (UNDERWRITING RISK)

Insurance Risk encompasses the risks the Company is exposed to arising from its insurance underwriting operations and is broadly split and assessed between the following risk categories:



Insurance risk exposures

1. PREMIUM AND RESERVE RISK

Premium risk arises from the failure of pricing, product or strategy. It encompasses the risk of loss due to the potential timing, frequency and severity of covered loss events differing from that assumed at the time of underwriting and pricing a risk. Premium risk arises during market and/or investment cycles where there is pressure on pricing margins, which results in being unable to charge an appropriate price without undermining its market position.

Reserve risk arises from adverse reserve development through failing to set sufficient cash reserves or through failing to adopt a robust and consistent reserve strategy offered to insureds and countries. It represents the difference between the actual versus expected variability in the timing or amount (size/severity and count/ frequency) of loss costs including indemnity, legal and loss adjustment expenses.

PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

Risk measurement is the process used to assess the Company's exposure to insurance risk. The Company uses a combination of quantitative and qualitative methods to measure potential exposure, depending on the nature of the risk.

Risk monitoring is the process used to ascertain that the Company's exposure to insurance risk is within its appetite. A list of measurement methods by key risk, and the monitoring procedures in place, follows below:

Selection of risks

The potential impact of inappropriate risk selection is assessed by past history, market developments, and changes in statute and case law. Risk selection is monitored both locally through regular audit.

Appropriate contractual provisions are assessed by:

Considering past history, market developments, and changes in statute and case law.

Underwriting guidelines, which contain guidance on the appropriate contractual provisions to be used

Adequacy of risk pricing

Actuarial reviews are carried out on written business and actuarial input is obtained on the pricing of new products. Cross-product subsidies are not acceptable.

All policies have a complaints procedure for customers.

C.2 - MARKET RISK

Market risk is the risk that the Company is adversely affected by movements in the fair value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks.

The Company is exposed to Market Risk on the asset side of its balance sheet, through balance sheet exposures including, but not limited to:

Assets in the Company's investment portfolio includes, both Government and Corporate bonds.



MARKET RISK EXPOSURE

A description of the Company's components of Market Risk are shown below:

Market Risk Components	Description
Spread risk	The potential financial loss due to the increase in the spread that an asset trades at relative to a comparable government bonds hence a decrease in the asset's market value.
Currency risk	The potential financial loss arising from the change in value of currency exchange rates or from closing out a currency position at a loss due to adverse movements in exchange rates.
Interest rate risk	The potential financial loss arising from the reduction in the value of the investment portfolio and liabilities due to changes in the level of interest rates.
Market Risk Concentration	The potential financial loss ⁴ arising from the accumulation of exposure with the same counterparty. The concentration risk does not include other types of concentration risks, such as geographical or sector concentrations of the assets held.

The CEO monitors the overall market risk landscape and the implications of changes thereof via reports issued by the investment manager.

MARKET RISK CONCENTRATION

The Company holds and maintains a diversified investment portfolio in corporate bonds and government bonds. The Company has a well-defined Risk Appetite for Market Risk (and its Investment activities) and it manages its Investment portfolio so that the Total Return is maximized.

Market Risk Concentration – by Credit Rating

Bond Ratings	Market Risk Concentration \$'000 (USD)	Market Risk Concentration %
AAA	15,151	30%
AA	8,639	17%
A	26,247	51%
BBB	204	0%
NR	1,007	2%
Total	51,248	100%

Bonds (government and corporate) comprise the the Company's investment portfolio out of which 98% were rated AAA, AA, or A in 2017. Therefore, the Company's exposures to the increase in corporate spreads and downgrade in ratings are concentrated within bonds rated A and above.

Market Risk Concentration – by Issuer

The top exposures (by Solvency II market values) are:

Issuer names	Market Risk Concentration \$'000 (USD)	Market Risk Concentration %
U.S. Government	14,100	28%
Cisco Systems	2,014	4%
BP Capital Markets plc	1,087	4%

The largest concentration is the U.S. Government treasury notes which are AAA rated government bonds. Therefore, the associated market risks are considered to be low.

Market Risk Concentration – by Currency

The base currency of the Company's portfolio is US dollars. As at 31 December 2017, the Company held investments only in US dollars. The Company's main currency risks include its trading cash accounts, debtors and creditors relating to net operating expenses which are held in pound sterling.

PROCESS FOR MONITORING THE EFFECTIVENESS OF MARKET RISK MITIGATION TECHNIQUES

The Company manages its investment portfolio with respect to the market risk profile of its liabilities in order to minimise the impact on its solvency position due to adverse market movements. Risk mitigation of market risk is executed through the combined use of investment limits, guidelines and principles detailed below.

Risk Mitigation and the Prudent Person Principle

The Company's investment management policy ensures its continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC.

The company's investment limits are set out in the Investment Portfolio Guidelines. The Guidelines are reviewed on an annual basis. The investment limits are set by the Board.

C.3 - COUNTERPARTY DEFAULT RISK

Counterparty Default Risk (Credit Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors.

Counterparty Default Risk excludes investments which are assessed within the Market Risk profile.

COUNTERPARTY DEFAULT RISK EXPOSURE

The Company is exposed to Credit Risk on both asset and liability side of its balance sheet and its Credit Risk is categorised into two components below:

Type 1 exposures include cash at bank and short term deposit.

Type 2 exposures include receivable from intermediaries, policyholder debtors etc.

CREDIT RISK CONCENTRATION

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise in the form of single name concentration.

The Company's most material Credit Risk concentration relates to type 1 exposure of Cash at Bank on the balance sheet and Short Term Deposit that amounted to \$92k as at 2017. The Company only has an insignificant Type 2 exposure relating to Receivables of \$5k.

The details of the cash balances by counterparties are:

Counterparty	Credit Risk Concentration \$'000 (USD)
Falcon Private Bank Ltd	9
Citi Bank	83
Total	92

C.4 - LIQUIDITY RISK

Liquidity refers to the ability to generate sufficient cash resources to meet the Company's payment obligations. It is defined as unencumbered cash and assets that can be monetized in a short period of time at a reasonable cost in both normal and stressed market conditions.

The company has a large portfolio of very liquid and marketable assets in relation to the size of the liability on the balance sheet.

C.5 - OPERATIONAL RISK

Operational risk is defined as the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems or external events.

Operational risks can have many impacts, including but not limited to unexpected economic losses or gains, reputational harm due to negative publicity, regulatory action from supervisory agencies, operational and business disruptions and damage to customer relationships.

OPERATIONAL RISK CONCENTRATION

The only Solvency II line of business that is exposed to Operational Risk is Credit and Suretyship which is also the only business the Company writes.

OPERATIONAL RISK MITIGATION TECHNIQUES

The Company Board of Directors bears ultimate responsibility for the management of Operational Risk. The management of Operational Risk includes the following elements:

- Overseeing the establishment of an appropriate risk management strategy;
 - Ensuring the Company maintains adequate financial resources;
 - Ensuring that management has the requisite skills to manage Operational Risks;
 - Monitoring the Operational Risk profile of the Company on a regular basis;
 - Taking reasonable steps to ensure that material Operational Risk is adequately identified, measured, monitored and controlled.
- operational risk is controlled through the avoidance, transfer, prevention or reduction of the likelihood of occurrence or potential impact of a material operational risk exposure. This includes:
- Embedding a risk culture throughout the Company
 - Ensuring robust internal processes and systems are maintained
 - Utilising outsourcing/Third Party Administrator ('TPA') arrangements, where appropriate
 - Accepting operational risks within the stated risk tolerance level.

C.6 – OTHER MATERIAL RISKS

There are no other other material risks to report.

C.7 – ANY OTHER INFORMATION

There is no additional material information to present as at year end.

D - Valuation for Solvency Purposes

VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than technical provisions are measured in accordance with principles of an arm length transaction between knowledgeable willing parties using market consistent valuation methods.

Solvency II Economic Balance Sheet as at 31 December 2017, \$'000 (USD).	Notes	UK GAAP 2017	Revaluation & Reclassification 2017	Solvency II 2017	Solvency II 2016
Assets					
Deferred acquisition costs	2	1	(1)	-	-
Intangible assets					
Deferred tax assets					
Pension benefit surplus					
Property, plant & equipment held for own use					
Investments	1	51,108	140	51,248	50,640
Property (other than for own use)					
Participations					
Equities					
Equities – listed					
Equities – unlisted					
Bonds	1	43,460	7,788	51,248	47,155
Government Bonds	1	15,310	2,052	17,362	23,739
Corporate Bonds	1	28,150	5,736	33,886	23,415
Structured notes					
Collateralised securities					
Investment funds					
Deposits other than cash equivalents	1	7,648	(7,648)	-	3,485
Loans & mortgages					
Other loans & mortgages					
Reinsurance recoverable from:					
Non-life excluding health					
Health similar to non-life					
Life excluding Health and index-linked and unit-linked					
Insurance & intermediaries receivables	3			-	-
Reinsurance receivables					
Receivables (trade, not insurance)	1	222	(222)	-	6
Cash and cash equivalents	4	92		92	343
Any other assets, not elsewhere shown	5	27		27	26
Total assets		51,450	(83)	51,367	51,015
Liabilities					
Technical Provisions					
Technical provisions – non-life (excluding health)	6	1	54	55	-156
TP Calculated as a whole					
Best Estimate				-1	-201
Risk Margin				56	45
Liabilities other than Technical Provisions					
Provisions other than technical provisions					
Pension benefit obligations					
Deposits from reinsurers					
Deferred tax liabilities					
Insurance & intermediaries payables					-
Reinsurance payables					
Payables (trade, not insurance)	7	478		478	348
Subordinated liabilities					
Subordinated liabilities not in BOF					
Subordinated liabilities in BOF					
Any other liabilities, not elsewhere shown	8	51		51	242
Total Liabilities		530	54	584	434
Excess of Assets over Liabilities		50,920	(137)	50,783	50,581

D.1 - ASSETS**NOTE 1: INVESTMENTS**

Under Solvency II, investments are measured using fair value principles. The valuation difference between UK GAAP and Solvency II are as follows:

\$222k accrued interest has been reclassified from Receivables (trade, not insurance) to Investments.

\$82k market value downward adjustment for a prior investment held with Lehman Brothers. The adjustment represents an estimate of the likely remaining liquidation settlement.

\$7,648k deposits other than cash equivalents has been reclassified to government and corporate bonds in line with Solvency II requirements. The Company considers bonds with a maturity of less than one year under deposits and cash equivalents.

The Company's investments are segregated into the following categories:

Government Bonds,
Corporate Bonds,
Cash,
Short term deposits.

In line with the Company investment portfolio, the following valuation hierarchy is used:

Level 1 – quoted market prices in active markets for same assets. Level 1 valuation hierarchy is applied to cash and short term deposits.

Level 2 – quoted market prices in active markets for similar assets. Level 2 valuation hierarchy is applied to government and corporate bonds.

NOTE 2: DEFERRED ACQUISITION COST

Deferred acquisition costs are defined as acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to the unexpired periods of risks. In accordance with Article 12 of the Solvency II Delegated Acts, deferred acquisition costs are valued at nil for Solvency II purposes.

All cash-flows arising from expenses that will be incurred in servicing all recognised insurance and reinsurance obligations over the lifetime should, therefore, be considered in determining the best estimate technical provisions. The relevant adjustment is made in the Economic Balance Sheet under technical provisions.

NOTE 3: INSURANCE AND INTERMEDIARIES RECEIVABLES

This represents debtor balances which are past due. Insurance and intermediaries balances that are not past due are future cash flows and hence are reclassified to Solvency II Technical Provisions.

The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value. The reclassification to Solvency II Technical Provisions amounts to \$1k.

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at bank and in hand.

NOTE 5: ANY OTHER ASSETS, NOT ELSEWHERE SHOWN

\$178k is the total net VAT-position of the Company.

D.2 - TECHNICAL PROVISIONS**NOTE 6: TECHNICAL PROVISIONS**

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios.

Technical provisions are grouped into the following key components:

Gross premium provisions: Best estimate of provisions that relate to the unearned exposure (i.e. driven from unearned premium and policies which are bound but not yet accepted (BBNI) at the valuation date.

Gross claims provisions: Best estimate of provisions that relate to the earned exposure.

Risk margin: Additional provision to bring the best estimates to the level required to transfer the obligations to a third party undertaking.

GROSS PREMIUM PROVISION

The Unearned Premium Reserve (UEPR) is used as the starting point to estimate gross best estimate premium provisions before the following adjustments are applied:

Application of budget loss ratios to reduce the unearned premium reserve for claims liability
 Bound but not Incepted (BBNI) business
 Expenses
 Events Not in Data (ENID)
 Discounting credit
 Future premium (payables and receivables)

The calculation of premium provision involved benchmark loss ratios, ENID loadings and expenses assumptions. No BBNI was recognised as policies do not automatically renew. No cash flow projection are needed to calculate the premium provision. No unbundling was used to calculate the technical provisions.

The premium provision was reduced by the insurance receivables amount and increased by the insurance payables amounts.

The Company does not have any reinsurance ceded.

CLAIMS PROVISION

UK GAAP claims reserves are used as the starting point to estimate gross claims provisions before the following adjustments are applied:

Expenses
 ENID
 Discounting credit
 Reinsurance recoveries (less bad debt)
 Any segmentation required to complete the calculations.

There are no claims reserves under UK GAAP reporting. No claims have been notified during 2017 or since the inception of the Company. As a result, no reserve has been established for outstanding claims or IBNR.

The political risk ENID was applied to the gross written premium as the reserve value for the Company is zero.

The Company does not have any reinsurance ceded.

SOLVENCY II ADJUSTMENTS

The Solvency II adjustments that are applied to UK GAAP reserves to determine Best Estimates of Technical Provisions are as follows:

A. EXPENSES

Solvency II requires the best estimates to take into account expenses which relate to recognised insurance obligations of insurance and reinsurance undertakings.

Assumptions on the percentage loadings of Solvency II expenses are based on Gross Operating Expenses. Key assumptions are applied around the proportion of administration expenses to include in the Solvency II expense loading.

B. EVENTS NOT IN DATA (ENID)

The ENID adjustment is designed to capture those potential future claims that do not exist in the historical data used for UK GAAP reserves calculation. These claims are typically caused by low-frequency, high-severity man-made hazards. Historical events which are contained within the Company's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied.

C. DISCOUNTING CREDIT

Claims and premium provisions are converted to future cash flows by application of payment patterns to determine how much of the provisions will be paid out in each of the future calendar years.

The risk-free yield curves (with no volatility adjustment and matching adjustment) provided by EIOPA for each currency are used to discount future cash flows of premium and claim provisions to the valuation date, to take account of the time-value of money. The cash flows are discounted mid-year which assumes that the average claim is paid mid-year.

D. FUTURE PREMIUM (PAYABLES AND RECEIVABLES)

The Solvency II regime allows liability cash flows to be offset by premium receivables cash flows that are expected to be received but are not overdue, in the technical provisions calculation. Similarly, premiums payables which have not yet been paid by the Company also need to be taken into account.

Due to nature of the business, premium receivables and payables relate to first year of projected cash flows and therefore, are not discounted. Premium receivables are much higher than premium payables and therefore, result in reduction of premiums provision.

RISK MARGIN

The risk margin was calculated as a percentage of the unhedgeable SCR. The percentage used is the cost of capital prescribed in the Delegated Acts.

UNCERTAINTY IN THE CALCULATION OF TECHNICAL PROVISIONS

Since there has been no claims since the inception of the Company and therefore the claim experience has been very stable, the uncertainty is at a very low level.

UNCERTAINTY IN THE EXPENSES ESTIMATE

The expense allocation is based on incurred historical expenses and expert judgement is applied to convert these expenses to a Solvency II valuation basis.

VALUE OF TECHNICAL PROVISIONS FOR EACH MATERIAL LINE OF BUSINESS

The Company only writes Credit and Suretyship business. Therefore, all technical provisions relate to Credit and Suretyship lines of business. In 2017, there were no methodology updates in the calculation of Solvency II technical provisions.

D.3 - OTHER LIABILITIES

NOTE 7: PAYABLES (TRADE, NOT INSURANCE)

Payables (trade, not insurance) are carried at amortised cost using the effective interest method.

Trade payables include amounts due to suppliers, public entities and UK tax authorities and which are not insurance-related.

NOTE 8: ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

Any other liabilities, not elsewhere shown consist of accruals.

D.4 - ALTERNATIVE VALUATION METHODS

The Company did not use the alternative methods for valuation treatment during 2017.

D.5 - OTHER MATERIAL INFORMATION

There is no additional material information to present as at year end.

E – CAPITAL MANAGEMENT

E.1 - OWN FUNDS

The Company's basic own funds are comprised of ordinary share capital and the reconciliation reserve. The Company has no off balance sheet items. This sub-section of the report aims to provide an overview of the capital management of the Company including capital structure, amount and quality of own funds.

The objective of the Company is to have sufficient working capital to meet projected liabilities without requiring additional capital contributions. The provision for claims was recorded at nil due to lack of policyholders notifications. The Company continues to review the need for claims provision on a policy by policy basis.

The ratio of eligible own funds for SCR and MCR calculated using the standard formula as at 31 December 2017 amounts to 2416% and 1179% respectively. The Company is steadfast in its approach in maintaining a strong capital position and thus safeguarding the solvency level.

The Company advocates capital preservation. The Company identifies the risks to which it is exposed, and assesses their impact on own funds over the business planning period. This process is risk based to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business.

COMPOSITION AND QUALITY OF OWN FUNDS

For 2017, the Company holds Tier 1 capital only which consists of ordinary share capital and reconciliation reserve. The composition and total available own funds for the Company as at 31 December 2017 is provided below:

Own Funds, \$'000 (USD)	Tier 1- Unrestricted	Tier 1 – Restricted	Tier 2	Tier 3	Total
Ordinary Share Capital	50,000	-	-	-	50,000
Share Premium Account related to Ordinary Share Capital	-	-	-	-	-
Reconciliation Reserve	783	-	-	-	783
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	-	-	-
Net Deferred Tax Assets	-	-	-	-	-
Total Own Funds	50,783	-	-	-	50,783

The Company's ordinary share capital and reconciliation reserve are classified as Tier 1 capital. There are 500 authorised, issued and fully paid ordinary shares of \$100,000 each. The Company currently has no restricted tier 1 capital (paid-in subordinated mutual member accounts, paid-in preference shares and the related share premium account, paid-in subordinated liabilities and items that are included in tier 1 basic own funds under the transitional arrangements).

For comparative purposes, the 2016 Own Funds is presented below:

Own Funds, \$'000 (USD)	Tier 1- Unrestricted	Tier 1 – Restricted	Tier 2	Tier 3	Total
Ordinary Share Capital	50,000	-	-	-	50,000
Share Premium Account related to Ordinary Share Capital	-	-	-	-	-
Reconciliation Reserve	581	-	-	-	581
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	-	-	-
Net Deferred Tax Assets	-	-	-	-	-
Total Own Funds	50,581	-	-	-	50,581

The reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations. It is calculated as follows:

Reconciliation Reserve	\$'000 (USD)	
	2017	2016
Excess of assets over liabilities	50,783	50,581
Less:	-	-
Ordinary Share Capital	50,000	50,000
Share Premium Account	-	-
Net Deferred Tax Assets	-	-
Reconciliation Reserve	783	581

ELIGIBLE OWN FUNDS

The classification into tiers is relevant to establish eligible own funds. These are the own funds that are eligible for covering the regulatory capital requirements – the solvency capital requirement and the minimum capital requirement. As at reporting date, the Company only holds tier 1 capital which is eligible to cover both the SCR and MCR.

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

The Solvency Capital Requirement (SCR) reflects a level of eligible own funds that enables the Company to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due.

The minimum capital requirements should ensure a minimum level below which the amount of resources should not fall. It is necessary that it is calculated in accordance with the standard formula, which is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.

The table below presents the ratio of eligible own funds that the Company holds to cover the solvency capital requirement and minimum capital requirement:

Eligible Own Funds	\$'000 (USD)	
	2017	2016
SCR (SF Calculation)	2,101	4,634
MCR	4,306	4,050
Ratio of eligible own funds to SCR	2,416%	1,091%
Ratio of eligible own funds to MCR	1,179%	1,249%

MATERIAL DIFFERENCES BETWEEN EQUITY IN THE FINANCIAL STATEMENTS AND THE EXCESS OF ASSETS OVER LIABILITIES

Capital resources are calculated differently under Solvency II and UK GAAP. This results in a difference between equity shown in the annual financial statements and the own funds QRT for Solvency II purposes. The most prominent difference is the calculation of technical provisions. Under Solvency II, technical provisions are recalculated on a discounted best estimate basis.

Excess of Assets over Liabilities – Attribution of Valuation Difference	\$'000 (USD)	
	2017	2016
Difference arising from Solvency II valuation of assets	(83)	(310)
Difference arising from Solvency II valuation of technical provisions	(54)	162
Difference arising from Solvency II valuation of other liabilities	-	68
Total of reserves and retained earnings from financial statements	920	661
Reserves from financial statements adjusted for Solvency II valuation differences	783	581
Ordinary share capital	50,000	50,000
Share premium account related to ordinary share capital	-	-
Excess of assets over liabilities	50,783	50,581
Add: Subordinated liabilities	-	-
Less: Foreseeable dividends	-	-
Basic own funds	50,783	50,581
Add: Letter of Credit	-	-
Total own funds	50,783	50,581

CAPITAL INSTRUMENTS AND RING FENCED FUNDS

During the period, no capital instruments were issued or redeemed. In addition, there were no restricted own funds due to ring fencing.

E.2 - SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The SCR and MCR requirement section of the report aims to provide a comprehensive view to assess the adequacy of the Company's capital in line with regulatory requirements.

SOLVENCY CAPITAL REQUIREMENT (SCR)

The SCR is the amount of funds that the Company is required to hold in line with the Solvency II Directive. The SCR calculation is a formula based figure calibrated to ensure that all quantifiable risks are taken into account.

The assessment of the SCR using the standard formula approach is based on a modular approach consisting of; non-life, market, and counterparty default risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. The operational risk component and adjustments for risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

The table below highlights the capital requirements for each risk module:

Capital requirement for each risk module	Standard Formula, \$'000 (USD)	
	2017	2016
Market risk	2,085	1,467
Counterparty default risk	14	3,580
Non-life underwriting risk	36	730
Diversification	(37)	(1,164)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	2,098	4,612
Operation Risk	3	22
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Diversification effect due to RFF in SCR aggregation for article 304	-	-
Solvency Capital Requirement	2,101	4,634

INSURANCE RISK MODULE (UNDERWRITING RISK MODULE) NON-LIFE UNDERWRITING RISK SUB-MODULE:

Non-Life Underwriting Risk decreased in 2017 as all policies had expired by 31 December 2017.

\$36k of Premium and Reserve Risk driven by earned premiums and forecast premiums.

Non-Life Underwriting Risk	Standard Formula, \$'000 (USD)	
	2017	2016
Non-life premium and reserve risk	36	183
Non-life lapse risk	-	32
Non-life catastrophe risk	-	662
Diversification benefit	-	(147)
Non-Life Underwriting Risk	36	730

MARKET RISK MODULE

Market Risk is the largest component of SF-SCR and it mainly arises from:

The Market Risk component of SF-SCR is driven by risks inherent within the Company's assets and liabilities portfolio and the details of the changes over the reporting period are as follows:

\$2,085k of Market Risk SF-SCR arises from:

\$1,134k Spread Risk mainly driven by the Company's investments in bonds. The increase compared to 2016 relates to bonds having longer durations.

\$6k Currency Risk mainly driven by exposure of the Company's assets and liabilities denominated in foreign currencies.

\$1,747k Interest Rate Risk driven by exposures to fixed income securities.

\$57k Concentration Risk mainly driven by investment in bonds. The reduction in comparison to 2016 is driven by a

more diversified portfolio and improved credit rating of the counterparties.

Market Risk	Standard Formula \$'000 (USD)	
	2017	2016
Spread risk	1,134	710
Currency risk	6	62
Interest rate risk	1,747	1,204
Concentration risk	57	366
Diversification within market risk module	(859)	(875)
Total Market Risk	2,085	1,467

COUNTERPARTY DEFAULT RISK MODULE (CREDIT RISK MODULE)

\$14k Counterparty Default Risk SF-SCR arises from risk of default of the Custodian Bank and Cash at Bank. The exposure reduced significantly in comparison to 2016.

Credit (Counterparty default) Risk	Standard Formula, \$'000 (USD)	Standard Formula, \$'000 (USD)
	2017	2016
Credit (Counterparty default) Risk	14	3,580

OPERATIONAL RISK SCR

Operation Risk SF-SCR amounts to \$3k which is mainly driven by premiums.

Operational Risk	Standard Formula, \$'000 (USD)	Standard Formula, \$'000 (USD)
	2017	2016
Operational risk	3	22

MINIMUM CAPITAL REQUIREMENT (MCR)

The Company uses the Standard Formula to calculate its Minimum Capital Requirement (MCR). The amount of the MCR for the reporting period is \$4,306k.

The following table shows the MCR calculation:

Overall MCR Calculation	Standard Formula, \$'000 (USD)	Standard Formula, \$'000 (USD)
	2017	2016
Linear MCR	10	66
SCR	2,101	4,634
MCR cap	946	2,085
MCR floor	525	1,158
Combined MCR	525	1,158
Absolute floor of the MCR	4,306	4,050
Minimum Capital Requirement	4,306	4,050

INFORMATION ON THE INPUTS USED TO CALCULATE THE MCR

The MCR is based on factors applied to net premiums written amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II class of business. The charge for premium and technical provision elements are then summed to create a total charge.

Calculation of MCR (inputs)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole. \$'000 (USD)	Net (of reinsurance) written premiums in the last 12 months. \$'000 (USD)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole. \$'000 (USD)	Net (of reinsurance) written premiums in the last 12 months. \$'000 (USD)
	2017	2017	2016	2016
Medical Expenses				
Income protection insurance				
Workers' compensation insurance				
Motor vehicle liability insurance and proportional reinsurance				
Marine, aviation and transport insurance and proportional reinsurance				
Fire and other damage to property insurance proportional reinsurance				
General liability insurance and proportional reinsurance				
Credit and suretyship insurance and proportional reinsurance	(1)	90	(201)	274
Legal expenses insurance and proportional reinsurance				
Assistance and proportional				

reinsurance				
Miscellaneous financial loss insurance and proportional reinsurance				
Non-proportional health reinsurance				
Non-proportional casualty reinsurance				
Non-proportional marine, aviation and transport reinsurance				
Non-proportional property reinsurance				

APPROACH TO CAPITAL MANAGEMENT

The Company advocates capital preservation and therefore requires investment in high quality, fixed interest bonds. The Company is prudent in its approach to investment and this is reflected in the agreements it has with its investment manager.

CAPITAL MANAGEMENT PLAN

The intention of the plan is to ensure the Company meets regulatory capital requirements and other business expectation. It is the aim of the Company to have sufficient working capital to meet projected liabilities of existing policyholders in one year's time, without requiring additional capital.

CAPITAL MANAGEMENT PROCESS AND POLICY

The Company maintains an efficient capital structure of shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders and regulators;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth.

E.3 - USE OF DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

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

E.4 - DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company uses the Standard Formula to calculate the SCR and therefore no differences exist.

E.5 - NON-COMPLIANCE

During the reporting period, there were no instances of non-compliance with the Solvency II capital requirements. In addition, the Company held Own Funds in excess of the SCR/MCR requirements over the reporting period.

E.6 – ANY OTHER INFORMATION

There is no additional material information to present as at year end.

F - APPENDICES TO THE SOLVENCY AND FINANCIAL CONDITION REPORT

F.1 - Public QRTs (all amounts expressed in USD thousands)

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Balance Sheet

		Solvency II Value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	51,248
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	51,248
Government Bonds	R0140	17,362
Corporate Bonds	R0150	33,886
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	92
Any other assets, not elsewhere shown	R0420	27
Total assets	R0500	51,367
Liabilities		C0010
Technical provisions - non-life	R0510	
Technical provisions - non-life (excluding health)	R0520	55
TP calculated as a whole	R0530	
Best estimate	R0540	(1)
Risk margin	R0550	56
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	478
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	51
Total liabilities	R0900	584
Excess assets over liabilities	R1000	50,783

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C00 W	C0020	C0030	C0040	C0060
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU)					
2015/235					
Ordinary share capital (gross of own shares)		50,000			
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve		782			
Subordinated liabilities					
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions		50,782			
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Other ancillary own funds					
Total ancillary own funds					
Available and eligible own funds					
Total available own funds to meet the SCR	50,782	50,782			
Total available own funds to meet the MCR	50,782	50,782			
Total eligible own funds to meet the SCR	50,782	50,782			
SCR	2,01				
MCR	4,306				
Ratio of Eligible own funds to SCR	24,7%				
Ratio of Eligible own funds to MCR	119%				
Reconciliation reserve					
Own shares (held directly and indirectly)	50,783				
Forseable dividends, distributions and charges					
Other basic own fund items	50,000				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds					
Reconciliation reserve	783				
Expected profits					
Expected profits included in future premiums (EP FP) - Life business					
Expected profits included in future premiums (EP FP) - Non-life business	1				
Total Expected profits included in future premiums (EP FP)	1				

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Solvency Capital Requirement - for undertakings on Standard Formula

		2018		USP		Simplifications	
		C0110		C0080		C0100	
Market risk	R0010		2,085				-
Counterparty default risk	R0020		14				-
Life underwriting risk	R0030		-		-		-
Health underwriting risk	R0040		-		-		-
Non-life underwriting risk	R0050		36		-		-
Diversification	R0060		(37)				-
Inangible asset risk	R0070		-				-
Basic Solvency Capital Requirement	R0100		2,098				
Calculation of Solvency Capital Requirement			C0100				
Total capital requirement for operational risk	R0130		3				-
Loss-absorbing capacity of technical provisions	R0140		-				-
Loss-absorbing capacity of deferred taxes	R0150		-				-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160		-				-
Solvency capital requirement excluding capital add-on	R0200		2,101				
Capital add-on already set	R0210		-				-
Solvency capital requirement	R0220		2,101				
Other information on SCR							
Capital requirement for duration-based equity risk sub-module	R0400		-				-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410		-				-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420		-				-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430		-				-
Diversification effects due to RFF in SCR aggregation for article 304	R0440		-				-

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Minimum Capital Requirement - Both life and non-life insurance activity

	Non-life activities		Life activities	
	R0010	C0010	R0020	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	10		
			Non-life activities	
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0030	C0040
Medical expense insurance and proportional reinsurance			R0020	-
Income protection insurance and proportional reinsurance			R0030	-
Workers' compensation insurance and proportional reinsurance			R0040	-
Motor vehicle liability insurance and proportional reinsurance			R0050	-
Other motor insurance and proportional reinsurance			R0060	-
Marine, aviation and transport insurance and proportional reinsurance			R0070	-
Fire and other damage to property insurance and proportional reinsurance			R0080	-
General liability insurance and proportional reinsurance			R0090	-
Credit and suretyship insurance and proportional reinsurance			R0100	(1)
Legal expenses insurance and proportional reinsurance			R0110	00
Assistance and proportional reinsurance			R0120	-
Miscellaneous financial loss insurance and proportional reinsurance			R0130	-
Non-proportional health reinsurance			R0140	-
Non-proportional casualty reinsurance			R0150	-
Non-proportional marine, aviation and transport reinsurance			R0160	-
Non-proportional property reinsurance			R0170	-
Overall MCR calculation				
Linear MCR			R0300	C0130
SCR			R0310	10
MCR cap			R0320	2,101
MCR floor			R0330	946
Combined MCR			R0340	525
Absolute floor of the MCR			R0350	4,306
Minimum Capital Requirement			R0400	C0130
				4,306