



**Uzbekinvest International Insurance Company Limited**

**Solvency & Financial Condition Report 2021**

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# EXECUTIVE SUMMARY

## **Review of the business**

The Local GAAP results of the Company for the year show a loss on ordinary activities before tax of US\$1,314K (2020: US\$523k gain). As a result of negative P&L account, at 31 December 2021, the shareholders' funds of the Company reduced and total was US\$51,666k (2020: US\$52,925k). The level of gross premiums written has decreased to US\$290k (2020: US\$391k) due to low volume of a new business written. It should be noted here, that as per the Company's FS 2021, the GPW has been reported US\$311,303. The difference with SFCR's submission is explained by a delay in booking the insurance premium for one policy extended from 30<sup>th</sup> December, 2021. This has been corrected in the Financial Statements YE 2021 accordingly.

The results of the year reflect both growth of acquisition costs and increase of administrative expenditures from one hand, as well as sharp decrease of the investment return from another hand. The investment income has fallen substantially due to a sharp drop off in yields in the US Treasures and corporate bond markets, which started in 2020 due to impact of the Covid-19 pandemic and continued throughout 2021. The Investment return remains under the risk of further reduction due to high volatility in financial markets caused by the Russia-Ukraine military conflict which started from February 2022.

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 2021. The directors are of the view that no additional potential claims were incurred but not reported during the year. As a result, as per the local GAAP accounting results 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 the Solvency II regulation.

## **Business Environment**

Despite economic and social impacts of the Covid-19 pandemic during 2020, Uzbekistan continued to make progress in its reform agenda throughout 2021, particularly the restructuring of the strategic sectors in the economy such as oil and gas, mining, agri-foods, textile, and banking. As a result of the structural reforms, supported by robust external and fiscal buffers, access to external financing and diversified economy, Uzbekistan rebounded sharply in 2021 and the country was able to achieve 7.4 percent growth of GDP (in 2020 GDP's growth was 1.6 percent). (Source: The World Bank)

The global rating agencies have confirmed Uzbekistan's ratings for 2021 accordingly. Fitch Ratings has affirmed Uzbekistan's long-term foreign currency issuer default rating (IDR) at BB- with a stable outlook. S&P Global Ratings has confirmed the sovereign rating of Uzbekistan in foreign currency at BB- with a stable outlook. Moody's Investors Service ("Moody's") has affirmed Uzbekistan's long-term issuer and senior unsecured ratings at B1 and has changed the Government of Uzbekistan's rating outlook to positive from stable.

In 2021 the process of integration of Uzbekistan into the Global trade and economy has been continued and was very productive. The country was granted a beneficiary of the European Union's Generalized System of Preferences Plus (GSP+), opening prospects and new opportunities for investors and trade partners. World Trade Organization ("WTO") accession has continued to be an absolute priority and an integral part of the wide-ranging reform agenda for Uzbekistan. The negotiations with WTO during 2021 moved the Country to the next level, where the technical aspects of accession had been discussed. The International organization - the Cotton Campaign has made a historic decision to lift the global boycott on cotton from Uzbekistan, which will help the Country to re-enter world textile markets, as well as to allow hundreds of international brands and retailers, which joined the pledge not to source cotton from Uzbekistan twelve years ago, to return to the Uzbek cotton market.

Unfortunately, the Russia – Ukraine military conflict, started from February 2022, is expected to have a long impact on the global economic situation and put pressure on the Uzbekistan's economic growth too, due to a halving of remittances, record global oil and food prices, trade, investment, and banking disruptions. Nevertheless, the Government's focus is shifting to deeper structural reforms and economy modernization, including transformation and privatisation of large state-owned enterprises ("SOE's"), creation of larger and more competitive private sector by attracting private foreign direct investment ("FDI") into strategic sectors of the economy, diversification of foreign trade and widening logistic channels towards Asia and Europe.

## **Risk Profile**

While the markets during the previous two years had been under pressure of the COVID-19 pandemic crisis, the year 2022 has even more severe impact from military conflict between Russia and Ukraine, started from 24 February. This conflict has triggered

another wave of economic and political instability, disruption in the world trade and investment flows, boost inflation significantly and a volatility in financial markets. In such severe conditions, the Company has been continued closely monitoring its risks profile.

### **Investment Risk**

During the pandemic crisis, as well as post-pandemic period, the Company's investment performance had been under very strong pressure of low interest rates conditions. The US Federal Reserve rates had decreased significantly from 2.5% down to 0.08% average. The cash flows in 2021 was not at the level of 2020 due to the above changes in conditions. Additionally, a large portion of the US treasuries and bonds in the portfolio had matured during 2021. Therefore, given the Company's conservative investment guidelines, as well as severe market volatility throughout 2021, it was impossible for the Company to achieve the investment yields as what was observed in years prior.

In 2022 there have been another severe negative impact to global economy in whole and investment markets in particular, caused by military conflict between Russia and Ukraine. Ongoing financial volatility and highly inflationary environment on the markets has constrained the Company's investment income forecast from 2.0% to a minimum of 1.0% on an annual reporting basis.

To minimize a risk of insufficient funds required to cover the operating expenses, as well as to prevent a liquidity risk, the Company will continue monitoring the appropriateness of investment strategy to market situation and conditions in close cooperation with the Company's asset manager and custodian – Credit Suisse AG.

### **The Business Performance**

In 2021 the underwriting guideline of UIIC regarding Uzbekistan has not changed, and we are operating in-line with our main strategy, aimed to create additional capacity for export-import and investment transactions in Uzbekistan through cooperation with the outsourcing partner. Our pricing policy regarding Uzbek risks has not changed and the insurance rates remain mostly at the same levels as in the last year.

During 2021 the Company received 22 formal enquiries (in 2020 - 34 enquiries). Most of enquires related to trade financing risks, as well as for the risks associated with investment projects backed by the Government and state-owned banks' guaranties. The market demonstrated an appetite for short-term and medium-term covers. As a result, the Company issued 4 new policies and extended one existing policy during 2021. We hope that 2022 will also be productive; as of Q2 we have already issued 5 new policies, while the number of enquires received was 15.

### **Business Strategy**

In general, we assume that 2022 will continue to be a year of uncertainty due to the conflict in Ukraine, which is causing economic and political instability, disruption in the world trade and investment flows, boost inflation significantly and a volatility in financial markets. Whilst there is uncertainty as to the future economic impact of this event on Uzbekistan, the Company does not have direct exposure from the conflict, so there is no need to amend the business strategy of the Company.

The business strategy of the Company was based on long-term perspectives and aimed to be an integral part of the national system for promotion of foreign trade and attracting FDI into Uzbekistan. The strategic goals of the Company remain unchanged, and the Company intends to continue offering insurance policies designed to protect the business and assets of foreign companies investing with or doing business in the Republic of Uzbekistan.

To support the above strategy and to operate the business in a cost-effective way, as well as to gain access to qualified professionals, the Company will continue to utilise outsourcing arrangements.

The Company, in close cooperation with the outsourcing service provider, will continue to provide more flexible underwriting and customer-oriented services, offer rates in line with the market whilst being loyal to business partners and complying with the regulatory environment. The Company will continue to coordinate with insurance brokers and business partners to adapt to the current market trends and business environment, whilst expanding cooperation with the banks that provide trade financing and investment project support in Uzbekistan.

### **Future Developments**

The increased geopolitical risks caused by the Russia-Ukraine conflict will put pressure heavily on global economic conditions throughout 2022. Investment growth and world trade are also expected to slow, inflows of foreign direct investment will be subdued in 2022 and take time to recover.

However, Uzbekistan is not in direct exposure from this conflict in comparison with European countries, which are the most exposed. Moreover, the Country could benefit from high global commodity prices, such as gold, copper, and natural gas, which are one of the main export goods of the country.

The stable political, social, and economic situation in Uzbekistan reflects expectation of international experts that the country will be able to withstand the negative macroeconomic impact of the Russia-Ukraine conflict. Comparatively the strong fiscal and external buffer position will help the Uzbekistan economy to perform with positive economic growth in 2022.

In 2022 the Company targets to maintain its volume of business within the range of the previous 2-3 years. Our expectation is based on the following factors:

- Given the sanctions imposed on the Russian capital imports and banks, the Uzbek Government will increase volume of capital borrowings from the international capital markets via state-owned banks to fund strategic industrial projects and modernization of export-oriented productions, as well as to finance the public and private investment projects, and to cover budget deficit for 2022. This, in return, will create more business opportunities for foreign commercial banks and private investors and give the Company momentum to increase a book of business accordingly.
- The European Union's decisions to accept Uzbekistan as a beneficiary of the special free-trade regime under the Generalized System of Preferences Plus (GSP+) provides a favourable condition for Uzbek exporters. Lifting the global boycott on cotton from Uzbekistan will open the U.S. and Europe markets for goods from the Country, including Uzbek textiles. This could become another opportunity that enables the Company to increase a new business.
- Further progress in reforms that further open the economy and financial sector to more competition and productivity in sectors such as textiles, agri-food, mining, will point to stronger creditworthiness and investment attractiveness of Uzbekistan. Riding on this momentum, the Company can benefit by promoting its services among investors too.
- Close coordination and affiliation with the Ministry of Investment and Foreign Trade of Uzbekistan (MIFT) and the Ministry of Finance (MOF), as well as with the biggest Uzbek commercial bank – National Bank of Uzbekistan (NBU) allows the Company to be better positioned for the Uzbek market. The Company has immediate access to new investment projects and a reliable source of funds to maintain a high capital adequacy and financial stability during the current market volatility.



Hasan Mamadjonov  
Chief Executive Officer

# DIRECTORS' REPORT

## **Directors**

The Directors of the Company who were in office during the Company's financial year were:

S U Umurzakov (Chairman)  
S A Vafaev  
H Mamadjonov  
S O Abdurashidov  
R B Khalikov

## **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, at the date of publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in the future.

On behalf of the Board,



"21" July 2021

Director

# 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 20 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<br>58 Fenchurch Street<br>London EC3M 4AB<br>+44 (0) 20 7954 8397 | Mazars LLP 30 Old Bailey London<br>EC4M 7AU<br>United Kingdom+44 (0) 20 7063 4000 | Prudential Regulation Authority (PRA)<br>20 Moorgate<br>London EC2R 6DA<br>+44 (0) 20 7601 4444 |

The Company is a relatively small entity. The gross premium written for 2021 amounted to \$290k (2020, \$391k). 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 "21" July, 2022.

### **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.

**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 2021. 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) 2021 | \$'000 (USD) 2020 |
|---|-------------------|-------------------|
| Gross Premium Written                                       | 290               | 391               |
| Change in gross provision for unearned premiums             | 54                | (107)             |
| <b>Net Premium Earned</b>                                   | <b>344</b>        | <b>283</b>        |
| Claims incurred   |                   |                   |
| Expenses incurred   | (1,281)           | (1,168)           |
| <b>Underwriting performance</b>                             | <b>(937)</b>      | <b>(884)</b>      |

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 as at 31 December 2021 is Credit Suisse Bank, based in Switzerland. 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) 2021 | \$'000 (USD) 2020 |
|---|-------------------|-------------------|
| <b>Investment Income</b>                                  |                   |                   |
| Interest on other financial investments                   | 891               | 1,124             |
| <b>Investment expenses and charges</b>                    |                   |                   |
| Investment management expenses including interest expense | (127)             | (116)             |
| Gains on the realisation of investments                   | 76                | (16)              |
|   | <b>(51)</b>       | <b>(132)</b>      |
| <b>Unrealised gains/(losses) on investments</b>           | <b>(1,160)</b>    | <b>405</b>        |
| <b>Total investment (loss)/income</b>                     | <b>(320)</b>      | <b>1,397</b>      |

The investment portfolio structure can be split as follows:



| Investment Portfolio – Local GAAP | \$'000 (USD) 2021 | \$'000 (USD) 2020 | Accrued Interest 2021 | Accrued Interest 2020 | % of Portfolio 2021 | % of Portfolio 2020 |
|-----------------------------------|-------------------|-------------------|-----------------------|-----------------------|---------------------|---------------------|
| Cash                              | 1,063             | 6,117             | 0                     | 0                     | 2%                  | 12%                 |
| Bonds                             | 50,402            | 46,263            | 161                   | 167                   | 98%                 | 87%                 |
| Structured Notes                  | 0                 | 1,021             | 0                     | 0                     |                     | 2%                  |
| <b>Portfolio Total</b>            | <b>51,465</b>     | <b>53,400</b>     | <b>161</b>            | <b>167</b>            | <b>100%</b>         | <b>100%</b>         |

In line with the prudent investment approach over 51% 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) 2021 | \$'000 (USD) 2020 | % of Portfolio 2021 | % of Portfolio 2020 |
|--|-------------------|-------------------|---------------------|---------------------|
| AAA  | 8,807             | 22,448            | 17.5%               | 47.3%               |
| AA   | 596               | 809               | 1.2%                | 1.7%                |
| A  | 16,297            | 15,283            | 32.3%               | 32.2%               |
| BBB  | 13,360            | 0                 | 26.5%               | 0%                  |
| NR   | <b>11,342</b>     | <b>8,911</b>      | <b>22.5%</b>        | <b>18.8%</b>        |
| <b>Total</b>   | <b>50,402</b>     | <b>47,450</b>     | <b>100%</b>         | <b>100%</b>         |

#### **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) 2021 | \$'000 (USD) 2020 |
|------------------------------------|-------------------|-------------------|
| Administrative expenses            | 1,281             | 1,168             |

Administrative expenses are incurred to support the infrastructure of the organisation and include but are not limited to personnel costs and service provider fees. A large portion of the expenses in 2021 were related to the consultancy and marketing services fees paid to international organizations, within the projects realised jointly with the Ministry of Investment and Foreign Trade of Uzbekistan and aimed to improve investment attractiveness of the country. 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 also include audit fees in respect of the audit of the Company. There has been an increase in administrative expenses in 2021 due a delay in the charging of prior years expenses by the service provider.

#### **A.5 - ANY OTHER MATERIAL INFORMATION**

In order to improve investment opportunities and stabilise investment income, the Company had amended its investment strategy by changing from a conservative Fixed Income allocation to Mixed Portfolio. This change has enabled the Company to continue a capital preservation approach with taking an average level of risk, while the investment horizon has been increased from 3 up to 12 years.

## B - SYSTEM OF GOVERNANCE

### B.1 – GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

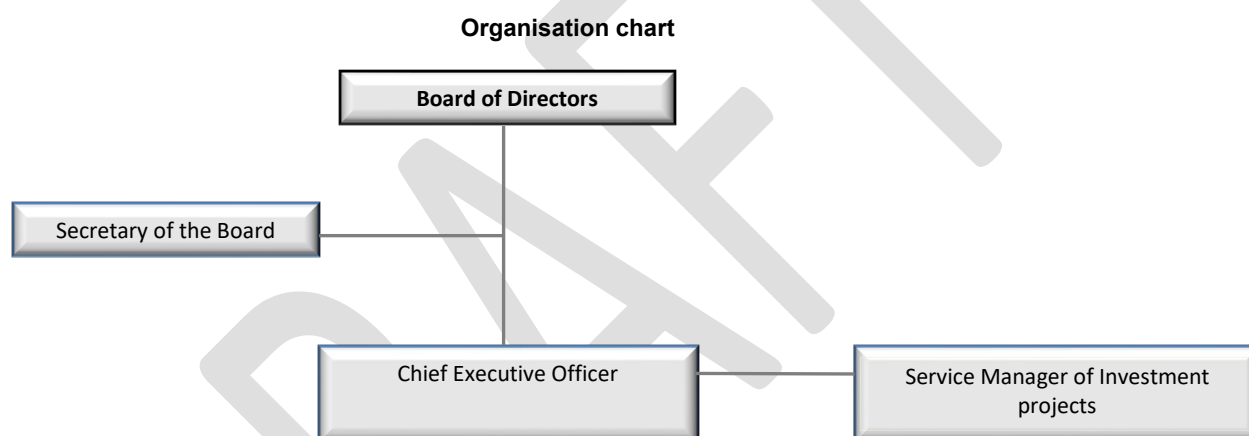
The 'General Information on the System of Governance' subsection of the report aims to provide details of the Company's management structure, Board, Chief Executive Officer and the outsourced functions.

The Company depends on AIG Uzbekinvest Limited who acts as its agent for business development and also manages the outsourcing arrangements with AIG UK (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 Dolfin Financial (UK) Limited and Credit Suisse Bank (as at 31 December 2019) 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 &amp; 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            | Dolphin Financial (UK) Limited    | United Kingdom |
|                                      | Credit Suisse AG (from June 2021) | Switzerland    |
| 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                 | Credit Suisse Bank                | 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 the limited number of employees. The entitlement of each employee is decided on a case by case basis depending on experience and qualifications.

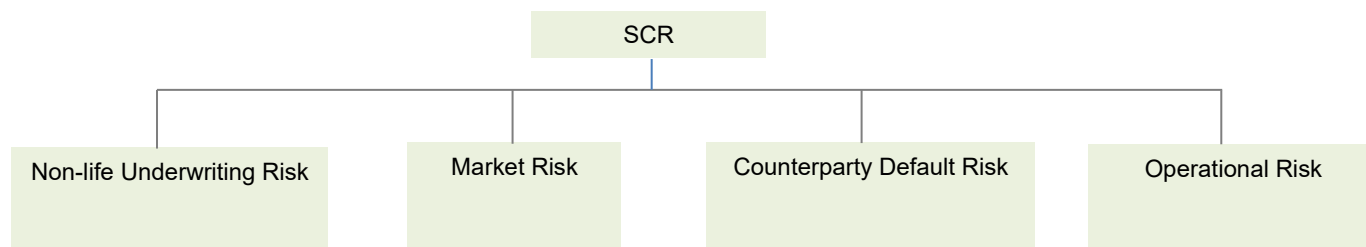
**B.8 - ANY OTHER MATERIAL INFORMATION**

There were two directors who were paid an emolument during the year (in the prior year there was one Director paid). No Directors exercised share options or received shares in respect of qualifying services under any long-term incentive scheme. No compensation was paid to the Directors during the year for loss of office. There have been no post-employment benefits under defined benefit pension scheme during the year.

## 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.



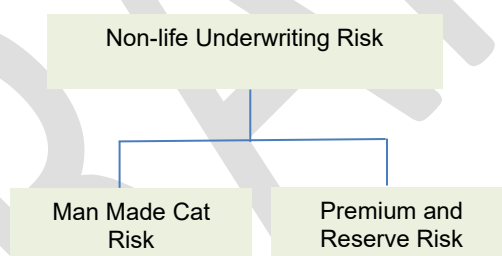
### **Risk Profile, Measurement and Assessment**

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.

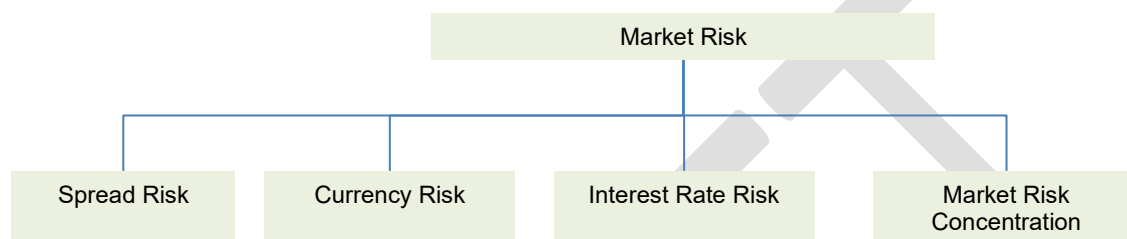
All policies have a complaints procedure for customers.

#### 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 is 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 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<br>\$'000 (USD) | Market Risk Concentration % |
|--------------|---|-----------------------------|
| AAA          | 8,807                                     | 17.5%                       |
| AA           | 596                                       | 1.2%                        |
| A            | 16,297                                    | 32.3%                       |
| BBB          | 13,360                                    | 26.5%                       |
| NR           | 11,342                                    | 22.5%                       |
| <b>Total</b> | <b>50,402</b>                             | <b>100%</b>                 |

Bonds (government and corporate) comprise the the Company's investment portfolio out of which 51% were rated AAA, AA, or A in 2021. 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<br>\$'000 (USD) | Market Risk Concentration<br>% |
|--------------------------|---|--------------------------------|
| U.S. Government          | 8,807,364                                 | 17%                            |
| Celanese US Holdings LLC | 1,770,476                                 | 3%                             |
| Export-Import Bank China | 1,721,607                                 | 3%                             |

The largest concentration is the U.S. Government treasury notes which are majority from A to 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 2021, 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 \$1,094k as at 2021.

The details of the cash balances by counterparties are:

| Counterparty       | Credit Risk Concentration<br>\$'000 (USD) |
|--------------------|---|
| Credit Suisse Bank | 1,063                                     |
| Citi Bank          | 31  |
| Total              | 1,094                                     |

**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.

| <b>Solvency II Economic Balance Sheet as at 31 December 2021, \$'000 (USD).</b> | <b>Notes</b> | <b>UK GAAP 2021</b> | <b>Revaluation &amp; Reclassification 2021</b> | <b>Solvency II 2021</b> | <b>Solvency II 2020</b> |
|---|--------------|---------------------|--|-------------------------|-------------------------|
| <b>Assets</b>   |              |                     |  |                         |                         |
| Deferred acquisition costs  | 2            | 28                  | (28)   | -                       | -                       |
| Intangible assets   |              |                     |  |                         |                         |
| Deferred tax assets   |              |                     |  |                         |                         |
| Pension benefit surplus   |              |                     |  |                         |                         |
| Property, plant & equipment held for own use                                    |              |                     |  |                         |                         |
| Investments   | 1            | 51,467              | (1,065)  | 50,402                  | 47,451                  |
| Property (other than for own use)   |              |                     |  |                         |                         |
| Participations  |              |                     |  |                         |                         |
| Equities  |              |                     |  |                         |                         |
| Equities – listed   |              |                     |  |                         |                         |
| Equities – unlisted   |              |                     |  |                         |                         |
| Bonds   | 1            | 50,402              | -  | 50,402                  | 47,451                  |
| Government Bonds  | 1            | 10,491              | -  | 10,491                  | 33,546                  |
| Corporate Bonds   | 1            | 39,911              | -  | 39,911                  | 12,884                  |
| Structured notes  |              |                     |  |                         | 1,020                   |
| Collateralised securities   |              |                     |  |                         |                         |
| Other Investments   | 1            | 1,065               | (1,065)  | -                       |                         |
| Deposits other than cash equivalents  |              |                     |  |                         |                         |
| 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            | 688                 | -  | 688                     | 382                     |
| Reinsurance receivables   |              |                     |  |                         |                         |
| Receivables (trade, not insurance)  | 1            | 19                  | -  | 19                      | 355                     |
| Cash and cash equivalents   | 4            | 31                  | 1,063  | 1,094                   | 6,129                   |
| Any other assets, not elsewhere shown   |              |                     |  |                         |                         |
| <b>Total assets</b>   |              |                     |  | <b>52,203</b>           | <b>54,316</b>           |
| <b>Liabilities</b>  |              |                     |  |                         |                         |
| <b>Technical Provisions</b>   |              |                     |  |                         |                         |
| Technical provisions – non-life (excluding health)                              | 5            |                     | (379)  | (379)                   | (89)                    |
| TP Calculated as a whole  |              |                     |  |                         |                         |
| Best Estimate   |              |                     | (391)  | (391)                   | (106)                   |
| Risk Margin   |              |                     | 12   | 12                      | 17                      |
| <b>Liabilities other than Technical Provisions</b>                              |              |                     |  |                         |                         |
| Provisions other than technical provisions                                      |              |                     |  |                         |                         |
| Pension benefit obligations   |              |                     |  |                         |                         |
| Deposits from reinsurers  |              |                     |  |                         |                         |
| Deferred tax liabilities  |              |                     |  |                         |                         |
| Financial liabilities other than debts owed to credit institutions              |              |                     |  |                         |                         |
| Insurance & intermediaries payables   |              |                     |  |                         |                         |
| Reinsurance payables  |              |                     |  |                         |                         |
| Payables (trade, not insurance)   | 6            | 486                 | -  | 486                     | 913                     |
| Subordinated liabilities  |              |                     |  |                         |                         |
| Subordinated liabilities not in BOF   |              |                     |  |                         |                         |
| Subordinated liabilities in BOF   |              |                     |  |                         |                         |
| Any other liabilities, not elsewhere shown                                      |              |                     |  |                         |                         |

|  |  |               |            |               |               |
|--|--|---------------|------------|---------------|---------------|
| <b>Total Liabilities</b>                 |  | <b>486</b>    | <b>379</b> | <b>107</b>    | <b>824</b>    |
| <b>Excess of Assets over Liabilities</b> |  | <b>51,748</b> | <b>348</b> | <b>52,096</b> | <b>53,492</b> |

## **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:

Accrued interest has been reclassified from Receivables (trade, not insurance) to Investments.

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 their 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.

### **NOTE 4: CASH AND CASH EQUIVALENTS**

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

## **D.2 - TECHNICAL PROVISIONS**

### **NOTE 5: 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 incepted (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 projections 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 2020 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 Surteyship business. Therefore, all technical provisions relate to Credit and Surteyship lines of business. In 2021, there were no methodology updates in the calculation of Solvency II technical provisions.

#### **D.3 - OTHER LIABILITIES**

##### **NOTE 6: 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.

##### **D.4 - ALTERNATIVE VALUATION METHODS**

The Company did not use the alternative methods for valuation treatment during 2021.

##### **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 2021 amounts to 1,324% and 1,789% 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 2021, 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 2021 is provided below:

| <b>Own Funds, \$'000 (USD)</b>                          | <b>Tier 1-<br/>Unrestricted</b> | <b>Tier 1 –<br/>Restricted</b> | <b>Tier 2</b> | <b>Tier 3</b> | <b>Total</b>  |
|---|---------------------------------|--------------------------------|---------------|---------------|---------------|
| Ordinary Share Capital                                  | 50,000                          | -                              | -             | -             | 50,000        |
| Share Premium Account related to Ordinary Share Capital | -                               | -                              | -             | -             | -             |
| Reconciliation Reserve                                  | 2,096                           | -                              | -             | -             | 2,096         |
| Subordinated Liabilities                                | -                               | -                              | -             | -             | -             |
| Letters of Credit (Ancillary Own Funds)                 | -                               | -                              | -             | -             | -             |
| Net Deferred Tax Assets                                 | -                               | -                              | -             | -             | -             |
| <b>Total Own Funds</b>                                  | <b>52,096</b>                   | -                              | -             | -             | <b>52,096</b> |

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 2020 Own Funds is presented below:

| <b>Own Funds, \$'000 (USD)</b>                          | <b>Tier 1-<br/>Unrestricted</b> | <b>Tier 1 –<br/>Restricted</b> | <b>Tier 2</b> | <b>Tier 3</b> | <b>Total</b>  |
|---|---------------------------------|--------------------------------|---------------|---------------|---------------|
| Ordinary Share Capital                                  | 50,000                          | -                              | -             | -             | 50,000        |
| Share Premium Account related to Ordinary Share Capital | -                               | -                              | -             | -             | -             |
| Reconciliation Reserve                                  | 3,492                           | -                              | -             | -             | 3,492         |
| Subordinated Liabilities                                | -                               | -                              | -             | -             | -             |
| Letters of Credit (Ancillary Own Funds)                 | -                               | -                              | -             | -             | -             |
| Net Deferred Tax Assets                                 | -                               | -                              | -             | -             | -             |
| <b>Total Own Funds</b>                                  | <b>53,492</b>                   | -                              | -             | -             | <b>53,492</b> |

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) |              |
|-----------------------------------|--------------|--------------|
|                                   | 2021         | 2020         |
| Excess of assets over liabilities | 52,096       | 53,492       |
| Less:                             | -            | -            |
| Ordinary Share Capital            | 50,000       | 50,000       |
| Share Premium Account             | -            | -            |
| Net Deferred Tax Assets           | -            | -            |
| <b>Reconciliation Reserve</b>     | <b>2,096</b> | <b>3,492</b> |

#### 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) |        |
|------------------------------------|--------------|--------|
|                                    | 2021         | 2020   |
| SCR (SF Calculation)               | 3,935        | 2,199  |
| MCR                                | 2,911        | 2,924  |
| Ratio of eligible own funds to SCR | 1,324%       | 2,432% |
| Ratio of eligible own funds to MCR | 1,789%       | 1,829% |

#### 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)  |               |
|--|---------------|---------------|
|  | 2021          | 2020          |
| Difference arising from Solvency II valuation of assets                                  | (31)          | (35)          |
| Difference arising from Solvency II valuation of technical provisions                    | 379           | 89            |
| Difference arising from Solvency II valuation of other liabilities                       | -             | -             |
| Total of reserves and retained earnings from financial statements                        | 1,748         | 3,492         |
| <b>Reserves from financial statements adjusted for Solvency II valuation differences</b> | <b>2,096</b>  | <b>3,492</b>  |
| Ordinary share capital   | 50,000        | 50,000        |
| Share premium account related to ordinary share capital                                  | -             | -             |
| <b>Excess of assets over liabilities</b>   | <b>52,096</b> | <b>53,492</b> |
| Add: Subordinated liabilities  | -             | -             |
| Less: Foreseeable dividends  | -             | -             |
| <b>Basic own funds</b>   | <b>52,096</b> | <b>53,492</b> |
| Add: Letter of Credit  | -             | -             |
| <b>Total own funds</b>   | <b>52,096</b> | <b>53,492</b> |

#### 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,<br>\$'000 (USD) | Standard Formula,<br>\$'000 (USD) |
|--|-----------------------------------|-----------------------------------|
|  | 2021                              | 2020                              |
| Market risk  | 2,516                             | 1,175                             |
| Counterparty default risk  | 265                               | 1,504                             |
| Non-life underwriting risk   | 2,275                             | 118                               |
| Diversification  | (1,135)                           | (609)                             |
| Intangible asset risk  | -                                 | -                                 |
| <b>Basic Solvency Capital Requirement</b>                            | <b>3,921</b>                      | <b>2,188</b>                      |
| Operation Risk   | 14                                | 11                                |
| Loss-absorbing capacity of technical provisions                      | -                                 | -                                 |
| Loss-absorbing capacity of deferred taxes                            | -                                 | -                                 |
| Diversification effect due to RFF in SCR aggregation for article 304 | -                                 | -                                 |
| <b>Solvency Capital Requirement</b>                                  | <b>3,935</b>                      | <b>2,199</b>                      |

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

\$147k of Premium and Reserve Risk driven by earned premiums and forecast premiums.

\$2,270k of Non-life lapse risk is the difference between the absolute value of the assets sensitive to the Non-life lapse risk, before & after the shock.

\$142k relates to diversification within non-life underwriting risk module.

| Non-Life Underwriting Risk        | Standard Formula,<br>\$'000 (USD) | Standard Formula,<br>\$'000 (USD) |
|-----------------------------------|-----------------------------------|-----------------------------------|
|                                   | 2021                              | 2020                              |
| Non-life premium and reserve risk | 147                               | 117                               |
| Non-life lapse risk               | 2,270                             | -                                 |
| Non-life catastrophe risk         | -                                 | -                                 |
| Diversification benefit           | (142)                             | -                                 |
| <b>Non-Life Underwriting Risk</b> | <b>2,275</b>                      | <b>117</b>                        |

### **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:

\$2,516k of Market Risk SF-SCR arises from:

\$2,270k Spread Risk mainly driven by the Company's investments in bonds.

\$1,085k Interest Rate Risk driven by exposures to fixed income securities.



| Market Risk        | Standard Formula \$'000 (USD) | Standard Formula \$'000 (USD) |
|--------------------|-------------------------------|-------------------------------|
|                    | 2021                          | 2020                          |
| Spread risk        | 2,270                         | 505                           |
| Currency risk      | -                             | -                             |
| Interest rate risk | 1,085                         | 839                           |

|   |              |              |
|---|--------------|--------------|
| Concentration risk                        | -            |              |
| Diversification within market risk module | (839)        | (168)        |
| <b>Total Market Risk</b>                  | <b>2,516</b> | <b>1,175</b> |

#### COUNTERPARTY DEFAULT RISK MODULE (CREDIT RISK MODULE)

\$265k Counterparty Default Risk SF-SCR arises from risk of default of the Custodian Bank and Cash at Bank. The exposure decreased significantly in comparison to 2020 due to reduction of \$5m cash in bank in 2021.

| Credit (Counterparty default) Risk | Standard Formula, \$'000 (USD) | Standard Formula, \$'000 (USD) |
|------------------------------------|--------------------------------|--------------------------------|
|                                    | 2021                           | 2020                           |
| Credit (Counterparty default) Risk | 265                            | 1,504                          |

#### OPERATIONAL RISK SCR

Operation Risk SF-SCR amounts to \$14k which is mainly driven by premiums.

| Operational Risk | Standard Formula, \$'000 (USD) | Standard Formula, \$'000 (USD) |
|------------------|--------------------------------|--------------------------------|
|                  | 2021                           | 2020                           |
| Operational risk | 14                             | 12                             |

#### 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 \$2,911k.

The following table shows the MCR calculation:

| Overall MCR Calculation            | Standard Formula, \$'000 (USD) | Standard Formula, \$'000 (USD) |
|------------------------------------|--------------------------------|--------------------------------|
|                                    | 2021                           | 2020                           |
| Linear MCR                         | 33                             | 38                             |
| SCR                                | 3,935                          | 2,199                          |
| MCR cap                            | 1,771                          | 990                            |
| MCR floor                          | 984                            | 550                            |
| Combined MCR                       | 984                            | 550                            |
| Absolute floor of the MCR          | 2,911                          | 2,924                          |
| <b>Minimum Capital Requirement</b> | <b>2,911</b>                   | <b>2,924</b>                   |

**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.<br>\$'000 (USD)<br>2021 | Net (of reinsurance) written premiums in the last 12 months.<br>\$'000 (USD)<br>2021 | Net (of reinsurance/SPV) best estimate and TP calculated as a whole.<br>\$'000 (USD)<br>2020 | Net (of reinsurance) written premiums in the last 12 months.<br>\$'000 (USD)<br>2020 |
|---|--|--|--|--|
| 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          | (391)  | 290  | (106)  | 337  |
| 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.

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# **F - APPENDICES TO THE SOLVENCY AND FINANCIAL CONDITION REPORT**

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**General information**

|   |   |
|---|---|
| Undertaking name                                    | Uzbekinvest International Insurance Company                   |
| Undertaking identification code                     | 213800PW548AU92DES43  |
| 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 2021  |
| Currency used for reporting                         | USD   |
| Accounting standards                                | Local GAAP  |
| Method of Calculation of the SCR                    | Standard formula  |
| Matching adjustment                                 | No use of matching adjustment                                 |
| Volatility adjustment                               | No 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.05.02.01 - Premiums, claims and expenses by country
- 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<br>value |
|---------------|--|----------------------|
|               |  | C0010                |
| <b>Assets</b> |  |                      |
| R0030         | Intangible assets  |                      |
| R0040         | Deferred tax assets  |                      |
| 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)        | 50,402               |
| R0080         | <i>Property (other than for own use)</i>   | 0                    |
| R0090         | <i>Holdings in related undertakings, including participations</i>                      | 0                    |
| R0100         | <i>Equities</i>  | 0                    |
| R0110         | <i>Equities - listed</i>   |                      |
| R0120         | <i>Equities - unlisted</i>   |                      |
| R0130         | <i>Bonds</i>   | 50,402               |
| R0140         | <i>Government Bonds</i>  | 10,491               |
| R0150         | <i>Corporate Bonds</i>   | 39,911               |
| R0160         | <i>Structured notes</i>  | 0                    |
| R0170         | <i>Collateralised securities</i>   | 0                    |
| R0180         | <i>Collective Investments Undertakings</i>   | 0                    |
| R0190         | <i>Derivatives</i>   |                      |
| R0200         | <i>Deposits other than cash equivalents</i>  | 0                    |
| R0210         | <i>Other investments</i>   | 0                    |
| R0220         | Assets held for index-linked and unit-linked contracts                                 |                      |
| R0230         | Loans and mortgages  | 0                    |
| R0240         | <i>Loans on policies</i>   | 0                    |
| R0250         | <i>Loans and mortgages to individuals</i>  |                      |
| R0260         | <i>Other loans and mortgages</i>   |                      |
| R0270         | Reinsurance recoverables from:   | 0                    |
| R0280         | <i>Non-life and health similar to non-life</i>   | 0                    |
| R0290         | <i>Non-life excluding health</i>   | 0                    |
| R0300         | <i>Health similar to non-life</i>  | 0                    |
| R0310         | <i>Life and health similar to life, excluding index-linked and unit-linked</i>         | 0                    |
| R0320         | <i>Health similar to life</i>  |                      |
| R0330         | <i>Life excluding health and index-linked and unit-linked</i>                          |                      |
| R0340         | <i>Life index-linked and unit-linked</i>   |                      |
| R0350         | Deposits to cedants  | 0                    |
| R0360         | Insurance and intermediaries receivables   | 688                  |
| R0370         | Reinsurance receivables  |                      |
| R0380         | Receivables (trade, not insurance)   | 19                   |
| 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  | 1,095                |
| R0420         | Any other assets, not elsewhere shown  | 0                    |
| R0500         | <b>Total assets</b>  | <b>52,203</b>        |

|                    |  | Solvency II<br>value |
|--------------------|--|----------------------|
|                    |  | C0010                |
| <b>Liabilities</b> |  |                      |
| R0510              | Technical provisions - non-life  | -379                 |
| R0520              | <i>Technical provisions - non-life (excluding health)</i>                              | -379                 |
| R0530              | <i>TP calculated as a whole</i>  | 0                    |
| R0540              | <i>Best Estimate</i>   | -391                 |
| R0550              | <i>Risk margin</i>   | 12                   |
| R0560              | <i>Technical provisions - health (similar to non-life)</i>                             | 0                    |
| R0570              | <i>TP calculated as a whole</i>  | 0                    |
| R0580              | <i>Best Estimate</i>   | 0                    |
| R0590              | <i>Risk margin</i>   | 0                    |
| R0600              | Technical provisions - life (excluding index-linked and unit-linked)                   | 0                    |
| R0610              | <i>Technical provisions - health (similar to life)</i>                                 | 0                    |
| R0620              | <i>TP calculated as a whole</i>  |                      |
| R0630              | <i>Best Estimate</i>   |                      |
| R0640              | <i>Risk margin</i>   |                      |
| R0650              | <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i> | 0                    |
| R0660              | <i>TP calculated as a whole</i>  |                      |
| R0670              | <i>Best Estimate</i>   |                      |
| R0680              | <i>Risk margin</i>   |                      |
| R0690              | Technical provisions - index-linked and unit-linked                                    | 0                    |
| R0700              | <i>TP calculated as a whole</i>  |                      |
| R0710              | <i>Best Estimate</i>   |                      |
| R0720              | <i>Risk margin</i>   |                      |
| R0740              | Contingent liabilities   |                      |
| R0750              | Provisions other than technical provisions   |                      |
| R0760              | Pension benefit obligations  |                      |
| R0770              | Deposits from reinsurers   |                      |
| 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  |                      |
| R0830              | Reinsurance payables   |                      |
| R0840              | Payables (trade, not insurance)  | 486                  |
| R0850              | Subordinated liabilities   | 0                    |
| R0860              | <i>Subordinated liabilities not in BOF</i>   | 0                    |
| R0870              | <i>Subordinated liabilities in BOF</i>   | 0                    |
| R0880              | Any other liabilities, not elsewhere shown   | 0                    |
| R0900              | <b>Total liabilities</b>   | 107                  |
| R1000              | <b>Excess of assets over liabilities</b>   | 52,096               |

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    |
| <b>Premiums written</b>                             |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       |          |
| R0110 Gross - Direct Business                       |  |                             |                                 |                                   |                       |  |   |                             | 290                             |                          |            |   |        |          |                                |       | 290      |
| R0120 Gross - Proportional reinsurance accepted     |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0130 Gross - Non-proportional reinsurance accepted |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0140 Reinsurers' share                             |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0200 Net   |  |                             |                                 |                                   |                       |  |   |                             | 290                             |                          |            |   |        |          |                                |       | 290      |
| <b>Premiums earned</b>                              |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       |          |
| R0210 Gross - Direct Business                       |  |                             |                                 |                                   |                       |  |   |                             | 344                             |                          |            |   |        |          |                                |       | 344      |
| R0220 Gross - Proportional reinsurance accepted     |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0230 Gross - Non-proportional reinsurance accepted |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0240 Reinsurers' share                             |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0300 Net   |  |                             |                                 |                                   |                       |  |   |                             | 344                             |                          |            |   |        |          |                                |       | 344      |
| <b>Claims incurred</b>                              |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       |          |
| R0310 Gross - Direct Business                       |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0320 Gross - Proportional reinsurance accepted     |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0330 Gross - Non-proportional reinsurance accepted |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0340 Reinsurers' share                             |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| R0400 Net   |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 0        |
| <b>Changes in other technical provisions</b>        |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       |          |
| 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        |
| R0550 Expenses incurred                             |  |                             |                                 |                                   |                       |  |   |                             | 922                             |                          |            |   |        |          |                                |       | 922      |
| R1200 Other expenses                                |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       |          |
| R1300 Total expenses                                |  |                             |                                 |                                   |                       |  |   |                             |                                 |                          |            |   |        |          |                                |       | 922      |

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 |
|   |              | C0080  | C0090 | C0100 | C0110 | C0120  | C0130 |                              |
| <b>Premiums written</b>                             |              |  |       |       |       |  |       |                              |
| R0110 Gross - Direct Business                       | 290          |  |       |       |       |  | 290   |                              |
| R0120 Gross - Proportional reinsurance accepted     |              |  |       |       |       |  | 0     |                              |
| R0130 Gross - Non-proportional reinsurance accepted |              |  |       |       |       |  | 0     |                              |
| R0140 Reinsurers' share                             |              |  |       |       |       |  | 0     |                              |
| R0200 Net   | 290          |  |       |       |       |  | 290   |                              |
| <b>Premiums earned</b>                              |              |  |       |       |       |  |       |                              |
| R0210 Gross - Direct Business                       | 344          |  |       |       |       |  | 344   |                              |
| R0220 Gross - Proportional reinsurance accepted     |              |  |       |       |       |  | 0     |                              |
| R0230 Gross - Non-proportional reinsurance accepted |              |  |       |       |       |  | 0     |                              |
| R0240 Reinsurers' share                             |              |  |       |       |       |  | 0     |                              |
| R0300 Net   | 344          |  |       |       |       |  | 344   |                              |
| <b>Claims incurred</b>                              |              |  |       |       |       |  |       |                              |
| R0310 Gross - Direct Business                       |              |  |       |       |       |  | 0     |                              |
| R0320 Gross - Proportional reinsurance accepted     |              |  |       |       |       |  | 0     |                              |
| R0330 Gross - Non-proportional reinsurance accepted |              |  |       |       |       |  | 0     |                              |
| R0340 Reinsurers' share                             |              |  |       |       |       |  | 0     |                              |
| R0400 Net   | 0            |  |       |       |       |  | 0     |                              |
| <b>Changes in other technical provisions</b>        |              |  |       |       |       |  |       |                              |
| 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     |                              |
| R0550 Expenses incurred                             |              |  |       |       |       |  | 0     |                              |
| R1200 Other expenses                                |              |  |       |       |       |  |       |                              |
| R1300 Total expenses                                |              |  |       |       |       |  | 0     |                              |





**5.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula**

|   | Gross solvency capital requirement | USP   | Simplifications |
|---|------------------------------------|-------|-----------------|
|   | C0110                              | C0090 | C0120           |
| R0010 Market risk   | 2,516                              |       |                 |
| R0020 Counterparty default risk   | 265                                |       |                 |
| R0030 Life underwriting risk  | 0                                  |       |                 |
| R0040 Health underwriting risk  | 0                                  |       |                 |
| R0050 Non-life underwriting risk  | 2,275                              |       |                 |
| R0060 Diversification   | -1,135                             |       |                 |
| R0070 Intangible asset risk   | 0                                  |       |                 |
| R0100 <b>Basic Solvency Capital Requirement</b>   | <b>3,921</b>                       |       |                 |
| <b>Calculation of Solvency Capital Requirement</b>  |                                    |       |                 |
| R0130 Operational risk  | 14                                 |       |                 |
| R0140 Loss-absorbing capacity of technical provisions   | 0                                  |       |                 |
| R0150 Loss-absorbing capacity of deferred taxes   | 0                                  |       |                 |
| R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0                                  |       |                 |
| R0200 <b>Solvency Capital Requirement excluding capital add-on</b>                                | <b>3,935</b>                       |       |                 |
| R0210 Capital add-ons already set   | 0                                  |       |                 |
| R0220 <b>Solvency capital requirement</b>   | <b>3,935</b>                       |       |                 |
| <b>Other information on SCR</b>   |                                    |       |                 |
| 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                                  |       |                 |
| <b>Approach to tax rate</b>   |                                    |       |                 |
| R0590 Approach based on average tax rate  | 0                                  |       |                 |
| <b>Calculation of loss absorbing capacity of deferred taxes</b>                                   |                                    |       |                 |
| R0640 LAC DT  |                                    |       |                 |
| R0650 LAC DT justified by reversion of deferred tax liabilities                                   | 0                                  |       |                 |
| R0660 LAC DT justified by reference to probable future taxable economic profit                    | 0                                  |       |                 |
| R0670 LAC DT justified by carry back, current year  | 0                                  |       |                 |
| R0680 LAC DT justified by carry back, future years  | 0                                  |       |                 |
| R0690 Maximum LAC DT  | 0                                  |       |                 |

**USP Key**  
**For life underwriting risk:**  
 1 - Increase in the amount of annuity benefits  
 9 - None  
**For health underwriting risk:**  
 1 - Increase in the amount of annuity benefits  
 2 - Standard deviation for NSLT health premium risk  
 3 - Standard deviation for NSLT health gross premium risk  
 4 - Adjustment factor for non-proportional reinsurance  
 5 - Standard deviation for NSLT health reserve risk  
 9 - None  
**For non-life underwriting risk:**  
 4 - Adjustment factor for non-proportional reinsurance  
 6 - Standard deviation for non-life premium risk  
 7 - Standard deviation for non-life gross premium risk  
 8 - Standard deviation for non-life reserve risk  
 9 - None

**5.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula**

|   | Gross solvency capital requirement | USP   | Simplifications |
|---|------------------------------------|-------|-----------------|
|   | C0110                              | C0090 | C0120           |
| R0010 Market risk   | 2,516                              |       |                 |
| R0020 Counterparty default risk   | 265                                |       |                 |
| R0030 Life underwriting risk  | 0                                  |       |                 |
| R0040 Health underwriting risk  | 0                                  |       |                 |
| R0050 Non-life underwriting risk  | 2,275                              |       |                 |
| R0060 Diversification   | -1,135                             |       |                 |
| R0070 Intangible asset risk   | 0                                  |       |                 |
| R0100 <b>Basic Solvency Capital Requirement</b>   | <b>3,921</b>                       |       |                 |
| <b>Calculation of Solvency Capital Requirement</b>  |                                    |       |                 |
| R0130 Operational risk  | 14                                 |       |                 |
| R0140 Loss-absorbing capacity of technical provisions   | 0                                  |       |                 |
| R0150 Loss-absorbing capacity of deferred taxes   | 0                                  |       |                 |
| R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | 0                                  |       |                 |
| R0200 <b>Solvency Capital Requirement excluding capital add-on</b>                                | <b>3,935</b>                       |       |                 |
| R0210 Capital add-ons already set   | 0                                  |       |                 |
| R0220 <b>Solvency capital requirement</b>   | <b>3,935</b>                       |       |                 |
| <b>Other information on SCR</b>   |                                    |       |                 |
| 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                                  |       |                 |
| <b>Approach to tax rate</b>   |                                    |       |                 |
| R0590 Approach based on average tax rate  | 0                                  |       |                 |
| <b>Calculation of loss absorbing capacity of deferred taxes</b>                                   |                                    |       |                 |
| R0640 LAC DT  |                                    |       |                 |
| R0650 LAC DT justified by reversion of deferred tax liabilities                                   | 0                                  |       |                 |
| R0660 LAC DT justified by reference to probable future taxable economic profit                    | 0                                  |       |                 |
| R0670 LAC DT justified by carry back, current year  | 0                                  |       |                 |
| R0680 LAC DT justified by carry back, future years  | 0                                  |       |                 |
| R0690 Maximum LAC DT  | 0                                  |       |                 |

**USP Key**  
**For life underwriting risk:**  
 1 - Increase in the amount of annuity benefits  
 9 - None  
**For health underwriting risk:**  
 1 - Increase in the amount of annuity benefits  
 2 - Standard deviation for NSLT health premium risk  
 3 - Standard deviation for NSLT health gross premium risk  
 4 - Adjustment factor for non-proportional reinsurance  
 5 - Standard deviation for NSLT health reserve risk  
 9 - None  
**For non-life underwriting risk:**  
 4 - Adjustment factor for non-proportional reinsurance  
 6 - Standard deviation for non-life premium risk  
 7 - Standard deviation for non-life gross premium risk  
 8 - Standard deviation for non-life reserve risk  
 9 - None

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<sub>NL</sub> Result

38

| 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    | 0 |     |
| R0080 Fire and other damage to property insurance and proportional reinsurance | 0 |     |
| R0090 General liability insurance and proportional reinsurance                 | 0 |     |
| R0100 Credit and suretyship insurance and proportional reinsurance             | 0 | 290 |
| 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                                    | 0 |     |
| R0160 Non-proportional marine, aviation and transport reinsurance              | 0 |     |
| R0170 Non-proportional property reinsurance                                    | 0 |     |

Linear formula component for life insurance and reinsurance obligations

C0040

R0200 MCR<sub>L</sub> Result

0

| 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         |  |  |
| R0250 Total capital at risk for all life (re)insurance obligations          |  |  |

Overall MCR calculation

C0070

|                                   |       |
|-----------------------------------|-------|
| R0300 Linear MCR                  | 33    |
| R0310 SCR                         | 3,935 |
| R0320 MCR cap                     | 1,771 |
| R0330 MCR floor                   | 984   |
| R0340 Combined MCR                | 984   |
| R0350 Absolute floor of the MCR   | 2,911 |
| R0400 Minimum Capital Requirement | 2,911 |