



Uzbekinvest International Insurance Company Limited

Solvency & Financial Condition Report 2016

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EXECUTIVE SUMMARY

Review of the business

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 2016. The directors are of the view that no additional potential claims were incurred but not reported during the year. As a result no reserve for outstanding claims or IBNR has been established.

Business Environment

The global economy still face daunting challenges, both political and economic, that has put further downward pressure on global trade and investment activity. Stagnant trade and heightened policy uncertainty in advanced economies, as well as weak investment prospects across many emerging markets is now expected to remain for medium-term prospects.

In such challenging conditions the Government of Uzbekistan is carrying out wide-scale reforms aimed to boost resilience and improve growth prospects of the national economy. Further enhancing international and regional integration by promoting trade and foreign direct investment, as well as providing strong government support for the major sectors of economy, continuing improvement of business environment, fiscal stimulus and creation of favourable investment conditions, in conjunction with political stability, means that the Republic of Uzbekistan remains one of the attractive countries in Central Asia to foreign investors.

The Company's business activity is expected when the global economy is fully stabilised and foreign investors return to the country, we anticipate 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.

Business Strategy

The Company intends to continue offering insurance policies designed to protect the business and assets of foreign companies investing or doing business in the Republic of Uzbekistan.

As the Company is better positioned for the Uzbek market through close co-ordination with immediate government trade departments and ministries, therefore the bulk of Company's business strategy is going to be focused onto close cooperation with the participants, both domestic and foreign, of the Annual Investment Program of Uzbekistan for 2017, as well as the industrial development programs.

The target list and potentials of the Company is based on the currently developing projects and cover agriculture sector, textile, transport, cotton trade, oil & gas industries, auto and machinery.

Capital Management

The Company uses the Standard Formula to calculate its solvency capital requirement. The Company's Standard Formula Solvency Capital Requirement (SF-SCR) at 31 December 2016 is \$4.6m. This is covered by \$50.6m of eligible capital resources, providing a Solvency II surplus of \$45.9m and a Solvency II coverage ratio of 1091.5%. Both metrics are defined by the regulations to mean the excess of the Company's total eligible own funds over its solvency capital requirement.

Future Developments

The Company will continue to follow its diversified marketing strategy, as well as a more focus on potential projects in Uzbekistan according to the country's investment and industrial development programs. The Company will continue to identify the banks providing backing to companies participating in trade projects and actively develop business relationships with them.

Hasan Mamadjonov
Chief Executive Officer



Date:

05/06/2017

DIRECTORS' REPORT

Directors

The current listing of Directors for 2016 is as follows:

Chief Executive Officer	Mr. H Mamadjonov
Non-Executive Director	Mr R Gulyamov
Non-Executive Director	Mr F Saidakhmedov
Non-Executive Director	Mr S Vafaev
Non-Executive Director	Mr R Antes

During the year, the following resignations took place:

Mr B Ashrafkhanov Resigned 31 March 2016

Following the year end, Mr. Ray Antes resigned as a Director on 2 March 2017.

Statement of Directors' Responsibilities

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

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

Compliance with SCR

The Company has complied with all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable throughout the financial year 2016. The Company reasonably believes that it will comply with the PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

Statement of disclosure of information to auditors

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

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

Independent Auditors

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

On behalf of the Board,

Hasan Mamadjonov
Director

Date: 05/06/2017

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

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

Opinion

We have audited the following documents prepared by the Company as at 31st December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31st December 2016, ('the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('the Templates subject to audit').

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

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

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31st December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

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

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately

disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Solvency and Financial Condition Report and of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

5 June 2017

- The maintenance and integrity of the Uzbekinvest International Insurance Company Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

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 18 years no-claims partnership with AIG, 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 affected in the United Kingdom. AIG Uzbekinvest Limited is a member company of AIG.

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

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

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

The financial statements are presented in United States dollars ('USD') as the assets, liabilities and majority of the Company's transactions are denominated in that currency. The functional currency of the Company is United States dollars.

The Company is a relatively small entity. The gross premium written for 2016 amounted to \$274k (2015, \$220). 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 18 May 2017.

Country Branches

The Company does not have any branches.

MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT AND SOLVENCY II

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

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Business Environment

The Company continued to grow during 2016 in terms of gross premium written. The Government of Uzbekistan is carrying out wide-scale reforms aimed to boost resilience and improve growth prospects of the national economy.

The Company's business activity is expected when the global economy is fully stabilised and foreign investors return to the country, however we anticipate 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.

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 2016. 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.

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)
Gross Premium Written	274
Change in gross provision for unearned premiums	210
Net Premium Earned	484
Claims incurred	-
Expenses incurred	(413)
Underwriting performance	70

All premiums, profits and net assets relate to the political risk business transacted in the United Kingdom. The location of the risk of the business is in the Republic of Uzbekistan.

A.3-INVESTMENT PERFORMANCE

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

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

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

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

INVESTMENT RETURN

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

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

Investment Return	\$'000 (USD)
2016 Capital increase	435
Deposits	222
Net Capital Increase	657
Performance	1.3%

The investment portfolio structure can be split as follows:

Investment Portfolio	\$'000 (USD)	Accrued Interest	% of Portfolio
Short Term Investments& Cash	15,628	56	31.0%
Bonds	34,882	111	69.0%
Portfolio Total	50,510	167	100%

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

Bonds – Investment Grade	\$'000 (USD)	% of Portfolio
AAA	22,629	48.0%
AA	10,264	21.8%
A	14,262	30.2%
Total	47,155	100%

A.4-PERFORMANCE FROM OTHER ACTIVITIES

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

OTHER MATERIAL INCOME AND EXPENSES

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

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

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

A.5-ANY OTHER MATERIAL INFORMATION

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

B - SYSTEM OF GOVERNANCE

B.1 – GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

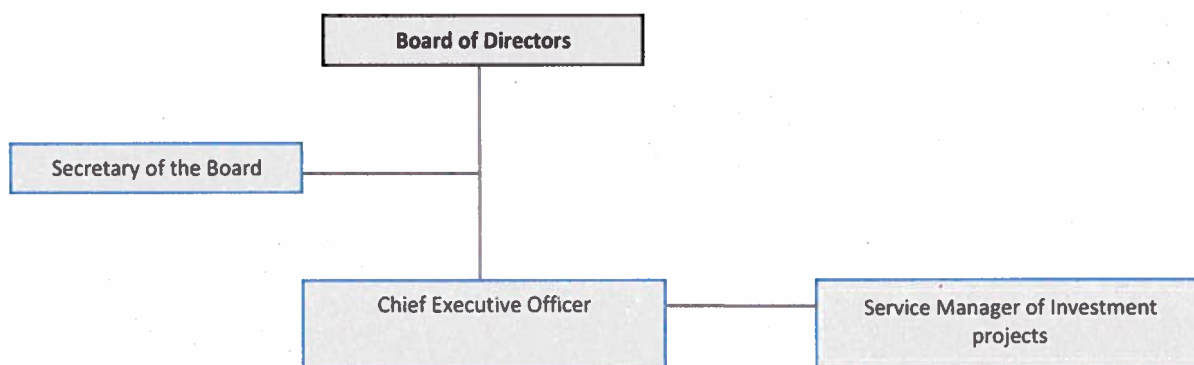
The Company depends on AIG Uzbekinvest Limited who acts as its agent for business development and also manages the outsourcing arrangements with AIG UK Services Limited such as accounting, actuarial, claims, company secretary, risk management and underwriting. The investment managers and custodian of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

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

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

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

Organisation chart



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.

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 annually 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.

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

B.4 – B.6 - KEY FUNCTIONS, ROLES AND RESPONSIBILITIES**Chief Executive Officer**

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

The duties of the CEO are summarised below by function:

1. Commercial Lines
 - Adherence to profit centre targets both in term of overall booking of premium, and for successful identification of new clients, cross selling and renew business.
 - Management of ongoing broker relationships to ensure maximum opportunity presented for business.
 - Close integration with broker and client strategy to ensure UIIC product and price offering competitive.
2. Finance
 - Implementation and ongoing review of agreed business plans.
 - Oversight of management information and effective review of functions performance as per business plan.
 - Adherence to all statutory financial requirements for the Company.
3. Legal and compliance
 - Has responsibility for represent the UIIC at Appropriate levels in the Industry, Government and Press. Specifically on the FCA/PRA, ABI, CBI and GISC.
 - Management of reporting and control of the businesses to ensure compliance with both legal and regulatory requirements.
 - Commits and adheres to the FCA/PRA Code of Practice and Statement of Principle for Approved Persons in respect of the controlled functions for which the job holder is registered and approved.
 - Adherence to the requirements of being an Approved Person for the "Chief Executive Officer" and "Apportionment & Oversight" Controlled Functions
4. Claims
 - Oversight of terms negotiated with principals third part suppliers.
 - Oversight of claims management procedures.
 - Monitoring and analysis of major losses, trends and developments.
5. Marketing
 - Ensures Corporate image is enhanced and protected by adherence with UIIC and AIG Corporate standards.
 - Provides support for industry/business seminar of Uzbekistan.
6. Operations & systems
 - Ensures IT strategy fits and support the business strategy.
 - Ensures the building and infrastructure is adequate and conforms to levels of security and Health & Safety.
 - Establishes and maintains systems and operational practice appropriate to the scale, nature and complexity of the UK Operation and subsidiary companies which cover exposures from underwriting, claims reserving, investment and other business activities and ensure compliance with Group, Legal and Regulatory requirements including both Statutory FSA and Voluntary GISC codes.
 - Oversight of terms negotiated with principal third party suppliers.

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

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

B.7 – OUTSOURCING ARRANGEMENTS

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

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

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

Remuneration Policy

The remuneration policy of the Company is decided by the Board due to the limited number of employees. The entitlement of each employee is decided on a case by case basis depending on experience and qualifications.

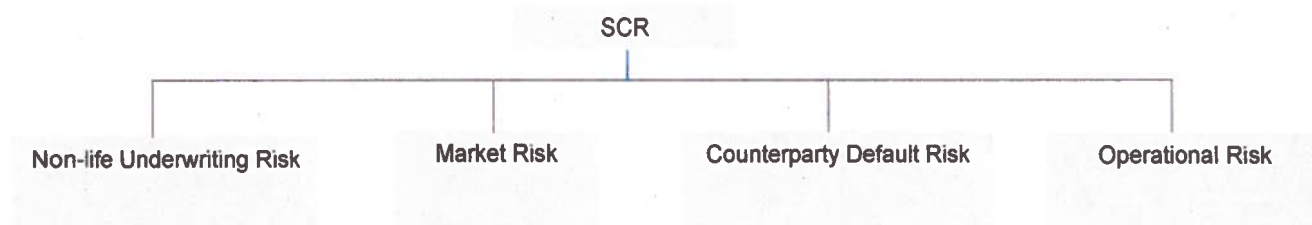
B.8 - ANY OTHER MATERIAL INFORMATION

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

C-RISK PROFILE

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

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



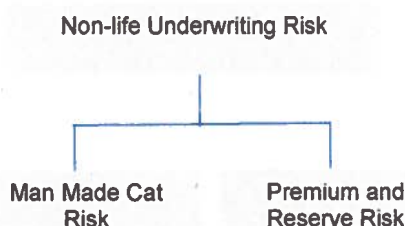
Risk Profile, Measurement and Assessment

The Company's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the three 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 including, but not limited to, bonds, and loans.



MARKET RISK EXPOSURE

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

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

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

MARKET RISK CONCENTRATION

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

Market Risk Concentration – by Credit Rating

Bond Ratings	Market Risk Concentration\$'000 (USD)	Market Risk Concentration %
AAA	22,629	48%
AA	10,264	22%
A	14,262	30.2%
Total	47,155	100%

Bonds (government and corporate) comprise the Company's investment portfolio out of which 100% were rated AAA, AA or A in 2016. Therefore, the Company's exposures to the increase in corporate spreads and downgrade in ratings are concentrated within bonds rated A and above.

Market Risk Concentration – by Issuer

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

Issuer names	Market Risk Concentration \$'000 (USD)	Market Risk Concentration %
U.S. Government	18,835	40%
Total S.A.	3,011	6.4%
Owens-Illinois, Inc.	2,000	4.2%

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

Market Risk Concentration – by Currency

The base currency of the Company's portfolio is US dollars. As at 31 December 2016, 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.

The Company's exposure to Counterparty Default Risk is the largest contributor to its capital requirement under Standard Formula.

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 \$3.8m as at 2016. The Company only has an insignificant Type 2 exposure relating to Receivables of \$5k.

The details of the cash balances by counterparties are:

Counterparty	Credit Risk Concentration\$'000 (USD)
Falcon Private Bank Ltd	3,556
Citi Bank	272
Total	3,828

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 the 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.
- AIGU/UJIC controls its operational risks 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 - RISK SENSITIVITIES

The Company has robust Solvency Position, the Company manages to keep its Solvency II Ratio above 100%. The current Solvency II ratio is 1,091%.

C.7 – OTHER MATERIAL RISKS

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

D - Valuation for Solvency Purposes

VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

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

Solvency II Economic Balance Sheet as at 31 December 2016, \$'000 (USD).	Notes	UK GAAP	Revaluation & Reclassification	Solvency II
Assets				
Deferred acquisition costs	2	2	-2	-
Intangible assets				
Deferred tax assets				
Pension benefit surplus				
Property, plant & equipment held for own use				
Investments	1	50,510	130	50,640
Property (other than for own use)				
Participations				
Equities				
Equities – listed				
Equities – unlisted				
Bonds	1	34,882	12,273	47,155
Government Bonds	1	20,461	3,278	23,739
Corporate Bonds	1	14,421	8,995	23,415
Structured notes				
Collateralised securities				
Investment funds				
Deposits other than cash equivalents	1	15,628	-12,143	3,485
Loans & mortgages				
Other loans & mortgages				
Reinsurance recoverable from:				
Non-life excluding health				
Health similar to non-life				
Life excluding Health and index-linked and unit-linked				
Insurance & intermediaries receivables	3	272	-272	-
Reinsurance receivables				
Receivables (trade, not insurance)	1	172	-166	6
Cash and cash equivalents	4	343		343
Any other assets, not elsewhere shown	5	26		26
Total assets		51,325	(310)	51,015
Liabilities				
Technical Provisions				
Technical provisions – non-life (excluding health)	6	6	-162	-156
TP Calculated as a whole				
Best Estimate				-201
Risk Margin				45
Liabilities other than Technical Provisions				
Provisions other than technical provisions				
Pension benefit obligations				
Deposits from reinsurers				
Deferred tax liabilities				
Insurance & intermediaries payables		68	-68	-
Reinsurance payables				
Payables (trade, not insurance)	7	486	-138	348
Subordinated liabilities				
Subordinated liabilities not in BOF				
Subordinated liabilities in BOF				
Any other liabilities, not elsewhere shown	8	104	138	242
Total Liabilities		664	230	434
Excess of Assets over Liabilities		50,661	80	50,581

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

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

- \$166k accrued interest has been reclassified from Receivables (trade, not insurance) to Investments.
- \$36k market value downward adjustment for a prior investment held with Lehman Brothers. The adjustment represents an estimate of the likely remaining liquidation settlement.
- \$12,143k deposits other than cash equivalents has been reclassified to government and corporate bonds in line with Solvency II requirements. The Company considers bonds with a maturity of less than one year under deposits and cash equivalents.

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

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

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

- Level 1 – quoted market prices in active markets for same assets. Level 1 valuation hierarchy is applied to cash and short term deposits.
- Level 2 – quoted market prices in active markets for similar assets. Level 2 valuation hierarchy is applied to government and corporate bonds.

NOTE 2: DEFERRED ACQUISITION COST

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

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

NOTE 3: INSURANCE AND INTERMEDIARIES RECEIVABLES

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

The fair value of receivables which are past-due does not differ materially from their amortised cost and are therefore considered to be held at fair value. The reclassification to Solvency II Technical Provisions amounts to \$272k.

NOTE 4: CASH AND CASH EQUIVALENTS

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

NOTE 5: ANY OTHER ASSETS, NOT ELSEWHERE SHOWN

\$26k is the total net VAT-position of the Company.

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

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

Technical provisions are grouped into the following key components:

- Gross premium provisions: Best estimate of provisions that relate to the unearned exposure (i.e. driven from unearned premium and policies which are bound but not yet 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
- BBNI business
- Expenses
- ENID
- Discounting credit
- Future premium (payables and receivables)

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

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

The Company does not have any reinsurance ceded.

CLAIMS PROVISION

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

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

There are no claims reserves under UK GAAP reporting. No claims have been notified during 2016 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 IFRS 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 non-hedgeable 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 write Credit and suretyship . Therefore, all technical provisions relate to Credit and suretyship lines of business.

D.3 - OTHER LIABILITIES

NOTE 7: PAYABLES (TRADE, NOT INSURANCE)

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

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

NOTE 8: ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

Any other liabilities, not elsewhere shown consist of accruals.

D.4 - ALTERNATIVE VALUATION METHODS

The Company did not use the alternative methods for valuation treatment during 2016.

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 be confident of being able to set up reserves to meet projected liabilities of existing policyholders in a year's time, without requiring additional capital. Under UK GAAP, the provision for claims was reduced to 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 2016 amounts to 1,091% and 1,249% 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 2016, 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 2016 is provided below:

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

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).

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)
Excess of assets over liabilities	50,581
Less:	-
Ordinary Share Capital	50,000
Share Premium Account	-
Net Deferred Tax Assets	-
Reconciliation Reserve	581

ELIGIBLE OWN FUNDS

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

ELIGIBLE OWN FUNDS TO COVER CAPITAL REQUIREMENTS

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

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

risk-based Solvency Capital Requirement.

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

Eligible Own Funds	\$'000 (USD)
SCR	4,634
MCR	4,050
Ratio of eligible own funds to SCR	1,091%
Ratio of eligible own funds to MCR	1,249%

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

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

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

CAPITAL INSTRUMENTS AND RING FENCED FUNDS

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

E.2 - SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

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

SOLVENCY CAPITAL REQUIREMENT (SCR)

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

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

The table on the right highlights the capital requirements for each risk module:

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

INSURANCE RISK MODULE (UNDERWRITING RISK MODULE)

NON-LIFE UNDERWRITING RISK SUB-MODULE:

Non-life underwriting risk is the largest component of SF-SCR and it mainly arises from:

- \$183k of Premium and Reserve Risk driven by earned premiums and forecast premiums.
- \$662k of Catastrophe Risk driven by the Company's exposure to political risk.

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

MARKET RISK MODULE

There were no material changes during year and the below commentary relates to the year end figures.

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:

- \$1,467k of Market Risk SF-SCR arises from:
- \$710k Spread Risk mainly driven by the Company's investments in bonds.
- \$62k Currency Risk mainly driven by exposure of the Company's assets and liabilities denominated in foreign currencies.
- \$1,204k Interest Rate Risk driven by exposures to fixed income securities.

\$366k Concentration Risk mainly driven by investment in bonds and short term deposits held at the custodian bank.

Market Risk	Standard Formula \$'000 (USD)
Spread risk	710
Currency risk	62
Interest rate risk	1,204
Concentration risk	366
Diversification within market risk module	(875)
Total Market Risk	1,467

COUNTERPARTY DEFAULT RISK MODULE (CREDIT RISK MODULE)

\$3,580k Counterparty Default Risk SF-SCR arises from risk of default of the Custodian Bank and Cash at Bank.

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

OPERATIONAL RISK SCR

Operation Risk SF-SCR amounts to \$22k which is mainly driven by premiums.

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

MINIMUM CAPITAL REQUIREMENT (MCR)

The Company uses the Standard Formula to calculate its Minimum Capital Requirement (MCR). The amount of the MCR for the reporting period is \$4,050k.

The following table shows the MCR calculation:

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

INFORMATION ON THE INPUTS USED TO CALCULATE THE MCR

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

Calculation of MCR (Inputs)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole. \$'000 (USD)	Net (of reinsurance) written premiums in the last 12 months. \$'000 (USD)
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	(201)	274
Legal expenses insurance and proportional reinsurance		
Assistance and proportional reinsurance		
Miscellaneous financial loss insurance and proportional reinsurance		
Non-proportional health reinsurance		
Non-proportional casualty reinsurance		
Non-proportional marine, aviation and transport reinsurance		
Non-proportional property reinsurance		

APPROACH TO CAPITAL MANAGEMENT

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

CAPITAL MANAGEMENT PLAN

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

CAPITAL MANAGEMENT PROCESS AND POLICY

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

The Company's objectives in managing its capital are:

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

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

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

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

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

E.5 - NON-COMPLIANCE

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

F - APPENDICES TO THE SOLVENCY AND FINANCIAL CONDITION REPORT

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

S.02.01.02
Balance Sheet

		Solvency II Value
Assets		C0010
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	50,640
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	47,155
Government Bonds	R0140	23,739
Corporate Bonds	R0150	23,416
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	3,485
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	6
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	343
Any other assets, not elsewhere shown	R0420	28
Total assets	R0500	51,016

S.02.01.02

Balance Sheet

		Solvency II Value
Liabilities		C0010
Technical provisions - non-life	R0510	
Technical provisions - non-life (excluding health)	R0520	
TP calculated as a whole	R0530	(156)
Best estimate	R0540	
Risk margin	R0550	(201)
Technical provisions - health (similar to non-life)	R0560	45
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	348
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	242
Total liabilities	R0900	434
Excess assets over liabilities	R1000	50,581

3.23.01.01 Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0060
Basic own funds before deduction for participations in other financial sector as foreseen in article 89 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	R0010	50 000			
Share premium account related to ordinary share capital	R0030		50 000		
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-			
Subordinated mutual member accounts	R0060	-			
Surplus funds	R0070	-			
Preference shares	R0080	-			
Share premium account related to preference shares	R0110	-			
Reconciliation reserve	R0130	561			
Subordinated liabilities	R0140	-			
An amount equal to the value of net deferred tax assets	R0160	-			
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0230	-			
Deductions	R0280	50 581			
Deductions for participations in financial and credit institutions	R0300	-			
Total basic own funds after deductions	R0310	-			
Ancillary own funds	R0320	-			
Unpaid and uncalled ordinary share capital callable on demand	R0330	-			
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0340	-			
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0350	-			
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0360	-			
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0380	-			
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0390	-			
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0400	-			
Other ancillary own funds	R0500	-			
Total ancillary own funds	R0510	50 581			
Available and eligible own funds	R0540	50 581			
Total available own funds to meet the SCR	R0550	50 581			
Total eligible own funds to meet the MCR	R0560	50 581			
Total eligible own funds to meet the SCR	R0580	50 581			
SCR	R0590	4 634			
MCR	R0600	4 050			
Ratio of Eligible own funds to SCR	R0620	109.1%			
Ratio of Eligible own funds to MCR	R0640	12.40%			
Reconciliation reserve	R0700	50 581			
Excess of assets over liabilities	R0710	-			
Own shares (held directly and indirectly)	R0720	-			
Foreseeable dividends, distributions and charges	R0730	50 000			
Other basic own fund items	R0740	-			
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0780	561			
Reconciliation reserve	R0790	-			
Expected profits	R0770	-			
Expected profits included in future premiums (EPFP) - Life Business	R0780	82			
Expected profits included in future premiums (EPFP) - Non-life business	R0790	82			
Total Expected profits included in future premiums (EPFP)					

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		2016		USP	Simplifications
		C0110	C0090		
Market risk	R0010	1,467			
Counterparty default risk	R0020	3,580			
Life underwriting risk	R0030	-			
Health underwriting risk	R0040	-			
Non-life underwriting risk	R0050	730			
Diversification	R0060	(1,164)			
Intangible asset risk	R0070	-			
Basic Solvency Capital Requirement	R0100	4,612			

Calculation of Solvency Capital Requirement

	C0100
Total capital requirement for operational risk	22
Loss-absorbing capacity of technical provisions	-
Loss-absorbing capacity of deferred taxes	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
Solvency capital requirement excluding capital add-on	4,634
Capital add-on already set	-
Solvency capital requirement	4,634
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-
Diversification effects due to RFF nSCR aggregation for article 304	-

S.28.02.01

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

Overall MCR calculation

Linear MCR					C0136
SCR				R0300	66
MCR cap				R0310	4,634
MCR floor				R0320	2,085
Combined MCR				R0330	1.159
Absolute floor of the MCR				R0340	1.159
				R0350	4,050
Minimum Capital Requirement					C0130
				R0400	4,050