Uzbekinvest International Insurance Company Limited

Solvency & Financial Condition Report 2018

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EXECUTIVE SUMMARY

Review of the business

The Local GAAP results of the Company for the year show a profit on ordinary activities before tax of US$336k gain (2017: US$343k gain). At 31 December 2018, the shareholders' funds of the Company total US$51,256k (2017: US$50, 920k). The level of gross premiums written has decreased to US$22k (2017: US$90k).

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 2018. The directors are of the view that no additional potential claims were incurred but not reported during the year. As a result & as per local GAAP accounting no reserve for outstanding claims or IBNR has been established. The Best Estimate and Risk Margin are calculated for Solvency II Valuation purposes as prescribed by Solvency II regulation.

Business Environment

The Government of Uzbekistan has been carrying out wide-scale reforms aimed to boost the growth of the national economy and improve an investment attractiveness of the country. The measures, which include a strong government support for the major sectors of economy, the elimination of legal and administrative barriers for the local business community and foreign investors, wide range of a fiscal stimulus and creation of favourable investment conditions, in conjunction with political stability, has been contributing to the investment attractiveness of the country.

As a recognition of the positive changes that are happening in the country, the international financial institutions and organizations has improved the positon of Uzbekistan in different ratings and indexes, e.g. Uzbekistan was moved 12 positions up in 2019 Index of Economic Freedom and was ranked 140th among 180 countries of the world;

Organization for Economic Cooperation and Development (OECD) improved a credit risk rating of the country and moved Uzbekistan from group six to group five on a seven-point scale, where group 1 includes the countries with minimal risks, and group 7 includes the countries with the greatest risks.

In 2019 & beyond, economic acceleration will be driven by the above positive trends and growing business opportunities in Uzbekistan.

Business Strategy

The Company's business strategy and its strategic partnerships were established with a long term view and aimed to be an integrated part of the national system of trade and investments' attraction and protection. While having the State as a sole equity holder and being a one of guaranty institutions to support foreign investors, the Company's strategic aims are remained unchanged and focused on the robust risk selection in the business activity and the capital preservation in the investment policy.

To support the above strategy and to operate the business in cost-effective way, the Company's operational business model is based on the outsourcing of all services. While keeping ongoing control of the processes by the Board and the management, the Company transfers the operational risks to the outsourcing partner.

In line with its strategy, the Company will continue to write one line business - political risk, while servicing the same customers – the foreign companies investing or doing business in the Republic of Uzbekistan.

In close cooperation with the outsourcing service provider, the Company intends to provide more flexible underwriting and customer-oriented services, lowering rates in line with market, as well as to follow its marketing strategy aimed to work closely with insurance brokers and business partners, while expanding cooperation with the banks which provide trade financing and investment projects support in Uzbekistan.

In order to provide sufficient funds to cover general operating expenses and mitigate the liquidity risk, the Company will continue to pay more attention to the investment policy. In this direction, an intensive cooperation and working meetings with a management company, as well as a quarterly revision of the investment guidelines will be in the main focus. Additionally, based on a result of changes in business volumes (e.g. new business written, claims incurred, reserve releases, etc.) and the volatility of financial markets, the correction actions will be implemented in due course.

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 2018 is US$1.6m. This is covered by US$51.2m of eligible capital resources, providing a Solvency II surplus of US$50m and a Solvency II coverage ratio of 3,219%. Both metrics are defined by the regulations to mean the excess of the Company's total eligible own funds over its solvency capital requirement.

Future Developments

The Company's future depends on both global investment activity and further demand for political risks insurance on Uzbekistan.

The Company projects to maintain its book of business within actual business results of the last few years and forecasts to achieve a moderate GPW growth over the next forecast horizon of 2-3 years. Such a moderate projection is justified by the following interrelated factors:

- The company's targets are based on assumption that number of investment projects and volume of international trade with Uzbekistan will be growing steadily.
- However, there is still a high probability that the robust approach and "wait-and-see" position of foreign investors, trade and financial institutions are going to be a refraining factor of the intensive business growth in the mid-term prospective.
- Highly competitive market and growing business appetite of rivals for covering the risks of Uzbekistan.
- High dependency of the company on the conservative underwriting guidelines of the outsourcing service provider.

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

The Company's potential target sectors will be including the financial, agriculture, textile, transport, cotton trade, oil & gas industries, auto and machinery sectors.

Hasan Mamadjonov
Chief Executive Officer

DIRECTORS' REPORT

Directors

The current listing of Directors for 2018 is as follows:

Chief Executive Officer	Mr H Mamadjovov
Director (Chairman)	Mr S Umurzakov
Director	Mr B Ashrafkhanov
Director	Mr F Saidakhmedov
Director	Mr S Vafaev

Mr. Sardor Umurzakov appointed as a Director (Chairman) of the Board on 14 February 2018.

Mr. Rovshan Gulyamov resigned as a Director from the Board on 08 November 2018.

Mr. Bakhrom Ashrafkhanov appointed as a Director of the Board on 08 November 2018.

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,

18 April 2019
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 58 Fenchurch Street London EC3M 4AB	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT	Prudential Regulation Authority (PRA) 20 Moorgate London EC2R 6DA
+44 (0) 20 7954 8397	+44 (0) 20 7583 5000	+44 (0) 20 7601 4444

The Company is a relatively small entity. The gross premium written for 2018 amounted to $22k (2017, $90k). 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 15 April 2019.

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 2018. 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) 2018	$'000 (USD) 2017
Gross Premium Written	22	90
Change in gross provision for unearned premiums	-	8
Net Premium Earned	**22**	**98**
Claims incurred		
Expenses incurred	(321)	(348)
Underwriting performance	**(299)**	**(250)**

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 2018 is Falcon Private Bank which is based in Switzerland and the asset manager, Falcon Private Wealth Limited is based in London. The entire portfolio is held in USD.

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

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

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

INVESTMENT RETURN

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

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

Investment Return	$'000 (USD) 2018	$'000 (USD) 2017
Investment Income		
Interest on other financial investments	**1,222**	**888**
Investment expenses and charges		
Investment management expenses including interest expense	(155)	(156)
Losses on the realisation of investments	(28)	35
	(183)	**(121)**
Unrealised gains/(losses) on investments	**(474)**	**(175)**
Total investment income	**565**	**592**

The investment portfolio structure can be split as follows:

Investment Portfolio – Local GAAP	$'000 (USD) 2018	$'000 (USD) 2017	Accrued Interest 2018	Accrued Interest 2017	% of Portfolio 2018	% of Portfolio 2017
Short Term Investments & Cash	11,035	7,648	44	25	22%	11.0%
Bonds	40,183	43,461	213	197	78%	89.0%
Portfolio Total	**51,217**	**51,108**	**257**	**222**	**100%**	**100%**

In line with the prudent investment approach over 98.1% 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) 2018	$'000 (USD) 2017	% of Portfolio 2018	% of Portfolio 2017
AAA	24,104	15,151	47.1%	29.6%
AA	6,121	8,639	12.0%	16.9%
A	19,980	26,247	39.0%	51.2%
BBB	501	204	1.0%	0.4%
NR	**499**	**1,007**	**1.0%**	**2.0%**
Total	**51,205**	**51,248**	**100%**	**100%**

A.4 - PERFORMANCE FROM OTHER ACTIVITIES

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

OTHER MATERIAL INCOME AND EXPENSES

Other Material Income and Expenses	$'000 (USD) 2018	$'000 (USD) 2017
Administrative expenses	315	326

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

A.5 - ANY OTHER MATERIAL INFORMATION

The Company changed a custodian from Falcon Private Bank Limited to Credit Suisse due to reputational risk of Falcon Private Bank Limited, which had been scrutinised by the world regulators in recent years of the way it managed the portfolio and provided services. The decision of the custodian change was made by the Company's Board on 08 November 2018 and was implemented in January 2019.

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.

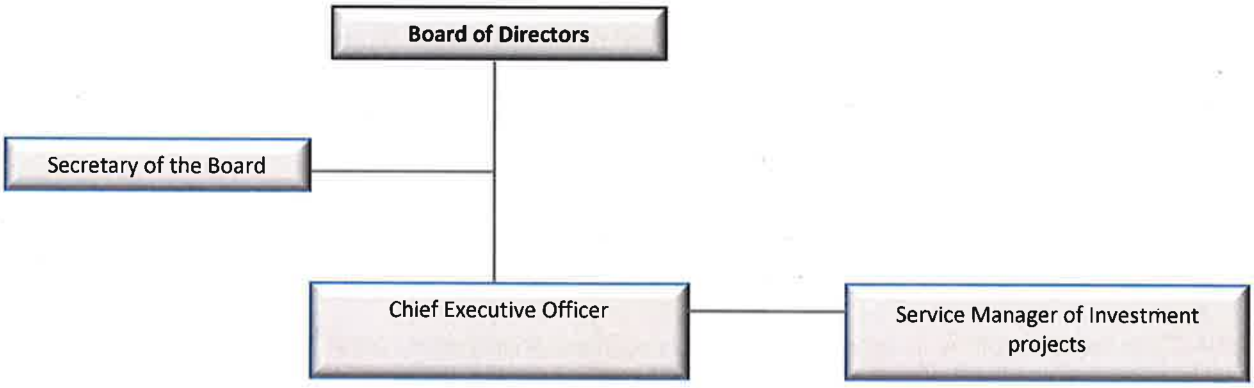
The Company depends on AIG Uzbekinvest Limited who acts as its agent for business development and also manages the outsourcing arrangements with AIG UK (Services) Limited such as accounting, actuarial, claims, company secretary, risk management and underwriting. The investment managers and custodian of the asset portfolio is outsourced to Falcon Private Wealth Ltd and Falcon Private Bank Ltd (as at 31 December 2018) 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.

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

B.3 – RISK MANAGEMENT

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Company. The Company's Risk Register is reviewed internally by the CEO on a regular basis and by the Board on an annual basis. The Company conforms to an appropriate internal control framework which exists to manage financial risks and ensures that controls operate effectively. Through this process the Company identifies the risks to which it is exposed, and assesses their impact on own funds. This process is risk based to manage the Company's capital requirements and ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders, regulators and rating agencies.

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

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

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

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

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

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

Chief Executive Officer

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

The duties of the CEO are summarised below by function:

1. Commercial Lines

- Adherence to profit centre targets both in term of overall booking of premium, and for successful identification of new clients, cross selling and renew business.
- Management of ongoing broker relationships to ensure maximum opportunity presented for business.
- Close integration with broker and client strategy to ensure UIIC product and price offering competitive.

2. Finance

- Implementation and ongoing review of agreed business plans.
- Oversight of management information and effective review of functions performance as per business plan.
- Adherence to all statutory financial requirements for the Company.

3. Legal and compliance

- Has responsibility for represent the UIIC at Appropriate levels in the Industry, Government and Press. Specifically on the FCA/PRA, ABI, CBI and GISC.
- Management of reporting and control of the businesses to ensure compliance with both legal and regulatory requirements.
- Commits and adheres to the FCA/PRA Code of Practice and Statement of Principle for Approved Persons in respect of the controlled functions for which the job holder is registered and approved.
- Adherence to the requirements of being an Approved Person for the "Chief Executive Officer" and "Apportionment & Oversight" Controlled Functions.

4. Claims

- Oversight of terms negotiated with principals third part suppliers.
- Oversight of claims management procedures.
- Monitoring and analysis of major losses, trends and developments.

5. Marketing

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

6. Operations & systems

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

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

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

B.7 – OUTSOURCING ARRANGEMENTS

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

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

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

HR Services	AIG Europe (Services) Limited	United Kingdom

Remuneration Policy

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

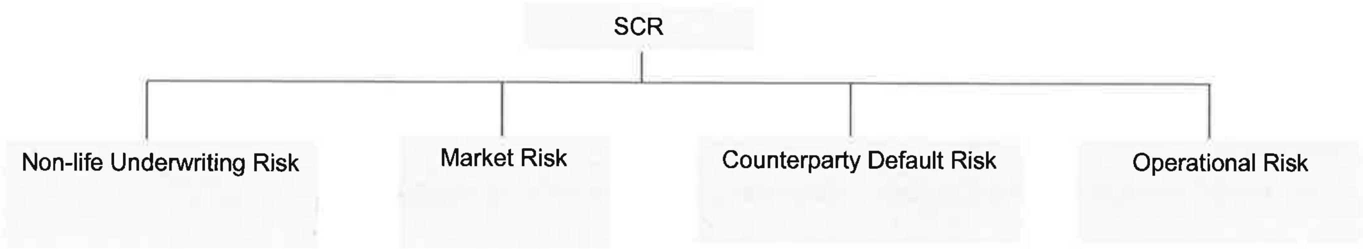
B.8 - ANY OTHER MATERIAL INFORMATION

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.



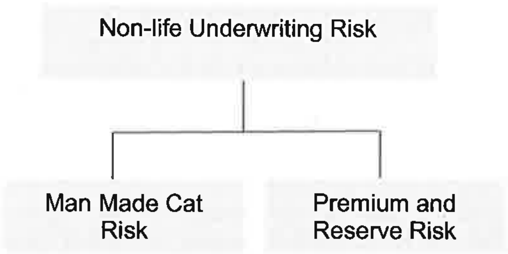
Risk Profile, Measurement and Assessment

The Company's Risk Management Framework supports the identification, measurement, management, monitoring and reporting of the 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.

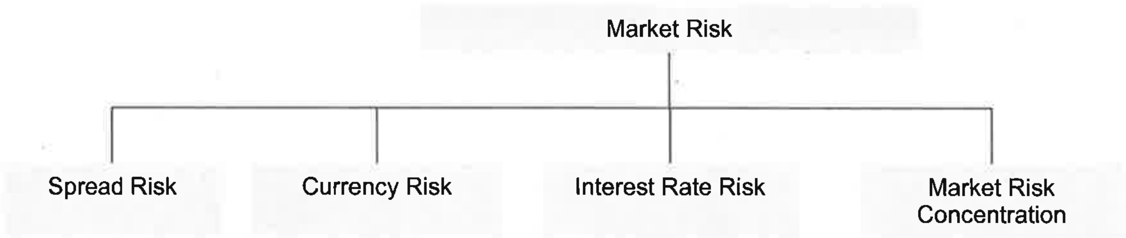
All policies have a complaints procedure for customers.

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 $'000 (USD)**	**Market Risk Concentration %**
AAA	24,104	47%
AA	6,121	12%
A	19,980	39%
BBB	504	1%
NR	499	1%
Total	**51,205**	**100%**

Bonds (government and corporate) comprise the the Company's investment portfolio out of which 98.1% were rated AAA, AA, or A in 2018. 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	24,604	48%
JP Morgan Chase & Co	1,639	3%
IPIC GMTN Ltd	1,035	2%

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

Market Risk Concentration – by Currency

The base currency of the Company's portfolio is US dollars. As at 31 December 2018, 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 $191k as at 2018.

The details of the cash balances by counterparties are:

Counterparty	Credit Risk Concentration $'000 (USD)
Falcon Private Bank Ltd	13
Citi Bank	178
Total	191

C.4 - LIQUIDITY RISK

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

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

C.5 - OPERATIONAL RISK

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

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

OPERATIONAL RISK CONCENTRATION

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

OPERATIONAL RISK MITIGATION TECHNIQUES

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

- Overseeing the establishment of an appropriate risk management strategy;
- Ensuring the Company maintains adequate financial resources;
- Ensuring that management has the requisite skills to manage Operational Risks;
- Monitoring the Operational Risk profile of the Company on a regular basis;
- Taking reasonable steps to ensure that material Operational Risk is adequately identified, measured, monitored and controlled.

- Operational risk is controlled through the avoidance, transfer, prevention or reduction of the likelihood of occurrence or potential impact of a material operational risk exposure. This includes:
- Embedding a risk culture throughout the Company
- Ensuring robust internal processes and systems are maintained
- Utilising outsourcing/Third Party Administrator ('TPA') arrangements, where appropriate
- Accepting operational risks within the stated risk tolerance level.

C.6 – OTHER MATERIAL RISKS

There are no other other material risks to report.

C.7 – ANY OTHER INFORMATION

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

D - Valuation for Solvency Purposes

VALUATION BASIS, METHODS AND MAIN ASSUMPTIONS

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

Solvency II Economic Balance Sheet as at 31 December 2018, $'000 (USD).	Notes	UK GAAP	Revaluation & Reclassification	Solvency II	Solvency II
		2018	2018	2018	2017
Assets					
Deferred acquisition costs	2	1	(1)	-	-
Intangible assets					
Deferred tax assets					
Pension benefit surplus					
Property, plant & equipment held for own use					
Investments	1	51,227	(22)	51,205	51,248
Property (other than for own use)					
Participations					
Equities					
Equities – listed					
Equities – unlisted					
Bonds	1	26,454	24,751	51,205	51,248
Government Bonds	1	1,974	24,613	26,587	17,362
Corporate Bonds	1	24,480	138	24,618	33,886
Structured notes					
Collateralised securities					
Investment funds					
Deposits other than cash equivalents	1	24,773	(24,773)	-	-
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	20	-	20	-
Reinsurance receivables					
Receivables (trade, not insurance)	1				-
Cash and cash equivalents	4	178	13	191	92
Any other assets, not elsewhere shown	5	12	-	12	27
Total assets				**51,429**	**51,367**
Liabilities					
Technical Provisions					
Technical provisions – non-life (excluding health)	6		55	55	55
TP Calculated as a whole					
Best Estimate			-1	-1	-1
Risk Margin			56	56	56
Liabilities other than Technical Provisions					
Provisions other than technical provisions					
Pension benefit obligations					
Deposits from reinsurers					
Deferred tax liabilities					
Insurance & intermediaries payables					
Reinsurance payables					
Payables (trade, not insurance)	7	183	-	183	478
Subordinated liabilities					
Subordinated liabilities not in BOF					
Subordinated liabilities in BOF					
Any other liabilities, not elsewhere shown	8				51
Total Liabilities		**183**	**55**	**238**	**584**
Excess of Assets over Liabilities		**51,256**	**(65)**	**51,190**	**50,783**

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 hierarch 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 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
- 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 2018 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 2018, there were no methodology updates in the calculation of Solvency II technical provisions.

D.3 - OTHER LIABILITIES

NOTE 7: PAYABLES (TRADE, NOT INSURANCE)

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

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

NOTE 8: ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

Any other liabilities, not elsewhere shown consist of accruals.

D.4 - ALTERNATIVE VALUATION METHODS

The Company did not use the alternative methods for valuation treatment during 2018.

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 2018 amounts to 3219% and 1222% 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 2018, 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 2018 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	1,190	-	-	-	1,190
Subordinated Liabilities	-	-	-	-	-
Letters of Credit (Ancillary Own Funds)	-	-	-	-	-
Net Deferred Tax Assets	-	-	-	-	-
Total Own Funds	**51,190**	-	-	-	**51,190**

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 2017 Own Funds is presented below:

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

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

Reconciliation Reserve	**$'000 (USD)**	**$'000 (USD)**
	2018	**2017**
Excess of assets over liabilities	51,190	50,783
Less:	-	-
Ordinary Share Capital	50,000	50,000
Share Premium Account	-	-
Net Deferred Tax Assets	-	-
Reconciliation Reserve	**1,190**	**783**

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	**$'000 (USD)**	**$'000 (USD)**
	2018	**2017**
SCR (SF Calculation)	1,590	2,101
MCR	4,188	4,306
Ratio of eligible own funds to SCR	3,219%	2,416%
Ratio of eligible own funds to MCR	1,222%	1,179%

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	**$'000 (USD)**	**$'000 (USD)**
	2018	**2017**
Difference arising from Solvency II valuation of assets	(10)	(83)
Difference arising from Solvency II valuation of technical provisions	(55)	(54)
Difference arising from Solvency II valuation of other liabilities	-	-
Total of reserves and retained earnings from financial statements	1,256	920
Reserves from financial statements adjusted for Solvency II valuation differences	**1,190**	**783**
Ordinary share capital	51,000	50,000
Share premium account related to ordinary share capital		-
Excess of assets over liabilities	**51,190**	**50,783**
Add: Subordinated liabilities	-	-
Less: Foreseeable dividends	-	-
Basic own funds	51,190	50,783
Add: Letter of Credit	-	-
Total own funds	**51,190**	**50,783**

CAPITAL INSTRUMENTS AND RING FENCED FUNDS

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

E.2 - SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

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

SOLVENCY CAPITAL REQUIREMENT (SCR)

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

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

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

Capital requirement for each risk module	**Standard Formula, $'000 (USD)**	**Standard Formula, $'000 (USD)**
	2018	**2017**
Market risk	1,580	2,085
Counterparty default risk	28	14
Non-life underwriting risk	8	36
Diversification	(27)	(37)
Intangible asset risk	-	-
Basic Solvency Capital Requirement	1,589	**2,098**
Operation Risk	1	3
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	1,590	**2,101**

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

$8k of Premium and Reserve Risk driven by earned premiums and forecast premiums.

Non-Life Underwriting Risk	**Standard Formula, $'000 (USD)**	**Standard Formula, $'000 (USD)**
	2018	**2017**
Non-life premium and reserve risk	8	36
Non-life lapse risk		
Non-life catastrophe risk	-	-
Diversification benefit	-	-
Non-Life Underwriting Risk	**8**	**36**

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:

- $1,580k of Market Risk SF-SCR arises from:
- $635k Spread Risk mainly driven by the Company's investments in bonds.
- $8k Currency Risk mainly driven by exposure of the Company's assets and liabilities denominated in foreign currencies.
- $1,444k Interest Rate Risk driven by exposures to fixed income securities.
- $12k Concentration Risk mainly driven by investment in bonds. The reduction in comparison to 2017 is driven by a more diversified portfolio and improved credit rating of the counterparties.

Market Risk	**Standard Formula $'000 (USD)**	**Standard Formula $'000 (USD)**
	2018	**2017**
Spread risk	635	1,134
Currency risk	8	6
Interest rate risk	1,444	1,747
Concentration risk	12	57
Diversification within market risk module	(519)	(859)
Total Market Risk	**1,580**	**2,085**

COUNTERPARTY DEFAULT RISK MODULE (CREDIT RISK MODULE)

$28k Counterparty Default Risk SF-SCR arises from risk of default of the Custodian Bank and Cash at Bank. The exposure increased significantly in comparison to 2017.

Credit (Counterparty default) Risk	Standard Formula, $'000 (USD)	Standard Formula, $'000 (USD)
	2018	2017
Credit (Counterparty default) Risk	28	14

OPERATIONAL RISK SCR

Operation Risk SF-SCR amounts to $1k which is mainly driven by premiums.

Operational Risk	Standard Formula, $'000 (USD)	Standard Formula, $'000 (USD)
	2018	2017
Operational risk	1	3

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 $4,188k.

The following table shows the MCR calculation:

Overall MCR Calculation	Standard Formula, $'000 (USD)	Standard Formula, $'000 (USD)
	2018	2017
Linear MCR	3	10
SCR	1,590	2,101
MCR cap	730	946
MCR floor	406	525
Combined MCR	406	525
Absolute floor of the MCR	4,188	4,306
Minimum Capital Requirement	**4,188**	**4,306**

INFORMATION ON THE INPUTS USED TO CALCULATE THE MCR

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

Calculation of MCR (inputs)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole. $'000 (USD)	Net (of reinsurance) written premiums in the last 12 months. $'000 (USD)	Net (of reinsurance/SPV) best estimate and TP calculated as a whole. $'000 (USD)	Net (of reinsurance) written premiums in the last 12 months. $'000 (USD)
	2018	2018	2017	2017
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 surteyship insurance and proportional reinsurance	(1)	22	(1)	90
Legal expenses insurance and proportional reinsurance				
Assistance and proportional reinsurance				
Miscellaneous financial loss insurance and proportional reinsurance				
Non-proportional health reinsurance				
Non-proportional casualty reinsurance				
Non-proportional marine, aviation and transport reinsurance				
Non-proportional property reinsurance				

APPROACH TO CAPITAL MANAGEMENT

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

CAPITAL MANAGEMENT PLAN

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

CAPITAL MANAGEMENT PROCESS AND POLICY

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

The Company's objectives in managing its capital are:

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

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

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

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

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

E.5 - NON-COMPLIANCE

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

E.6 – ANY OTHER INFORMATION

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

F - APPENDICES TO THE SOLVENCY AND FINANCIAL CONDITION REPORT

Uzbekinvest International Insurance Company

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in USD thousands)

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 2018
Currency used for reporting	USD
Accounting standards	IFRS
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 value
		C0010
	Assets	
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)	51,205
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	51,205
R0140	*Government Bonds*	26,587
R0150	*Corporate Bonds*	24,618
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	20
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
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	191
R0420	Any other assets, not elsewhere shown	12
R0500	**Total assets**	51,429

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	55
R0520	*Technical provisions - non-life (excluding health)*	55
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-1
R0550	*Risk margin*	56
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
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)	183
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	238
R1000	**Excess of assets over liabilities**	51,190

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business									22								22
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net									22								22
	Premiums earned																	
R0210	Gross - Direct Business									22								22
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net									22								22
	Claims incurred																	
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
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net									0								0
R0550	**Expenses incurred**									321								321
R1200	**Other expenses**																	
R1300	**Total expenses**																	321

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	22						22
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	22	0	0	0	0	0	22
	Premiums earned							
R0210	Gross - Direct Business	22						22
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	22	0	0	0	0	0	22
	Claims incurred							
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	0	0	0	0	0
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**							0
R1200	**Other expenses**							
R1300	**Total expenses**							0

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**									0								0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross									-1								-1
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**									-1								-1
	Claims provisions																	
R0160	Gross									0								0
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**									0								0
R0260	**Total best estimate - gross**									-1								-1
R0270	**Total best estimate - net**									-1								-1
R0280	**Risk margin**									56								56
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	Technical provisions - total									55								55
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**									0								0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**									55								55

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
		Development year												
R0100	Prior											0	0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2010	0	0	0	0	0	0	0	0	0			0	0
R0180	2011	0	0	0	0	0	0	0	0				0	0
R0190	2012	0	0	0	0	0	0	0					0	0
R0200	2013	0	0	0	0	0	0						0	0
R0210	2014	0	0	0	0	0							0	0
R0220	2015	0	0	0	0								0	0
R0230	2016	0	0	0									0	0
R0240	2017	0	0										0	0
R0250	2018	0											0	0
R0260												Total	0	0

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
		Development year											
R0100	Prior											0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0
R0170	2010	0	0	0	0	0	0	0	0	0			0
R0180	2011	0	0	0	0	0	0	0	0				0
R0190	2012	0	0	0	0	0	0	0					0
R0200	2013	0	0	0	0	0	0						0
R0210	2014	0	0	0	0	0							0
R0220	2015	0	0	0	0								0
R0230	2016	0	0	0									0
R0240	2017	0	0										0
R0250	2018	0											0
R0260												Total	0

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	50,000	50,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	1,190	1,190			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	51,190	51,190	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	51,190	51,190	0	0	0
R0510	Total available own funds to meet the MCR	51,190	51,190	0	0	
R0540	Total eligible own funds to meet the SCR	51,190	51,190	0	0	0
R0550	Total eligible own funds to meet the MCR	51,190	51,190	0	0	
R0580	**SCR**	1,590				
R0600	**MCR**	4,188				
R0620	**Ratio of Eligible own funds to SCR**	3218.65%				
R0640	**Ratio of Eligible own funds to MCR**	1222.41%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	51,190
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	50,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	1,190
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	82
R0790	**Total Expected profits included in future premiums (EPIFP)**	82

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,580		
R0020	Counterparty default risk	28		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	8		
R0060	Diversification	-27		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	1,590		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1
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	**Solvency Capital Requirement excluding capital add-on**	1,590
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	1,590
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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_{NL} Result	2

		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	22
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_L 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	2
R0310	SCR	1,590
R0320	MCR cap	730
R0330	MCR floor	406
R0340	Combined MCR	406
R0350	Absolute floor of the MCR	4,188
R0400	**Minimum Capital Requirement**	4,188