TOKIO MARINE HCC

Tokio Marine HCC Insurance Holdings (International) Limited

Single Group-Wide Solvency and Financial Condition Report

31 December 2019

Contents

Executive Summary

The following Single Group-Wide Solvency and Financial Condition Report ('SFCR') has been prepared to provide information to the Prudential Regulatory Authority ('PRA') about the financial and capital position of both Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)' or 'the Group'), for group reporting purposes, and HCC International Insurance Company plc ('HCCII' or 'the Company'), for solo reporting purposes. HCCII is the main underwriting entity within the Group during the reporting period. Tokio Marine Europe S.A. ('TME'), a subsidiary of HCCII, is the other underwriting entity included in the Group and information specifically relating to this entity is shown in the bespoke TME SFCR. The other related companies in the Group are either ancillary service or holding companies in nature or of such size that they do not present material risks to the Group. The report sets out the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management of the group and solo entity. The PRA agreed a waiver to produce a Single Group-Wide SFCR for the EEA group headed by TMHCCIH(I).

Covid-19 Pandemic

The outbreak of the coronavirus pandemic (Covid-19) is unprecedented and will have a material impact on the global economy and the insurance market. Given this, management and the Boards of TMHCCIH(I) an HCCII ('Boards') have been assessing and will continue to assess the impact of Covid-19 on the Group's and Company's current and future trading outlook and its ability to continue as a going concern. This includes the effect on underwriting, operational and liquidity risks and the Group's solvency position.

The Group's and Company's business portfolio is diversified and those businesses which have a direct exposure to losses associated with Covid-19 have comprehensive reinsurance with high quality reinsurers with whom it has had long trading relationships. Additionally, the IT infrastructure of the Group and Company enables remote working so that the highly skilled and dedicated employees can continue normal operational processes without substantial disruption. This enables the Group and Company to continue to service its policyholders. The investment portfolio is conservatively invested, and the Group and Company have substantial liquidity. Although it is early to conclude a comprehensive assessment as to the impact on the Group and Company, the Boards believe that this post balance sheet event is a non-adjusting event and it will not have an impact on the Group's and Company's ability to continue as a going concern.

Given this is a post balance sheet event, further commentary on the Covid-19 pandemic may be found in the 'Any Other Information' sub-sections of Sections A, B and C. The figures presented in the SFCR and associated Quantitative Reporting Templates ('QRTs') have not been updated for any potential Covid-19 impact.

Business & Performance

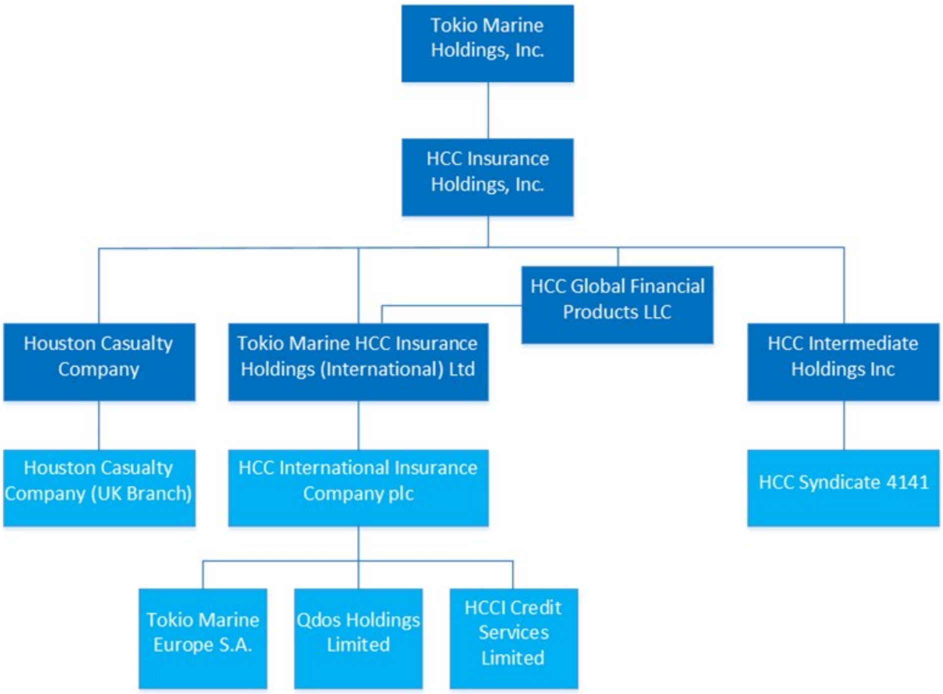
TMHCCIH(I) is a wholly owned subsidiary of Tokio Marine Holdings, Inc. ('TMHD') whose head office is located in Tokyo, Japan. Prior to the acquisition of the group by TMHD transaction on 27 October 2015, the Group's ultimate parent was HCC Insurance Holdings, Inc. ('TMHCC Group') whose head office is located in Houston, Texas.

The Group, and its subsidiaries, provide general insurance and related services. The principle subsidiaries are: 1) HCC International Insurance Company plc ('HCCII' or 'the Company'), an international insurance company authorized under the Financial Services Markets Act (2000) by the Prudential Regulation Authority to transact general insurance business; 2) Tokio Marine Europe S.A. ('TME'), a subsidiary of HCCII and authorized by the Commissariat aux Assurances ('CAA') in Luxembourg to transact general insurance business in Europe; 3) Qdos Holdings Limited ('Qdos'), an underwriting agency that focuses on the distribution of products to the UK small contractor market; and 4) HCC Credit Services Limited, a data and information provider to the credit insurance market.

It should be noted that, as a wholly owned subsidiary, TME is carried as an investment on the Company's balance sheet using the adjusted equity method, with the Group representing the fully consolidated position of all its subsidiaries including the Company and TME.

HCCII ('the Company') is part of the Tokio Marine HCC International Group ('TMHCC International'), which includes the UK based insurance platforms HCCII, its wholly owned subsidiary TME, Houston Casualty Company London Branch and Lloyd's Syndicate 4141. The TMHCC International underwriters write business on the international platforms based on prescribed rules which determine which carrier is utilised.

The simplified schematic below shows the Company and the Group structure. The light blue boxes indicate those entities that form TMHCC International underwriting/trading companies. A more detailed Group structure may be found at the end of Section A1.



TMHCC International has a continuing strategic goal to build a portfolio of specialty niche products in the International insurance marketplace.

The Group's business model is built upon fundamental principles which position policyholders with confidence about their risk decisions. Specifically, focused underwriting expertise combined with a good distribution network enables the Group to provide the right solutions to clients. Skilful and sustainable reinsurance purchasing, careful investment of premium, conservative reserving and fair claims handling provides the Group with a solid foundation upon which to apply TMHD's 'Good Company' approach to business.

Following several significant changes in 2018, including the establishment of TME and the acquisition of Qdos, 2019 saw further changes to the Group's structure due to a cross-border merger of TME and HCC Global Financial Products S.L. ('HCCG'). In addition, the Group underwent changes to its Executive and Senior Management Team effective 1 October 2019, ensuring continued alignment with its strategic objectives and operating model whilst maintaining the Group's flat management structure and operational flexibility.

The Group and Company underwrite and manage its products through three segments, London Market, International Specialty ('Specialty') and European P&C, with the latter reported through TME from a Company perspective. From a geographic perspective, the majority of business for both the Group and the Company has a UK location, with France, Spain, Belgium, Germany and Singapore also being material locations. London Market business is comprised of Property Direct and Facultative, Property Treaty, Accident and Health and Marine and Energy. Specialty is comprised of Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency. European P&C is comprised of Japanese business and European business. These segments execute the Group and Company's strategy through concentration of underwriting in selected, narrowly defined lines of business where consistent underwriting profit can be achieved.

The London Market segment has grown substantially primarily from a new Marine Liability team and expansion of Energy Renewables business. Market conditions continued to be strong and exceeded expectations. This is in a large part due to the Group's and Company's ability to offer capacity when competitors were unable. The Group and Company did not have any significant exposure to 2019 large catastrophes or the deterioration of prior year events.

The Specialty segment continued to benefit from organic growth and good rating conditions across the sub-segments which built momentum in the second half of 2018 and continued throughout 2019. Professional Risk benefitted from fee income and reduced acquisition costs following the Qdos acquisition in Q4 2018. Overall, the Credit and Political Risk sub-segment was profitable although UK Trade Credit was impacted by the challenging loss environment and economic uncertainty brought on by Brexit. The Surety sub-segment has been impacted for the second year by several large market losses, together with a challenging experience in the French market, albeit all other areas of the sub-segment performed well.

The European P&C segment contributed $5.0m to the Group's underwriting results. Given the nature and complexity of the J Business and its importance of a larger global portfolio, the business is fully ceded within the TM Group to Tokio Marine & Nichido Fire ('TMNF'). The contribution to the underwriting result represents the override which is set to achieve a profit for the Group and covers the acquisition and operating costs of the business.

A summary of Key Financials for the year ended 31 December 2019 for the Group and the Company is shown in the table below, indicating both have produced strong financial results for 2019 against a backdrop of continued challenging market rating conditions in some areas.

31 December 2019 USD'000	TMHCCIH(I)	HCCII
Gross Written Premiums	1,018,662	611,520
Net Premiums Earned	585,862	521,458
Underwriting Result (Technical Account pre investment income)	95,944	93,663
Net Loss Ratio	49%	47%
Net Combined Ratio	84%	82%
Investment Income (Transferred to technical account)	28,126	23,838
Profit on ordinary activities before tax	141,359	144,683
Solvency II cash and investments (excluding investment in subs and land and buildings)	1,580,914	1,288,770
Solvency II Own Funds	756,094	748,446

The Group made a net profit before tax for the financial year of $141.4m (2018: $90.3m) and includes a balance on the technical account for general business of $124.1m (2018: $112.8m), which includes investment income of $28.1m (2018: $25.7m). The Company made a net profit before tax for the financial year of $144.7m (2018: $88.1m) and includes a balance on the technical account for general business of $117.5m (2018: $108.2m), which includes investment income of $23.8m (2018: $24.3m).

Within the technical account, the Group has benefited from substantial growth, with Gross Written Premium (GWP) up 54.9% in 2019. 24.3% of the GWP growth is from continued organic growth of the Specialty and London Market segments, with the balance from the new business written under the European P&C segment. TME has been underwriting business from 1 January 2019, providing the Group and the Company with a fully licensed platform and enabling it to provide seamless service to its European policyholders. In addition to underwriting the business, which was previously on HCCII and Tokio Marine Kiln Insurance Limited ('TMKI') European branches, TME also underwrites the European business for Japanese companies. The European P&C segment contributed 28.8% of the overall growth in Group GWP. This has resulted in a diversified business mix within the Group. Because of the accounting treatment of TME within the Company, TME business is not reflected in the Company's GWP or Profit and Loss statement. The variance between the Group's and Company's financial results is in relation to TME, with further details shown in the TME SFCR.

Within the non-technical account, for both the Group and the Company, 2019 has seen strong unrealised gains, compared to losses seen in 2018 (see Section A3). This is consistent with the effect of US interest rate reduction during the year on the investment portfolio which is principally in US dollar fixed income securities.

System of Governance

The Group is directed by the Group Board. Board meetings are held for the Group on an ad hoc basis to approve accounts, share issues, agree company strike-offs of subsidiary companies and any other ad hoc responsibilities.

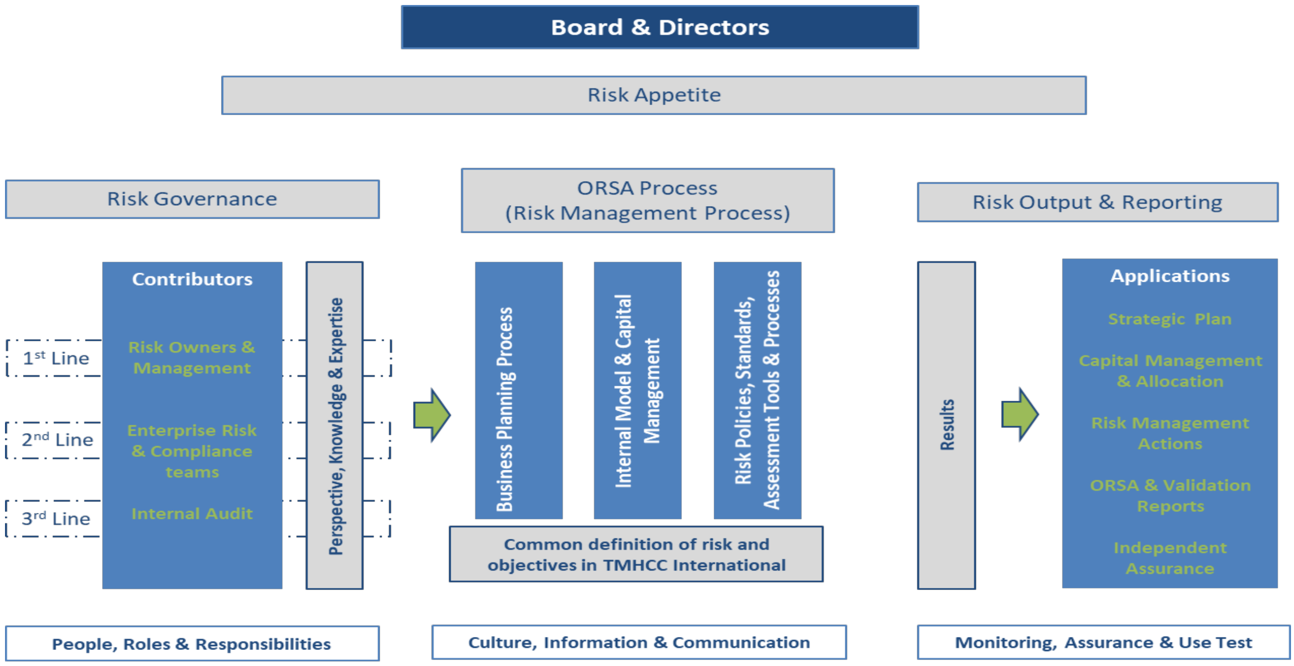
The information below relates to the System of Governance for the Company. However, as the Company, including its subsidiaries, are the only risk-bearing entities of the Group, the risk management, internal control systems and reporting procedures are aligned between both the Company and the Group. The system of governance has not changed materially over the year, even in the context of the incorporation of TME, which has materially the same governance and risk frameworks and which are covered separately in the TME SFCR.

Oversight of the Company's business and its operations starts with the Company's Board, which has overall responsibility for management of the Company. All authority in the Company flows from the Board but it delegates to sub-committees the matters set out in their respective terms of reference. Each year the overall governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

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 achieves this through a strong risk culture articulated by effective Enterprise Risk Management (ERM) senior leadership and embodied by management at all levels through its governance structure and risk management processes.

The Company's approach to managing its risk, which is in line with the Company's business strategy, is to: i) Adopt an integrated approach to risk management; ii) aim to manage risk to a desired level and minimise the adverse effects of any residual risk; iii) coordinate the management of risk via the Risk & Capital Management Committee and other committees that report to the Board; iv) manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process; v) ensure that there are appropriate policies and procedures in place; vi) Ensure that staff are appropriately trained.

The Company operates a traditional 'three line of defence' risk governance framework which means that it coordinates risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms. The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.

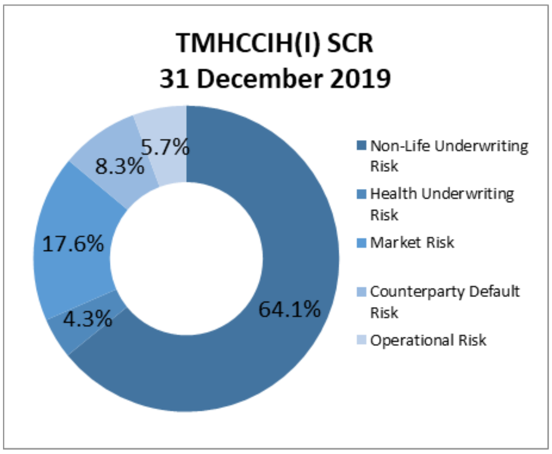


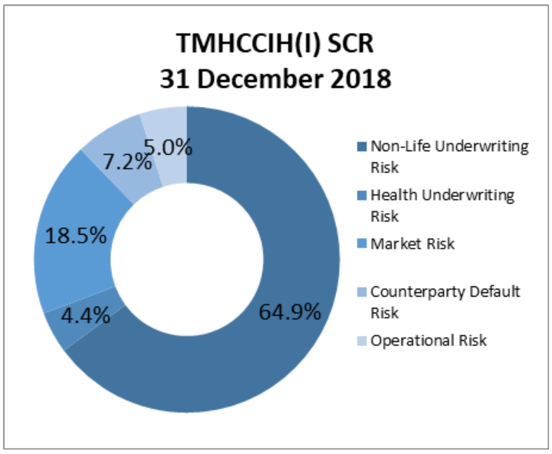
A key element of the risk management framework is the Own Risk and Solvency Assessment ('ORSA') process, defined to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'. The ORSA considers risk, capital performance and strategy. It provides Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Risk Profile

TMHCC International has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. The Company maintains a risk register, as noted above and categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit and Liquidity.

The overwhelming key risk for both the Group and the Company is Insurance Risk. Of the others, Market Risk is the most important. This is illustrated, via the SF SCR breakdown shown in the charts below, noting that Non-Life Underwriting Risk and Health Underwriting Risk make up Insurance Risk.





The risk profile of both the Group and the Company was generally stable over the year. The key change to the risk profile over the year was the setting up of TME in Luxembourg, in response to Brexit. Other specific risks, beyond the existing and established principal risks, that have the potential to impact, or require a review of, the existing strategic objectives include the Covid-19 pandemic, Sustainability Risk, including climate change, and Operational Resilience.

The table below provides a summary of how the Group and the Company mitigate the main risk areas.

Risk	Mitigating actions/factors
Insurance	• An underwriting strategy that seeks a diverse and balanced portfolio of risks • A reserving policy to produce reliable estimates that is consistent over time and across classes of business • Setting and regularly monitoring risk appetites • Individual authority limits for all employees authorised to underwrite and business plans for each line of business • Claims teams focused on delivering quality, reliability and timely service to both internal and external clients • Using reinsurance to protect the Group's balance sheet • Monitoring exposures using modelling tools
Strategic, Regulatory and Group	• Setting and regularly monitoring risk appetites • A management structure that encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled • Operating across the TMHCC Group with clear and open lines of communication to ensure all TMHCC Group entities are well informed and working towards common goals
Market	• Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and are localised; and iii) broadly match the liabilities. • Adhering to an investment risk appetite which form part of the Group's overall risk appetites • Setting and regularly monitoring risk appetites • Independent investment experts assist with the implementation of the investment strategy and monitoring of the economic environment and investment performance

Risk	Mitigating actions/factors
Operational	• Performing business activities in a fair, honest and transparent manner that complies fully with applicable UK and International legal and regulatory requirements, and internal policies and procedures • Setting and regularly monitoring risk appetites • Scenario testing and modelling operational risk exposure • Management review of operational activities, including IT and IT security • Documented policies and procedures • Ensuring key processes include preventative and detective controls • Business Continuity and contingency planning • Established and embedded systems controls
Credit	• Setting and regularly monitoring risk appetites • Limiting exposure to a single counterparty or a group of counterparties • Established guidelines and approval procedures for counterparties
Liquidity	• Liquidity management: ○ using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return; and ○ so that the Group can reasonably survive a significant individual or market loss event

Valuation for Solvency Purposes

The Solvency II Directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the UK statutory financial statements, unless otherwise documented in the main body of the report. This applies to both the Group and Company Solvency II net asset valuation. The table below summarises the Solvency II balance sheet for the years ending 31 December 2019 and 31 December 2018, for the Group and Company.

Group & Company Balance Sheets on a Solvency II Basis	TMHCCIH(I)		HCCII	
	As at December 2019	As at December 2018	As at December 2019	As at December 2018
	USD'000	USD'000	USD'000	USD'000
Assets				
Investments	1,409,061	1,249,651	1,347,928	1,256,139
Property, plant & equipment held for own use	3,463	2,872	2,766	2,872
Reinsurance recoverables from non-life	385,593	217,827	151,148	225,592
Insurance and intermediaries receivables	108,418	29,880	51,321	29,354
Reinsurance receivables	72,551	28,636	30,387	28,636
Receivables (trade, not insurance)	56,742	34,350	81,364	34,387
Cash and cash equivalents	174,602	81,315	110,643	80,882
Any other assets, not elsewhere shown	489	49	-	22
Total assets	**2,210,919**	**1,644,580**	**1,775,557**	**1,657,884**
Liabilities				
Technical provisions - non-life	1,128,312	850,374	871,626	859,521
Deferred tax liabilities	14,983	8,924	2,390	8,600
Insurance & intermediaries payables	55,651	9,008	10,882	9,008
Reinsurance payables	117,569	31,275	20,236	31,275
Any other liabilities, not elsewhere shown	138,310	114,882	121,977	118,623
Total liabilities	**1,454,825**	**1,014,463**	**1,027,111**	**1,027,027**
Excess of assets over liabilities	**756,094**	**630,117**	**748,446**	**630,857**

The movements in investments and technical provisions over 2019 drive the overall movements in the Group Solvency II balance sheet. The investments increase is primarily related to the positive cash flows, along with strong unrealised gains in the period, and the gross and ceded technical provisions increase mainly relates to a Part VII transfer of European business, from TMKI, into TME.

Capital Management

The Group and Company currently use the EIOPA Standard Formula ('SF')to calculate its solvency capital requirement. The Group and Company have no transitional arrangements.

For 2019, the Group and the Company maintained solvency capital resources in excess of the solvency capital requirement ('SCR'). The position at 31 December 2019 is shown below:

Eligible own funds to cover capital requirements	TMHCCIH(I) USD'000	HCCII USD'000
Eligible Own Funds	756,094	748,446
Standard Formula Solvency Capital Requirement ('SF SCR')	457,494	380,165
Minimum consolidated group SCR/ Minimum Capital Requirement ('MCR')[1]	164,016	138,466
Excess Net Assets over SF SCR	298,600	368,281
Excess Net Assets over Minimum consolidated group SCR	592,078	609,980
Solvency Ratio (i.e. Eligible Own Funds / SF SCR)	165%	197%
Eligible Own Funds as a Percentage of minimum consolidated group SCR or MCR[1]	461%	541%

[1]: Minimum consolidated group SCR applies to the Group (and acts as a floor to the group solvency capital requirement); Minimum Capital Requirement ('MCR') applies to the Company

The Group and Company remain strongly capitalised and benefit from an S&P rating of A+ and a parental guarantee. All the Eligible Own Funds shown in the table above, for both the Group and the Company, fall under the 'Tier 1 unrestricted' classification.

There was no non-compliance with the Minimum consolidated group SCR (for the Group), the MCR (for the Company) or significant non compliance with the SF SCR (for both) over the last reporting period.

Directors' Report

Company Directors

The directors set out below have held office from 1 January 2019 to the date of this report unless otherwise stated:

S A Button
B J Cook
K Hatakeyama (appointed 1 September 2019)
T J G Hervy
N I Hutton-Penman
H Ishii (non-executive) (resigned 31 March 2019)
K L Letsinger
N C Marsh (non-executive Chairman)
H-D Rohlf (non-executive)
C Scarr (non-executive)
G R A White

Statement of Directors' Responsibilities

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

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

We acknowledge our responsibility for preparing the group SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

Group Directors

The directors set out below have held office from 1 January 2019 to the date of this report unless otherwise stated:

B J Cook (Chairman)
K L Letsinger
B Irick (resigned 01 October 2019)
T Weist (appointed 01 October 2019)

Statement of Group Directors' Responsibilities

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the Tokio Marine HCC Insurance Holdings (International) Limited Group ('the Group') has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable at the level of the group; and
b) it is reasonable to believe that the Group has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Boards,

DocuSigned by:
katherine letsinger
AE17272309124A7...
K L Letsinger
Group Chief Financial Officer

13 May 2020

Independent auditors' report to the Directors of Tokio Marine HCC Insurance Holdings (International) Limited

Report of the external independent auditors to the Directors of Tokio Marine HCC Insurance Holdings (International) 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 Single Group-Wide Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2019:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2019, ('**the Narrative Disclosures subject to audit**');

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates 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 in respect of HCC International Insurance Company plc ('**the HCCII Company Templates subject to audit'**).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the HCCII Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.05.02.01 and HCCII Company templates S.05.01.02, S.05.02.01 and S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report (the **'Statement of Directors' Responsibilities'** and the **'Statement of Group Directors' Responsibilities**');

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency

II regulations which have been modified by the modifications made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

1) Permission to exclude entities from the scope of group supervision; and
2) Permission to publish a Single Group-Wide Solvency and Financial Condition Report

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide 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.

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

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

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with 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 or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

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

13 May 2020

Section A – Business and Performance

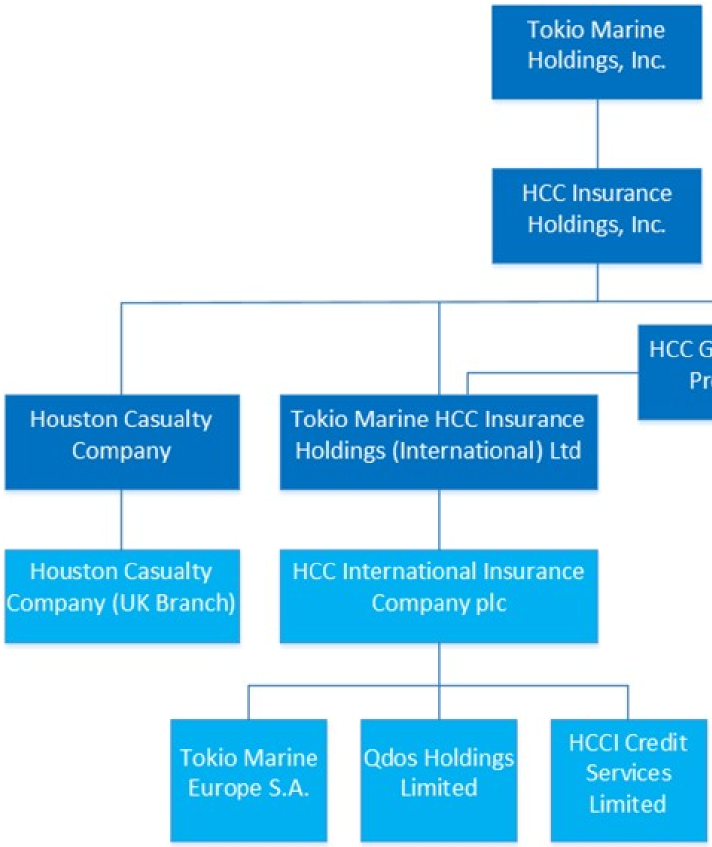
A1 – Business

Overview

Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)' or 'the Group') is a wholly owned subsidiary of Tokio Marine Holdings, Inc. ('TMHD'). Prior to TMHD acquiring HCC, TMHCC Group was the Group's ultimate parent and now remains an intermediate holding company of the Group.

HCC International Insurance Company Plc ('HCCII' or 'the Company') is the main risk carrier for the Group. HCCII is part TMHCC International, which includes the UK based insurance platforms HCCII, Houston Casualty Company London Branch and Lloyd's Syndicate 4141. TMHCC International is TMHCC Group's operating segment outside of the United States.

The simplified schematic below shows the Company and the Group structure. A more detailed Group structure may be found at the end of this Section A1.



Group Information

HCC International Insurance Company plc ('HCCII') and its subsidiaries (the 'Group') is part of the Tokio Marine Group ('TM Group'), whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 249 subsidiaries, and 22 affiliates located worldwide, which undertake non-life and life insurance and operate within financial and general business sector (including consulting and real estate).

As of 31 December 2019, TM Group had total assets of ¥24.4 trillion (December 2018: ¥23.3 trillion) and shareholders' equity of ¥1.9 trillion (December 2018: ¥1.9 trillion). TM Group and a number of its major insurance companies, including TMHCC Group, have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC (S&P).

The following is the business diagram of Tokio Marine Group.

Business Diagram

Note: ◎ indicates consolidated subsidiaries; △ indicates equity-method affiliates

Tokio Marine Holdings, Inc.

- Domestic Non-Life Insurance Business
  - Property and casualty insurance business
    - ◎ Tokio Marine & Nichido Fire Insurance Co., Ltd.
    - ◎ Nisshin Fire & Marine Insurance Co., Ltd.
    - ◎ E. design Insurance Co., Ltd.
  - Small-amount short-term insurance business
    - ◎ Tokio Marine Millea SAST Insurance Co., Ltd.
- Domestic Life Insurance Business
  - ◎ Tokio Marine & Nichido Life Insurance Co., Ltd.
- International Insurance Business
  - International non-life insurance business
    - ◎ Philadelphia Indemnity Insurance Company
    - ◎ First Insurance Company of Hawaii, Ltd.
    - ◎ Tokio Marine America Insurance Company
    - ◎ Safety National Casualty Corporation
    - ◎ Houston Casualty Company
    - ◎ U.S. Specialty Insurance Company
    - ◎ Tokio Marine Underwriting Limited
    - ◎ HCC International Insurance Company PLC
    - ◎ Tokio Marine Insurance Singapore Ltd.
    - ◎ Tokio Marine Insurans (Malaysia) Berhad
    - ◎ Safety Insurance Public Company Limited
    - ◎ Tokio Marine Seguradora S.A.
    - △ IFFCO-TOKIO General Insurance Company Limited
  - International life insurance business
    - ◎ Reliance Standard Life Insurance Company
    - ◎ Reliance Standard Life Insurance Company of Texas
    - ◎ HCC Life Insurance Company
    - ◎ Tokio Marine Life Insurance Singapore Ltd.
    - ◎ Tokio Marine Life Insurance Malaysia Bhd.
    - △ Edelweiss Tokio Life Insurance Company Limited
  - Other business
    - ◎ Tokio Marine North America, Inc.
    - ◎ Philadelphia Consolidated Holding Corp.
    - ◎ Delphi Financial Group, Inc.
    - ◎ HCC Insurance Holdings, Inc.
    - ◎ Tokio Marine Kiln Group Limited
    - ◎ Tokio Marine Asia Pte. Ltd.
    - △ Hollard Holdings Proprietary Limited
    - △ Hollard International Proprietary Limited
- Financial and General Businesses
  - Investment advisory and investment trust services
    - ◎ Tokio Marine Asset Management Co., Ltd.

TMHD acquired HCC Insurance Holdings, Inc. on 27 October 2015. Prior to that date, the Group's ultimate parent was HCC Insurance Holdings, Inc., whose head office is located in Houston, Texas, United States of America. HCC Insurance Holdings, Inc. is now an intermediate holding company of the Group and continues to manage the Tokio Marine HCC group.

TMHCC Group is a subsidiary within the TM Group and is a leading international specialty insurance group with more than 100 classes of specialty insurance and underwrites risks located in approximately 180 countries. Given its financial strength and a track record of excellent results, it benefits from an S&P rating of A+.

The Group, and its subsidiaries, provides general insurance and related services. The principle subsidiaries are HCCII'), Tokio Marine Europe S.A, Qdos Holdings Limited and HCC Credit Services Limited. These are all described in more detailed under 'Company information' and a detailed Group structure may be found at the end of Section A1.

It should be noted that the subsidiaries held by the TMHCCIH(I)are included as 'participations and related undertakings' within the Company's financial statements. These amounts are eliminated on consolidation in the assets of the Group, with the exception of the Group's investment in Qdos, because Qdos does not meet the definition of an 'ancillary services undertaking', per article 335 of the delegated acts. As a result, this investment remains as a participation on the face of the Group Solvency II balance sheet.

Therefore, the Group's participation includes items present on the balance sheet of Qdos, which under UK GAAP are fully consolidated.

The average number of direct staff (excluding directors) working for the Group during the year totalled 531 (2018: 200).

Company Information

HCCII is a wholly owned subsidiary of TMHCCIH(I) and is a private company limited by shares.

HCCII is an international insurance company authorised under the Financial Services and Markets Act (2000) and is regulated by both the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') to transact general insurance. The principal activity, historically, of HCCII has been the transaction of general insurance and reinsurance business in the United Kingdom and Continental Europe where it benefitted from the European Union ('EU') Freedom of Services charter to write across the EU member states. HCCII is based in the United Kingdom and had authorised branches established in Republic of Ireland, France, Spain, Germany, Italy, Switzerland and Norway, which will with the exception of the Swiss branch, be closed during 2020 following the transfer of the European risks historically written by these branches to TME under a Part VII transfer process at 1 January 2019. HCCII also accepts inwards reinsurance risks from United States, Canada and Australia.

HCCII has three subsidiaries, as follows:

- TME, a subsidiary of HCCII and licensed in Luxembourg with an A+ S&P rating, was established to write all European business for the Tokio Marine Group from 01 January 2019 through its branches in Spain, Italy, Norway, France, Denmark, Republic of Ireland, Germany, Belgium and the Netherlands. The insurance and reinsurance business written on TME is a combination of the lines previously written by HCCII and affiliate TMKI, which is also a TMHD group company, directly or through their respective European branch networks
- Qdos Holdings Limited, an underwriting agency based in Leicester, purchased during 2018 by HCCII. Through its subsidiary, Qdos Broker and Underwriting Services Limited, it is focused primarily on the distribution of Professional Indemnity (PI), Employers and Public Liability (EL/PL) and Tax Enquiry and Liability (TEL) insurance to the growing UK small contractor market via Qdos Shop, an online digital distribution platform.
- HCC Credit Services Limited is a data and information provider to the credit insurance market.

HCCII is part of TMHCC International which is the TMHCC Group's operating segment outside of the United States and includes the insurance platforms HCCII, Houston Casualty Company London Branch, Lloyd's Syndicate 4141 and TME. TMHCC International underwriters write business on the international platforms based on prescribed rules which determine which carrier is utilised. Licensing, distribution or client choices are the principal determinants of the platform utilised. Lines underwritten in 2019 include Property Treaty, Property Direct and Facultative, Accident and Health, Energy, Marine Hull, Marine Liability, Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency. The Group has continued to grow in recent years, despite difficult trading conditions, as the TMHCC Group makes use of the wider Tokio Marine franchise, its European licenses, and continues to add to its international product offerings.

The average number of direct staff (excluding directors) working for HCCII during the year totalled 531 (2018: 200).

Business Model

The Group's business model is built upon fundamental principles which position policyholders with confidence about their risk decisions. Specifically, focused underwriting expertise combined with a good distribution network enables the Group to provide the right solutions to clients. Skilful and sustainable reinsurance purchasing, careful investment of premium, conservative reserving and fair claims handling provides the Group with a solid foundation upon which to apply TMHD's 'Good Company' approach to business.

<u>Face risk with confidence</u>

The Group's core business is underwriting speciality lines of insurance. In 2019, the Group had three core underwriting segments: London Market; Specialty; and European Property & Casualty (P&C).

The Group writes London Market, Specialty and European P&C products in the UK from HCCII's London and regional offices and in Europe through TME's European branches and across the rest of the EEA via EU Freedom of Services authorisations. TME's UK branch is also utilised to accept assumed reinsurance for EU risks. HCCII accepts inwards reinsurance risks from United States, Canada, Australia and the rest of the world where its licenses permit. Apart from some small Personal lines contracts written within Accident and Health (A&H), Marine and Professional Risks businesses, all other business written by the Group is Commercial lines.

<u>Providing clients with products through the distribution network</u>

The London Market, Specialty, and European P&C products underwritten by the Group are distributed to clients through established broker (wholesale, regional and specialty), underwriting agency and coverholder relationships. Additionally, Credit, Surety, Professional Risks and Marine Liability business is written through online distribution portals.

<u>Underwriting and managing risk</u>

Central to the Group's culture is underwriting profitable business through careful risk selection and reinsurance purchasing in order to preserve shareholder's equity and to meet its targeted risk adjusted return. To ensure risks are correctly priced, the Group's experienced and technical underwriters underwrite each risk individually, assessing a range of factors including but not limited to: financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models. For certain areas (which is limited in scope) where distribution is held by coverholders or brokers, the Group does delegate underwriting however this is through standard rating sheets and referral controls for risks that require non-standard pricing.

Reserves
The Group's reserving policy safeguards reliable and consistent reserve estimates across all classes of business, maintaining overall reserves at, or above, the actuarial midpoint. The reserving process is embedded into the governance framework which requires that an internal and robust review of reserves is carried out at least quarterly, together with annual independent assurance.

Investment
The Group has a conservative investment strategy that aims to preserve and grow shareholder's equity and to maximise net investment income. To achieve this investment strategy, funds are invested in accordance with the Solvency II risk-based approach to investments and the 'prudent person principle', which ensures that assets are of appropriate security, quality and liquidity; are adequately diversified; and broadly match the Group's liabilities.

Claims Management
The Group understands the importance of the claims settlement process to its clients and how it approaches the management and settlement of its claims provides a key opportunity for the Group to differentiate itself from its competitors. The claims teams are focused on delivering a quality, reliable and efficient claims service by adjusting and processing claims fairly; in a timely manner; in accordance with the policy's terms and conditions; and the conduct rules.

Strategy

The Group's fundamental business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings which will increase shareholder value. The Group's strategy has been consistent for many years, but the Group's priorities vary with the insurance cycle and changes in the economic environment.

The Group's strategic objectives are:

- Maintain a diversified portfolio of non-correlating business.
- Sustainable growth through:
  - expansion of the Group's brand in the UK regional market, the London Market and throughout the rest of Europe; and
  - identification and development of opportunities to grow the Group's business by acquisition or establishing new lines of business.
- Maintain a management, organisational and governance structure which is appropriate for and supports the Group's growing business.

The Group has consistently delivered its strategic plan because of its key strengths.

- **Diversified portfolio of specialty business –** the balanced portfolio is achieved by writing a spread of business over time, segmented between different products, geographies and sizes; and differentiating itself from competitors either in product offering, customer service or market positioning, this results in a diverse and balanced portfolio of risks across lines of business which limits volatility and enables the Group to consistently achieve an underwriting profit.

- **Operational efficiency –** the TMHCC International segment manages portfolios by line of business on a single integrated operating model. This provides operational efficiencies across the TMHCC International segment.

- **Skilled and entrepreneurial management –** the Group has a flat operational structure with an experienced and entrepreneurial management team. This enables flexible adaptation to the changing business environment, resulting in faster decision making and responsiveness to opportunities.

- **Prudent risk management –** the Group's conservative risk appetite and approach to risk management ensures that risks are identified, monitored and mitigated. Reinsurance is one of the most important risk mitigation tools used to limit exposure, reduce the volatility of various lines of business and preserve capital.

- **Financial security –** the Group has very strong financial security ratings; HCCII and TME both have S&P Ratings of A+ and AA- from Fitch. This provides the policyholder with the knowledge and comfort that their insurer will be able to honour its obligations when called upon to do so. Financial strength is a key differentiator for the Credit, Surety and Financial Lines businesses' and allows the Group to access the highest quality risks where an insurer's financial strength carries a premium.

Generating value

The Group shares the TM Group's '**Good Company'** vision, and the core principles of this vision guides how the Group creates sustainable value for all its stakeholders: customers, employees, distribution network, suppliers, shareholders and the community.

To deliver its strategy the Group relies on the following key resources and relationships to support the generation and preservation of value throughout all aspects of its business model.

- **Financial Capital –** the Group has a strong balance sheet; its capital is well in excess of regulatory requirements and HCCII and TME both have a financial strength rating of A+ from S&P. This rating is equivalent to the rating of the Group's ultimate parent company TM Group, as S&P views TMHCC Group to be core to the TM Group. The Group's financial performance consistently generates value for its shareholder.
- **Employees and Intellectual Capital –** the knowledge, skills and expertise of the Group's employees are as diverse as the risks it writes. This ensures that it has the right mix of expertise to support its business model and to continue to deliver strong and consistent performance.
- **Stakeholders –** strong stakeholder relationships are important, including clients, distribution network, shareholder, regulators and suppliers. The Group's relationships with its stakeholders are vital to its ongoing success.
- **Technology –** the Group has technology solutions which generate value throughout its business. These include: catastrophe modelling and aggregation tools; e-distribution portals for our Credit, Surety, Contingency, Event Cancellation, Professional Risks and Marine Liability lines of business; capital modelling tools; policy and claims administration; reinsurance calculation; and IT security software to increase its IT resilience. These solutions provide increased operational efficiencies which benefit the Group's employees, distribution network and customers.

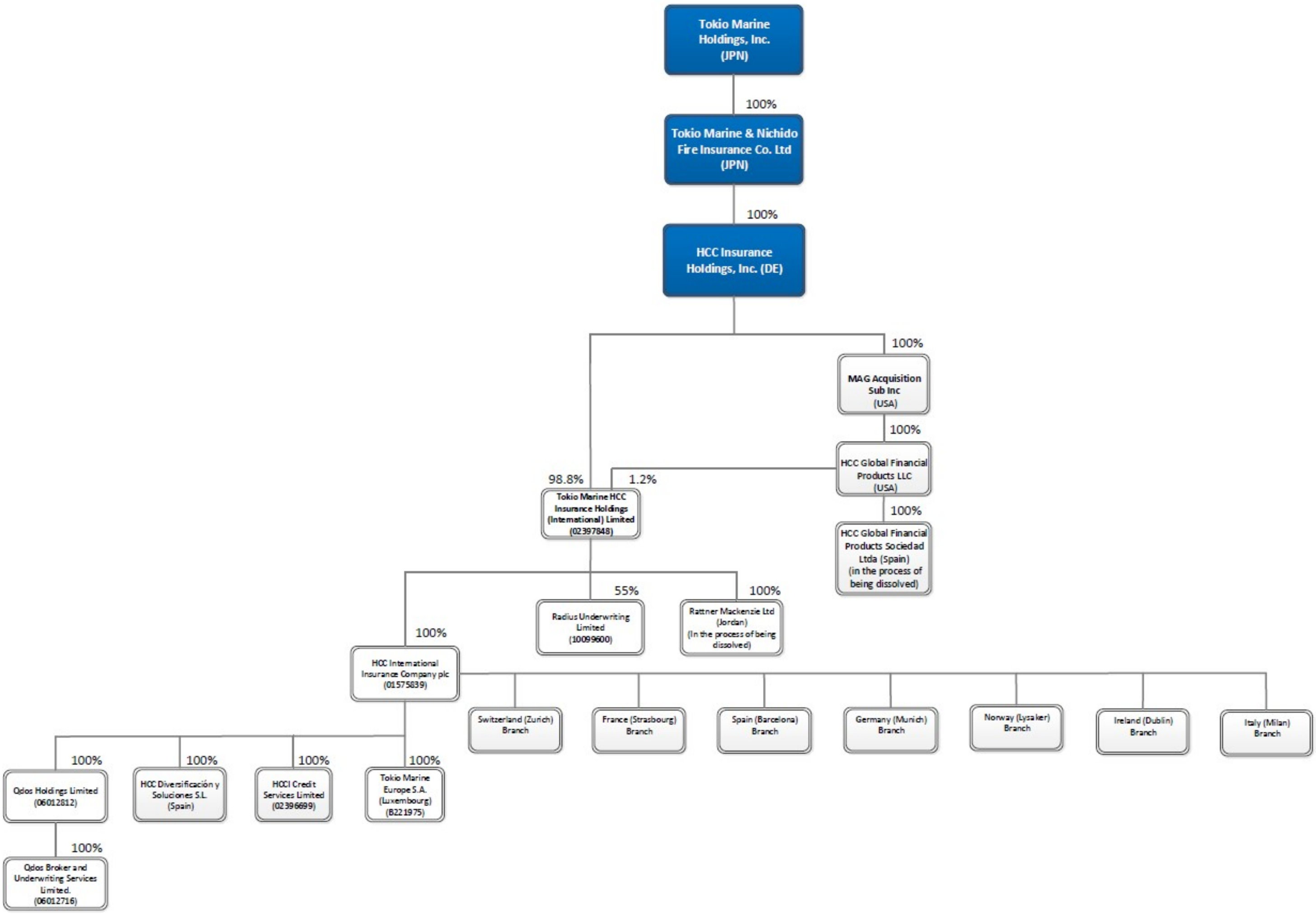
Auditor and Regulatory Bodies

The regulatory supervisor and external auditor for the Group and the Company are set out below:

Group Supervisor (Prudential Risk)	*Group Supervisor (Conduct Risk)*	*Group Auditors*
Prudential Regulatory Authority	Financial Conduct Authority	PricewaterhouseCoopers LLP
Bank of England	25 The North Colonnade	7 More London Riverside
20 Moorgate	Canary Wharf	London
London	London	SE1 2RT

Group Structure

The Group's immediate parent is HCC Insurance Holdings, Inc. which is based in Houston, United States of America, and holds 100% of the share capital of TMHCCIH(I). A detailed schematic of the organization structure of the TMHCCIH(I) group ('the Group') is shown below, followed by brief descriptions of each of the companies. All companies are wholly owned save for Radius Underwriting Limited. Blue items show TMHCCIH(I) immediate and ultimate parents, while the other boxes indicate TMHCCIH(I) group companies. For clarity, TME Branches are not shown.



Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)' or 'the Group')

TMHCCIH(I) acts as a UK investment holding company and is a private company limited by shares. It does not participate in any trading, but is exposed to investment risk in respect of impairment of investments held in its subsidiary undertakings. This risk is controlled by regular management review and monitoring of the trading results of the subsidiaries. HCCII is its principal trading subsidiary, with TME being HCCII's own subsidiary. Within TMHCCIH(I), TME is consolidated on a line by line basis using the accounting consolidation based method. TMHCCIH(I) Eligible Own Funds at 31 December 2019 total $756.1m (2018: $630.1million).

TMHCCIH(I) directly owns Rattner Mackenzie Ltd and owns 55% of the shares in Radius Underwriting Limited. The Group was previously named Pepys Holdings Limited with the name change occurring on 3 January 2019. During 2018, Pepys Holdings Limited acquired 100% of the shares in HCCII. Prior to the share transfer, HCC Insurance Holdings (International) Limited, owned 100% of HCCII's shares, with one of those shares held jointly with HCC Insurance Holdings, Inc.

In connection with the cross-border merger of TME and HCCG which occurred in July 2019, HCC Global LLC (HCCG's parent company) transferred the shares it received in TME, as consideration for the merger, to TMHCCIH(I) and as consideration for this transfer, HCCG Global LLC received shares in TMHCCIH(I) giving it a minority shareholding of 1.2% as illustrated in the structure chart.

Following the merger of HCCG into TME, UK GAAP requires that the comparative information is restated by including the results for all the combining entities for the previous reporting period and their balance sheet for the previous reporting date (as if the entities had been combined throughout the prior period), adjusted as necessary to achieve uniformity of accounting policies. The impact of this restatement can be seen in the HCCII financial statements, with the impact being $5.9m in the technical account and $3.8m net income. The impact is present only within the Group technical account, with no impact on the HCCII Company technical account. This restatement has been excluded from the prior reporting figures detailed within this SFCR.

Rattner Mackenzie Ltd (Jordan)

Rattner Mackenzie Ltd (Jordan) is in the process of being dissolved. Dormant for over 16 years, this Jordanian company has no trading activity. Given various procedural and administration requirements, this will likely take some time and as a result will remain part of the holdings group structure for the foreseeable future.

Radius Underwriting Limited

Established in late 2016, Radius Underwriting Limited is a subsidiary of TMHCCIH(I) and is an appointed representative of HCCII to provide online distribution through Infinity Groups to distribute UK PI business underwritten on HCCII paper through affinity and other groups. TMHCCIH(I) owns 55% of the shares in Radius Underwriting Limited.

HCC International Insurance Company Plc ('HCCII' or 'the Company')

HCCII is authorised to underwrite a variety of lines, including Property Treaty, Property Direct and Facultative, Delegated Property (from 1 January 2020), Accident and Health, Energy, General Liability, Marine Hull, Financial Lines, Credit and Political Risk, Contingency, Surety and Professional Risks. HCCII is based in the United Kingdom and as detailed above had authorised branches established in Republic of Ireland, France, Spain, Germany, Italy, Switzerland and Norway, which will with the exception of the Swiss branch, be closed during 2020 following the transfer of the European risks historically written by these branches to TME under a Part VII transfer at 1 January 2019. HCCII also accepts inwards reinsurance risks from United States, Canada and Australia.

HCCII's business philosophy and strategic focus is to underwrite profitable business which includes careful risk selection and reinsurance purchasing in order to preserve shareholders' equity and to meet its target risk adjusted return on capital. Underwriting is concentrated in selected, narrowly defined, specialty lines of business where consistent underwriting profit can be achieved. HCCII's underwriting personnel with access to, and expertise in, the insurance and reinsurance marketplace have enabled HCCII to achieve its strategic objectives.

HCCII continues to benefit from the strong financial strength rating which remains a significant differentiator and a key selling point in many of the markets in which HCCII operates, particularly Surety and Financial Lines.

It should be noted that, as a wholly owned subsidiary, TME is carried as an investment on the Company's balance sheet using the adjusted equity method. For HCCII total Eligible Own Funds amount to $748.4m (2018: $630.9m).

Tokio Marine Europe S.A. ('TME')

TME is a subsidiary of HCCII, which has been set up and licensed in Luxembourg with an A+ S&P rating to write all Tokio Marine European business from 01 January 2019. This is in direct response to the United Kingdom's vote to leave the EU and the subsequent triggering of Article 51 (loosely referred to as 'Brexit'), which presented the Group with the risk that business currently underwritten through passporting and Branch regulation via EU directives (approximately 30% of gross written premium) would not be licensed post-Brexit.

TME has branches in countries across Europe to service the old TMHCC International branch offices as well as the old TMKI branch offices that write both 'Japanese' and open market business. Prior year assets and liabilities of both the old TMHCC International and old TMKI branch offices were transferred into TME via a Part VII transfer. TME has been successfully writing business since 1 January 2019.

TME has its own Board, including independent non-executive Directors, along with a number of standalone Board committees to oversee the TME business as well as Board committees and sub-committees which are combined with the other TMHCC International entities. The members of the various Board committees and sub-committees include senior TMHCC executives. TME also has its own senior executives based locally, to run the business and manage and oversee all of its operations in accordance with the strategies set by the TME Board. TME is supported by additional local resources to manage core control and risk functions.

TME's lines of business are a combination of the lines previously written by HCCII and TMKI directly or through the existing European branch networks. These lines of business are divided into three main reporting segments, namely:; London Market; Specialty and European Property & Casualty.

In July 2019, the cross-border merger of HCC Global Financial Products S.L. (HCCG) into TME Spanish branch was completed, with all HCCG employees transferring to the TME Spanish branch on 1 August 2019.

Qdos Holdings Limited & Qdos Broker and Underwriting Services Limited ('Qdos')

During the first half of 2018, TMHCC entered into an agreement to purchase Qdos Broker and Underwriting Services Limited, an underwriting agency based in Leicester writing predominantly direct contractor PI business for TMHCC. Historically, this has been the largest producing broker for our Professional Risks division with an annual GWP of £10m. TMHCC have been working with them since 2007 and the book is very profitable.

Qdos Broker and Underwriting Services Limited focuses primarily on the distribution of Professional Indemnity (PI), Employers and Public Liability (EL/PL), Tax Enquiry and Liability (TEL) and Accident & Health (A&H) insurance to the growing UK small contractor market via Qdos Shop, an online digital distribution platform. During 2019, HCCII started to write new lines of business including contract tax and legal expenses. In addition, Qdos A&H business, underwritten by the London Market A&H team was launched in Q1 2019. Further possible developments could still arise (eg new affinity or scheme business from other HCCII lines), but these will be assessed on a case by case basis.

Qdos Holdings Limited is the holding company for Qdos Broker and Underwriting Services Limited and is 100% owned by HCCII.

HCCI Credit Services Limited

HCCI Credit Services provides information to support the underwriting and setting of credit limits for business underwritten by HCCII. It is a regulated entity.

The Directors of HCCI Credit Services Limited oversee the operation of the risk management framework and set the risk appetite for the company. The material risks to which the company is exposed are credit risk and liquidity risk. These are managed under the overarching risk management framework of HCCII and are not considered material within that overarching framework; the analysis is described in full within the Risk Profile section of this report.

HCC Diversificacion y Soluciones S.L.

HCC Diversificacion y Soluciones S.L. is a service company to the Spanish branch and employs individuals to provide back office support to the Barcelona office. It is not a regulated entity and has no trading or investment activities.

A2 – Underwriting Performance

A summary of Key Financials for the years ending 31 December 2019 and 31 December 2018, for the Group and Company, is as follows:

31 December 2019 USD'000	TMHCCIH(I)	HCCII
Gross Written Premiums	1,018,662	611,520
Net Premiums Earned	585,862	521,458
Underwriting Result (Technical Account pre investment income)	95,944	93,663
Net Loss Ratio	49%	47%
Net Combined Ratio	84%	82%
Investment Income (Transferred to technical account)	28,126	23,838
Profit on ordinary activities before tax	141,359	144,683
Solvency II cash and investments (excluding investment in subs and land and buildings)	1,580,914	1,288,770
Solvency II Own Funds	756,094	748,446

31 December 2018 USD'000	TMHCCIH(I)	HCCII
Gross Written Premiums	657,469	657,469
Net Premiums Earned	490,768	490,768
Underwriting Result (Technical Account pre investment income)	87,140	83,890
Net Loss Ratio	43%	43%
Net Combined Ratio	82%	83%
Investment Income (Transferred to technical account)	25,655	24,329
Profit on ordinary activities before tax	90,301	88,116
Solvency II cash and investments (excluding investment in subs and land and buildings)	1,327,205	1,205,333
Solvency II Own Funds	630,117	630,857

The Group

The Group made a net profit before tax for the financial year of $141.4m (2018: $90.3m) and includes a balance on the technical account for general business of $124.1m (2018: $112.8m), which includes investment income of $28.1m (2018: $25.7m).

Within the technical account, the Group has benefited from substantial growth, with Gross Written Premium (GWP) up 54.9% in 2019. 24.3% of the GWP growth is from continued organic growth of the Specialty and London Market segments and the balance from the new business written under the European P&C segment. TME has been underwriting business from 1 January 2019, providing the Group with a fully licensed platform and enabling it to provide seamless service to its European policyholders. In addition to underwriting the business, which was previously on HCCII and TMKI European branches, TME also underwrites the European business for Japanese companies. The European P&C segment contributed 28.8% of the overall growth in GWP. This has resulted in a diversified business mix within the Group.

The balance on the technical account excluding Investment income is $95.9m (2018: $87.1m), showing a combined ratio of 84% (2018: 82%), with strong profits from both the Specialty and London Market segments.

The Specialty segment continued to benefit from organic growth and good rating conditions across the sub-segments which built momentum in the second half of 2018 and continued throughout 2019. Professional Risks benefitted from fee income and reduced acquisition costs following the Qdos acquisition in Q4 2018. Overall the Credit and Political Risk sub-segment was profitable although UK Trade Credit was impacted by the challenging loss environment and economic uncertainty brought on by Brexit. The Surety sub-segment has been impacted for the second year by several large market losses, together with a challenging experience in the French market, albeit all other areas of the sub-segment performed well. Prior accident year loss strengthening totalled $4.2m (2018: $0.3m accident year loss releases) increasing the loss ratio by 0.9% (2018: 0.1% reduction).

The London Market segment has grown substantially primarily from a new Marine Liability team (from 1 January 2019) and expansion of Energy Renewables business. Market conditions continued to be strong and exceeded expectations. This is, in a large part, due to the Group's ability to offer capacity when competitors were unable. The Group did not have any significant exposure to 2019 large catastrophes or the deterioration of prior year events. Total prior accident year reserve releases totalled $6.0m (2018: $2.3m accident year loss strengthening) reducing the loss ratio by 4.3% (2018: 2.3% increase).

The European P&C segment contributed $4.9m to the technical results. Given the nature and complexity of the J Business and its importance to a larger global portfolio, the business is fully ceded within the TM Group to Tokio Marine & Nichido Fire ('TMNF'). The contribution to the technical result represents the override which is set to achieve a profit for the Group and covers the acquisition and operating costs of the business.

Investment income transferred to the technical account is comprised principally of earned investment income reflecting the Group's investment strategy which is to preserve and grow shareholder's equity and to maximise net investment income. Its solid operating cash flow and robust capital position supports this approach over one of managing total yield inclusive of unrealised gains and losses.

Within the non-technical account, 2019 has seen strong unrealised gains, compared to losses seen in 2018 (see Section A3). This is consistent with the effect of US interest rate reduction during the year on the investment portfolio which is principally in US dollar fixed income securities.

For details of 'Other income / (charges)', please see Section A4.

The Company

The Company made a net profit before tax for the financial year of $144.7m (2018: $88.1m) and includes a balance on the technical account for general business of $117.5m (2018: $108.2m), which includes investment income of $23.8m (2018: $24.3m).

Within the non-technical account, 2019 has seen strong unrealised gains, compared to losses seen in 2018 (see Section A3). This is consistent with the effect of US interest rate reduction during the year on the investment portfolio which is principally in US dollar fixed income securities.

The variance between the Group and the Company's net underwriting result is in relation to TME, with further details shown in the TME SFCR.

Underwriting Performance by Line of Business

TMHCC International has a continuing strategic goal to build a portfolio of specialty niche products in the International insurance marketplace.

The overall TMHCC International Strategy can be summarised as follows:

- To build and maintain a diversified and non-correlating portfolio of business that achieves a return of 10% above the risk-free rate over the insurance cycle.
- To preserve loss ratio over premium volume, growing only where we see a possibility for improved rating and conditions.
- To preserve capital using risk mitigation as a key component in ensuring that all risks are identified and monitored.

The Group / Company strategy can be summarised in the following bullet points:

- To strategically manage a diversified portfolio of businesses, differentiating ourselves from our competitors either in product offering, customer service or market positioning.
- To continue to expand our marketing footprint and push broker development in the UK regional market and throughout the rest of Europe.
- To identify opportunities to expand our current business lines where opportunities arise and meet our strategic threshold. To look for complementary lines that will increase diversification and improve our International footprint.
- To maintain a management, organisational and system/process structure commensurate with the size of the organisation.

The Group and Company underwrite and manage its products through three segments, London Market, Specialty and European P&C, with the latter reported through TME from a Company perspective. London Market business is comprised of Property Direct and Facultative, Property Treaty, Accident and Health and Marine and Energy. Specialty is comprised of Professional Risks, Financial Lines, Credit and Political Risk, Surety and Contingency. European P&C is comprised of Japanese business and European business. These segments execute the Group and Company's strategy through concentration of underwriting in selected, narrowly defined lines of business where consistent underwriting profit can be achieved.

The London Market segment has grown substantially primarily from a new Marine Liability team and expansion of Energy Renewables business. Market conditions continued to be strong and exceeded expectations. This is, in a large part due to the Group's and

Company's ability to offer capacity when competitors were unable. The Group and Company did not have any significant exposure to 2019 large catastrophes or the deterioration of prior year events.

The Specialty segment continued to benefit from organic growth and good rating conditions across the sub-segments which built momentum in the second half of 2018 and continued throughout 2019. Professional Risk benefitted from fee income and reduced acquisition costs following the Qdos acquisition in Q4 2018. Overall, the Credit and Political Risk sub-segment was profitable although UK Trade Credit was impacted by the challenging loss environment and economic uncertainty brought on by Brexit. The Surety sub-segment has been impacted for the second year by several large market losses, together with the challenging experience in the French market, albeit all other areas of the sub-segment performed well.

The European P&C segment contributed $5.0m to the Group's underwriting results. Given the nature and complexity of the J Business and its importance of a larger global portfolio, the business is fully ceded within the TM Group to Tokio Marine & Nichido Fire (TMNF). The contribution to the underwriting result represents the override which is set to achieve a profit for the Group and covers the acquisition and operating costs of the business.

A summary of the Underwriting Result for the years ending 31 December 2019 and 31 December 2018, for the Group and Company, is as follows:

TMHCCIH(I)	2019 Actuals			
USD'000	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	105,577	61,323	47%	12,305
Property & Property Treaty	93,966	64,896	23%	30,426
Accident & Health	15,020	13,459	42%	4,168
Other	(14)	(1)	-	(4,598)
Total London Market	**214,549**	**139,677**	**36%**	**42,301**
Specialty				
Surety	94,849	69,134	71%	(8,210)
Credit	48,567	45,557	73%	(2,984)
HCC Credit	63,663	51,006	27%	21,155
Total Surety & Credit	**207,079**	**165,697**	**58%**	**9,961**
Professional Risks	169,390	139,111	38%	30,015
Financial Lines	220,630	134,606	61%	15,970
Other	5,400	1,467	120%	(7,260)
Total Specialty	**602,499**	**440,881**	**53%**	**48,686**
European P&C				
Japanese Business	114,425	-	-	4,136
European Business	87,189	5,304	71%	821
Total European P&C	**201,614**	**5,304**	71%	**4,957**
Total	**1,018,662**	**585,862**	**49%**	**95,944**

HCCII USD'000	2019 Actuals			
	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	85,017	51,689	47%	10,637
Property & Property Treaty	69,370	50,071	27%	21,169
Accident & Health	13,940	12,600	41%	4,001
Other	(14)	(1)	-	(2,780)
Total London Market	**168,313**	**114,359**	**38%**	**33,027**
Specialty				
Surety	42,434	44,359	54%	4,653
Credit	47,231	44,758	74%	(6,194)
HCC Credit	56,842	47,953	27%	19,996
Total Surety & Credit	**146,507**	**137,070**	**51%**	**18,455**
Professional Risks	151,770	133,827	37%	29,778
Financial Lines	143,922	134,620	61%	14,306
Other	1,008	1,582	99%	(1,903)
Total Specialty	**443,207**	**407,099**	**50%**	**60,636**
Total	**611,520**	**521,458**	**47%**	**93,663**

TMHCCIH(I) / HCCII USD'000	2018 Actuals			
	Gross Written Premium	Net Earned Premium	Net Loss Ratio %	Underwriting Result
London Market				
Energy & Marine	52,538	36,375	48%	5,860
Property & Property Treaty	74,042	54,078	10%	32,250
Accident & Health	12,846	12,003	58%	1,639
Other	31	30	-	(4,925)
Total London Market	**139,457**	**102,486**	**29%**	**34,824**
Specialty				
Surety	90,260	67,996	51%	6,070
Credit	45,461	43,105	66%	(3,487)
HCC Credit	52,757	49,918	24%	24,357
Total Surety & Credit	**188,478**	**161,019**	**47%**	**26,940**
Professional Risks	136,310	109,974	38%	20,369
Financial Lines	187,359	110,344	59%	1,849
Other	5,865	6,945	18%	(92)
Total Specialty	**518,012**	**388,282**	**47%**	**49,066**
Total	**657,469**	**490,768**	**43%**	**83,890**

2019 GWP increased by $361.1m to $1,018.6m (2018: $657.5m). Excluding the impact of FX, the increase was $383.0m. This was driven by a combination of the new business written by the Group in 2019, together with improved market conditions on existing business, most notably in London Market and Non-Transaction Risk Insurance ('TRI') Financial Lines.

The most significant driver of the GWP growth in 2019 was the introduction of European P&C business, formerly underwritten by TMKI in Europe, which from 1 January 2019 has been written as part of the Group through TME. This business is almost 100% reinsured to TMKI and TMNF therefore the impact to GWP is substantially larger than the impact on the bottom line.

Additional GWP growth was due to the new Marine Liability line of business ($31.5m in 2019), new opportunities in Professional Risks, including the impact of Qdos, and the transfer of business formerly underwritten on TMHCC International's other underwriting platforms to TME as a result of Brexit.

Note, in 2018 a Part VII transfer of European business to TME had not taken place, nor had TME written any of its own business, meaning that the Group and Solo branch underwriting performance was materially identical.

Branch Performance

TMHCCIH(I) operates across numerous European branches, writing business through both HCCII and TME.

HCCII is based in the United Kingdom and has authorised branches established in Republic of Ireland, France, Spain, Germany, Italy, Switzerland and Norway, which will with the exception of the Swiss branch, be closed during 2020 following the transfer of the European risks historically written by these branches to the equivalent branches of TME, under a Part VII transfer at 1 January 2019.

During 2019, the Swiss branch was the only branch to write business on behalf of HCCI.

TME is based in Luxembourg and, in addition to the branches mentioned above, has branches in Belgium and Denmark.

A summary of the gross written premium of the branches, for the years ending 31 December 2019 and 31 December 2018, for the Group and Company, is as follows:

TMHCCIH(I)	2019 Actuals									
USD'000	Ireland	Switzerland	France	Spain	Germany	Italy	Norway	Netherlands	Belgium	Denmark
Total London Market	**-**	**674**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Specialty										
Surety	14,396	-	5,518	-	2,461	5,671	1,089	546	-	1,413
Credit	1,336	-	-	-	-	-	-	-	-	-
HCC Credit	-	2,293	-	-	-	-	-	-	-	-
Total Surety & Credit	**15,732**	**2,293**	**5,518**	**-**	**2,461**	**5,671**	**1,089**	**546**	**-**	**1,413**
Professional Risks	-	320	-	-	900	(3,395)	-	-	-	-
Financial Lines	-	13,557	-	93,460	2,588	4,043	-	-	-	-
Other	-	992	-	1,474	257	-	-	-	-	-
Total Specialty	**15,732**	**17,162**	**5,518**	**94,934**	**6,206**	**6,319**	**1,089**	**546**	**-**	**1,413**
European P&C										
Japanese Business	-	-	21,800	-	52,034	4,949	-	12,005	17,860	-
European Business	-	-	87,128	-	40	-	-	11	-	-
Total European P&C	**-**	**-**	**108,928**	**-**	**52,074**	**4,949**	**-**	**12,016**	**17,860**	**-**
Total	**15,732**	**17,836**	**114,446**	**94,934**	**58,280**	**11,268**	**1,089**	**12,562**	**17,860**	**1,413**

HCCII	2019 Actuals
USD'000	Switzerland
Total London Market	**674**
Specialty	
Surety	-
Credit	-
HCC Credit	2,293
Total Surety & Credit	**2,293**
Professional Risks	320
Financial Lines	13,557
Other	992
Total Specialty	**17,162**
European P&C	
Japanese Business	-
European Business	-
Total European P&C	**-**
Total	**17,836**

TMHCCIH(I) / HCCII USD'000	2018 Actuals						
	Ireland	Switzerland	France	Spain	Germany	Italy	Norway
Total London Market	**-**	**896**	-	-	-	-	-
Specialty							
Surety	15,409	-	5,638	2,352	-	5,822	1,612
Credit	-		(44)	-	-	-	-
HCC Credit	-	3,044	-	-	-	-	-
Total Surety & Credit	**15,409**	**3,044**	**5,594**	**2,352**	**-**	**5,822**	**1,612**
Professional Risks	-	(120)	-	(44)	3,004	1,605	-
Financial Lines	-	11,774	-	104,247	2,355	1,495	-
Other	-	950	-	2,145	443	-	-
Total Specialty	**15,409**	**15,648**	**5,594**	**108,700**	**5,802**	**8,922**	1,612
Total	**15,409**	**16,544**	**5,594**	**108,700**	**5,802**	**8,922**	**1,612**

Note, in 2018 a Part VII transfer of European business to TME had not taken place, nor had TME written any of its own business, meaning that the Group and Solo branch GWP amounts were identical.

Underwriting Performance by Solvency II Lines of Business

Solvency II requires sixteen different product classifications which are classified differently to how the business is managed.

The following table provides insight to the mapping of business between Tokio Marine HCC lines of business, and Solvency II lines of business.

The Solvency II lines of business is applied at an individual policy level, meaning that Solvency II lines of business can be found across multiple Tokio Marine HCC lines of business. Likewise, the following is not an exhaustive mapping between Tokio Marine HCC and Solvency II lines of business.

HCC Line of Business	Solvency II Line of Business
Energy & Marine	Direct & Proportional marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
Property & Property Treaty	Non-proportional property reinsurance Direct & Proportional Fire and other damage to property insurance
Accident & Health	Non-proportional health reinsurance Direct & Proportional Income protection insurance Direct & Proportional Medical expense insurance
Surety	Direct Credit and suretyship insurance Non-proportional property reinsurance
Credit	Direct Credit and suretyship insurance
HCC Credit	Direct Credit and suretyship insurance
Professional Risks	Direct General liability insurance
Financial Lines	Direct & Proportional General liability insurance Non-proportional casualty reinsurance
Other	Direct Miscellaneous financial loss Direct Income protection insurance Non-proportional health reinsurance

The gross written premium and underwriting results of the top five Solvency II lines, for the years ending 31 December 2019 and 31 December 2018, for the Group and Company, are as follows:

TMHCCIH(I) USD'000	2019 Underwriting Result						
	General liability	Credit and Suretyship	Marine, Aviation and Transport	Non-Prop Property	Property	Other	Total
Gross Written Premium	**338,527**	**190,158**	**119,130**	**102,690**	**95,525**	**172,632**	**1,018,662**
Net Earned Premium	258,538	154,074	32,309	65,596	23,536	49,809	585,862
Net Claims	(120,755)	(91,770)	(12,810)	(12,560)	(15,504)	(33,815)	(287,206)
Net Expenses	(77,164)	(56,867)	(9,261)	(20,283)	(12,591)	(26,546)	(202,712)
Underwriting Result	**60,619**	**7,437**	**10,238**	**32,753**	**(4,559)**	**(10,544)**	**95,944**

(HCCII USD'000	2019 Underwriting Result						
	General liability	Credit and Suretyship	Property	Non-Prop MAT	Marine, Aviation and Transport	Other	Total
Gross Written Premium	**252,407**	**133,555**	**74,884**	**50,539**	**27,606**	**72,529**	**611,520**
Net Earned Premium	252,395	132,601	47,259	24,950	24,194	40,059	521,458
Net Claims	(107,021)	(63,909)	(12,743)	(15,722)	(8,294)	(38,646)	(246,335)
Net Expenses	(87,514)	(47,112)	(15,008)	(11,581)	(8,988)	(11,257)	(181,460)
Underwriting Result	**57,860**	**21,580**	**19,508**	**(2,353)**	**6,912**	**(9,844)**	**93,663**

TMHCCIH(I) / HCCII USD'000	2018 Underwriting Result						
	General Liability	Credit and Suretyship	Medical Expense	Property	Marine, Aviation and Transport	Other	Total
Gross Written Premium	**259,038**	**174,158**	**81,583**	**33,000**	**29,543**	**80,147**	**657,469**
Net Earned Premium	185,959	151,751	55,286	22,187	16,694	58,891	490,768
Net Claims	(88,869)	(68,032)	(14,148)	(13,808)	(4,834)	(22,649)	(212,340)
Net Expenses	(84,464)	(56,768)	(16,499)	(7,384)	(7,619)	(21,804)	(194,538)
Underwriting Result	**12,626**	**26,951**	**24,639**	**995**	**4,241**	**14,438**	**83,890**

Note, in 2018 a Part VII transfer of European business to TME had not taken place, nor had TME written any of its own business, meaning that the Group and Solo branch GWP amounts were identical.

General Liability and Casualty

These classes are comprised principally of portions of Professional Risks and the Directors and Officers component of Financial Lines business.

Financial Lines GWP increased to $220.6m (2018: $187.4m) with the growth driven by improved market conditions in Commercial PI, US traded D&O and Australian Financial Lines as well as continuing growth in cyber business. This has been partially offset by a decrease in TRI business where competition remains intense with the emergence of new Managing General Agents in Europe and London.

Professional Risks GWP increased to $169.4m (2018: $136.3m). The business includes two main product lines, Professional Indemnity and Liability. The growth is driven by Professional Indemnity where market conditions have improved, while Liability has continued to grow organically albeit at a slower rate. The acquisition of Qdos in Q4 2018 has had a positive impact on both top line and acquisition costs, the latter is somewhat offset by increased premium on some higher commission accounts in Liability.

Credit and Suretyship

This class of business is comprised principally of the Credit and Political Risk and Surety lines of business.

Credit and Political Risk GWP increased to $112.2m (2018: $98.2m). The Group offers a full range of Credit and Political Risk insurance solutions for both financial institutions and small and large commercial companies through its two specialist underwriting teams. The largest team focuses on UK whole turnover Credit business where our high service standards in both underwriting and claims handling positions the Group as one of the major insurers in the UK and allows us to experience high retention levels. The UK market for this business is particularly challenging given current economic uncertainties and the difficulties experienced by the UK retail sector. As a consequence, we adapted our underwriting approach during 2019 to reduce exposure and focus on risk selection, resulting in a reduction in premium on the UK whole turnover Credit account. In contrast, the Excess Credit and Political Risk team has considerably increased premiums in 2019 due to the change in the choice of carrier between TMHCC International's underwriting platforms, reflecting the impact of Brexit and customer preference.

Surety GWP marginally increased to $94.8m (2018: $90.3m). The Group's position in the market together with its strong S&P rating provide good opportunities for Surety to sell performance bonds and other bond products, supporting large multi-national companies involved in significant infrastructure projects. Growth in the year is driven by our new European Surety underwriting team which wrote $6.0m of business in 2019.

Property

The property line of business includes Property Treaty and Property Direct and Facultative lines of business.

Property Treaty GWP increased to $76.4m (2018: $66.2m). The portfolio is comprised principally of Non-US excess of loss reinsurance business. The strategy of strong client relationships and participation on high programme layers combined with a consistent and responding reinsurance programme, has consistently produced profitable results. The rating environment remains challenging. The majority of growth in the period is driven by the shift of business to TME from TMHCC International's other underwriting platforms demonstrating client preference for our European carrier.

Property Direct & Facultative and A&H GWP increased to $32.6m (2018: $20.7m). Growth in the Property Direct and Facultative continues to be driven by rating improvements in response to the 2017 and 2018 natural catastrophes. Our A&H portfolio continues to maintain market leading profitability due to disciplined underwriting and realistic growth expectations.

Marine, Aviation and Transport

Marine & Energy GWP increased to $105.6m (2018 $52.5m). The increase is driven by better rating conditions in both Marine and Energy and the addition of the new Marine Liability team as commented on above.

Other

The Other line of business comprises principally of Non-proportional Marine business, Income protection and Miscellaneous Financial Loss.

Underwriting Performance by Solvency II Geographic Location

In conformity with Solvency II requirements whereby the 'geographic location' is defined by either underwriter or risk location dependent upon type of business, the following provides the gross written premium and underwriting results of the UK and top 5 locations by geographic location, for the years ending 31 December 2019, and 31 December 2018, for the Group and Company:

TMHCCIH(I) USD'000	SII UK and Top Five Locations by GWP – as at 31 December 2019							
	United Kingdom	France	Spain	Belgium	Germany	Singapore	Other	Total
Gross Written Premium	**452,639**	**114,731**	**99,871**	**73,950**	**47,497**	**5,499**	**224,475**	**1,018,662**
Net Earned Premium	292,685	17,709	68,384	(6,919)	3,417	2,155	208,431	585,862
Net Claims	(176,493)	(515)	(23,285)	(1,537)	(167)	(1,179)	(84,030)	(287,206)
Net Expenses	(91,252)	(4,570)	(39,118)	12,243	(2,092)	(1,276)	(76,647)	(202,712)
Underwriting Result	**24,940**	**12,624**	**5,981**	**3,787**	**1,158**	**(300)**	**47,754**	**95,944**

HCCII USD'000	SII UK and Top Five Locations by GWP – as at 31 December 2019							
	United Kingdom	United States	Japan	Singapore	Israel	Mexico	Other	Total
Gross Written Premium	**383,960**	**18,879**	**18,635**	**17,364**	**17,069**	**15,890**	**139,723**	**611,520**
Net Earned Premium	305,394	6,849	4,352	6,260	1,777	8,526	188,300	521,458
Net Claims	(154,140)	(2,418)	(5,090)	(3,275)	(1,628)	1,714	(81,498)	(246,335)
Net Expenses	(101,186)	(3,478)	(1,593)	(2,569)	(2,589)	(2,347)	(67,698)	(181,460)
Underwriting Result	**50,068**	**953**	**(2,331)**	**416**	**(2,440)**	**7,893**	**39,104**	**93,663**

TMHCCIH(I) / HCCII USD'000	SII UK and Top Five Locations by GWP – as at 31 December 2018							
	United Kingdom	Spain	Ireland	Switzerland	Germany	Italy	Other	Total
Gross Written Premium	**320,027**	**92,349**	**20,093**	**16,446**	**15,573**	**13,847**	**179,134**	**657,469**
Net Earned Premium	247,793	56,960	15,193	10,857	8,843	9,720	141,402	490,768
Net Claims	(127,531)	(32,240)	(4,365)	(5,454)	(2,606)	(1,817)	(38,327)	(212,340)
Net Expenses	(87,011)	(33,666)	(5,833)	(5,591)	(4,716)	(4,367)	(53,354)	(194,538)
Underwriting Result	**33,251**	**(8,946)**	**4,995**	**(188)**	**1,521**	**3,536**	**49,721**	**83,890**

A3 – Investment Performance

The investment function is overseen by the Investment Committee which operates under terms of reference set by the Company's Board. The Committee is responsible for recommending the Investment Risk Appetite to the Board and preparing, in conjunction with the Tokio Marine HCC Group's Investment Managers, the Investment Policy which is consistent with the Board's risk appetite and regulatory requirements.

New England Asset Management was the investment managers for the US Dollar, Sterling, Euro and Swiss Franc funds throughout the year. The funds consist primarily of a portfolio of highly rated Corporate Bonds, which are BBB rated and above, including Bonds guaranteed by the US, UK and German governments. The average duration of the aggregate portfolios at the year-end was 5.01 (2018: 3.81 years).

The performance of the Group's portfolio, for the years ending 31 December 2019 and 31 December 2018, is as follows.

Asset Classes	Year Ending 31 December 2019				
	Gross Investment Income USD'000	Realised Gains and Losses USD'000	Technical Earned Investment Income USD'000	Unrealised Gains and Losses USD'000	Total Earned Investment Income USD'000
Corporate Bonds	12,228	729	12,957	15,711	28,668
Government Bonds	8,521	170	8,691	11,393	20,084
Collective Investment Undertakings	-	-	-	2,743	2,743
Collateralised Securities	8,383	(325)	8,058	11,846	19,904
Total	**29,132**	**574**	**29,706**	**41,693**	**71,399**
Investment Expense			(1,580)		(1,580)
Technical Earned Investment Income			**28,126**		**69,819**
Bank Interest					1,844
Total Earned Investment Income					**71,663**

Asset Classes	Year Ending 31 December 2018				
	Gross Investment Income USD'000	Realised Gains and Losses USD'000	Technical Earned Investment Income USD'000	Unrealised Gains and Losses USD'000	Total Earned Investment Income USD'000
Corporate Bonds	11,496	57	11,553	(9,874)	1,679
Government Bonds	6,930	33	6,963	(3,194)	3,769
Collective Investment Undertakings	-	-	-	72	72
Collateralised Securities	9,010	(460)	8,550	(5,892)	2,658
Total	**27,436**	**(370)**	**27,066**	**(18,888)**	**8,178**
Investment Expense			(1,411)		(1,411)
Technical Earned Investment Income			**25,655**		**6,767**
Bank Interest					333
Total Earned Investment Income					**7,100**

The performance of the investment portfolio, as recorded in the technical account, is $28.1m (2018: $25.7m). Including unrealised gains and losses, and bank interest, the total earned investment income for the Company is $71.7m (2018: $7.1m).

The performance of the Company's portfolio, for the years ending 31 December 2019 and 31 December 2018, is as follows.

Asset Classes	Year Ending 31 December 2019				
	Gross Investment Income USD'000	Realised Gains and Losses USD'000	Technical Earned Investment Income USD'000	Unrealised Gains and Losses USD'000	Total Earned Investment Income USD'000
Corporate Bonds	10,046	693	10,739	13,843	24,582
Government Bonds	7,377	170	7,547	10,070	17,617
Collective Investment Undertakings	-	-	-	2,743	2,743
Collateralised Securities	7,324	(330)	6,994	11,350	18,344
Total	**24,747**	**533**	**25,280**	**38,006**	**63,286**
Investment Expense			(1,442)		(1,442)
Technical Earned Investment Income			**23,838**		**61,844**
Bank Interest					1,350
Total Earned Investment Income					**63,194**

Asset Classes	Year Ending 31 December 2018				
	Gross Investment Income $'000	Realised Gains and Losses $'000	Technical Earned Investment Income $'000	Unrealised Gains and Losses $'000	Total Earned Investment Income $'000
Corporate Bonds	10,782	57	10,839	(9,735)	1,104
Government Bonds	6,598	33	6,631	(3,482)	3,149
Collective Investment Undertakings	-	-	-	72	72
Collateralised Securities	8,705	(460)	8,245	(5,979)	2,266
Total	**26,085**	**(370)**	**25,715**	**(19,124)**	**6,591**
Investment Expense			(1,386)		(1,386)
Technical Earned Investment Income			**24,329**		**5,205**
Bank Interest					282
Total Earned Investment Income					**5,487**

The performance of the investment portfolio, as recorded in the technical account, is $23.8m (2018: $24.3m). Including unrealised gains and losses, and bank interest, the total earned investment income for the Company is $63.2m (2018: $5.5m).

A4 – Performance of Other Activities

Other Material Income and Expenses

Other charges and income incurred by the Group and Company for the year, not included within the technical account were:

Year Ending 31 December 2019		
USD'000	TMHCCIH(I)	HCCII
Brexit Costs	3,524	2,656
Corporate oversight costs	3,292	2,019
Service awards	1,145	501
Amortisation of goodwill	6,224	0
Amortisation of intangibles	4,044	1,545
Other income	-	-
Total other (income) / charges	18,229	6,721

The corresponding table for 2018 for the Group and Company is shown below.

Year Ending 31 December 2018		
USD'000	TMHCCIH(I)	HCCII
Brexit Costs	4,125	3,145
Corporate oversight costs	3,531	3,443
Service awards	2,591	2,064
Amortisation of goodwill	1,467	1,931
Amortisation of intangibles	2,059	0
Other income	-	983
Total other (income) / charges	13,773	11,566

A5 – Any Other Information

Share Capital

During the period, the group issued 2,264,321 $1 shares and the company issued one new USD share with a share premium of $19,114,768.

Dividends

During the year, the Group and Company paid dividends totalling $Nil (2018: $Nil).

Covid-19 Pandemic

The outbreak of the coronavirus pandemic (Covid-19) is unprecedented and will have a material impact on the global economy and the insurance market. Although it is early to conclude a comprehensive assessment as to the impact on the Group, the following points summarise the Board's current view on the impact on underwriting and investments:

- Based on a thorough analysis of the portfolios and extensive work undertaken by the underwriting team over the past month, the principal market areas of insurance/reinsurance coverage underwritten by the Group which potentially have losses directly associated with Covid-19 are: Event Cancellation, Property Business Interruption, Accident and Health, Professional Risks. The analysis undertaken by the underwriting teams has included a thorough review of each portfolio and, where appropriate, risk by risk review of wordings to ascertain coverage.
- It is too early to determine the indirect economic impact of Covid-19 on the Group. Based on conversations with lead underwriters as well as management's knowledge of the underlying business, the principal sub-segments which may be Indirectly impacted are principally HCC Credit, Surety and Financial Lines.
- The Group's and Company's invested assets continue to have a broadly similar valuation to the 31 December 2019 figures, with substantial consolidated cash and cash equivalents, meaning that the Group and Company continue to have strong cash and liquidity positions.

- Based upon the work summarised above, it is believed that Covid-19 will not have a material impact on the future outlook or going concern of the Group or Company. This conclusion is based on the following:
    - The strong solvency regulatory capital position;
    - The diversified book of business;
    - Limited direct losses, seen in the context of overall budgeted net profit after tax exceeding $100m for the next three years;
    - Strong liquidity position and allocation of investment portfolio; and
    - Good reinsurance security with long standing reinsurers.

Section B – System of Governance

B1 – General Information on the System of Governance

The Group's governance

The Group's Board is comprised of B J Cook, Chief Executive Officer of TMHCC International and K L Letsinger, Group Chief Financial Officer of TMHCC International, both of whom are also Directors of HCCII, and T Weist, Executive Vice President and Co-Chief Ffinancial Officer of HCC Insurance Holdings, Inc. the Group's immediate parent company.

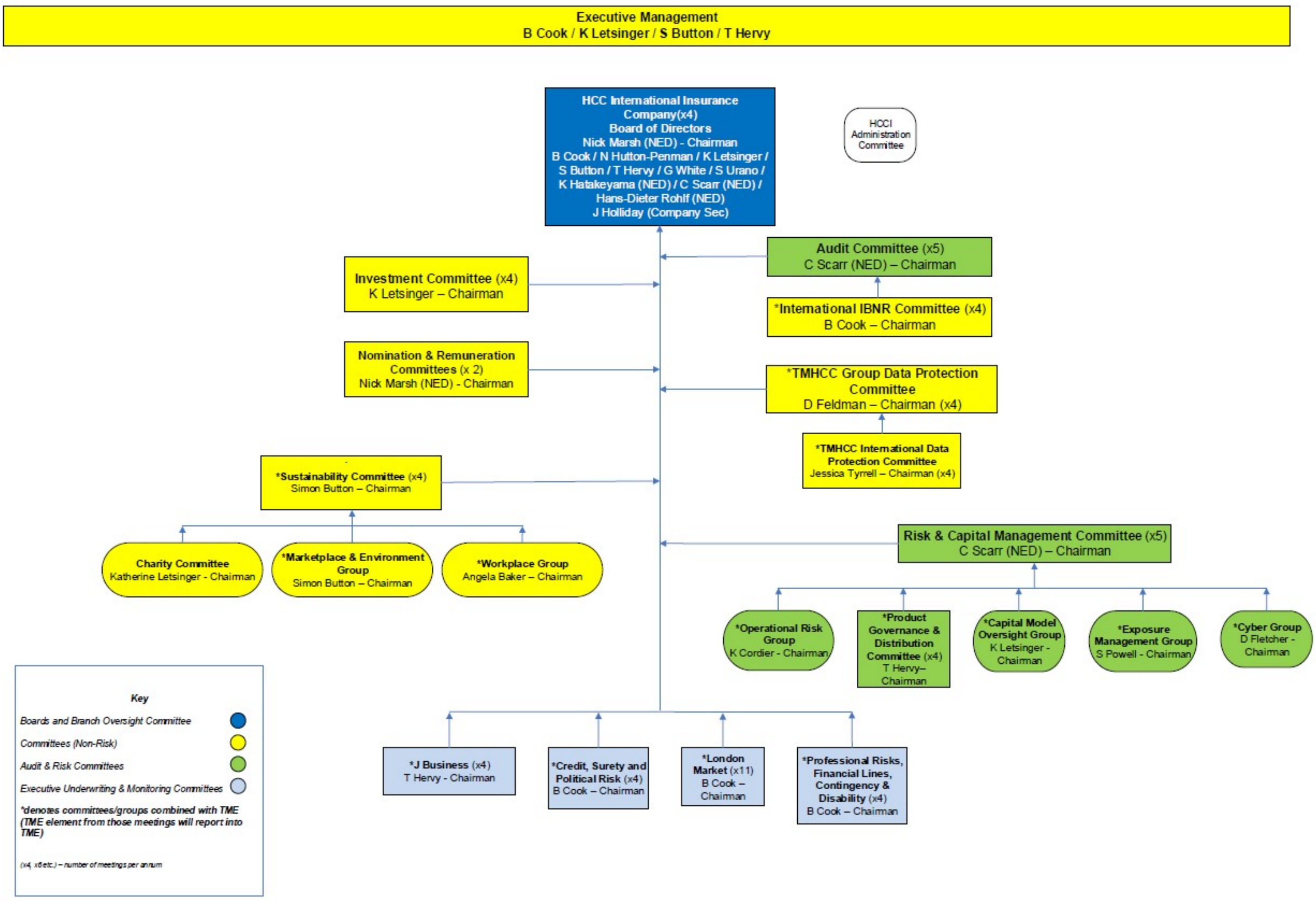
Board meetings are held for the Group on an ad hoc basis to approve accounts, share issues, agree company strike-offs of subsidiary companies and any other ad hoc responsibilities.

The information contained within the remainder of this section relates to the System of Governance for the Company. However, as the Company, including its subsidiaries, are the only risk-bearing entities of the Group, the risk management, internal control systems and reporting procedures are aligned between both the Company and the

Group. The system of governance has not changed materially over the year, even in the context of the incorporation of TME, which has materially the same governance and risk frameworks and which are covered separately in the TME SFCR.

Overview of the Company's Board and Committee Structure

The oversight of the Company's business and its operations are provided through its governance structure, in which the management of risk plays a significant part. Governance starts with the Company's Board, which has overall responsibility for management of the Company through providing leadership of the Company within a framework of prudent and effective controls. The organisation chart below provides a high-level overview of the Company's governance structure.



Board of Directors

The Board is responsible for leading the Company and promoting the long-term sustainable success of the Company, generating value for all stakeholders. In carrying out its duties, the Board may exercise all the powers of the Company, subject to any relevant laws and regulations and to the Articles of Association ('Articles').

The principal functions of the Board are to:

- establish a sustainable business model, determine a strategy which aligns to that business model;
- agree the risk strategy and appetites for the Company, oversee the effective operation of the risk management framework and monitor performance against the risk appetites;
- set out the framework within which the business is managed;
- ensure that the Company has in place an appropriate corporate governance structure and undertake an annual review of the Company's policies and procedures, including but not limited to: Conduct Risk Policy;
- ensure that the Company's Conduct Risk framework is effective and delivers fair customer outcomes and to review Conduct Risk MI, providing appropriate challenge and direction;
- complies with its regulatory obligations; and
- define the Company's corporate and social obligations, ensuring it acts as a 'Good Company'.

There is a Schedule of Matters Reserved for the Board which includes all items that must receive Board approval.

All authority in the Company flows from the Board but it delegates certain responsibilities to Board committees and these matters are set out in the Board committees' terms of reference. Each year the governance structure and the terms of reference are reviewed to ensure they remain both up to date and appropriate.

The Board is comprised of executive Directors, independent non-executive Directors, a non-executive director and a shareholder representative and possesses a combination of skills, experience, and knowledge that cover the Company's main business areas, ensuring appropriate challenge and debate. This enables the Board to make informed decisions and provide effective oversight of the risks

Audit Committee

The main responsibilities of the Audit Committee are to:

- review and monitor the integrity of the financial statements;
- provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review the Company's internal financial controls;
- monitor the application of appropriate accounting standards;
- monitor and review the effectiveness of the Company's Internal Audit function
- review and monitor the external auditor's independence and objectivity;
- review the quarterly reserve recommendations from the Incurred But Not Reported Reserves ('IBNR') Committee and the actuarial analysis;
- review the effectiveness of the whistleblowing procedures; and
- review the scope and effectiveness of the external audit process;

TMHCC Group Data Protection Committee

The TMHCC Group Data Protection Committee covers all TMHCC Group entities including the Company. The Committee's purpose is to:

- Discuss and shape the Group-wide data protection strategy, and recommend it to the relevant TMHCC International / US Boards for approval;
- identify areas where the US and UK/Europe should share knowledge and resources;
- identify areas where the US and UK/Europe should agree a common approach to an aspect of Data Protection practice/policy or reporting; and
- review summary reports and consider any red flags/major issues raised by the Non-Board Committees (including information on data breaches, or failure to meet deadlines for responding to requests from data subjects)

Executive Underwriting Monitoring Committees

The main purpose of the three Executive Underwriting Monitoring Committees (EUMC) (London Market; Credit, Surety and Political Risk; and Professional Risks, Financial Lines, Contingency and Disability) is to ensure that the lines of business operate in accordance with TMHCC International's strategic objectives . The main responsibilities of the EUMCs are to:

- review the line of business performance against budget;
- consider the rating, market and loss environments and any impacts on the Group's business;
- monitor the KPIs and risk metrics for each line of business; and
- review claims and IBNR for each line of business.

The committees escalate matters of concern or which require approval of the Board through the relevant Chief Underwriting Officer and by way of a written report at regular quarterly Board meetings.

Investment Committee

The primary purpose of this committee is to assist the Board by overseeing the management, understanding and quantification of investment (market] risk. The Committee is responsible for:

- ensuring that the funds of the Company are invested in accordance with its strategy, policy and the Prudent Person Principal;
- annually reviewing the investment strategy and policies;
- ensuring the Investment Strategy and policies for the TMHCC International platforms are consistent with the Tokio Marine HCC Group Investment Strategy, FCA, PRA and EU regulatory requirements and policies and remain appropriate;
- establishing appropriate investment risk metrics to monitor the performance of investments; and
- monitor the performance of investments, including the performance of external investment managers and take appropriate action where investments cease to comply with the investment guidelines.

Nominations Committee

The main responsibilities of the Nominations Committee are to:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board where their composition requires further development. In this respect, the Committee will consider the findings from the annual Board evaluation exercise;
- review the leadership needs of the Company, both executive and non-executive to ensuring that it continues to compete effectively in the marketplace and assist in identifying, nominating and re-nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- consider succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

Remuneration Committee

The Committee's primary objective is to oversee the remuneration arrangements for all employees within the Group including the Company, ensuring that the framework for remuneration is one that will enhance the Group's resources by attracting, retaining and motivating employees to the Group's strategic objectives within a framework that is aligned with the Group's risk management framework and long-term strategy.

Risk & Capital Management Committee

The purpose of the Risk & Capital Management Committee is to oversee the Company's risk management framework and approach to capital. The duties of the committee are to:

- advise the Board on risk strategy;
- make recommendations regarding risk appetites and tolerances;
- establish and review the risk metrics to be used to monitor performance;
- ensure there is an effective and integrated Enterprise Risk Management (ERM) framework in place that allows inherent and emerging risks to be identified and monitored and mitigated in a timely manner;
- ensure that assessments of regulatory capital are completed to the applicable standard and within regulatory timescales and recommend to the Board regulatory capital requirements; and
- management of the risk groups for oversight of capital model development, exposure management controls and business continuity plans.

The Risk & Capital Management Committee has five sub-groups that each focus on a particular aspect of risk and report to the Risk & Capital Management Committee with any recommendations and findings undertaken as a result of the execution of their responsibilities. The main purpose(s) of each group are as follows:

- <u>Capital Model Oversight Group</u>: to monitor the Company's capital models, including output, use, development and validation. The model includes both the Internal Economic Capital Model ('ECM') and the SF.
- <u>Cyber Group</u>: reviewing cyber underwriting risk exposure, monitoring exposures against agreed risk appetites; overseeing the development of Probable Maximum Loss (PML) methodologies; monitoring industry developments and compliance with regulatory requirements in respect of cyber underwriting risk and as appropriate recommending changes to risk appetites, cyber reporting, scenarios/methodologies;

- Exposure Management Group: monitoring procedures and oversight systems for the evaluation of all property and non-property aggregate accumulations (both before and after PML) to be utilised by the regulated entities within the Group. The aggregate methodology will have reference to catastrophe models, RDS and other relevant input;
- Operational Risk Group: to oversee and ensure the efficient and effective management of operational risk, including the identification and mitigation of operational risks; monitor established and emerging operational risks, and ensure appropriate procedures are in place. In addition, the group oversees the prioritisation of actions taken in respect of potential risks based upon risk criteria approved by the Board; and
- Product Governance & Distribution Committee: ensuring effective oversight of product development, implementation and ongoing product management during the product lifecycle; that the Company can achieve compliance with its regulatory obligations, in particular, PRIN 2, 3, 6 and 7; proportionately; to promote and support the delivery of the six Treating Customers Fairly ('TCF') outcomes; ensuring that product control, conduct risk and TCF are prioritised, embedded within and central to the Company's culture; and developing, maintaining and monitoring the Product Control Framework.

Sustainability Committee

The Committee was established in Q4 2019 to explore the Environment, Social and Governance risks, trends, and opportunities that might impact the Group's business. The main responsibilities of the Committee are to:

- oversee the identification, management and mitigation of sustainability risks;
- define TMHCC International's sustainability appetite, vision, objectives and strategy and recommend to the Board for approval;
- oversee the execution of the sustainability strategy;
- agree annual sustainability targets and review performance against targets; and
- oversight of the work carried out by sub-committees (Charity Committee, Workplace Group, Marketplace and Environment Group).

Administration

There is also an administrative committee established in order to act on behalf of the Board between the quarterly scheduled Board meetings in order to deal with routine regulatory submissions, banking and administration matters, including the use of the Company Seal where Board level authorisation is required i.e. granting of Powers of Attorney.

Remuneration Policy

The TMHCC International's Remuneration Policy provides a framework for remuneration which is consistent with the Company's risk management and long term strategy. The key principles of the policy are to ensure that remuneration packages reflect the employees' duties and responsibilities, that they are fair and equitable, and that reward is clearly and measurably linked to individual and corporate performance.

The pay element of the reward package comprises both fixed and variable pay. The fixed pay component is determined by the role and responsibilities of the employee, their skills and experience, performance and comparable market rates. The variable pay component is designed to motivate and reward employees who generate income and/or increase shareholder value. The variable pay element is awarded in a manner which promotes sound risk management and does not induce excessive risk taking. The Remuneration Committee ensures that there is an appropriate balance between fixed and variable pay and that the fixed component represents a sufficiently high proportion of the total remuneration. In addition the performance based component reflects the risk underlying the achieved result, and a portion of the variable component is deferred for those employees who are identified as risk takers.

There is no remuneration linked to share options or shares in the Group or its ultimate parent undertaking.

Directors are employed by the UK Service Company and provide services to the Company and other UK regulatory entities. The remuneration above represents the Company's share of total director remuneration.

Assessment of Adequacy of the System of Governance

As noted in Section B.5, Internal Audit is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance, taking into account the nature scale and complexity of the risks inherent in the business. Based on the audit and controls testing performed in 2019, along with reliance on testing performed in 2018, Internal Audit concluded that the governance and risk management were both fit for purpose and that key controls were operating as intended.

B2 – Fit and Proper Requirements

Senior Managers and Certification Regime

The Senior Managers and Certification Regime ('SM&CR') came into effect for HCCII on 10 December 2018. The new regime is designed to ensure individual accountability within firms, holding them more accountable for the decisions they make, and the remit has been extended to include more individuals within the firm who were not previously subject to the prior regulatory regimes.

Senior Manager Functions (SMFs) are controlled functions which have been designated as such by either the PRA or FCA. These functions apply to Directors that effectively run the Company and to Senior Managers who have responsibilities for the Key Functions as defined under the Solvency II Directive. 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 designated SMFs gain pre-approval from the PRA/FCA to carry out the regulated activities.

The Certification Regime is a new FSMA requirement (s63E(5)) and it applies to employees who are not Senior Managers but whose roles could allow them to cause significant harm to the Company or its customers. This regime includes all individuals who have been designated as a Material Risk Taker by HCCII and senior managers within key function areas of the business. These individuals must be notified to the PRA/FCA but do not require formal regulatory approval.

In addition to the Board and Committee structure outlined above the Company has six key functions: four required by the Solvency II Directive and a further two as designated by the Board of the Company.

Key Functions

The Company has identified six key functions which are as follows:

Actuarial

The Actuarial function sits across all European underwriting platforms. Its primary responsibility is the coordination of the calculation of the technical provisions, ensuring that methodologies and assumptions used are appropriate to the line of business, assess the sufficiency and quality of the data provided and compare best estimates against experience.

Claims Management

The Company views its claims settlement process as the 'shop window' to customers and a potential differentiator to competitors. Staffed by claims professionals based in London, Bridgend and Leicester handling claims emanating from all lines of business with claims potentially located in any jurisdiction anywhere around the world. The claims departments are responsible for evaluating loss exposures accurately and expediently, providing salvage and subrogation potentials for the organisation as well as providing a prompt equitable and consistent service to policyholders, agents and claimants.

Compliance

The overarching purpose of this function is to enable the Company to meet and exceed the standards required by its regulators. Accountabilities include advising the Board on compliance with PRA/FCA, Lloyd's and international regulatory requirements and ensuring staff awareness of regulatory matters and best practice guidelines for business compliance topics e.g. licensing, sanctions, anti-money laundering, competition and treating customers fairly.

Internal Audit

The Internal Audit function is primarily responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance. This function is independent and free to express its opinions and disclose findings to the Board, Tokio Marine HCC Group and reports directly to the UK Internal Audit Committee and into the Tokio Marine HCC Group Audit Committee on a regular basis.

Risk Management

The risk management function assists in the effective operation of our business units and maintains an entity-wide view of the Company and the entire TMHCC International risk profile. For the Board, committees and management it also monitors and provides focused reporting on risk exposures and advises on risk.

Information Technology

The standard of our control framework is heavily reliant upon IT from data input through to regulatory reporting. The accuracy and timely provision of various Management Information (MI)is essential for the Executive decision-making process. In some lines of business direct portal access is provided to our customer base and therefore high standards for service reliability are imperative to the business and our reputation.

Fit and Proper Compliance

The Company's Fit and Proper Policy provides a framework for assessing the fitness and propriety of Directors, Senior Managers, individuals performing a key function as defined under the Solvency II regime and individuals performing certified functions as defined under SM&CR. The key principles of the policy are to ensure that all individuals have the personal characteristics and possess the level of competence, knowledge and experience, including ongoing training, to enable the individual to perform their responsibilities effectively which ultimately enables sound and prudent management of the Company.

The control framework for assessing the fitness and the propriety of individuals who effectively run the Company or have other defined functions starts at recruitment and continues throughout employment with performance reviews, development plans and periodic reassessments which include self-certification and independent screening by a third party provider.

The assessment for the pre-appointment stage is carried out by the Human Resource department and the person's proposed manager in the Company. Where the appointment is to a Board position, the proposed appointee is also interviewed by one or more non-executive Directors. The assessment will take account of the qualifications, knowledge and experience of the individual.

The ongoing assessments of the suitability are carried out through the annual appraisal process which is the responsibility of line managers but is also monitored by the Human Resource department and reported as part of our key risk metrics to oversight committees and Board. A programme of training is in place for individuals' to either enhance or maintain level of knowledge as appropriate. Training is monitored by the Compliance department to ensure the annual programme covers all legal and regulatory topics relevant to the individual's area of responsibility. The Company Secretary coordinates the general training needs of the Board members and these may include general governance issues or technical matters.

B3 – Risk Management System including the Own Risk and Solvency Assessment

Risk Management Strategy and Objectives

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 achieves this through a strong risk culture articulated by effective ERM senior leadership and embodied by management at all levels through its governance structure and risk management processes.

The following risk management principles are high level guidelines which have been derived from experience, best practice and corporate governance guidelines used within the insurance industry and these specific principles have been adopted by the Directors of the Company.

1. Systematic and structured risk management

The control processes should include recognised systematic activities, where practicable, that ensure results are reliable, robust and comparable, thereby allowing management to adopt them with confidence. These processes should reflect best practice and be supported by the appropriate tools and techniques

2. Evidenced-based risk management

   The inputs to the process should be based on historical data (where available), experience, subject knowledge, expert judgement and future projections. To this end lessons-learned workshops should be conducted at the end of projects or newly completed first time activities with information being stored for similar future events.

3. Human factors

   Human behaviour such as bias, motivation, 'rule of thumb', unwillingness to accept risk or change will all influence the effectiveness of control practices. Management should take account of these behaviours during the design and implementation stages of control practices. Additionally, consideration should be given to problems of communication due to our organisational structure and geographical dispersion.

4. Adding benefit and value

   The optimisation of risk management practices and risk response planning should contribute to the demonstrable achievement of business objectives and provide overall organisational benefits, such as efficiency in operations, financial performance, accurate reporting, regulatory compliance and good reputation. To add value the control environment should underpin our corporate governance structure, provide assurance to Group and reflect legislative requirements.

The Company's strategic risk objectives are:

- To build and maintain a diversified and non-correlating portfolio of business that achieves a return of 10% above risk free rate over the insurance cycle.
- To maintain a focus on preserving loss ratio before premium volume and will only plan to grow where we see a possibility for improved rating and conditions and target returns are met.
- To preserve capital using risk mitigation as a key component in ensuring that all risks are identified and monitored
- We aim for a minimum threshold for credit rating of an A rating (for S&P, Moody's and Fitch).
- Throughout all of our dealings, we will ensure that the reputation and integrity of the company remains intact so that we are seen as the premier specialty insurer.
- Staff retention is of paramount importance to the Company; we set our pay structure in line with market rates and provide a good benefits package. In addition, appraisals and training are focused on improving and developing our people.

The Directors believe that the benefits of good risk management (and the downside of bad risk management) will be felt by our staff, management, shareholders and customers alike. Whilst the overall responsibility for effective governance and risk management lies with the Board, the daily management of risk is delegated to senior management as the diversity of risks faced by the business apply at all levels of our organisation and to all activities.

The Company's strategy for managing its risk is to:

- Adopt an integrated approach to risk management through the processes and structures detailed in the Risk Management Policy.
- Accept that whilst the business operation cannot be risk free, we will aim to manage risk to a desired level and minimise the adverse effects of any residual risk.
- Coordinate the management of risk via the Risk & Capital Management Committee and other committees that report to the Board.
- Manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues as part of the normal business planning process.
- Ensure that there are appropriate policies and procedures in place that are communicated to and followed by managers and staff to minimise risk.
- Ensure that staff are appropriately trained.

Risk Management and Control

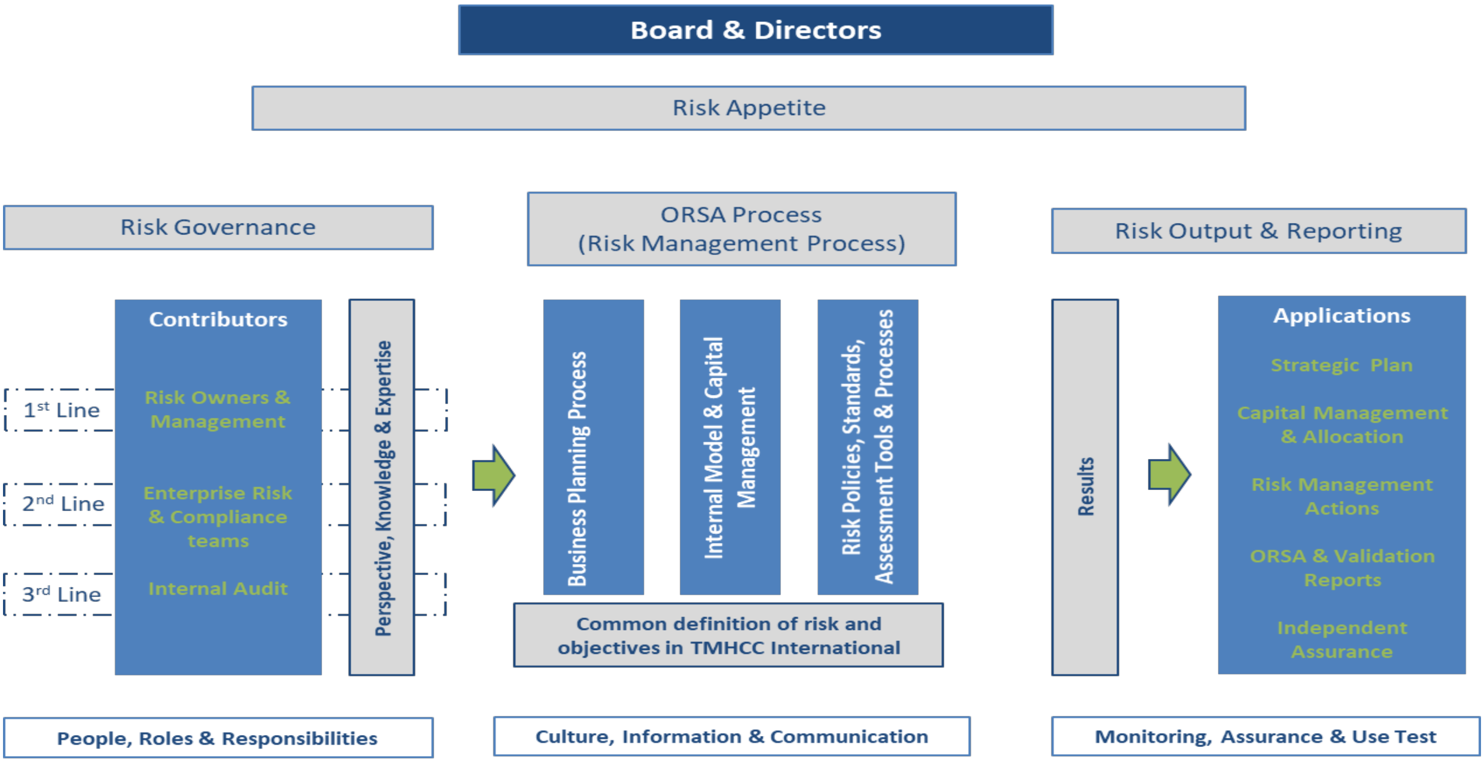
The Company operates a 'three line of defence' risk governance framework which means that we coordinate risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms.

The first line of defence is the responsibility of senior management, the risk takers in the business. This involves day-to-day risk management, in accordance with risk policies, appetite and internal controls at the operational level.

The second line of defence concerns those responsible for risk oversight and risk guidance. As well as monitoring reports, they are responsible for risk policies and risk processes and control design.

The third line of defence is independent assurance to the Board and senior management of the effectiveness of risk management processes.

The diagram below illustrates the various facets of our risk framework; how these interact with one another and the responsibilities of those staff in the first, second and third line of defence.



The Risk Management function assists in the effective operation of our business units and maintains an entity-wide view of each entity and the Group's risk profile. For the Board, committees and management it also monitors and provides focused reporting on risk exposures and advises on risk.

Risk Identification

The Company's approach to risk identification uses various methods of self-assessment specifically capitalising on our internal expertise to identify and quantify risks with departmental results being consolidated and standardised as necessary by the Risk and Capital Management Committee.

Senior Managers know their business objectives and are best placed to be able to highlight any new risks that may be developing over time or changes in existing risk levels. It is part of their overall responsibility to ensure such situations are reported upwards either through the Enterprise Risk team or directly to the Risk & Capital Management Committee.

Risk Register

The Company has a risk register which ensures all identified risks are described in a consistent and structured format to facilitate the assessment process. The register is divided into high level risk categories which assist with transparency and clarity when analysing risks at a company level rather than departmental. The grouping of risks helps the Enterprise Risk team to aggregate and map similar kinds of risk across departments, document management responsibilities both for the ownership of risk and the mitigation activities to control said risk.

The risk register is reviewed in its entirety with relevant risk and control owners, by the Enterprise Risk team on a biannual basis.

Risk Policies

The Company has defined a risk policy for each risk group which impacts our operating environment and establishes the controls, procedures, limits and escalation to ensure that the risks are managed in line with Risk Appetite. The policies cover Insurance Risk, Operational Risk, Group Risk, Internal Financial Risk, Liquidity Risk, Credit Risk and Market Risk.

The policies are reviewed annually alongside the group strategy and planning process thereby confirming that the risk appetite and profile remains appropriate to deliver the company's objectives in light of both internal and external drivers or constraints.

Risk Appetite, Tolerances and Limits

Risk appetite plays an important part in supporting risk assessment, monitoring and control activities as it establishes a set of benchmarks from which transaction specific tolerance levels can be set and monitored for a particular risk.

The Company accepts the immediate parent's risk appetite with regards to Strategic and Insurance risks but on occasion may reduce the specific appetite for a particular line of business as a prudent move against negative market conditions and influences. This form of limitation would be managed via amended business plans, reduction in underwriting authorities and regularly monitored via the Executive Committee.

The Risk and Capital Management Committee enforces the Board policies by ensuring that measurable limits or thresholds are allocated and assist the organisation as a whole to implement control procedures and appropriate monitoring activities as well as providing an escalation route to the Board if required.

- A limit reflects the absolute maximum level of exposure that is acceptable for a particular risk (a level of exposure that should not normally be exceeded).
- In contrast a threshold represents a level of exposure which, with appropriate approvals, can be exceeded, but which, when exceeded, will trigger some form of response (e.g. additional expenditure of risk control, reporting the situation to senior management, etc.).

The Company's Strategic Risk metrics are set with thresholds. Strategic Risk Metrics are prepared and reported to the Risk and Capital Management Committee and Board of Directors on a quarterly basis.

Risk Monitoring and Review

The Company operates in a dynamic environment which brings constant change. To provide an effective risk management framework the Company maintains a continual monitoring and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place.

The internal reporting requirements and timetables for month-end and quarterly results are mapped to the risk governance structure in that monitoring the business efficiently is paramount to managing the most significant risks. Other regular soft management information is also used as a risk monitoring tool, such as monthly reports to the Executive Committee from HR, IT and Compliance.

The Enterprise Risk team maintains the risk management framework which includes monthly data accuracy reporting and assessments of operational near misses and losses. Quarterly reviews of the live risk register and emerging risk register are also performed with relevant risk and control owners. Stress testing, including reverse stress tests and scenario analysis is performed periodically to assess the robustness of the risk and capital management framework and solvency requirements with results reviewed and approved by the Risk and Capital Management Committee and Board of Directors respectively. The detailed results are also included in the annual ORSA Report.

In addition, regular audits of policy, procedures and compliance standards are carried out by the Internal Audit function and on occasion specific subject focused compliance reviews are conducted by the compliance team. This type of monitoring not only manages risks but is more attuned to identifying further opportunities for improvements or increasing best practice thresholds.

The monitoring process must provide assurance that there are appropriate controls in place covering all the company's activities and that the procedures are understood and followed. Consequently management information in varying degrees of detail is reviewed by Divisional Managers, Business Line Managers, Enterprise Risk, Executive Management and ultimately the Board of Directors. Such reviews provide the appropriate escalation of issues to the next level or potentially direct routed to the Directors if deemed appropriate.

Stress and Scenario Testing

As part of the overall process of risk control and in consideration of business strategy and capital setting, various risks are considered by the business. These risks broadly fall into three areas:

1. Risk of ruin, considered via reverse stress tests
2. Risk of multiple events on the business model and strategy considered via compound stress tests
3. Emerging risks that are considered potential risks to the business model and strategy.

The work completed in this area is key to ensuring the full range and impact of risks, both current and potential, are understood and represented in the capital model and risk register.

The Company makes use of stress and scenario testing for both the capital and liquidity implications of certain risks under the Internal Model.

- Internal Model Calibration: the results of stress and scenario testing are key calibration inputs for Catastrophe Risk and Operational Risk. A representative set of scenarios are designed and the results are used as calibration points for the model.
- Internal Model Validation: stress and scenario testing is used to independently validate the Internal Model.
- Business Plan Review: the Company stress tests the forecasts to understand various scenarios on both profitability and the future capital position.

- Reverse stress testing: the Company performs annual reverse stress testing exercises to identify and assess events and circumstances that would cause the Company's business model to become unviable.

The outcome of the stress testing programme is detailed later in this report under Risk Section C6.

Solvency Capital Management

The Company calculates its regulatory capital requirements using the SF With oversight by the Actuarial team, the SF SCR is the responsibility of the Finance team to calculate the SF SCR at mid-year, as an input to the planning process during the fourth quarter and year-end. These results are reported into the Capital Management Oversight Committee and evaluated alongside the Company's Internal Model. Additionally, the solvency results are reported quarterly to the Board by the Chief Financial Officer.

Since the Internal Model provides a more tailored view of the Company's risk profile compared to the SF, the Internal Model output is used to monitor the Company's view of risk. However, there are no risk categories in our risk register where the risk is not identified in the SF.

Own Risk and Solvency Assessment ('ORSA')

The Company has adopted a working definition of the ORSA to be 'the entirety of the processes and procedures employed to identify, assess, control and report the short and longer term risks faced by the business and to determine the assets necessary to ensure that the overall capital needs (solvency and economic) are met at all times'.

The ORSA considers risk, capital performance and strategy. It relies on the contribution of existing business processes and the monitoring tools of the risk management framework to provide Executive Management with adequate and accurate information enabling the taking of key decisions regarding the overall risk and capital profile of the business.

Specifically, risk registers are maintained and updated quarterly with input from designated risk and control owners. This provides the executive management team and the Board with a view of the risk profile on a regular basis, affording early opportunities to take management action if the current profile is diverging from the business strategy.

This information, along with other outputs of the risk management framework, e.g. risk appetite metrics, are included in a quarterly ORSA update report. This report also includes financial information, which is also considered in the context of the stated business strategy.

The ORSA is an overarching process, the underlying elements of which are fully embedded within the organisation. Consequently the ORSA has many stakeholders across the business and the table below highlights the responsibilities with regards to the ORSA for each function.

Stakeholder	Selected Responsibilities
Board	• Review and approve the ORSA Policy • Review and approve the ORSA report on an annual basis which constitutes the formal ORSA sign-off • Setting the overall business strategy and direction • Setting risk appetite for the business
Risk and Capital Management Committee	The TMHCC International Boards delegate risk management oversight and monitoring activities to this committee. The committee is the primary forum for challenging both the ORSA content and process, in order to recommend approval of the ORSA Policy and ORSA Report to the Boards. Quarterly ORSA reports are also reviewed by the committee.
Executive	• Engendering a positive risk culture • Ensure appropriate governance, committee structure and escalation procedures such that risks can be monitored and managed • Agree future plans for the lines of business based on current strategy and outputs from ORSA processes • Engage on stress tests, reverse stress tests and emerging risks

Stakeholder	Selected Responsibilities
Enterprise Risk Function	• Producing the annual ORSA Report and collating the activities to sign-off • Producing the quarterly ORSA reports • Setting risk policies consistent with risk appetite • Translating risk appetite into more granular tolerance and risk limits • Working with business owners to develop appropriate risk reporting • Ensuring consistency between risk identification, measurement and reporting • Managing scenario testing and reverse stress testing framework • Measuring and monitoring the risk culture within the business • Ensuring the documentation of all the underlying processes which support the ORSA
Actuarial Function	• Developing tools to ensure appropriate risk measurement and monitoring including where necessary 'lite models' such as replicating portfolios and curve fitting • Carrying out stress and scenario analysis • Carry out financial projections to better understand the risk drivers during the business planning horizon • Translating risk appetite into more granular tolerance and risk limits • Preparation and monitoring of risk metrics • Developing, parameterising and running the Economic Capital Model ECM • Comparisons of SF SCR to the internally generated ECM
Finance Function	• Prepare annual budgets and monitor against actual performance • Calculate the capital held and monitor solvency • Implement the capital strategy • Develop and maintain the capital contingency plan
External Consultant / Internal Audit	• Provide benchmarking and independent review • Ensure that there is an appropriate control framework in place • Provide assurance regarding the underlying processes

ORSA Report

The ORSA Report is used to summarise the outputs of the risk management and capital assessment processes. This report includes both the quantitative and the qualitative outputs of the processes and links these to the Company's business performance, to assist the Board and senior management in making strategic business decisions.

The Enterprise Risk team prepares the ORSA Report annually which is reviewed, challenged and signed off by the Board. In addition, an ORSA Lite may be produced in cases where an event occurs that results in a material change to the Company's risk profile. The annual ORSA Report is made available to key stakeholders and the regulators and sections are also included within this report, where considered appropriate.

On a quarterly basis entity-specific ORSA reports are produced which summarise the key metrics from the annual report and provide commentary on the results from a risk perspective.

B4 – Internal Control System

The Internal Control System is designed to provide reasonable assurance that the Company's financial reporting is reliable, is compliant with applicable laws and regulations and its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control systems and delegates control and oversight to the Audit Committee and key functions, including Internal Audit and Compliance.

Internal Audit assurance

The control environment includes policies, procedures and operational systems and processes in place. The Internal Audit annual plan provides assurance over the internal control environment. This plan is approved by the Audit Committee on an annual basis and the findings are presented to the Audit Committee and management through Internal Audit reports which include an overall assurance rating.

In addition to our risk-based Internal Audit program, the Internal Audit team conducts internal controls tests on behalf of management. A total of 178 controls across 12 key cycles were tested for 2019. The testing was divided into two phases during the year. The overall business process results of the 2019 controls testing continued to be positive, in line with previous years, with only two testing failures identified, one related to Financial Reporting (Reconciliations) and one for Claims (Large Loss Reporting).

However, UK IT is an area that needs to address operational effectiveness issues / challenges, such as large IT projects and staff stretch due to increased business, which is borne out by 15 IT audit finding raised in 2019. Also, the maturity / repeatability in some controls is not optimised, notably around User Access Management and Review which had repeat failures. This area therefore requires more management focus in order to avoid repeat control failures year on year.

Compliance Function

The Compliance function identifies monitors and reports the compliance risk exposure for the Company. The key responsibilities of the Compliance function are to:

- identify and evaluate legal and regulatory risks covering TMHCC International's current and proposed business activities;
- advise and train staff on the applicable laws and regulations, ensuring that they are appraised of all developments in these areas;
- produce documented guidelines covering compliance with these laws and regulations and assess adherence to these internal policies and procedures through the undertaking of regular compliance monitoring assessments;
- act as an adviser in compliance matters within the organisation;
- investigate and follow-up potential violations of the laws and regulations; and
- record any incident that must be reported and ensure that each legal entity fulfils its obligation as regards notification to regulators or other relevant third parties.

Compliance policies and procedures are maintained on the TMHCC International policy & procedure portal which is accessible to all employees via the Company intranet.

The Compliance Policy defines responsibilities, competencies and reporting duties of the Compliance function: it is reviewed on an annual basis and there were no significant changes to the policy during this reporting period.

The Compliance Plan sets out the planned activities of the Compliance function over the forthcoming period taking into account the Company's exposure to compliance risk in all areas of activity.

The Head of International Compliance reports to the Head of Prudential Regulation & Governance who has a direct reporting line into the Chief Risk Officer who is a member of the Board.

B5 – Internal Audit Function

The Internal Audit function is primarily responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of governance. This function is independent and free to express its opinions and disclose findings to the Board, Tokio Marine HCC Group and reports directly to the UK Internal Audit Committee and into the Tokio Marine HCC Group Audit Committee on a regular basis.

Within the context of the control framework, auditing is an independent risk assessment function established within the organisation to evaluate, test and report on the adequacy and effectiveness of the management's systems of internal control, proving the third line of defence. The purpose of the evaluation and tests is to:

- assist the Audit Committee in executing their oversight responsibilities;
- provides an independent assessment of the branch's system of internal control, through reviewing how effectively key risks are being managed; and
- assists management in its responsibilities by making recommendations for improvement.

The Head of International Audit is responsible for establishing, implementing and maintaining an effective and efficient audit programme, taking into account the Company's system of governance and risk management processes.

Audit Charter

As required by the Institute of Internal Auditors, the Internal Audit department has in place an Audit Charter which is approved by the Tokio Marine HCC Group Audit Committee in Houston. This charter sets out the purpose, mission and responsibility for the Internal Audit activity based on the power and authorities handed to it by the Tokio Marine HCC Group Audit Committee. This ensures that the Internal Audit department has access to all offices, documents and staff it requires to conduct its Internal Audit work without any interference or obstruction.

Audit Independence

For the international operations, the Head of International Internal Audit, reports functionally to the Tokio Marine HCC Corporate Vice President of Internal Audit & Controls, , who is based in the Houston head office, and administratively to the TMHCC International Head of Prudential Regulation & Governance, who is based in the London office. The reporting line into the TMHCC International Head of Prudential Regulation & Governance allows Internal Audit to be kept up to date with changes and developments within the international operations. The Head of International Internal Audit also attends the UK Audit Committee meetings on at least a quarterly basis to report audit results and findings. There is also direct communication between the Chairman of the UK Audit Committees and the Head of International Internal Audit during the course of the year.

The work of the Internal Audit department is subject to a full audit which is undertaken by an independent third party, with the latest audit being conducted in 2017. Furthermore, internal auditors that work in the department do not have direct responsibility over, or responsibility for, any of the activities being reviewed. Any new employee of the audit department that has previously worked in another area of the organisation will be prohibited from reviewing the activities that they were once responsible for, for a minimum of one year.

B6 – Actuarial Function

The Actuarial function supports all of the underwriting platforms within TMHCC International. Its primary responsibility is the coordination of the calculation of the technical provisions, ensuring that methodologies and assumptions used are appropriate to the line of business, assess the sufficiency and quality of the data provided and compare best estimates against experience. In addition, the Actuarial function is involved in developing, parameterising and calculating the outputs of the Group's Economic Capital Model and assisting in pricing the products sold by the Group's insurance provider, HCCII (the Company).

In forming and formulating its actuarial view, the actuarial function is objective and free from influence of other functions and management. The department is operationally independent and provides its opinions in an independent fashion, adhering to professional and regulatory standards and fit and proper guidelines.

B7 – Outsourcing

In order to conduct its operational functions as effectively and efficiently as possible the Group may, as appropriate, find it necessary to outsource certain activities. Given that an outsourcing arrangement results in a shift from direct to indirect operational control of an activity it will always change Group's risk profile and the risk management system must reflect this.

The Group seeks to manage the severity and frequency of identifiable risks by:

(1) ensuring an effective supplier selection process incorporating due diligence procedures; and
(2) making certain that the arrangement is formally structured through:
  - the effective management of transition risk;
  - monitoring and review within the regulatory framework;
  - ensuring that a signed contractual agreement is in place which includes an agreed service level and whilst not an exhaustive list, covers inspection rights and confidentiality;
  - viable contingency plans including ensuring that a termination/exit strategy are in place; and
  - retaining control over any valuable confidential information which is owned by the Group and may be shared and used by a third party by having a standard non-disclosure agreement in place.

In achieving this the Group aims to avoid impairing the quality of the system of governance, unduly increasing operational risk, impairing the ability of the Group to supervise and undermining the service to policyholders.

Strong governance and management oversight combined with assurance from the outsourcer via management information are deemed to be essential controls when managing the outsourcer relationship.

Key third party outsourcing providers are summarized below:

Outsourcing Provider	Outsourced Function	Location of service provider
D & B Risk Management Solutions	Credit services	UK
Ins-sure Holdings Limited	Policy administration	UK
Xchanging Claims Services Limited	Policy administration	UK
New England Asset Management Inc.	Asset Management	USA & Europe
Dynamo Analytics	Actuarial Services	UK
Parafiscal Reps/SOVOS	Tax and Parafiscal Charges in European Offices	Europe
BDO	Payroll Processing UK and Europe	UK and Europe

B8 – Any Other Information

Following the outbreak of the coronavirus pandemic (Covid-19), the Group's and Company's strong risk and governance frameworks remain in place and continue to operate effectively. The points below identify how the framework has been adapted, or is being adapted, to the new environment:

- The business continuity protocols, which include specific pandemic responses, were instigated at an early stage of the current outbreak, facilitating a successful quick transition of the Group's and Company's operations from primarily office-based to almost exclusively remote-based. This quick transition provides practical evidence of the Group's and Company's operational resilience.

- Post the move to working remotely, the Group and Company have strongly supported employees to adopt flexible working hours to facilitate personal responsibilities for childcare and others in need. Additionally, it has been ensured that employees have the appropriate computer hardware and other equipment to enable effective and efficient working. Disruption during this transition has been minimal and the Group and Company have been able to continue to service clients and brokers.
- Maximising technology to ensure that the frameworks continue to operate effectively in the new remote-based environment, including:
  - Daily interactions between underwriters and senior management to keep abreast of the rapidly developing market conditions, enabling the business to operate proactively.
  - Remote running of Boards and Committee meetings, with ad hoc meetings set up, where appropriate, to discuss and make decisions relating to a fluid pandemic situation.
  - Closer contact with material third parties, including reinsurers, investment managers and outsource suppliers.
  - The Risk Management team confirming that the internal control systems will continue to operate effectively in a remote working environment.
- Development of a pandemic risk register to sit alongside the existing frameworks and which will be incorporated into reporting to the Risk & Capital Management Committee.
- Production of an ORSA Lite, to reflect the potential impact of the pandemic on the Group and Company's business profiles, risk profiles and capital/solvency positions.

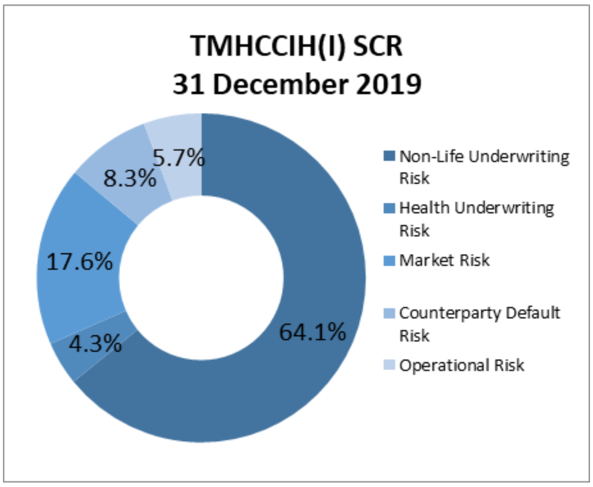
Section C – Risk Profile

TMHCC International has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. The Company maintains a risk register and categorises its risks into six areas: Insurance, Strategic, Regulatory and Group, Market, Operational, Credit and Liquidity. The sections below define each category of risk and outline the Group's risk profile & risk concentration (where relevant), risk appetite and how it manages/mitigates each category. The Strategic, Regulatory and Group risks are covered in Section C6. The section concludes with details of the identified largest risks from the Risk Register, results from the most recent annual 'Stress & Scenario' exercise and emerging risks.

Ignoring any 'Brexit' impacts, it is not anticipated that there will be any material risk exposure changes over the three year planning cycle other than the emergence of the Covid 19 pandemic discussed in B8 above. Further discussion on 'Brexit' may be found under the 'Other Material Risks' Section below.

As at 31 December 2019, HCCII and TMEare the two underwriting entities within the Group and other related companies are either holding companies in nature or of such size that they do not present material risks to the Group.

The chart below indicates the relative magnitude of the risks, as calculated within the SF SCR, as at 31 December 2019.



This section considers the identified risks categories separately. However, how these individual categories accumulate for the business as a whole is as important, if not more so. This brings in the concept of a dependency or correlation structure. For the Group, these are considered through the use of stress and scenario tests, where multiple risk categories are assumed to be impacted at one time. In addition understanding has been built up when parameterising the dependency structures underlying HCCII's capital model. These dependency structures have been derived from a variety of sources, including discussions with the business and executive management, obtaining benchmark information from external sources, such as actuarial consultants and investment managers, further use of stress and scenario tests. We also use this knowledge to review the dependency structure underlying the SF SCR calculations.

C1 – Underwriting (Insurance) Risk

The Group's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are premium or future underwriting risk (including delegated authorities), reinsurance purchasing, claims management and reserving. Each element is considered below.

Premium Risk

Nature of the Risk

Premium risk relates to the potential losses arising from inadequate future underwriting. There are four elements that apply to all insurance products offered by the Group:

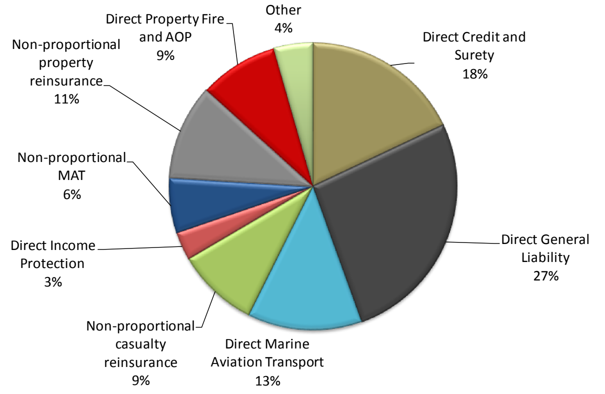
- Cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- Event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- Pricing risk – the risk that the level of expected loss is understated in the pricing process;
- Expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

Risk Profile & Concentration of the Risk

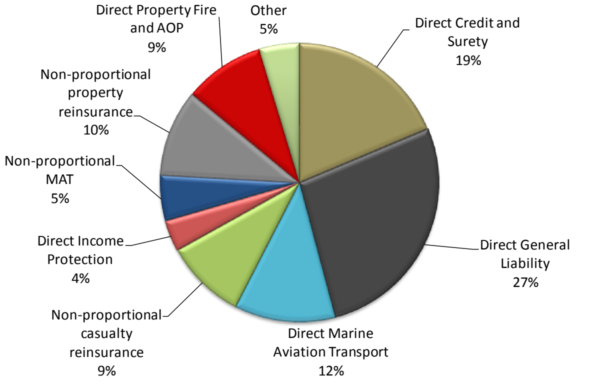
The charts below show 2020 budgeted gross written premium ('GWP') broken down into Solvency II line of business, versus 2019 actual premiums. They both include TME premiums.

Group

2020 Budget GWP

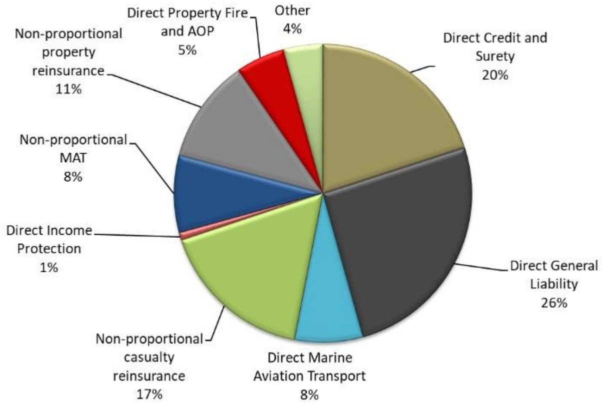


2019 Actual GWP

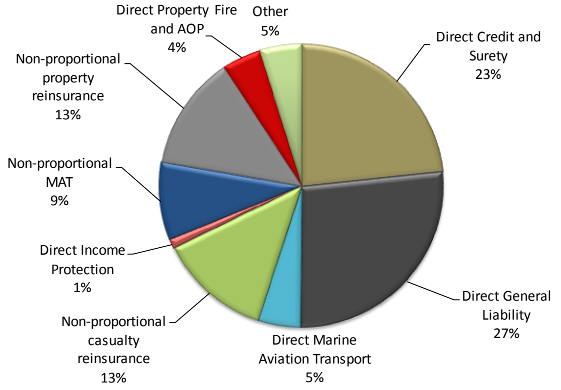


Company

2020 Budget GWP



2019 Actual GWP



The charts above highlight concentrations of risk across the lines of business and the broadly similar split across classes between 2020 Budget and 2019 Actual figures for both Group and Company. The variance between the Group and the Company figures relates to TME, with further details shown in the TME SFCR.

The table below indicates the concentration of exposure to catastrophes. The budget for 2020 shows that the level of catastrophe exposed business is similar to 2019 actual for both Group and Company. The variance between the Group and the Company figures relates to TME, with further details shown in the TME SFCR.

Cat/Non-Cat Split	Proportion of GWP			
	Group		Company	
	2020 Budget	2019 Actual	2020 Budget	2019 Actual
Catastrophe business	20.3%	19.9%	17.7%	18.4%
Non-Cat business	79.7%	80.1%	82.3%	81.6%

The concentration by geographic region is shown in Section A.

Managing & Mitigating the Risk

The Group manages and models the four elements of underwriting risk in the following three categories; attritional claims, large claims and catastrophe events.

The Group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

To manage underwriting exposures, the Group has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process is in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates are recorded and reported.

The annual corporate budgeting process comprises a three year Plan which incorporates the Group's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The Plan is approved by the Directors and monitored by the underwriting committees on a monthly basis.

Underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

Reinsurance is one of the major risk mitigants used to protect the Company balance sheet. Whilst gross line size is limited to ensure there is a reasonable balance between gross line size and premium and shareholder equity/net assets, our potential retentions, especially on the catastrophe exposed business, are managed closely and reinsurance is used to control net exposures. Further details may be found under 'Reinsurance Risk' below.

The Group also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Group sets out its risk appetite (expressed as PML estimates and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. The aggregate position and modelled loss scenarios are monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which the Group is exposed.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, the Group measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The Group uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models (see separate 'Stress & Scenario' Section below).

The following risk appetites are monitored by the Risk & Capital Management Committee and Board on a quarterly basis:

- Combination of premium volumes and rate change to be in line with, or better than, budget (this metric is calculated at a combined level);
- Maintaining a less than a certain probability of the underwriting result being a loss;
- Maintaining a diversified portfolio of underwriting with less than a defined percentage of premium coming from a single line of business;
- Maintaining a diversified portfolio of underwriting, below a specified average correlation, by Underwriting and Reserving;
- Absolute Gross per risk line size should a specified percentage of Shareholders' Equity ('SHE') or be double max net line;
- Maintaining a diversified portfolio not over-exposed to catastrophes, with less than a set percentage of premium Cat exposed in total across all entities;
- Net PMLs being below a specified percentage of SHE;
- Net modelled 1 in 1000 Cat event is less than a specified percentage of SHE;
- Less than 1% chance of gross Cat event being more than a specified percentage of SHE.

Reinsurance Risk

<u>Nature of the Risk</u>

Reinsurance risk arises where reinsurance contracts:

- Do not perform as anticipated;
- Result in coverage disputes; or
- Prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section.

<u>Managing & Mitigating the Risk</u>

Reinsurance is one of the most important risk mitigation tools used by the Company to mitigate risk within each of its regulated legal Entities. It also represents the key 'Future Management Action' within HCCII's Solvency II framework.

The Company has an overall Business Strategy of which reinsurance purchasing plays a key part. The Reinsurance Strategy therefore represents an extension of the Business Strategy and is closely linked to the overall strategy execution.

The foundation of the Company Reinsurance Strategy is the individual limit profiles of the lines of business and risk tolerances for net individual risks and accumulation of risk losses from one individual event. Reinsurance needs to be utilised when we maintain limit profiles that exceed our net risk tolerances. In setting risks tolerances we consider the overall Group tolerances.

Linked to these Group tolerances and the Company Business Strategy, the Company has in place a number of Board level risk appetite statements that control the risks taken by the individual business lines, regulated legal entities and HCCII.

The bedrock of the Tokio Marine HCC Group and the Company strategy is to target an underwriting profit equivalent to at least a 10% return above the risk free rate over the insurance cycle. Each line of business has this same target albeit some consideration is given to longer tail lines or lines that achieve this return at the margin. This target may also vary by entity depending on the mix of business.

The Company employs various mechanisms to follow the underwriting strategy and control gross and net underwriting exposure risk. In areas of exposure to natural catastrophic perils, underwriting is very selective and control over gross aggregation and then ensuring adequate reinsurance protection is key. In other areas, the balance of volume, gross line size and net retentions are the largest drivers.

The Reinsurance Strategy of the Company is designed to manage risk and protect the result of each line of business from excessive volatility and reinsurance is therefore purchased at a line of business level but covering all legal Entities. From an individual entity perspective reinsurance is used to ensure reduced result volatility and capital preservation.

For the catastrophe exposed business, the key to the reinsurance purchasing is to obtain the correct balance of vertical coverage but ensuring a net retention that allows good portfolio balance. In respect of the more attritional lines of business, the key to the purchasing is to ensure a balanced portfolio by protecting the net retention and ensuring the cover to multiple potential individual losses is adequate.

Excess of loss reinsurance is used as the basis of most of the core programmes of the key lines of business however quota share reinsurance is used where line size to premium volume is not as well balanced or there is the potential for a series of losses or a significant number of losses stemming from one individual event. Stop loss cover may also be purchased, if the price is considered appropriate.

Risk attaching reinsurance is used where it is considered that risks have a longer duration with no provision to shorten the tail, loss occurring protection is used for the shorter tail businesses such as property.

Facultative reinsurance for individual risks may also be purchased to improve risk selection or to reinsure specific elements of a risk that do not fit into the overall underwriting strategy. This facultative reinsurance is purchased both for the benefit of our reinsurers and also for the benefit of our net retention, depending on the structure and circumstances.

For any cover purchase, the amount of cover should be commensurate with meeting the underwriting risk appetite statements. Considerations will include, but not necessarily be limited to, the proportion of risk ceded, retention levels, number of reinstatements and aggregate limits. The EUMCwill review the cost benefit of price verses coverage, using the output from various TMHCC International capital models.

An annual reinsurance purchase plan is included within the annual business plan for each line of business detailing the proposed reinsurance protections by class. This reinsurance purchase plan is reviewed and approved by the EUMC for each line of business and also by the relevant Board for each entity to ensure that risk appetite tolerances are maintained.

The risk appetite of the Group is measured at both an overall organisational and a legal Entity level. The expectation is that reinsurance is purchased to adequately protect the balance sheet in the event of a significant market event, a potential individual large risk loss or systemic losses caused by a single event. When purchasing reinsurance the following tolerances are managed at an overall organisation and a legal Entity level.

- Vertically protection by line of business to cover a significant proportion of the largest tail loss;
- For catastrophe exposed lines, retentions set with regard to the annual aggregate loss;
- For attritional lines, retentions are set with regard to the line of business maximum line size;
- Modelled 1 in 1000 catastrophe losses, across all lines, must not exceed a set level of shareholder equity;
- Modelled 1 in 100 year reinsurance credit losses must not exceed a set shareholder equity;
- Exposure to one reinsurer must not exceed more than a set level of overall reinsured exposure.

Claims Management Risk

Nature of the Risk

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claim life cycle.

Managing & Mitigating the Risk

The Group's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

The following risk appetites are monitored by the Risk & Capital Management Committee and Board on a quarterly basis:

- Incurred movements to be less than 110% of benchmark[1];
- Case reserve stability, as a % of benchmark;
- Less than 10 complaints[1];
- Volume of Denials less than 10% of claims[1].

[1] *These metrics are all measured at the TMHCC International level, reflecting the shared nature of the claims management process*

Reserving Risk

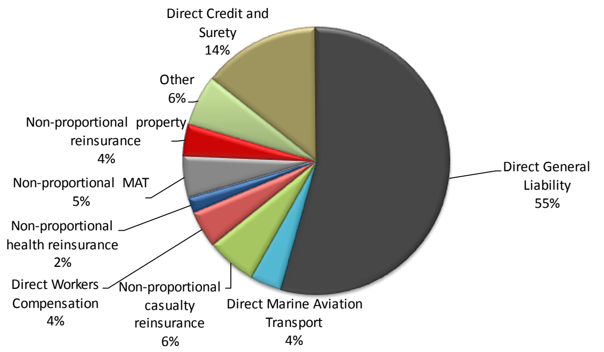
Nature of the Risk

Reserving risk occurs within the Group where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

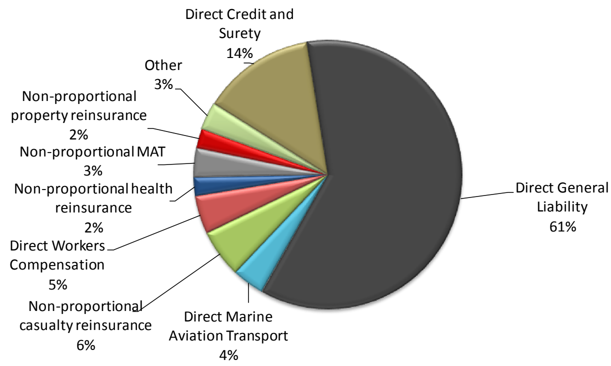
Risk Profile & Concentration of the Risk

The pie charts below illustrate the concentration of reserves between the lines, for Q4 2019 and Q4 2018. The charts show net booked reserves (including Unallocated loss adjustment expenses) for the Group and the Company as at Q4 2019. Please note that TME did not exist as at Q4 2018, so the Group and Company reserves are almost identical at this time.

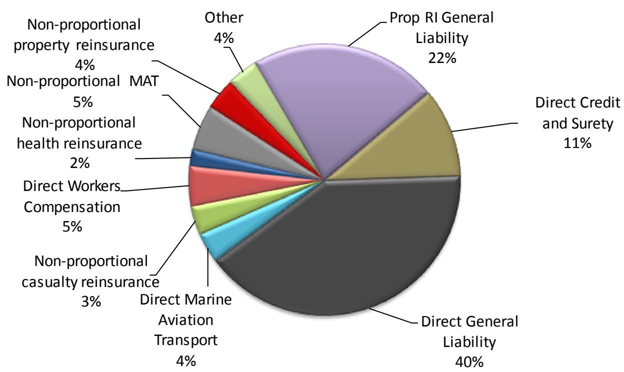
Q4 2019 - Group



Q4 2018 – Group and Company



Q4 2019 - Company



Overall, net reserves for the Group have increased from Q4 2018 to Q4 2019 from $527.4m to $640.2m, with the Company Q4 2019 net reserves being $585.8m. The pie charts indicate that, on a Group basis, the proportions between the various lines has generally remained stable, with the absolute increase in reserves reflecting the increase in volume of business written during 2019, as noted in Section A.

Managing & Mitigating the Risk

The objective of the Group's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The Group's reserving process is governed by the IBNR Committee, a subcommittee of the Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates (described in further detail below) and management's best estimate of IBNR is recorded. It is the policy of the Group to carry, at a minimum, the actuarial best estimate (sometimes referred to as the actuarial mid-point). It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing.

The following risk appetites are monitored by the Risk & Capital Management Committee and Board on a quarterly basis:

- Maintaining reserves at, or above, actuarial midpoint;
- Maintaining a less than set percentage probability of total reserve deterioration, excluding catastrophe losses, exceeding 100% of annual budgeted profit.

C2 – Market Risk

Nature of the Risk

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.

For foreign exchange risk, the Group's functional and reporting currency is the US Dollar and when possible the Group generally hedges currency liabilities with assets in those same currencies of similar value and duration. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that the Group is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollar denominated positions.

For interest rate risk, some of the Group's financial instruments, including cash and certain financial assets measured at fair value, are exposed to movements in market interest rates.

Risk Profile & Concentration of the Risk

A full list of assets, under Solvency II valuation rules may be found in QRT S.06.02. In summary, the split of assets for the Company and Group, as at 31 December 2019, is as follows:

Asset Type & Rating	TMHCCIH(I) 31/12/19 Asset Value ($m)	HCCII 31/12/19 Asset Value ($m)
Government Bonds AAA	40.7	35.1
Government Bonds AA+	59.5	55.4
Government Bonds AA	109.8	101.4
Government Bonds AA-	50.9	44.0
Government Bonds A+	51.4	34.2
Government Bonds A	14.2	14.2
Government Bonds A-	10.2	10.2
Government Bonds BBB+	0.7	0.7
Corporate Bonds AAA	32.8	32.8
Corporate Bonds AA+	4.4	1.8
Corporate Bonds AA	12.9	12.9
Corporate Bonds AA-	30.9	29.8
Corporate Bonds A+	90.5	77.1
Corporate Bonds A	153.3	114.4
Corporate Bonds A-	122.4	96.4
Corporate Bonds BBB+	79.2	69.3
Corporate Bonds BBB	54.4	48.6
Corporate Bonds BBB-	19.3	18.8
Corporate Bonds BB+	2.8	2.8
Corporate Bonds BB-	0.0	0.0
Corporate Bonds B+	0.0	0.0
Collateralised Securities AAA	3.1	3.1
Collateralised Securities AA+	322.5	286.9
Cash & Cash Equivalents	174.6	110.6
Deposits other than cash equivalents	53.5	29.7
Collective Investment Funds	86.8	58.7
Investment in Subsidiary	2.5	169.6
Property (Other than own use)	0.2	0.2
Property, Plant & Equipment held for own use	3.5	2.8
Total	**1,587.0**	**1,461.5**

It should be noted that there are no derivatives within the investment portfolio. The collateralised assets represent collateral for various Credit contracts.

Managing & Mitigating the Risk

Managing investment risk as a whole is fundamental to the operation and development of the Group's investment strategy and is key to the investment of Group assets.

The Investment Committee has an objective to ensure funds are invested in accordance with the 'prudent person principle', whereby: i) assets are of appropriate security, quality and liquidity; ii) are adequately diversified and are localised; and iii) broadly match the liabilities in terms of value and duration. This is achieved by: i) setting an appropriate strategy and risk appetite; ii) regular monitoring of the portfolio against key metrics (outlined at the end of the section); and iii) use of independent experts.

The investment strategy is developed by reference to an investment risk budget, set annually by the Directors as part of the overall risk budgeting framework of the business. In 2016, the investment risk budget was set at a level such that the amount of an investment loss, at the 1-in-200 Tail Value at Risk ('TVaR') level, was limited to the Group's excess capital (above the regulatory minimum). This was the result of a complete investment strategy review carried out with the assistance of the Group's Investment Managers, New England Asset Management Ltd ('NEAM'). The investment risk budget was at a similar level in 2019.

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis with the assistance of NEAM. The internal model includes an asset risk module, which uses an Economic Scenario Generator ('ESG') to simulate multiple simulations of financial conditions, to support stochastic analysis of investment risk. This is supplemented by bespoke analysis from our investment consultants. Internal model output is used to assess potential investment downsides, at different confidence levels, including '1 in 200' year event, which reflects Solvency II modelling requirements. In addition, we undertake regular scenario tests (which look at shock events such as yield curve shifts, credit spread widening, or the repeat of historic events) to assess the impact of potential investment losses.

ESG outputs are regularly validated against actual market conditions, but (as noted below) the Group also uses a number of other qualitative measures to support the monitoring and management of investment risk.

For foreign exchange risk, the Group operates in five main currencies: US Dollars, Sterling, Canadian Dollars, Swiss Francs and Euros. Transactions in all currencies are converted to the US Dollar functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollar spot rate. Additionally, as a requirement under UK GAAP, for the purposes of applying the requirement of section 30 Foreign Currency Translation of FRS 102, all assets and liabilities arising from an insurance contract are treated as monetary items.

For interest rate risk, the Group manages interest rate risk by investing primarily in short duration financial assets along with cash. The Investment Committee monitors the duration of these assets on a regular basis.

Changes in interest rates also impact the present values of estimated Group liabilities, which are used for solvency calculations. Our investment strategy reflects the nature of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following risk appetites are monitored by the Investment Committee, Risk & Capital Management Committee and Board on a quarterly basis:

- Investment returns to be greater than zero (i.e. investments are not destroying capital values);
- Maintaining asset duration at less than 2.5 times average reserve duration and no greater than 5 years at the maximum;
- Risk of currency mismatch exposure at 1 in 100 years should not exceed a specified percentage of US GAAP SHE;
- Maintaining a portfolio with no greater than a specified percentage in risk assets;
- Maintaining a portfolio where various shocks are within stated appetites;
- To maintain a minimum average rating of investment portfolios of A+.

C3 – Credit Risk

Nature of the Risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Group are:

- Reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Group;
- Brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the Group;
- Investments – whereby issuer default results in the Group losing all or part of the value of a financial instrument;
- Financial institutions holding cash.

Risk Profile & Concentration of the Risk

This section is broken down between the primary sources of credit risk.

Reinsurers

The table below shows the credit rating, based on S&P ratings, of the reinsurers backing the reinsurance programme. As the programme is shared across all TMHCC International entities, the figures shown relate to all entities.

Reinsurer Rating	Proportion of Reinsurance Exposure[1]
AA	4.1%
AA-	36.9%
A+	30.8%
A	13.5%
A-	1.1%
Not Rated	13.6%

[1]*: Reinsurance Exposures based on based on Xol first loss contracts, across all entities*

Investments

The credit weighting relating to assets is shown under C2 – Market Risk.

Managing & Mitigating the Risk

The Group's core business is to accept significant insurance risk and the appetite for other risks is low. This protects the Group's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

The Group limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the Group's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for the Group's Investment Managers regarding the type, duration and quality of investments acceptable to the Group to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of the Investment Managers is regularly reviewed to confirm adherence to these guidelines.

The Group has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's ('S&P') ratings are used.

The following risk appetites are monitored by the Risk & Capital Management Committee and Board on a quarterly basis:

- Reinsurers to have a minimum rating of A, unless specifically approved;

- Maintaining less than 25% exhaustion across the reinsurance programme in total[1];
- Maintaining a maximum exposure to any one reinsurer in any one programme of no more than a specified percentage of SHE[1];
- Maintaining no more than 1% of outward reinsurance balances over 180 days old[1];
- Maintaining a 1 in 100 year Credit loss not exceeding a specified percentage of SHE;
- No more than a specified percentage of business written through a single broker;
- No single holding of 5% or more (excluding government guaranteed securities) [1].

[1] *These metrics are measured at the TMHCC International level, reflecting the shared nature of the reinsurance programme*

C4 – Liquidity Risk

Nature of the Risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

Risk Profile & Concentration of the Risk

The table in Section C2 shows that a significant proportion of assets are readily realisable. These are spread among a wide group of issuers. For example, the government bonds are spread over nearly 90 national or quasi-national government issuers, with the largest being about 6% of all government bonds. On top of this, the regular inflow of premiums means that a very high level of liquidity is maintained, should the need arise.

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2), which is now on a gross of reinsurance basis, is $76.7m for the Group and $69.8m for the Company (2018: $64.3m on both bases). Future premiums come from either current balances or unincepted premiums. For current balances, it is assumed that they related to unearned business. Future profit is assessed by comparing these premiums to: i) losses derived by applying the same loss ratio as for the whole unearned premium reserve, which are derived from the Solvency II technical provision process and are based on actuarial IEULRs or corresponding budget loss ratios (for those lines not actuarially analysed); and ii) expenses derived by using the expense ratio of the whole unearned premium reserve, which are derived from the Solvency II technical provision process.

Managing & Mitigating the Risk

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the Group's management of its exposure to loss scenarios are provided above under the heading of Underwriting Risk). This means that the Group maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

C5 – Operational Risk

Nature of the Risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

Risk Profile & Concentration of the Risk

The tables below show the top 10 worst case and near term operational risks for HCCII, from the most recent Operational Risk scenario review undertaken in 2019.

Worst Case As at 31st December 2019	Near Term As at 31st December 2019
Operational Risks	**Operational Risks**
Wordings Risk	Credit Rating Risk
Operational Cyber Risk	Business Continuity Risk
Business Continuity Risk	Capital model error of failure in use
Data Protection	Conduct Risk
High Profile Third Party Disputes	Cyber Risk
Capital model error or failure in use	Claims Management Risk
Conduct Risk	Data Quality Risk
Failure to meet regulatory requirement	Wordings Risk
Credit Rating Risk	Aggregations Risk
Aggregation Risk	Failure to meet regulatory requirement

Ranking includes all risks categorised under Operational Risk within TMHCC Int. capital models

Managing & Mitigating the Risk

The Group actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. The Group regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of the Group's operational control environment include:

- Modelling of operational risk exposure and scenario testing;
- Management review of activities;
- Documentation of policies and procedures;
- Preventative and detective controls within key processes;
- Contingency planning;
- Other systems controls.

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. The Group's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and our Conduct Risk Policy broadly defines conduct risk as '…the risk that detriment is caused to the company, our customers, clients or counterparties because of the inappropriate execution of our business activities.'

The Group therefore seek at all times to perform its business activities in a manner that is not only fair, honest and transparent but that also complies fully with applicable UK and International laws and regulations and internal policies and procedures. We ensure that this ethos is clearly communicated from the Board of Directors downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of conduct risk resides with the International Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

The following risk appetites are monitored by the Risk & Capital Management Committee and Board on a quarterly basis:

- Total labour turnover[1];
- Unexpected resignations from key staff[1];
- Benchmark salary and benefits against market[1];
- Maintaining the number of sick days per employee to be less than 3 per annum[1];
- Maintaining less than 2 incidents outside of agreed SLAs per quarter[1];
- No major projects significantly over budget and/or timescale[1];

- Data Quality[1];
- Various compliance metrics;
- Maintaining a 1 in 250 operational risk loss at less than a specified percentage of SHE;
- Maintaining less than 20% chance of operational loss exceeding a defined amount.

[1] *These metrics are measured at the TMHCC International level, reflecting the shared nature of the systems and people*

C6 – Other Material Risks

This section covers strategic, regulatory and group risks which the Group manages together, but which are outlined separately below. Sustainability Risk, both of which could represent a material risk to the Group (and the Company) are also outlined, as well as uncertainties related to Brexit and Operational Resilience which have the potential to impact, or require a review of, the existing strategic objectives. Potential risks arising from Covid-19 pandemic are covered in Section C7.

Strategic Risk

Nature of the Risk

This is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy. Where an event occurs outside the Group's strategic plan, this is escalated at the earliest opportunity through the Group's monitoring tools and governance structure.

Managing & Mitigating the Risk

On a day-to-day basis, the Group's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Group as a whole.

The following risk appetites are monitored by the Risk & Capital Management Committee) and Board on a quarterly basis:

- The combined ratio to be achieved in the current year to ensure an overall combined ratio of 88% or better over the underwriting cycle;
- Net earnings to be within 20% negative variance of budget;
- Maintaining a less than 2.5% probability of a net loss, including investment income, exceeding 25% of SHE;
- Forecast expense ratio to be within 20% negative variance of budget;
- SII available assets as a % of Regulatory capital + Buffer;
- Maintaining a less than 5% probability of net assets falling below solvency requirement.

Regulatory Risk

Nature of the Risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Group are subject to legal and regulatory requirements within the jurisdictions in which it operates and the Group's compliance function is responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk.

Managing & Mitigating the Risk

The Group is committed to carrying out its business activities fairly, honestly, transparently and in compliance with legal and regulatory requirements, to enhance stakeholder trust. This approach is embedded in the Group's business and governance framework through policies, procedures and compliance monitoring. Tokio Marine HCC Group's code of business conduct and ethics together with TMHCC International's employee handbook set out how we operate and include reference to specific policies, including: whistleblowing; anti-bribery, conflicts of interest and treating customers fairly statement. All new employees are provided with e-training modules that cover ethics, anti-bribery and data protection.

The Group estimates its Economic capital requirements using an internal ECM which, the Directors believe, is the most appropriate tool to determine the Company's medium term capital needs. However, the Company is currently outside of the PRA Internal Model Approval Process ('IMAP') and since 1 January 2017 has measured regulated capital requirement using the SF SCR. The Board has reviewed the SF SCR against the ECM and has concluded that the SF SCR is appropriate. The SF SCR is measured against the Company's Solvency II Available Assets to monitor its Solvency. Given the inherent volatility of the SF SCR and Solvency II Available Assets, the Company carries an amount in excess of the regulatory minimum.

Group Risk

Nature of the Risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of the Group, as well as the risks arising from these activities. There are two main components of group risk, Contagion and Reputation, which are explained below.

Contagion risk is the risk arising from actions of one part of the group which could adversely affect any other part of the group. The Group is a member of the Tokio Marine group and therefore may be impacted by the actions of any other group company.

Reputation risk is the risk of negative publicity as a result of the Tokio Marine group's contractual arrangements, customers, products, services and other activities.

Risk Profile & Concentration of the Risk

The Company engages in various intra-group transactions, which are transacted on an arm's length or open market basis, where relevant. Since the acquisition of HCC by Tokio Marine there has been an increase in intra-group transactions.

Managing & Mitigating the Risk

Contagion risk is managed by operating with clear and open lines of communication across the group to ensure all group entities are well informed and working to common goals.

For reputation risk, the Group's preference is to minimise reputation risks, but it is not possible nor beneficial to avoid them, as the benefits of being part of the group brand are significant. We consider reputation risk as an impact on all risk events in the Risk Register, but not as a risk in its own right.

Sustainability Risk

Nature of the Risk

The issue of Sustainability, whether it relates to the strategic and operational risks of addressing environmental, social and governance concerns, including climate change, or our social responsibilities to both our external and internal stakeholders, is not a new risk, but its profile has been raised significantly in 2019.

Managing & Mitigating the Risk

Progress has been made by the Group in 2019 towards articulating its philosophy related to Sustainability, and all its component elements, through the establishment of a Sustainability Committee. This Board committee, and its various sub-groups, have responsibility for agreeing the sustainability strategy and risk appetite and will coordinate the advancement and implementation of sustainability initiatives, as well as initiating development of potential stress and scenario tests which may provide insight into the climate change risks. Sustainability risk is also in the process of being incorporated into the Group's risk management framework.

Uncertainties related to Brexit

Nature of the Risk

The United Kingdom's vote to leave the European Union (EU) in June 2016 presented the TM Group with the risk that the Group and its UK affiliate, TMKI, would, upon the UK's exit from the EU, no longer be licensed to write the European business historically underwritten through their respective European branches and on a freedom of services basis in the UK.

Managing & Mitigating the Risk

TME was established in response to the United Kingdom's vote to leave the EU and commenced underwriting on 1 January 2019. The United Kingdom left the EU on 31 January 2020 and entered the transition period which will end on 31 December 2020. The terms of the future relationship between the UK and EU post-Brexit will be negotiated during the transition period. The creation of TME and its successful operation during 2019 ensures that the Group is able to provide continuous service to its European clients' irrespective of the outcome of the Brexit negotiations.

Operational Resilience

Nature of the Risk

Operational resilience, which relates to the ability of an insurer to absorb shocks and maintain smooth business services during adverse conditions, is another topic with a currently elevated profile. While operational resilience has been embedded within existing business continuity processes for many years, the fresh regulatory focus gives the Group the opportunity to review and further develop a robust operational resilience framework in 2020. In addition, the quick and successful response to the current Covid-19 pandemic provides practical evidence of the Group's and Company's operational resilience.

Managing & Mitigating the Risk

The UK regulators have identified a 6 step process they expect insurers to follow, namely: 1) identify the most important business services; 2) map the systems and processes required to deliver those services; 3) assess how failures of systems/processes could impact business services; 4) use scenarios to test resilience and measure impact tolerances; 5) invest in system oversight and training to be able to respond and recover from disruption; 6) communicate to all interested stakeholders. To achieve this, the regulators are expecting Board engagement and clear accountability, with the clear aim for insurers to stay within their defined impact tolerances.

At TMHCC International, operational resilience has been to a certain extent embedded within the existing Business Continuity Planning and Operational Risk analysis processes. However, with the fresh regulatory focus, the Group will be taking the opportunity to develop its Operational Resilience processes in line with the suggested regulatory methodology.

C7 – Any other information

Top 10 Risks

Risk Registers are produced, and risks managed at underlying entity level (i.e. Company and TME), rather than at the Group level. Therefore, this sub-section looks at the key risks in the Company register, with the TME key risks detailed in the bespoke TME SFCR. The table below identifies the top ten risks, on both a worst case and near term scenario basis for HCCII, as a result of the most recent risk register review and scoring exercise.

Worst Case As at 31st December 2019	Near Term As at 31st December 2019
Risks	**Risks**
Reserving Risk	Reserving Risk
Catastrophe/Large Losses Outside of Business Plan	Catastrophe/Large Losses Outside of Business Plan
Systemic Losses Outside of Business Plan	Systemic Losses Outside of Business Plan
Cyber Underwriting Risk	Investment Market Volatility
Investment Market Volatility	Foreign Exchange Risk
Foreign Exchange Risk	Credit Rating Risk
Selection Risk	Inadequate Pricing Methodology
Operational Cyber Risk	Outwards Reinsurance Risks
Business Continuity Risk	Business Continuity Risk
Unwillingness or Total Failure of Reinsurers to make Payments	Capital Model Error or Failure in Use

On both a worst case and near term basis, insurance and market risks constitute the majority of the top ten risks. These quantifications are derived from the Company's economic capital model. The operational and credit risks are calculated from scenario analysis performed with risk owners.

In addition to identifying the quantitative nature of the risks, we also look at the qualitative nature that takes into account the controls we have in the business to reduce these risks and assign residual score probability and impact assessments to each of the risks in turn, independently of the worst case scenarios.

The business, by its very nature, has the potential for some significant losses and it is important that these exposures are mitigated. The Board is comfortable, based on the above analysis, that these risks are adequately mitigated and therefore would not expect these losses to occur, even in the tail.

Stress and Scenario Testing

As part of the overall process of risk control and in consideration of business strategy, capital setting and understanding the risk profile, various risks are considered by the business. These risks broadly fall into three areas:

- Risk of ruin, as considered via reverse stress tests (RSTs);
- Risk of multiple events on the business model and strategy considered via compound stress tests;
- Emerging risks that are potential risks to the business model and strategy.

The work completed in this area is key to ensuring the full range and impact of risks, both current and potential, is understood and represented in the capital model and risk register.

The following sub-sections provide further details of the three areas, with consideration as to how they could potentially impact the business on a forward-looking basis. The events described could happen in any of the following three years. However, the numerical analysis assumes that the events occur in the first future year, as this would be the most adverse time for them to occur.

Risk of Ruin via Reverse Stress Tests

The identification of the reverse stress tests (RSTs), incorporating events or combination of events that could threaten the viability of the business, was completed by a committee of senior and executive management representing Underwriting, Claims, Finance and Operations, with the support of the Enterprise Risk and Actuarial teams to quantify the potential exposures.

The two key risks for the company relate to Financial Lines Directors & Officers Liability (with regard to both reserving and underwriting risks) and European Windstorms. These risks have been captured (amongst other ones) in the four RSTs designed by the business.

The RSTs considered are shown in the table below. They were calibrated to threaten the viability of the business, which was defined as leading the Company's own funds to fall close to, or below, the Company's SF MCR, on either a one year or ultimate basis. Smaller reductions in net assets (which might, for example, initially lead to a breach of the SCR) are assumed to be replenished through a revolving loan facility. It is believed that this facility will be available due to the significant diversification in business between the International business and the rest of the TM Group.

Scenario	Description
RST1: Two Windstorm Events	Two large European Windstorms occurring in the same quarter; With the severity of the assumptions made, this is estimated to be well beyond a 1 in 1000 event.
RST2: Economic Event	An inflationary event that leads to economic and insurance/reinsurance market turmoil, followed by shareholder actions that impact the Company's Financial Lines account. With the severity of the assumptions made, this is estimated to be an approximately 1 in 500 event.
RST3: Windstorm Event & Cyber Attack	The scenario includes a highly destructive hurricane, an unprecedented cyber event, one of the largest stock market declines and a major reinsurer default with consequent delays in reinsurance payments. With the severity of the assumptions made, this is estimated to be an approximately 1 in 500 event.
RST4: North Sea Windstorm	The scenario considers a significant windstorm in the North Sea, impacting the insurance and reinsurance markets. With the severity of the assumptions made, this is estimated to be an approximately 1 in 200 event.

Risk of multiple events on business model via Compound Scenarios

On top of the RSTs, which are likely to cause the Company failure, we have identified various nearer term scenarios that help the business better understand risk drivers of HCCII. It was felt that these represented an appropriate set of 'near term' events that could realistically impact the business and could be used to help test the economic capital model at lower return periods. The scenarios were discussed and agreed by the same committees and individuals that assessed the RSTs.

The compound Stress and Scenario Tests (SST) assessed were as follows:

- SST1: Loss of a key underwriting team, which is assumed to leave for a competitor and takes its existing book of business. It is calibrated to an estimated 1 in 10 year event.
- SST2: Loss of key revenue stream, whereby the most material broker significantly reduces the amount of business placed with HCCII as part of a strategic review of its panel of insurers. It is calibrated to an estimated 1 in 10 year event.
- SST3: Combination of a Catastrophe event and Business Interruption, whereby a major European windstorm and UK flooding occur in the middle of 1 January renewals. It is calibrated to an estimated 1 in 50 year event.
- SST4: A major UK construction company completely fails leading to losses on multiple lines. It is calibrated to an estimated 1 in 20 year event.
- SST5: Cyber-attacks targeting vulnerabilities in the operating systems, web applications and/or software used by Group organisations, including HCCII. It is calibrated to an estimated 1 in 100 year event.

Potential impacts of Reverse Stress Tests and Compound Scenarios

Each of the scenarios has been analytically assessed, with the expert judgements and assumptions recorded, along with the potential financial impact. The tables below provide an indication of the impact on each risk area, along with the impact on overall capital and solvency ratios. The impact below are on an overall Group basis. Relevant tests are run for the Company and the results/conclusions are similar.

Ultimate Basis

Scenario	Ins Risk	Cred Risk	Mkt Risk	Op Risk	Overall Capital Impact	Eligible Own Funds / SF SCR post scenario [1]	Eligible Own Funds / SF MCR post scenario [1]
RST1	>$500m	$20m-$50m	<$10m	<$10m	>$600m	<100%	<100%
RST2	$200m-$400m	$50m-$100m	$100m-$200m	$50m-$100m	$400m-$600m	<100%	<100%
RST3	$200m-$400m	$20m-$50m	$20m-$50m	$20m-$50m	$400m-$600m	<100%	100%-200%
RST4	$200m-$400m	$50m-$100m	<$10m	<$10m	$200m-$400m	100%-200%	200%-300%
SST1	<$10m	<$10m	<$10m	$20m-$50m	$20m-$50m	100%-200%	400%-500%
SST2	<$10m	<$10m	<$10m	$20m-$50m	$20m-$50m	100%-200%	400%-500%
SST3	$100m-$200m	<$10m	<$10m	<$10m	$100m-$200m	100%-200%	300%-400%
SST4	$20m-$50m	<$10m	<$10m	<$10m	$20m-$50m	100%-200%	400%-500%
SST5	$20m-$50m	<$10m	<$10m	<$10m	$20m-$50m	100%-200%	400%-500%

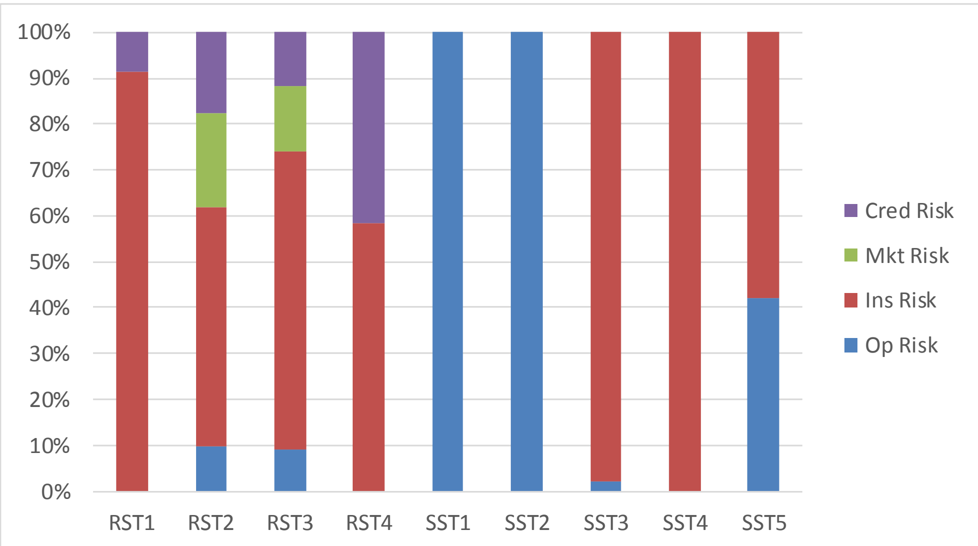
[1]: Note using an ultimate capital impact to re-assess solvency ratios. Base Company Eligible Own Funds / SF SCR is c. 160%; base Company Eligible Own Funds / SF MCR is c. 490%

One Year Basis

Scenario	Ins Risk	Cred Risk	Mkt Risk	Op Risk	Overall Capital Impact	Eligible Own Funds / SF SCR post scenario [1]	Eligible Own Funds / SF MCR post scenario [1]
RST1	$400m-$600m	$20m-$50m	<$10m	<$10m	$400m-$600m	<100%	100%-200%
RST2	$200m-$400m	$50m-$100m	$100m-$200m	$50m-$100m	$400m-$600m	<100%	100%-200%
RST3	$200m-$400m	$20m-$50m	$20m-$50m	$20m-$50m	$200m-$400m	100%-200%	200%-300%
RST4	$100m-$200m	$50m-$100m	<$10m	<$10m	$200m-$400m	100%-200%	300%-400%
SST1	<$10m	<$10m	<$10m	$20m-$50m	$20m-$50m	100%-200%	400%-500%
SST2	<$10m	<$10m	<$10m	$10m-$20m	$10m-$20m	100%-200%	400%-500%
SST3	$100m-$200m	<$10m	<$10m	<$10m	$100m-$200m	100%-200%	400%-500%
SST4	<$10m	<$10m	<$10m	<$10m	<$10m	100%-200%	400%-500%
SST5	<$10m	<$10m	<$10m	<$10m	<$10m	100%-200%	400%-500%

[1]: Base Company Eligible Own Funds / SF SCR is c. 160%; base Company Eligible Own Funds / SF MCR is c. 490%

The chart below shows the breakdown of each of the scenarios into risk component proportions (based on the one year basis).



ECM Validation of Stress and Reverse Stress Test Results

Part of the overall process of setting stress and scenario tests involves the business estimating various return periods for each of the above events. These return periods are then checked against the return periods produced by the ECM to validate the model tail events and ensure they are consistent in terms of frequency and severity to those expected by management, as well as corroborating the drivers of the tail events within the ECM.

The validation work indicates a high degree of correlation between management expectations and model output, for both frequency and severity.

Emerging and Developing Risks

Identification and analysis of emerging and developing risks is key to ensuring that the Company's business strategy is sound and considers areas of potential impact that may not be apparent in today's environment.

TMHCCIH defines emerging risks as any issue perceived to be potentially significant, but which is not currently fully understood or allowed for in the business strategy, insurance terms, pricing, reserving or capital setting. Developing risks would also fit this definition, but with a clearer understanding of how the advent of the risk crystallising would likely impact current strategy.

Emerging and developing risks are considered when performing a number of key processes throughout the year. Initially these are considered as part of the annual strategic and business planning process involving all risk owners across the underwriting units, but also overlaid with assessment from support functions – as part of forecasting for the year(s) ahead. Each is asked to consider whether there are a) any emerging or developing risks in their area of ownership and b) whether they believe this could have an adverse impact on achieving the stated objectives of the company. In addition, emerging and developing risks are discussed within the quarterly review of the risk register and considered when reviewing the risk register for completeness.

In identifying emerging and developing risks, information is obtained from various sources; this provides integrity to the emerging and developing risks identified and ensures all key aspects of these risks are identified. The sources of information include the following:

- Discussions with current risk and control owners with regards to specific emerging or developing risks to the business;
- Various journals, research papers and online sources are analysed;
- Market-wide emerging risk workshops are attended by the Enterprise Risk Management team; and
- Monitoring of PRA/FCA supervisory statements.

Once the agreed list of emerging and developing risks is produced and analysed, the Enterprise Risk team are able to determine whether risks identified might be applicable to TMHCCIH and these are then listed on the Emerging and Developing Risks Register and anything considered pertinent is presented to the Risk & Capital Management Committeefor discussion.

If an emerging or developing risk, as part of the quarterly risk review, is considered to be becoming a current risk by the Risk & Capital Management Committee, the risk is transferred onto the Company risk register where the residual risk score is determined and current controls can be assessed and monitored against the risk. This then forms part of the live risk register and the risk is dropped from the Emerging and Developing Risk Register.

Overall, management believes the business monitors emerging and developing risks appropriately and considers their impact on TMHCCIH proportionately.

The table below provides some further details of TMHCCIH's current emerging and developing risks, as at Q4 2019.

	Risk	Understanding	Threats	Opportunities
Technology	**Cloud Security**		- Cannot provide same indemnification regarding data security (Data Protection) - Loss of control - Aggregation risk - Cost	- Reduced infrastructure costs - Flexible capacity - Access any time, any where - Less maintenance, IT resource available for other projects
	Nanotechnology		- Pollution/hazardous to life and environment - Product recall due to unsafe product after research - Latent claims e.g. asbestos	- New, stronger materials e.g. for cars/buildings - Environmental clean -up operations made easier and cheaper with use of specialised nanoparticles - Medicines cheaper
	Drones		- Cyber attack on drones - Collisions with people/property - Privacy concerns - PL for manufacturers	- Better/safer surveys - Claims adjusters see impacted areas therefore reducing settlement times
	Blockchain		- Scalability - Understanding - Are systems/processes ready?	- Increase effectiveness in fraud prevention & detection - Reduced admin cost
	Robotics, e.g. AI/Driverless cars		- Who would have liability? - Cyber risk - Changes to manufacturing insurance	
Regulation	**IFRS/UK GAAP**		- Resource strain - Impact on reporting deadlines - Data storage, analytics and collection - Cost of implementation	
	Post Brexit: sanctions diverging between US, UK and EU		Imposed sanctions have historically been closely matched between the US/Internationally and the EU. Iran is a divergence in this pattern and could result in underwriters being unclear whether or not it is permissable to write certain risks. Post Brexit, the divergence will have to be monitored closely to determine where sanctions differ between regions.	
Geopolitcal	**Local Terrorism**		- Increasing terrorism threats across the globe, increasing aggregation risk etc.	
	Political unrest		- Political unrest is elevated around the world, increasing claims for those areas	
Operational	**Succession Planning**		- Potential for executive management team and lead underwriters to retire at a similar time	- Potential to rehire and bring 'fresh eyes' to business
Economic	**Global economic stability**		- New American administration, current relations with North Korea and Brexit negotiations all contribute to market uncertainties	
	London Financial Market Stability		- Hard Brexit could cause our clients to move to European centres	
	Digital Currencies		-Development of widely accepted and traded crypto-currencies could impact foreign exchange and investment markets	
Strategic	**IP Protection**			- The assets of the largest companies, e.g. Google, Facebook, Amazon are largely intangible represented by their intellectual property, moving from tangible assets historically being held by global companies. There is an opportunity to develop the IP Protection book of business, which currently has a very small presence in this growing market.
	Market Disruptors			- Market disruptors such as Amazon and Google are moving into the insurance space. Whilst this could be considered a (currently small, given the type of insurance they are partaking in relates largely to personal lines) threat, seizing the opportunity to align ourselves with these companies may create a strategic advantage.

Covid-19 Pandemic

A pandemic risk register has been developed to sit alongside the existing risk framework and which will be incorporated into reporting to the Risk & Capital Management Committee. The table below illustrates the principal potential risks for the Group's and Company's business and operations by risk area, that were identified as a result of the pandemic risk review. The overall strategy of the Group and Company includes some fundamental aspects which will mitigate the potential impacts of these Covid-19 risks and the various mitigations in place to reduce the impact of these risks are also described in the table below.

Risk Area	Principal Potential Pandemic Risks	Mitigating actions/factors
Insurance	• Increased claims activity. • Reinsurance exhaustion. • Insufficient reserves held. • Reduction in future business. • Inability to purchase future reinsurance.	• Contract-by-contract review of direct and indirect potential exposures. • Consideration of the impact of the global economic environment on the portfolios. • Daily underwriter briefings ensure senior management is kept abreast of the rapidly developing market conditions, enabling the business to operate proactively. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom the Group has long-standing trading relationships. • Several unlimited Quota Share treaties in place (internal and with third parties) for a number of lines of business. • Partnering with reinsurers as claims develop. • Reserving policy produces accurate and reliable estimates that are consistent over time and across classes of business.
Strategic, Regulatory and Group	• Inability to implement strategy. • Inability to meet future business plan targets. • Failure of other TM Group companies.	• Diversified and well-balanced portfolio of business comprised of a number of low correlating lines of business. • Comprehensive outwards reinsurance purchased from high quality reinsurers with whom the Group has long-standing trading relationships. • Maintain good liquidity. • Reserving policy produces reliable estimates that are consistent over time and across classes of business. • Regular monitoring of regulatory capital and maintenance of a high excess over regulatory capital. • Each TM Group company independently capitalised.
Market	• Investment market volatility. • Asset /Liability mismatch due to different claims/premium profiles.	• Investment in secure and readily realisable assets.
Operational	• Inability of the business to fully work remotely. • Staff welfare/sickness issues. • IT Security / Fraud issues. • Outsourcing arrangements do not function as expected.	• IT infrastructure and software has enabled a smooth transition to remote working without substantial disruption. • Early instigation of the established business continuity protocols, which included specific pandemic responses facilitating a successful quick transition of the Group's operations from primarily office-based to almost exclusively remote-based. • Each material outsource arrangement has regular audits confirming the appropriateness of the supplier's own business continuity arrangements, allied with closer interaction with the suppliers during the pandemic, to ensure early identification of any potential issues. • Additional monitoring of third-party outsourcing where considered appropriate.
Credit	• Reinsurance / premium or investment counterparties unable to make payments.	• Comprehensive outwards reinsurance purchased from high quality reinsurers with whom the Group has long-standing trading relationships. • Proactive claims mitigants in place with reinsurer involvement. • Increased cash flow and reinsurance credit monitoring.
Liquidity	• Disinvesting from assets due to increase in claim payments, delay in reinsurance recovery payments and decrease in premium inflows.	• Investment in secure and readily realisable assets.

Section D – Valuation for Solvency Purposes

The Solvency II Directive (Article 75) requires that an economic, market consistent approach to the valuation of assets and liabilities is taken. The basis of preparation of the assets and liabilities for solvency purposes is aligned with the basis of preparation of the UK statutory financial statements, unless otherwise documented below. This applies to both the Group and Company Solvency II net asset valuation.

The Group and Company financial statements have been prepared in conformity with UK GAAP on a going concern basis. The details of the accounting policies used by the Group and Company can be found in the published consolidated financial statements of HCCII. The figures presented in the SFCR and associated QRTs have not been updated for any potential Covid-19 impact. Further commentary on the Covid-19 pandemic may be found in the Executive Summary and 'Any Other Information' sub-sections of Sections A, B and C.

The table below shows the Group's balance sheet reconciliation from UK GAAP, through the Solvency II reclassifications and valuation adjustments, to the Solvency II balances reported in the QRTs. The balance sheet is prepared under the accounting consolidation-based method, with proportional consolidation of the Group's investment in Radius Underwriting Limited. The Non-controlling interests' value as at 31 December 2019 was $0.1m.

TMHCCIH(I) Balance Sheet Reconciliation from UK GAAP to Solvency II	As at 31 December 2019						As at 31/12/2018
	UK GAAP	SII Reclass	SII Valuation Adj Tech. Provisions	SII Valuation Adj DAC & UPR	SII Valuation Adj Other	Solvency II	Solvency II
As at 31 December 2019	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Assets							
Investments	1,397,239	11,822	-	-	-	1,409,061	1,249,651
Goodwill	81,204	-	-	-	(81,204)	-	-
Intangible Assets	34,700	-	-	-	(34,700)	-	-
Deferred acquisition costs	77,517	-	-	(77,517)	-	-	-
Property, plant & equipment held for own use	3,505	(42)	-	-	-	3,463	2,872
Reinsurance recoverables from non-life	581,176	(40,677)	(40,074)	(114,832)	-	385,593	217,827
Insurance and intermediaries receivables	213,031	(104,613)	-	-	-	108,418	29,880
Reinsurance receivables	166,089	(93,538)	-	-	-	72,551	28,636
Receivables (trade, not insurance)	56,886	(144)	-	-	-	56,742	34,350
Cash and cash equivalents	177,634	(3,032)	-	-	-	174,602	81,315
Any other assets, not elsewhere shown	9,802	(9,313)	-	-	-	489	49
Total assets	**2,798,783**	**(239,537)**	**(40,074)**	**(192,349)**	**(115,904)**	**2,210,919**	**1,644,580**
Liabilities							
Technical provisions - non-life	1,530,577	(192,222)	213,969	(424,012)	-	1,128,312	850,374
Deferred tax liabilities	13,190	(444)	-	-	2,237	14,983	8,924
Insurance & intermediaries payables	62,564	(6,913)	-	-	-	55,651	9,008
Reinsurance payables	158,246	(40,677)	0	-	-	117,569	31,275
Any other liabilities, not elsewhere shown	171,744	719	-	(34,153)	-	138,310	114,882
Total liabilities	**1,936,321**	**(239,537)**	**213,969**	**(458,165)**	**2,237**	**1,454,825**	**1,014,463**
Excess of assets over liabilities	**862,462**	**-**	**(254,043)**	**265,816**	**(118,141)**	**756,094**	**630,117**

The table below shows the Company's balance sheet reconciliation from the UK GAAP figures through the Solvency II reclassifications ('reclass') and valuation adjustments to the Solvency II balances reported in the QRTs.

HCCII Balance Sheet Reconciliation from UK GAAP to Solvency II	As at 31 December 2019						As at 31/12/2018
	UK GAAP	SII Reclass	SII Valuation Adj Tech. Provisions	SII Valuation Adj DAC & UPR	SII Valuation Adj Other	Solvency II	Solvency II
As at 31 December 2019	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Assets							
Investments	1,458,242	7,980	-	-	(118,294)	1,347,928	1,256,139
Goodwill	3,090	-	-	-	(3,090)	-	-
Intangible Assets	-	-	-	-	-	-	-
Deferred acquisition costs	70,720	-	-	(70,720)	-	-	-
Property, plant & equipment held for own use	2,766	-	-	-	-	2,766	2,872
Reinsurance recoverables from non-life	240,350	(25,894)	(12,313)	(50,995)	-	151,148	225,592
Insurance and intermediaries receivables	106,753	(55,432)	-	-	-	51,321	29,354
Reinsurance receivables	90,089	(59,702)	-	-	-	30,387	28,636
Receivables (trade, not insurance)	81,364	-	-	-	-	81,364	34,387
Cash and cash equivalents	110,643	-	-	-	-	110,643	80,882
Any other assets, not elsewhere shown	7,980	(7,980)	-	-	-	-	22
Total assets	**2,171,997**	**(141,028)**	**(12,313)**	**(121,715)**	**(121,384)**	**1,775,557**	**1,657,884**
Liabilities							
Technical provisions - non-life	1,085,717	(115,134)	211,584	(310,541)	-	871,626	859,521
Deferred tax liabilities	6,799	-	-	-	(4,409)	2,390	8,600
Insurance & intermediaries payables	10,882	-	-	-	-	10,882	9,008
Reinsurance payables	46,130	(25,894)	-	-	-	20,236	31,275
Any other liabilities, not elsewhere shown	133,162	-	-	(11,185)	-	121,977	118,623
Total liabilities	**1,282,690**	**(141,028)**	**211,584**	**(321,726)**	**(4,409)**	**1,027,111**	**1,027,027**
Excess of assets over liabilities	**889,307**	**-**	**(223,897)**	**200,011**	**(116,975)**	**748,446**	**630,857**

The only area where significant assumptions and judgments have been applied in the valuation process for the Solvency II balance sheet is in respect of the technical provisions. These assumptions and judgements are detailed in Section D2.

The following sections detail the Solvency II adjustments and the valuation basis for each line of the balance sheet.

D1 – Assets

The Solvency II adjustments and valuation approach for each asset group in the above balance sheet are detailed below with the exception of the technical reserves that are discussed in Section D2.

D1 (1) – Investments

At 31 December 2019, the Group investments were as follows:

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Government Bonds	334,314	3,137	-	337,451
Corporate Bonds	597,732	5,303	-	603,035
Collateralised Securities	324,705	873	-	325,578
Collective Investments Undertakings	86,781	-	-	86,781
Deposits other than cash equivalents	53,467	-	-	53,467
Holdings in related undertakings, including participations	-	2,509	-	2,509
Property (other than for own use)	240	-	-	240
Investments	1,397,239	11,822	-	1,409,061

At 31 December 2018, the Group investments were as follows:

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Government Bonds	237,219	2,393	-	239,612
Corporate Bonds	525,451	5,047	-	530,498
Collateralised Securities	334,884	919	-	335,803
Collective Investments Undertakings	81,060	(3,331)	-	77,729
Deposits other than cash equivalents *	62,248	-	-	62,248
Holdings in related undertakings, including participations	-	3,522	-	3,522
Property (other than for own use) *	239	-	-	239
Investments	1,241,101	8,550	-	1,249,651

At 31 December 2019, the Company investments were as follows:

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Government Bonds	292,402	2,683	-	295,085
Corporate Bonds	500,150	4,529	-	504,679
Collateralised Securities	289,232	768	-	290,000
Collective Investments Undertakings	58,712	-	-	58,712
Deposits other than cash equivalents	29,651	-	-	29,651
Holdings in related undertakings, including participations	287,856	-	(118,294)	169,562
Property (other than for own use)	239	-	-	239
Investments	1,458,242	7,980	(118,294)	1,347,928

At 31 December 2018, the Company investments were as follows:

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Government Bonds	216,197	2,163	-	218,360
Corporate Bonds	470,400	4,654	-	475,054
Collateralised Securities	302,254	816	-	303,070
Collective Investments Undertakings	69,050	(3,331)	-	65,719
Deposits other than cash equivalents *	62,248	-	-	62,248
Holdings in related undertakings, including participations	248,051	-	(116,602)	131,449
Property (other than for own use) *	239	-	0	239
Investments	1,368,439	4,302	(116,602)	1,256,139

* 2018 UK GAAP balances have been reclassed to ensure comparability with the current year presentation. Within the 2018 SFCR, 'Deposits other than cash equivalents' and 'Property (other than for own use)' were within 'Cash and cash equivalents' and 'Property, plant & equipment held for own use', respectively.

Key movements in the year for the Group and Company are driven primarily by unrealised gains (see Section A3) and operational cash flows in the period.

Solvency II Reconciliation

The Group's $11.8m Solvency II reclassification, excluding 'holdings in related undertakings, including participations', are for the same reasons stated within the Company's $8.0m Solvency II reclassification (see below). The 'holdings in related undertakings, including participations' reclassification is in relation to the treatment of Qdos. Qdos does not meet the SII definition of an 'ancillary services company', and the investment is therefore not consolidated on a line by line basis under Solvency II, remaining as a 'holding in related undertaking, including participations'. Under UK GAAP, Qdos is fully consolidated within the group balance sheet.

The Company's $8.0m Solvency II reclassifications made to the value of the investments is to classify accrued interest on bonds and equities as Investments instead of prepayments and accrued interest and the reclassification of deposits from cash as shown under UK GAAP. The $118.3m Solvency II valuation adjustment arises from the result of the valuation of Qdos on the 'adjusted equity method', with reference to Solvency II valuation rules, valuing intangible assets and goodwill at nil.

Valuation

Bonds, Securities, Equities and Collective Investment Undertakings

For the following section, 'the Group' is inclusive of 'the Company', with both entities adhering to the same investment valuation methods.

The Group values its financial investments at fair value in accordance with FRS 102 which is consistent with the requirement under Solvency II. The Group categorises financial investments into levels 1, 2 and 3, reflecting the categorization criteria specified in FRS 102 (s34.22). As of 31 December 2019, more than 95% of its financial investments, fell within the Level 2 category.

FRS 102 defines the disclosure of investments levels as follows:

- Level 1 – Inputs are based on quoted prices in active markets for identical instruments.

  The Group's Level 1 investments consist of U.S. Treasuries, money market funds and equity securities traded in an active exchange market. The Group uses unadjusted quoted prices for identical instruments to measure fair value.

- Level 2 – Inputs are based on observable market data (other than quoted prices) or are derived from or corroborated by observable market data.

  The Group's Level 2 investments include most of its fixed maturity securities, which consist of U.S. government agency securities, foreign government securities, municipal bonds (including those held as restricted securities), corporate debt securities, bank loans, middle market senior loans, foreign debt securities. The Group measures fair value for the majority of its Level 2 investments observable market data, including benchmark securities or yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, default rates, loss severity and other economic measures.

  Collateralised securities, that is mortgage-backed and asset-backed securities (including collateralized loan obligations), are priced using indirect observable inputs including prices for similar assets and market corroborated inputs.

The Group is responsible for the prices used in its fair value measurements. The Group uses independent pricing services to assist itself in determining fair value of all its Level 2 investments. The pricing services provide a single price or quote per security. The Group uses data provided by its third-party investment managers to value the remaining Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Group performs various quantitative and qualitative procedures, including:

1) Evaluation of the underlying methodologies;
2) Analysis of recent sales activity;
3) Analytical review of the Company's fair values against current market prices;
4) Comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

No markets for the Group's investments were judged to be inactive at period end. Based on these procedures, the Group did not adjust the prices or quotes provided by its independent pricing services, third party investment managers as of 31 December 2019.

- Level 3 – Inputs are unobservable and not corroborated by market data.

  The Group has Level 3 securities in the form of investment in a private equity fund. The private equity fund is carried at net asset value. Changes in the net asset value are included in investment income.

Participations and related undertakings

The participations and related undertakings included within the Company's financial statements are in respect of the subsidiaries held by the Company. These amounts are eliminated on consolidation in the assets of the Group, with the exception of the Group's investment in Qdos.

Qdos does not meet the definition of an 'ancillary services undertaking, per article 335 of the delegated acts. As a result, this investment remains as a participation on the face of the Group Solvency II balance sheet. Therefore, per the reconciliation notes below, the Group includes items present on the balance sheet of Qdos, which under UK GAAP are fully consolidated.

The investments in related undertakings are valued on an adjusted equity basis, with reference to Solvency II valuation rules.

Property (other than for own use)

The investment property, which consists of long leasehold industrial units, was reviewed at 31 December 2019 on an open market basis, using reasonable judgements and contemporary evidence available. On a periodic basis, the Directors consider the open market valuation of the Group's land and buildings held as an investment. Should the valuation fall below its cost, the deficit is written off as impairment through the profit and loss account.

D1 (2) – Goodwill

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Goodwill	81,204	-	(81,204)	-

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Goodwill	3,090	-	(3,090)	-

Solvency II Reconciliation & Valuation

Under UK GAAP Goodwill is stated at cost less accumulated amortisation and accumulated impairment expense and is amortised over its useful economic life on a straight line basis over 15 years.

For Solvency II Goodwill is reviewed to identify whether amounts are separable and if there is evidence of exchange of similar assets to indicate that they are saleable in the marketplace. In the absence of this evidence, Goodwill is valued at nil for Solvency II purposes.

D1 (3) – Intangible Assets

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Intangible Assets	34,700	-	(34,700)	-

Solvency II Reconciliation & Valuation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives. Amortisation and any impairment expense are charged to other charges in the non-technical account. Intangible assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

The Group's intangible assets arose from the acquisition of QDOS Holdings Limited in 2018 and from the acquisition of Manchester Dickson Holdings Limited and its subsidiaries in 2006 and totalled $30.9m and $21.6m, respectively. The intangibles assets are amortised over their useful economic lives on a straight line basis which has been estimated to be fifteen years.

For Solvency II intangible assets are reviewed to identify whether amounts are separable and if there is evidence of exchange of similar assets to indicate that they are saleable in the market place. In the absence of this evidence, the Group's intangible assets are valued at nil for Solvency II purposes.

No intangible assets are held on the Company balance sheet.

D1 (4) – Deferred Acquisition Costs

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Deferred acquisition costs	77,517	-	(77,517)	-

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Deferred acquisition costs	70,720	-	(70,720)	-

Solvency II Reconciliation & Valuation

For UK GAAP, acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. For Solvency II valuation purposes, deferred acquisition costs are valued at nil at the balance sheet date.

D1 (5) – Property, Plant and Equipment

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Property, plant & equipment held for own use	3,505	(42)	-	3,463

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Property, plant & equipment held for own use	2,766	-	-	2,766

Solvency II Reconciliation

There are no Solvency II valuation adjustments to the property, plant & equipment held for own use.

Valuation

The Group and Company value property, plant and equipment in the financial statements at cost, or open market valuation, less accumulated depreciation and accumulated impairment expense. Cost includes the original price, costs directly attributable to bringing the assets to its working condition for its intended use, dismantling and restoration costs. Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives.

For Solvency II purposes, the Directive states that property, plant and equipment should be valued on a basis that reflects its fair value. The Company believes that the depreciated cost of property, plant and equipment held at 31 December 2019 is a materially fair approximation for fair market value.

The group SII reclass includes the reclass of the Qdos investment, as detailed in Section D1 (1).

D1 (6) – Receivables

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Insurance and intermediaries receivables	213,031	(104,613)	-	108,418
Reinsurance receivables	166,089	(93,538)	-	72,551
Receivables (trade, not insurance)	56,886	(144)	-	56,742
Total receivables	**436,006**	**(198,295)**	**-**	**237,711**

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Insurance and intermediaries receivables	106,753	(55,432)	-	51,321
Reinsurance receivables	90,089	(59,702)	-	30,387
Receivables (trade, not insurance)	81,364	-	-	81,364
Total receivables	**278,206**	**(115,134)**	**-**	**163,072**

Solvency II Reconciliation

For UK GAAP, receivables relating to outstanding premiums from policyholders are recognised in the financial statements as current assets. For Solvency II valuation purposes the outstanding premiums not yet due from policyholders are reclassed to the technical provisions. The remaining balances are due or past due as at the reporting date.

The group SII reclass includes the reclass of the Qdos investment, as detailed in section D1 (1).

Valuation

The insurance and intermediaries receivables balance represents premiums receivable due and past due once adjusted for Solvency II as noted above. The balances are all due within 12 months and their fair value is not considered to be different to their amortised cost so no further Solvency II adjustments are required.

The reinsurance receivables balance represents paid losses recoverable net of bad debt. The balances are all due within 12 months and their fair value is not considered to be different to their amortised cost so no Solvency II adjustment is required.

The receivables (trade, not insurance) include various balances including inter-group receivables and tax. All amounts are due within 12 months and the UK GAAP values are considered to be appropriate fair value and therefore do not need to be adjusted for Solvency II.

D1 (7) – Cash and cash equivalents

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Cash and cash equivalents	177,634	(3,032)	-	174,602

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Cash and cash equivalents	110,643	-	-	110,643

Solvency II Reconciliation & Valuation

Solvency II reporting requires distinction between cash that can (unrestricted) and cannot (restricted) be used to make payments until a specific maturity date and that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty. The majority of the cash which has been reclassed to deposits is in relation to collateral arrangements on the Surety line of business.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

D1 (8) – Other Assets

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Any other assets, not elsewhere shown	9,802	(9,313)	-	489

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Any other assets, not elsewhere shown	7,980	(7,980)	-	-

Solvency II Reconciliation & Valuation

Under UK GAAP, prepayments and accrued interest on fixed income investments is included within 'Other Assets'. The Solvency II adjustments of \$9.3m and \$8.0m, for the Group and the Company, respectively, are in relation to this accrued interest, being reclassified to investments under Solvency II.

In addition to the above, the Group SII reclass includes the reclass of the Qdos investment, as detailed in section D1 (1).

D1 (9) – Other Matters

The Company has not provided any unlimited guarantees and does not have any off balance sheet assets.

D2 - Technical Provisions

At 31 December 2019, the total value of net technical provisions for the Group was $742.7m, which included $67.8m in respect of the risk margin. The movement of UK GAAP provisions to Solvency II net technical provisions, for the Group and the Company, were as follows:

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment Tech. Provisions	SII Valuation Adjustment DAC & UPR	Solvency II
Technical provisions – non-life	1,530,577	(192,222)	213,969	(424,012)	1,128,312
Reinsurance recoverables from non-life	(581,176)	40,677	40,074	114,832	(385,593)
Net technical provisions – non-life	949,401	(151,545)	254,043	(309,180)	742,719

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment Tech. Provisions	SII Valuation Adjustment DAC & UPR	Solvency II
Technical provisions – non-life	1,085,717	(115,134)	211,584	(310,541)	871,626
Reinsurance recoverables from non-life	(240,350)	25,894	12,313	50,995	(151,148)
Net technical provisions – non-life	845,367	(89,240)	223,897	(259,546)	720,478

Solvency II Reconciliation

The main Solvency II valuation adjustment to the technical reserves is to reverse the unearned premium reserves as they are valued at nil under Solvency II. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment/risk profile basis.

The other Solvency II valuation adjustment represents the net impact on the claims reserves of applying the Solvency II valuation methodology detailed below that include the reclassification of not yet due premiums from debtors and creditors.

Valuation

The table below details the net technical provisions by Solvency II line of business by best estimate and risk margin.

TMHCCIH(I) Net Technical Provisions	Amounts in USD'000		
	Net Best Estimate	Risk Margin	Net Technical Provision
Medical expense insurance	329	34	363
Income protection insurance	6,974	417	7,391
Workers' compensation insurance	31,663	2,592	34,255
Marine, aviation and transport insurance	15,348	1,441	16,789
Fire and other damage to property insurance	17,325	1,531	18,856
General liability insurance	388,476	44,062	432,538
Credit and suretyship insurance	133,850	5,807	139,657
Assistance	27	15	42
Miscellaneous financial loss	2,819	194	3,013
Non-proportional health reinsurance	12,085	608	12,693
Non-proportional casualty reinsurance	43,925	6,231	50,156
Non-proportional marine, aviation and transport reinsurance	18,279	2,122	20,401
Non-proportional property reinsurance	3,798	2,767	6,565
Total	674,898	67,821	742,719

HCCII Net Technical Provisions	Amounts in USD'000		
	Net Best Estimate	Risk Margin	Net Technical Provision
Medical expense insurance	332	30	362
Income protection insurance	2,329	138	2,467
Workers' compensation insurance	29,676	2,186	31,862
Marine, aviation and transport insurance	13,885	1,076	14,961
Fire and other damage to property insurance	13,288	1,016	14,304
General liability insurance	429,991	46,572	476,563
Credit and suretyship insurance	95,387	3,415	98,802
Assistance	25	13	38
Miscellaneous financial loss	1,185	55	1,240
Non-proportional health reinsurance	11,990	532	12,522
Non-proportional casualty reinsurance	34,069	3,338	37,407
Non-proportional marine, aviation and transport reinsurance	18,334	1,903	20,237
Non-proportional property reinsurance	7,750	1,963	9,713
Total	658,241	62,237	720,478

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of the best estimate and a risk margin.

The actuarial function carries out the valuation of technical provisions and ensures continuous compliance with the requirements set out in Articles 75 to 86 regarding the calculation of technical provisions and the risks arising from this calculation.

The actuarial function's involvement in the whole reserving process allows us to opine that the technical provisions at 31 December 2019 are sufficient and the methods / assumptions used are appropriate given the nature, scale and complexity of both the Group and the Company's risk profile.

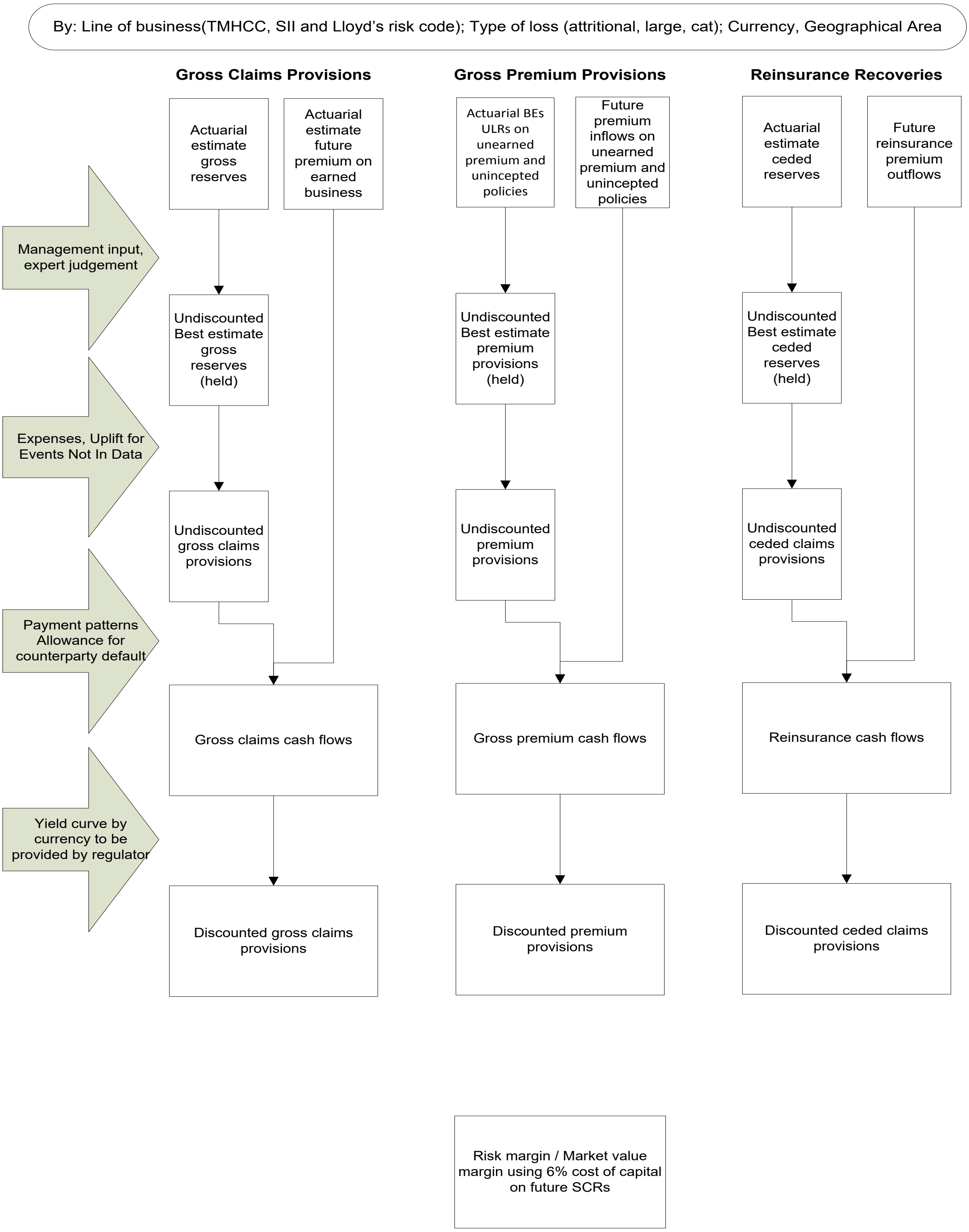
Sufficiency in this context means that the Group and the Company are satisfied that the process for estimating technical provisions is thorough and proportionate, and the resulting amounts are within a reasonable range that might be calculated by a number of different qualified people using various reasonable methods and assumptions.

The methodologies used are consistent across all material lines of business and the key items are summarised below. In addition, we have included a heading looking at identified future enhancements.

Technical Provisions Calculation Overview (Unaudited)

The Group and the Company build the technical provisions value from 3 components: i) the undiscounted best estimates, ii) discounting credit; and iii) risk margin.

The process is summarised in the flowchart below. Further details are found in the remaining sub-sections.


By: Line of business(TMHCC, SII and Lloyd's risk code); Type of loss (attritional, large, cat); Currency, Geographical Area
Gross Claims Provisions
Gross Premium Provisions
Reinsurance Recoveries
Actuarial estimate gross reserves
Actuarial estimate future premium on earned business
Actuarial BEs ULRs on unearned premium and unincepted policies
Future premium inflows on unearned premium and unincepted policies
Actuarial estimate ceded reserves
Future reinsurance premium outflows
Management input, expert judgement
Undiscounted Best estimate gross reserves (held)
Undiscounted Best estimate premium provisions (held)
Undiscounted Best estimate ceded reserves (held)
Expenses, Uplift for Events Not In Data
Undiscounted gross claims provisions
Undiscounted premium provisions
Undiscounted ceded claims provisions
Payment patterns Allowance for counterparty default
Gross claims cash flows
Gross premium cash flows
Reinsurance cash flows
Yield curve by currency to be provided by regulator
Discounted gross claims provisions
Discounted premium provisions
Discounted ceded claims provisions
Risk margin / Market value margin using 6% cost of capital on future SCRs

Undiscounted Best Estimate Claims Provisions

As part of the Group's and the Company's current reserving process, the starting point for valuing Solvency II claims provisions is the actuarial best estimate of provisions for claims including outstanding claims, IBNR and allocated loss adjustment expense.

For the purpose of our analysis, we subdivide the data using TMHCC International lines of business, as defined in section A, where segmentation is decided subject to similar coverage, reporting patterns, underwriting controls, claims handling and homogeneity of risks. These also reflect the way its business is underwritten, reported and managed. Further details may be found under the segmentation heading below.

In general, each line of business is written across multiple TMHCC International entities. The default position is that an analysis is carried out gross and net of reinsurance and that results are reported at both of these levels. In some cases, due to the lack of reinsurance or its immaterial nature, explicit allowance is not made for reinsurance. Also, as a default, the aggregate projected IBNR reserve is allocated to legal entity using earned premium as the weighting factor. This is reviewed for reasonableness and the approach modified, if required. As at 31 December 2019, all lines of business were being allocated using earned premium.

Full analyses of reserves take place at least annually. During the full analyses, attritional claims and large losses gross and net of reinsurance are projected to ultimate using the following four standard actuarial methods:

1) Paid Chain Ladder ('PCL');
2) Incurred Chain Ladder ('ICL');
3) Incurred Bornhuetter-Ferguson ('IBF');
4) Loss Ratio method ('LR').

The method selected depends on the accident or underwriting year, gross or net of reinsurance perspective and the line of business. This is documented within the reserving files and analysis spreadsheets. Generally for more developed years, the ICL is used and for less developed years, the IBF method is used. For the years where the IBF or LR is used, the ultimate claim projected is sensitive to the Initial Expected Ultimate Loss Ratio ('IEULR') assumption (also referred to as the 'prior loss ratio' assumption). The Group and Company base their IEULRs on historical rebased loss ratios, taking into account premium rate changes and claims inflation.

Undiscounted Best Estimate Premium Provisions

The starting point of the premium provisions is the unearned premium reserve (UPR) and, for bound but not incepted ('BBNI'), an estimate of the premium relating to policies that have an inception date post the valuation date and a bound date pre the valuation date. The Group and the Company use historical and budget data to estimate the volume of premium related to BBNI policies. This approach allows for policies bound before the valuation date but which have not yet been captured within the policy underwriting systems at the time of calculating the technical provisions due to typical processing delays.

For lines of business that undergo actuarial review as part of the Group's and Company's reserving process the undiscounted premium provision is calculated by applying the relevant actuarial best estimate ultimate loss ratios to the UPR and the BBNI premium amounts. Where no actuarial review has been undertaken budgeted loss ratios are assumed to represent this best estimate.

The actuarial best estimate ultimate loss ratios arise from actuarial reserving analysis and correspond to a central expectation based on relevant historical experience on prior years and adjusted where appropriate for changes in mix of business and anticipated premium rate movements and loss trends. Where the actuarial best estimate loss ratio does not include provision for large losses or catastrophes, management applies loads consistent with the internal model large loss and catastrophe parameters, to account for the future occurrence of these events.

Undiscounted Best Estimate Reinsurance Provisions

Reinsurance recoveries on claims provisions are calculated directly from the estimated cash flows from current ceded claims. Reinsurance recoveries on premium provisions are estimated differently depending on the type of reinsurance.

For Lines of Business ('LOBs') with quota share ('QS') reinsurance, the ceded cash flows are calculated by applying the ceded percentage to the estimated gross claim cash flow.

For LOBs with excess of loss reinsurance, there will be cessions on large and catastrophe losses. Identification of the reinsurance contracts that respond to the gross losses in the premium provisions is an important aspect of estimating reinsurance recoveries as well as the associated cost of this reinsurance cover. The key considerations are the basis of the reinsurance (losses occurring or risks-attaching), the inception date of the reinsurance contract and its binding status at the valuation date.

Reinsurance contracts that have already incepted will respond to losses, regardless of the basis. As such we make full provision for any reinsurance premiums payable in the future and the associated reinsurance recoveries.

Losses-occurring ('LOD') reinsurance contracts that incept in the future will respond to losses that occur during the reinsurance policy period.

Unless the reinsurance contract is already bound at the valuation date, we include a portion of both reinsurance premiums payable and losses ceded to future LOD reinsurance contracts to the extent that the cover relates to existing inwards business.

Risks-attaching ('RAD') reinsurance contracts that incept in the future will respond to losses incurred on policies that incept during the reinsurance treaty period only.

The BBNI inward policies, included in the technical provisions as at 31 December 2019, will have reinsurance treaties, incepting during 2020, attaching to their premiums and losses. A corresponding portion of the cost of this reinsurance and expected ceded losses is included in the technical provisions.

In summary, the treatment of reinsurance premiums and recoveries is as follows:

<table>
<tr><th>Contract status at point of valuation</th><th>Reinsurance premiums</th><th>Reinsurance recoveries</th></tr>
<tr><td>Incepted, bound</td><td rowspan="2">Future premiums due allowed for in full</td><td rowspan="3">Full allowance for expected future recoveries associated with losses arising from all incepted as well as bound-but-not-incepted inwards business that falls within scope of the technical provisions (where the purchase of reinsurance is subject to future management actions it is assumed that cover will be renewed on existing terms)</td></tr>
<tr><td>Unincepted, bound</td></tr>
<tr><td>Unincepted, not bound</td><td>Allow for a portion of expected premiums payable under such reinsurance contract(s) relating to the run-off of existing incepted and bound-but-not-incepted inwards business</td></tr>
</table>

Events Not In Data ('ENIDs')

Parameterization of models for estimating mean claims reserves using historic data will only allow for the scale of events that have been observed within the history. An ENID loading ensures consideration of all possible future outcomes and so allows the 'true' mean to be determined.

At least three types of events should be considered:

- Outstanding events which could go one way or another with a material change in the reserves determined by the outcome, e.g. court cases establishing liability;
- Events which will affect only the premium provision, e.g. future catastrophes; and
- Events which will affect both the premium provision and claims provision, e.g. future latent claims.

Management add an explicit load to the best estimate for ENIDs. The approach assumes that the distributions and Coefficients of Variation ('CVs') selected as part of the internal model parameterization represent truncated distributions. The level of realistically foreseeable events for this purpose is taken as 1-in-40/97.5%, noting that this is broadly in line with a once-in-a-career return period. An uplift factor is derived as the ratio of the 'true mean' to the 'mean only including realistically foreseeable events'. This factor is then scaled in line with the results of a qualitative scoring framework which assesses each line of business's relative exposure to ENIDs.

The explicit provision for ENIDs increases total technical provisions by around 1%-3% depending on business mix.

The catastrophe and large loss loads applied to prospective business should be considered in conjunction with the explicit ENID load. Catastrophe and large losses in the internal model are parameterized to best capture the prospective risk. The parameterization does not rely solely on historical losses but also on the nature and scale of current risk exposures. The catastrophe and large losses will model events not seen in Group's and Company's history. They can therefore be considered as contributing to bringing technical provisions from the 'foreseeable events' basis to 'all possible outcomes' required under Solvency II.

Counterparty Default Risk

The traditional reinsurer bad debt provision is generally increased to include potential losses on recoveries on premium provisions, and from any other counterparties. For the current year, and consistent with the internal model assumptions, we have concluded that counterparty default risk on policyholder debtors, deposits with ceding institutions, and letters of credit is not material and thus is not included in technical provisions. These assumptions are consistent with the prior year.

Cash Flows and Discounting

Solvency II technical provisions are valued with consideration of the time value of money, and thus the potential investment income on reserves decreases the amounts of the liabilities. Cash flows are calculated by applying appropriate payment patterns to the undiscounted best estimates.

Payment patterns are derived using triangles of relevant historical paid losses. Where there is insufficient data to calculate a credible payment pattern from internal data, payment patterns from a similar line of business, adjusted or unadjusted, may be used or the payment pattern exhibited by a suitable benchmark dataset, such as the Lloyd's Market Association risk code triangles, may be used. Payment patterns may differ according to year of loss, whether the claims are attritional / large / catastrophe, or relate to gross or ceded cash flows.

The payment patterns are fitted to quarterly development data and we discount cash flows assuming payments take place at the end of each quarter.

The Group and the Company use the yield curves as provided by the the European Insurance and Occupational Pensions Authority(' EIOPA'). These are applied to the best estimates of undiscounted annual cash flows by currency. It should be noted that the Economic Scenario Generator ('ESG') is not used within the technical provision process.

Assumptions about policyholder behaviour

The two main areas of policyholder behaviour considered relate to lapses and renewal rates.

The valuation of the technical provisions assumes that the policies will remain in force including any policies where the policyholder has an option to lapse or the Group and the Company have an option to lapse. In the expected course of events the Group and the Company do not operate a policy of cancelling contracts and historical experience implies a best estimate based on no policyholder lapses. This assumption is unchanged since the last reporting period.

Renewal rate assumptions are taken from underlying business plans at the line of business level for the following year. These are based on historical experience and underwriter judgement. The assumptions are materially unchanged since the last reporting period.

Risk Margin

Article 37 of the Delegated Acts sets out the formula which should be used to calculate the risk margin.

The risk margin is calculated as a part of technical provisions in order to ensure that the value of technical provisions is equivalent to the amount that an undertaking would be expected to require in order to take over and meet the transferred obligations.

The method used involves the following three step process:

- Calculation of SCRs that are required to support the technical provisions at time=0 and time=1.
- For estimating SCRs at t=2 onwards, we assume that future SCRs are proportional to the best estimate technical provision for the relevant year, including a cumulative uplift to allow for the increase in variability relative to the best estimate provisions. This is an appropriate simplification because the Company's exposure to catastrophe risk and underwriting risk is only significant at t=0 due to potential catastrophe losses and expected future premium income over the one year time horizon starting at t=0. The SCR at t=1 is therefore considered suitably representative of the run-off risk profile in which catastrophe and other underwriting risk is expired.
- The projected SCRs are then multiplied by the cost of capital of 6% p.a. (as put forward by EIOPA) to determine the cost of providing this amount of eligible own funds. This cost is discounted by the risk-free rate and the sum of the discounted cost of capital for each future year over the lifetime of the business giving the total risk margin.

Overview of material changes in the level of technical provisions since last reporting period

The 31 December 2019 and last year end results for the Group and the Company are set out below:

The Group's NET Technical Provisions: Comparison to Prior Valuations (USD'000)			
	Group	Group	Group
	31 December 2019 (2019 YE FX Rates)	31 December 2018 (2019 YE FX Rates)	31 December 2018 (2018 YE FX Rates)
Claims Provisions	606,499	501,431	500,443
Premium Provisions	68,399	75,340	75,015
Total excluding Risk Margin	674,898	576,771	575,458
Risk Margin	67,821	57,220	57,090
Total including Risk Margin	**742,719**	**633,992**	**632,548**

The Company's NET Technical Provisions: Comparison to Prior Valuations (USD'000)			
	Company	Company	Company
	31 December 2019 (2019 YE FX Rates)	31 December 2018 (2019 YE FX Rates)	31 December 2018 (2018 YE FX Rates)
Claims Provisions	555,044	501,431	500,443
Premium Provisions	103,197	76,582	76,340
Total excluding Risk Margin	658,241	578,013	576,783
Risk Margin	62,237	57,268	57,146
Total including Risk Margin	**720,478**	**635,281**	**633,929**

On a Group basis, between 31 December 2018 and 31 December 2019, the technical provisions (excluding risk margin) increased by about $98.1m, after allowing for FX rate movements. This is driven by an increase in claims provisions arising from movements in reserves on Financial Lines, PI UK, Surety and following the establishment of reserves in respect of the Marine Liability account and the development of business across the TME platform. The risk margin has remained broadly unchanged in percentage terms, although has increased by $10.6m in absolute terms, after allowing for FX rate movements, reflecting the increased level of overall technical provisions since 31 December 2018.

On a Company basis, between 31 December 2018 and 31 December 2019, the technical provisions (excluding risk margin) increased by about $80.2m, after allowing for FX rate movements. This is driven by an increase in claims provisions arising from movements in reserves on Financial Lines, PI UK and following the establishment of reserves in respect of the Marine Liability account. There has also been an increase in premium provisions, which has arisen from a reduction to future premium cashflows (as represented by current balances which relate to premium which is due but not paid) and an increase in future outwards reinsurance premium estimate. The level of discounting credit has also reduced compared to last year, in line with the fall in yield curves across the significant currencies during the period. The risk margin has reduced slightly in percentage terms, although has increased by $5.0m in absolute terms, after allowing for FX rate movements, reflecting the increased level of overall technical provisions since 31 December 2018.

Segmentation

Calculation of technical provisions for application of the SF and for statutory reporting requires recasting of the internal line of business ('LOB') segmentation into Solvency II lines of business. In many cases, the Solvency II LOB is composed of multiple TMHCC International LOBs, or subsets thereof. TMHCC International LOBs are allocated to Solvency II line of business based on policy master class coding, Lloyds risk coding (where available) and transaction type. This allows for the unbundling of contracts into the corresponding Solvency II LOBs. The mapping is unchanged from the previous year.

Internal data improvements, procedural changes and significant deficiencies

One of the operational risks faced by the Company is that resulting from the use of poor quality data in processes including reserving and technical provisions. In order to mitigate this risk across TMHCC International's insurance entities, TMHCC International agreed a common Data Governance Policy in late 2011 which sets out how the organisation will document the data used to perform key business processes and ensure that it is fit for purpose. Since then, this Data Governance Policy has been applied to the Actuarial Reserving and Calculation of Technical Provisions, as they are critical business processes, with the Policy being reviewed on a regular basis.

In order to confirm that the data used to drive these processes is fit for purpose the Group and the Company have assessed data quality using the criteria we have adopted for Solvency II (appropriateness, completeness, consistency and accuracy) following the process described below:

- Produced a data-flow chart for each business process that shows the datasets that flow into and out of the process, along with the reconciliation points that ensure data is consistent throughout the process.
- Documented at field level, the datasets used to drive each business process and recorded this information in the Data Directory.
- Assigned each data set to a subject matter expert and asked them to complete a standard data quality template containing an assessment as to whether that data set is complete and appropriate for its intended business usage.
- Developed a series of automated reconciliation reports that highlight any data inconsistencies between IT systems.
- Introduced compliance procedures to ensure that all relevant manual reconciliations are completed whenever a specific business process is performed.
- Introduced audit procedures to assess, report on and remedy the accuracy of those data elements that are material to the organization and are manually entered into systems.

Further detail of the implementation of the above processes has been documented within 'Internal Model Data Policy'.

Having applied the Data Governance Policy as discussed above the organisation believes that it has significantly reduced the residual risk relating to the use of poor quality data. The process of extracting and processing the TP data was significantly streamlined with the development of a Pillar 3 data mart dedicated to Solvency II reporting several years ago. The data mart is a joint initiative between the Business Intelligence and Finance teams with significant support provided by the Actuarial Function during its development.

One area of limitation has been identified, which relates to the lack of IBNRs being available at the required level of granularity (eg, origin period / currency / risk code combinations). This is remediated by incorporating allocation algorithms in the Pillar 3 data mart.

Group adjustments to individual technical provisions

The calculation of the Group technical provisions is based on the underlying legal entities, namely the Company and TME, and includes no specific adjustments other than to allow for any intra-entity eliminations where they are applicable. This approach has been taken in respect of claims and premium provisions.

Third country insurance and reinsurance undertakings

The Group's and the Company's Branches in Europe are mainly in the EU. There are two that are not. Switzerland has equivalence under Solvency II and Norway which has enacted the Solvency II regime.

Material changes to assumptions or methods since the prior period

As part of the Solvency II technical provision process, various actual versus expected ('A v E') analyses are undertaken, including comparison of projected technical provisions with actual technical provisions and comparisons line by line (on a GAAP basis).

During the year, the A v E analysis did not lead us to make any adjustments to our assessment of the appropriateness, accuracy and completeness of the data nor to the methodologies applied. In addition, the A v E analysis is considered as part of the annual full re-projection process which occurs in the 3rd quarter. The Group and Company took into account the A v E by line of business and updated methods and assumptions as appropriate. However, the adjustments made (to the actuarial selected ultimates and the assumptions) were not beyond what would normally be expected to filter through during parameter reviews dependent on historical data.

Description of the level of uncertainty associated with the value of technical provisions

Any estimates of loss and ALAE liabilities are inherently uncertain. In our judgment, we have employed techniques and assumptions that are appropriate for the purposes of this analysis, and the conclusions presented herein are reasonable, given the information currently available. However, it should be recognized that the actual emergence of loss and ALAE amounts will likely deviate, perhaps materially, from our estimates.

The Group's and the Company's reserves are dominated by Financial Lines, comprising a sizeable portfolio of International D&O business, and are mainly written through the Company. These lines tend to be both volatile and long-tailed. In addition, the Group writes a small Employers' Liability book through the Company, which is exposed to potential latent disease claims.

Our Solvency II premium provision projections cover unexpired risks, and any period of future exposure is necessarily subject to a higher degree of uncertainty. This is especially the case for catastrophe-exposed classes of business, which are characterised by losses of an inherently uncertain low-frequency/high-severity nature.

Our selected point estimates are central estimates in the sense that they are not deliberately biased upwards or downwards. They do not necessarily represent a mid-point of the range of possible outcomes, as the potential for adverse movement generally exceeds the potential for favourable movement.

We have undertaken some quantitative analysis around the technical provisions for the Group and the Company. The conclusions of the analysis, which were the same for both the Group and the Company and generally the same as those observed last year, were:

- The technical provisions are most sensitive to the earned reserve levels and the loss ratios assumed in the unearned provisions. For example, using 25th and 75th percentiles from the underlying reserve distribution, rather than best estimate would change the technical provisions in the region of 10% to 15%.
- The technical provisions are also sensitive to the discount rate used, to the extent that if discount rates returned to the levels seen before the financial crisis, this would have an impact on the technical provisions in the region of 13%.
- The technical provisions are not so sensitive to expense overruns or changes to the risk margin calculation.

Transitional provisions on technical provisions, matching adjustment and volatility adjustment

The Group and the Company do not have any transitional provisions on technical provisions, nor make any matching or volatility adjustments.

The use of simplified approaches

A simplified approach is used within the risk margin calculation. Further details were provided in the risk margin section.

Assumptions about future management actions

The Group's and Company's technical provisions include one future management action relating to Reinsurance Structure, whereby it is assumed reinsurance that is in-force at the beginning of the year is maintained with regard to structure and cost.

This will impact the unearned and unincepted components of the technical provisions only; known claims will have attached to prior reinsurance, if applicable.

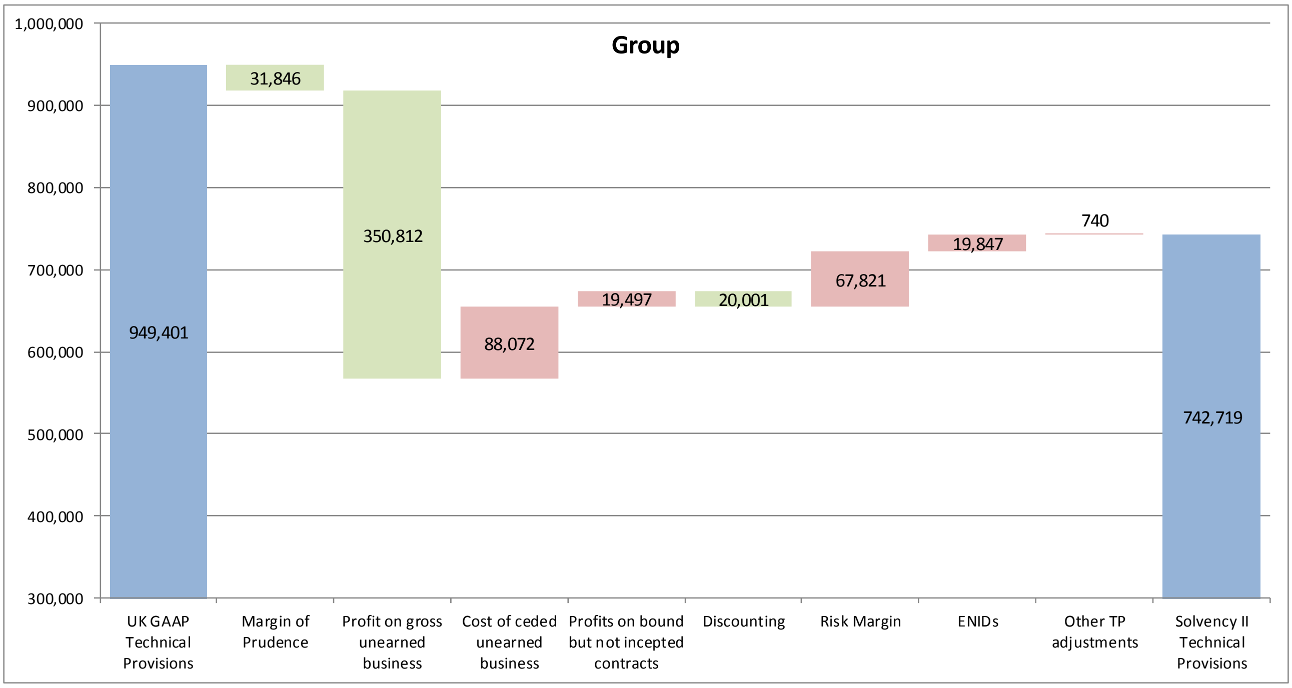
The secondary risk associated with this reinsurance - reinsurer credit risk - is also included in the technical provisions.

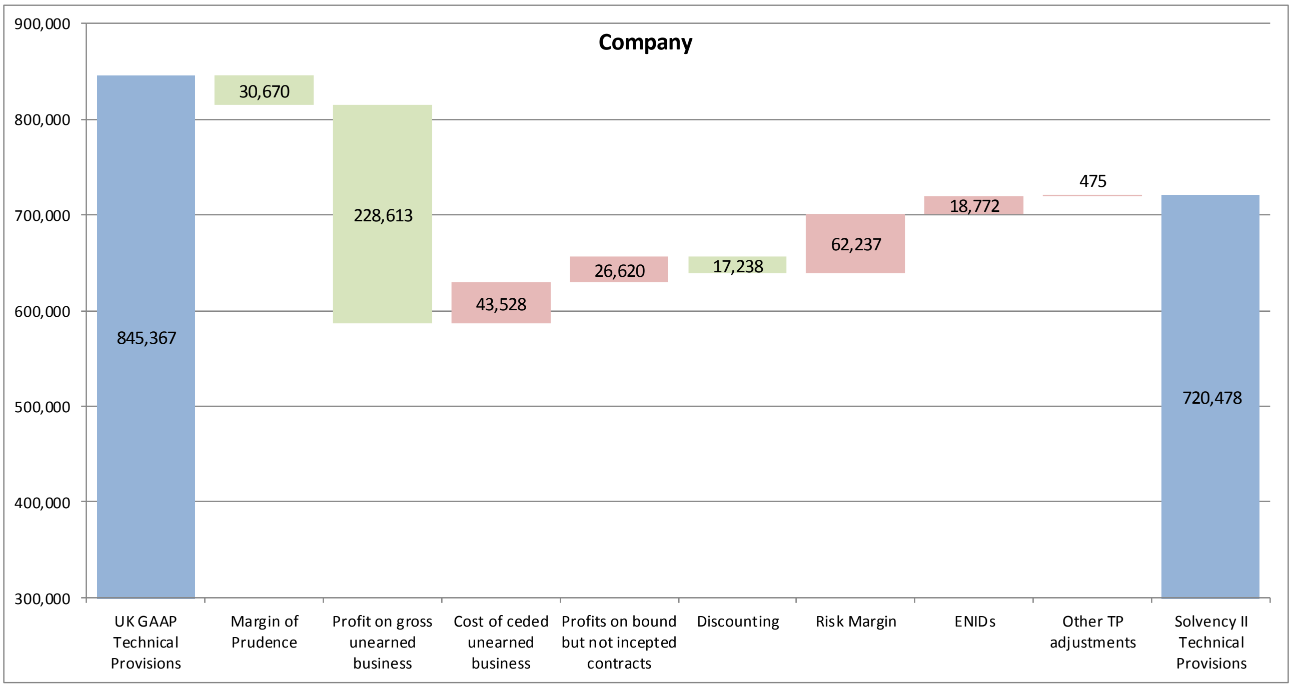
Differences to UK GAAP Technical Provisions

Differences between the current GAAP reserves and Solvency II technical provisions can be broken down into the following drivers:

- Removal of booked reserve margins (decrease)
- Loading for events not in data (increase)
- Change of expense basis (increase)
- Adjustments to earned provisions, including future development in earned premium where appropriate (usually decrease)
- Emergence of profit on future premium, including removal of 100% UPR (usually decrease)
- Bound but not incepted policies (usually decrease)
- Discounting (decrease)
- Risk margin (increase)

The waterfall chart below illustrates the impact of each of these on the Group and Company's GAAP and Solvency II reporting positions, followed by a table that provides the underlying figures for each component:





Reconciliation of the Group and Company's Net Technical Provisions: UK GAAP to Solvency II ($'000)				
	Group as at 31 Dec 2019	**Group as at 31 Dec 2018**	**Company as at 31 Dec 2019**	**Company as at 31 Dec 2018**
UK GAAP Technical Provisions	**949,401**	**792,707**	**845,367**	**792,707**
Removal of margin of prudence	(31,846)	(22,530)	(30,670)	(22,530)
Allowance for events not in data (binary events)	19,847	16,273	18,772	17,250
Change of expense basis	41,133	37,282	30,832	34,431
Adjustments to earned provisions	740	761	475	761
Removal of unearned UK GAAP provisions	(309,188)	(265,264)	(259,554)	(265,264)
Future premium iro unearned incepted business	(149,202)	(93,830)	(87,345)	(93,830)
Projected losses arising from UPR	154,517	127,751	130,983	127,752
Future premium iro unincepted business	(27,798)	(29,870)	(33,179)	(44,063)
Projected losses arising from unincepted contracts	47,295	34,703	59,798	53,226
Discounting credit	(20,001)	(22,525)	(17,238)	(23,657)
Inclusion of risk margin	67,821	57,090	62,237	57,146
SII Technical Provisions	**742,719**	**632,548**	**720,478**	**633,929**

Except for the explicit margin of prudence, all items are a function of the Solvency II valuation requirements. All items are in line with expectations, both with regard to direction and quantum. The movement in the SII technical provisions over the year was discussed earlier in the sub-section.

D3 – Other Liabilities

The Solvency II adjustments and valuation approach for each liability group in the above balance sheet are detailed below with the exception of the technical provisions that are discussed in sub-section D2.

D3 (1) – Deferred Tax

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Deferred tax liabilities	13,190	(444)	2,237	14,983

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment	Solvency II
Deferred tax liabilities	6,799	-	(4,409)	2,390

Solvency II Reconciliation

The Solvency II valuation adjustment to the deferred tax liabilities represents the net impact of all the Solvency II valuation adjustments. The valuation principles for deferred tax under Solvency II are consistent with the UK GAAP approach used to prepare the financial statements.

The group SII reclass includes the reclass of the Qdos investment as detailed in Section D1 (1).

Valuation

Deferred tax under UK GAAP is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax balances are not discounted. The UK GAAP deferred tax liability is comprised principally of tax payable over the remaining five years resulting from the reversal of the equalisation reserve at 1 January 2017. The reconciling difference between UK GAAP and Solvency II deferred tax liability is, as mentioned above, the tax effect on the Solvency II adjustments.

D3 (2) – Payables

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment Tech. Provisions	Solvency II
Insurance & intermediaries payables	62,564	(6,913)	-	55,651
Reinsurance payables	158,246	(40,677)	-	117,569
Total payables	**220,810**	**(47,590)**	**-**	**173,220**

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment Tech. Provisions	Solvency II
Insurance & intermediaries payables	10,882	-	-	10,882
Reinsurance payables	46,130	(25,894)	-	20,236
Total payables	**57,012**	**(25,894)**	**-**	**31,118**

Solvency II Reconciliation

The Solvency II valuation adjustments to Insurance & intermediaries payables reflect not yet due balances that are reclassified to the technical provisions. The remaining balances are due or past due.

The group SII reclass includes the reclass of the Qdos investment, as detailed in Section D1 (1).

Valuation

The insurance and intermediaries payables represent premiums, commissions and claims payable. The balances are all due within 12 months and are considered to be stated at fair value that is not considered to be different to their amortised cost so no further Solvency II adjustment is required.

The reinsurance payables represent reinsurance premiums and commissions payable past due. All balances are due within 12 months and, once adjusted for Solvency II as noted above, their fair value is not considered to be different to their amortised cost so no additional Solvency II adjustment is required.

D3 (3) – Other liabilities

TMHCCIH(I) Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment DAC & UPR	Solvency II
Any other liabilities, not elsewhere shown	171,744	719	(34,153)	138,310

HCCII Reconciliation from UK GAAP to Solvency II USD'000	UK GAAP	SII Reclass	SII Valuation Adjustment DAC & UPR	Solvency II
Any other liabilities, not elsewhere shown	133,162	-	(11,185)	121,977

Solvency II Reconciliation

The Solvency II adjustment is in respect of reinsurance acquisition costs, which represent commission and other related expenses that are deferred over the period in which the related premiums are earned under UK GAAP. For Solvency II valuation purposes, deferred acquisition costs are valued at nil at the balance sheet date.

The group SII reclass includes the reclass of the Qdos investment, as detailed in sub-section D1 (1).

Valuation

The remainder of the other liabilities includes obligations relating to Surety collateral, accrued premium taxes, settlements for investment purchases and staff costs and tax accruals. These balances are valued at fair value under both UK GAAP and Solvency II.

D3 (4) – Other Provisions and Contingent Liabilities

The Group and the Company do not have any other provisions and do not have any material contingent liabilities outside of the normal course of insurance.

D3 (5) – Employee benefits

Employee benefits include a contributory company pension scheme which, owing to the nature of the scheme (unlike a defined benefit contribution scheme), does not feature on the UK GAAP and Solvency II balance sheets of the company and/or group.

D4 – Alternative methods for valuation

The Group and the Company have not applied any alternative methods of valuation.

D5 – Any other information

There is no additional information that requires disclosure.

Section E – Capital Management

The Group is a single shareholder entity. It has no debt financing nor does it have any material plans to issue new shares in the short or medium term. The Group's capital planning process is dynamic and forward-looking and is informed by the output from its risk management activities and the ORSA process. The Group and the Company carry an S&P rating of A+ and the Company benefits from a parental guarantee provided by HCC Insurance Holdings, Inc.

As such, capital planning activities take into account current and anticipated changes in the Group's risk profile, such as those reflected in its three year business plan, and forecasting the related impact on capital. In addition, as part of its capital planning, the Group integrates projected capital needs with its business planning and financial forecasting processes.

In order to ensure the maintenance of appropriate capital level at all times, the Group has defined a specific capital risk appetite with thresholds and limits that trigger actions, including the source of capital and/or associated corrective actions. These appetites have been developed in line with regulatory requirements under the Solvency II regime whilst also including an appropriate level of prudence over and above minimum levels. These are monitored through the Risk and Capital Management Committee on a regular basis.

Own funds are comprised of items on the balance sheet, which are referred to as basic own funds consisting of paid-up ordinary share capital, retained earnings and a reconciliation reserve. There are no transitional provisions or ancillary own funds for the Group or the Company.

The figures presented in the SFCR and associated QRTs have not been updated for any potential Covid-19 impact. Further commentary on the Covid-19 pandemic may be found in the Executive Summary and 'Any Other Information' sub-sections of Sections A, B and C.

E1 – Own Funds

Group Own Funds

At 31 December 2019, the own funds held by the Group were $756.1m (2018: $630.1m). All own funds qualify as Tier 1 capital and are unrestricted. The Group's common equity consisted of share capital totalling $206.7m and retained earnings and other reserves totalling $549.4m.

There are no restrictions to the fungibility and transferability of own funds eligible to cover the Group SCR, with all own funds items issued by the parent company. For the purposes of the Group own funds, these have been calculated using fully consolidated data, other than Qdos, as mentioned within Section A1. For intra-group transactions, primarily in relation to ancillary services companies such as HCC Credit Services Limited, these have been consolidated on a line by line basis.

The Group's policy is to maintain all Group own funds in Tier 1 capital and the reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations and calculated as follows:

Reconciliation reserve	2019 USD'000	2018 USD'000
Excess of assets over liabilities	756,094	630,117
less:		
Own Share Capital	206,735	204,768
Share premium		
Deferred Tax Assets		
Reconciliation reserve	549,359	425,349

Group Eligible Own Funds

Available Funds 31 Dec 2019	Total USD'000	Tier 1 unrestricted USD'000	Tier 1 restricted USD'000	Tier 2 USD'000	Tier 3 USD'000
Total eligible funds to meet the SCR	756,094	756,094	-	-	-
Total eligible funds to meet the minimum consolidated group SCR	756,094	756,094	-	-	-

The classification into tiers is relevant for the determination of own funds that are eligible for covering the solvency capital requirement and the regulatory minimum consolidated group SCR.

The table below represents the ratios of eligible own funds that the Group holds to cover the SCR and the minimum consolidated group SCR:

Eligible own funds to cover capital requirements	2019 USD'000	2018 USD'000
Eligible Own Funds	756,094	630,117
Standard Formula Solvency Capital Requirement ('SF SCR')	457,494	354,941
Minimum consolidated group SCR/ MCR	164,016	135,694
Excess Net Assets over SF SCR	298,600	275,176
Excess Net Assets over Minimum consolidated group SCR	592,078	494,423
Solvency Ratio (i.e. Eligible Own Funds / SF SCR)	165%	178%
Eligible Own Funds as a Percentage of minimum consolidated group SCR	461%	464%

The growth in the SCR in 2019 predominately reflects the increase in business volumes in the year. This increase has been partly offset with an increase in own funds, driven by underwriting and investment returns in the period (see Section A for further details). The net impact of the above has led to a decrease in Solvency Ratio to 165% (2018: 178%).

Solo Own Funds

At 31 December 2019, the own funds held by the Company were $748.4m (2018: $630.9m). All own funds qualify as Tier 1 capital and are unrestricted. The Company's common equity consisted of share capital totalling $233.2m (2018: $233.2m), share premium of $19.1m (2018: $0.0m), and retained earnings and other reserves totalling $496.1m (2018: $397.6m).

The Company's policy is to maintain all Company own funds in Tier 1 capital and the reconciliation reserve is classified as Tier 1 capital in accordance with the Solvency II regulations and calculated as follows:

Reconciliation reserve	2019 USD'000	2018 USD'000
Excess of assets over liabilities	748,446	630,857
less:		
Own Share Capital	233,242	233,242
Share premium	19,115	-
Deferred Tax Assets	-	-
Reconciliation reserve	496,089	397,615

Solo Eligible Own Funds

The classification into tiers is relevant for the determination of own funds that are eligible for covering the SCR and the regulatory MCR. The table below represents for the SCR and MCR with respect to tiers:

Available Funds 31 Dec 2019	Total USD'000	Tier 1 unrestricted USD'000	Tier 1 restricted USD'000	Tier 2 USD'000	Tier 3 USD'000
Total eligible funds to meet the **SCR**	748,446	748,446	-	-	-
Total eligible funds to meet the **MCR**	748,446	748,446	-	-	-

The table below represents the ratio of eligible own funds that the company holds to cover the SCR and MCR:

Eligible own funds to cover capital requirements	2019 USD'000	2018 USD'000
Eligible Own Funds	748,446	630,857
Standard Formula Solvency Capital Requirement ('SF SCR')	380,165	344,149
MCR	138,466	135,867
Excess Net Assets over SF SCR	368,281	286,708
Excess Net Assets over MCR	609,980	494,990
Solvency Ratio (i.e. Eligible Own Funds / SF SCR)	197%	183%
Eligible Own Funds as a Percentage of MCR	541%	464%

The growth in the SCR in 2019 predominately reflects the increase in business volumes. This increase has been more than met with an increase in own funds, driven by underwriting and investment returns in the period (see section A for further details). This has led to an increase in Solvency Ratio to 197% (2018: 183%).

Material differences between equity in the financial statements and the excess of assets over liabilities

Assets and liabilities are calculated differently between Solvency II and UK GAAP resulting in reclassifications and differences in valuation including:

- Deferred acquisition costs are not recognised under Solvency II;
- Intangibles and goodwill are disallowed;
- Technical provisions are calculated on a discounted best estimate basis;
- Deferred tax changes due to valuation differences under Solvency II.

The differences arising from the change in valuation are reported in the table below:

Excess of Assets over Liabilities - Attribution of Valuation Differences 31st December 2019	TMHCCIH(I) USD'000	HCCII USD'000
Arising from SII asset valuations	587,864	396,440
Arising from SII technical provisions	(402,264)	(214,091)
Arising from SII other liabilities	(79,231)	(41,489)
Total of reserves and retained earnings from financial statements	655,728	636,950
Reserves from financial statements adjusted for Solvency II valuation differences	549,359	496,089
Ordinary share capital	206,735	252,357
Excess assets over liabilities	756,094	748,446
Less: Foreseeable dividends	-	-
Add: Subordinated liabilities	-	-
Excess assets over liabilities	756,094	748,446
Add: Letters of credit	-	-
Total own funds	**756,094**	**748,446**

E2 – Solvency Capital Requirements and Minimum Capital Requirements

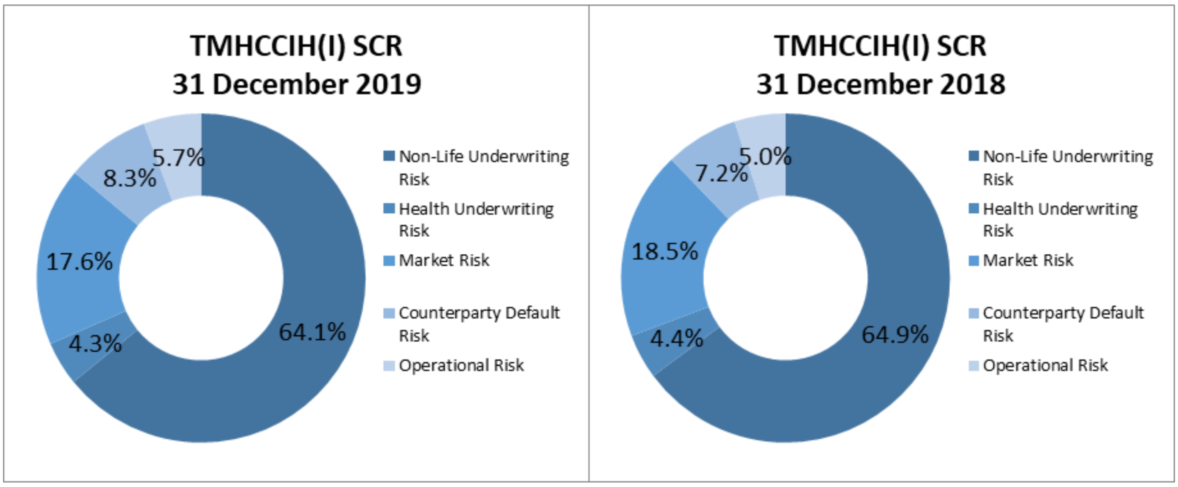
Group Solvency Requirement

At 31 December 2019, the SCR of the Group was $457.5m. The SCR is calculated as set out in Article 336 of the Delegated Acts, using fully consolidated data throughout.

The Group has assessed and confirmed the appropriateness of the SCR as calculated using the SF.

The SCR's key Risk Modules for the Group are set out in the table below and shown in the diagram before diversification credit:

Capital Requirement for each Risk Module USD'000	Net SCR 2019	Net SCRs 2018
Non-Life Underwriting Risk	387,870	308,157
Health Underwriting Risk	26,049	20,963
Market Risk	106,591	87,888
Counterparty Default Risk	50,083	34,229
Diversification Credit	(112,555)	(89,063)
Operational Risk	34,227	23,798
Pre Deferred Tax SF SCR	492,265	385,972
Loss Absorbing Capacity of Deferred Tax	(34,771)	(31,031)
Final SF SCR	**457,494**	**354,941**



The breakdown of the SCR into its underlying risk categories remains broadly similar from 31 December 2018 to 31 December 2019. The increase on various items is as follows; underwriting risk is reflective of increased business volumes that are projected for the coming year, market risk is driven by an increased asset base andby positive cash flows in the period, as well as extended duration on the assets held, and counterparty default risk is reflective of increased ceded technical provisions following a Part VII transfer of European P&C business which is largely reinsured out of the Group.

The diversification ratio between risk modules of the Basic SCR at 31 December 2019 is 20% (2018: 20%). This represents the diversification between risk components and is driven by the relative size of each risk module and the correlations between them. It does not include the further diversification seen between risk sub-modules, as well as individual lines of business. It is driven by the relative size of each risk module and the correlations between them. The level of diversification benefit is checked against the Group's validated economic capital model to confirm its appropriateness.

Note, geographical diversification credit for all lines of business within the natural catastrophe loss calculations is allowed for, as detailed in Article 127 of the Delegated Acts.

Overall Minimum Consolidated TMHCCIH(I) SCR	2019 USD'000	2018 USD'000
Linear MCR	164,016	135,694
SCR	457,494	354,941
MCR cap	205,872	159,723
MCR floor	114,373	88,735
Combined MCR	164,016	135,694
Absolute floor of the MCR	4,144	4,163
MCR	**164,016**	**135,694**

The increase in the Group MCR to $164.0m (2018: $135.7m) is driven entirely by an increase in the linear MCR, with neither period breaching the MCR cap and floor. Increases in both business volumes (net written premiums) and reserves (net best estimate reserves) have led to this increase, with details being found in Sections A and D, respectively.

Calculation of MCR (inputs) USD'000 31 December 2019	Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	329	2,007
Income protection insurance and proportional reinsurance	6,974	14,138
Workers' compensation insurance and proportional reinsurance	31,663	11,739
Motor vehicle liability insurance and proportional reinsurance	0	0
Other motor insurance and proportional reinsurance	0	0
Marine, aviation and transport insurance and proportional reinsurance	15,348	44,055
Fire and other damage to property insurance and proportional reinsurance	17,325	26,399
General liability insurance and proportional reinsurance	388,476	194,439
Credit and suretyship insurance and proportional reinsurance	133,850	185,213
Legal expenses insurance and proportional reinsurance	0	0
Assistance and proportional reinsurance	27	765
Miscellaneous financial loss insurance and proportional reinsurance	2,819	3,583
Non-proportional health reinsurance	12,085	7,632
Non-proportional casualty reinsurance	43,925	17,829
Non-proportional marine, aviation and transport reinsurance	18,279	26,839
Non-proportional property reinsurance	3,798	76,665

There have been no periods of non-compliance or material changes with the SCR Solvency Capital Requirement or the Minimum Consolidated Group SCR during the year.

Solo Solvency Requirement

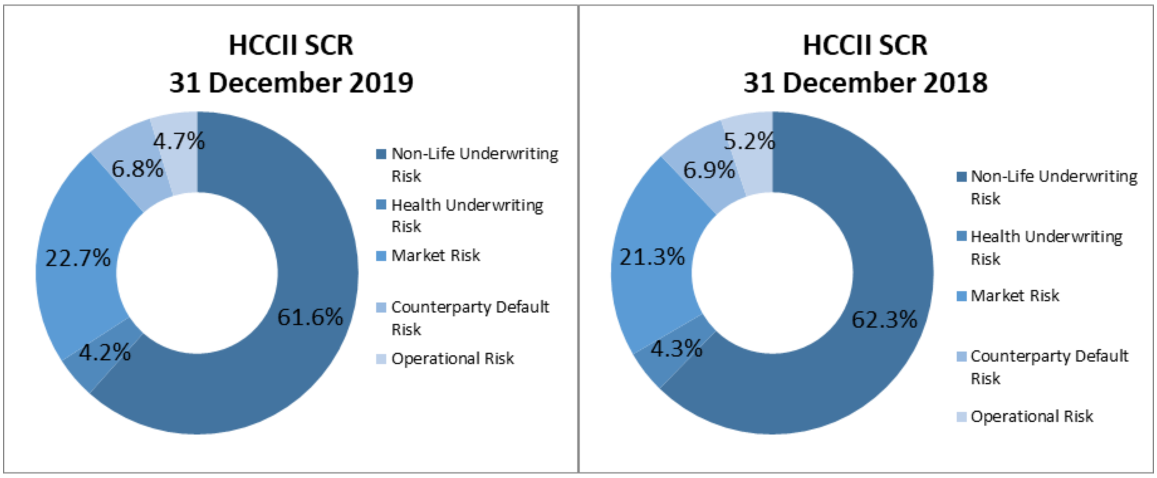
At 31 December 2019, the SCR of the Company is $380.2m (2018: $344.1m). The SCR is calculated using the SF. The Company does not apply any simplifications or undertaking specific parameters in the calculation.

The Company has assessed and confirmed the appropriateness of the SCR as calculated using the SF.

The SCR's key Risk Modules for the Company are set out in the diagram below before Diversification Credit:

Capital Requirement for each Risk Module USD'000	Net SCRs 2019	Net SCRs 2018
Non-Life Underwriting Risk	316,393	290,398
Health Underwriting Risk	21,714	20,042

Capital Requirement for each Risk Module USD'000	Net SCRs 2019	Net SCRs 2018
Market Risk	116,393	99,209
Counterparty Default Risk	34,760	32,393
Diversification Credit	(104,024)	(92,239)
Operational Risk	24,282	24,070
Pre Deferred Tax SF SCR	409,518	373,873
Loss Absorbing Capacity of Deferred Tax	(29,353)	(29,724)
Final SF SCR	**380,165**	**344,149**



The breakdown of the SCR into its underlying risk categories remains broadly similar from 31 December 2018 to 31 December 2019. The increase in market risk is reflective of an increased asset base, driven by positive cash flows in the period. The decrease in counterparty risk is reflective of the decrease in ceded technical provisions, as can be seen in Section D.

The diversification ratio between risk modules of the Basic SCR at 31 December 2019 is 21% (2018: 21%). This represents the diversification between risk components and is driven by the relative size of each risk module and the correlations between them. It does not include the further diversification seen between risk sub-modules, as well as individual lines of business. It is driven by the relative size of each risk module and the correlations between them. The level of diversification benefit is checked against the Company's validated economic capital model to confirm its appropriateness.

Note, geographical diversification credit for all lines of business within the natural catastrophe loss calculations is allowed for, as detailed in Article 127 of the Delegated Acts.

The Overall MCR for the Company of $138.5m (2018: $135.9m) is calculated on the net premiums due to the Company during the twelve months ending 31 December 2019 and the net technical provisions, excluding risk margin, as at 31 December 2019, represented by the tables below:

HCCII MCR Calculation	2019 USD'000	2018 USD'000
Linear MCR	138,466	135,867
SCR	380,165	344,149
MCR cap	171,074	154,867
MCR floor	95,041	86,037
Combined MCR	138,466	135,867
Absolute floor of the MCR	4,144	4,163
MCR	**138,466**	**135,867**

Calculation of MCR (inputs) USD'000 31 December 2019	Net (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	332	2,007
Income protection insurance and proportional reinsurance	2,329	5,922
Workers' compensation insurance and proportional reinsurance	29,676	9,540
Motor vehicle liability insurance and proportional reinsurance	0	0
Other motor insurance and proportional reinsurance	0	0
Marine, aviation and transport insurance and proportional reinsurance	13,885	24,817
Fire and other damage to property insurance and proportional reinsurance	13,288	14,848
General liability insurance and proportional reinsurance	429,991	151,455
Credit and suretyship insurance and proportional reinsurance	95,387	141,035
Legal expenses insurance and proportional reinsurance	0	0
Assistance and proportional reinsurance	25	765
Miscellaneous financial loss insurance and proportional reinsurance	1,185	327
Non-proportional health reinsurance	11,990	6,960
Non-proportional casualty reinsurance	34,069	10,675
Non-proportional marine, aviation and transport reinsurance	18,334	24,441
Non-proportional property reinsurance	7,749	56,612

There have been no periods of non-compliance or material changes with the SCR or the MCR during the year. The SF SCR has no undertaking specific parameters or simplifications used in the SCR calculations.

E3 – Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration-based equity risk sub-module is not used in the calculation of the SCR for either the Group or the Company.

E4 – Differences between the standard formula and any internal model used

Not applicable.

E5 – Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There were no instances of non-compliance with the MCR or SCR, for either the Group or the Company, during the period from 31 December 2018 to 31 December 2019.

E6 – Any other information

Undertaking-Specific Parameters ('USPs') and matching adjustments

The Group does not have any USPs and the Group does not require matching adjustments, which is not required for a Non-Life Company.

Other material information for capital management

The Group does not consider any other material information for managing capital.

Simplified calculation in the SF

No material simplifications are used in calculating the SF.

Section F – ANNEX: Quantitative Reporting Templates

This Annex lists the annual Quantitative Reporting Templates ('QRTs') submitted to the PRA on behalf of HCC International Insurance Company plc 'the Company') and Tokio Marine HCC Insurance Holdings (International) Limited ('the Group') in respect of the year ended 31 December 2019.

The following QRTs are presented in this annex:

Form	Description	HCCII (Solo)	TMHCCIH(I) (Group)
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.23.01.22	Own funds		✓
S.25.01.21	SCR for undertakings on SF	✓	
S.25.01.22	SCR for groups on SF		✓
S.28.01.01	MCR – Only life or non-life insurance or reinsurance activity	✓	
S.32.01.22	Undertakings in the scope of the group		✓

Solo Quantitative Reporting Templates

S.02.01.02

Balance Sheet

Amounts in USD 000's

Assets

		Solvency II value C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	2,766
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**1,347,928**
Property (other than for own use)	R0080	239
Holdings in related undertakings, including participations	R0090	169,561
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	1,089,764
Government Bonds	R0140	295,084
Corporate Bonds	R0150	504,680
Structured notes	R0160	-
Collateralised securities	R0170	290,000
Collective Investments Undertakings	R0180	58,712
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	29,651
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**	**151,148**
Non-life and health similar to non-life	R0280	151,148
Non-life excluding health	R0290	129,024
Health similar to non-life	R0300	22,124
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	51,321
Reinsurance receivables	R0370	30,387
Receivables (trade, not insurance)	R0380	81,364
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	110,643
Any other assets, not elsewhere shown	R0420	0
Total assets	**R0500**	**1,775,557**

S.02.01.02

Balance Sheet

Amounts in USD 000's

Liabilities

Technical provisions - non-life	**R0510**	**871,626**
Technical provisions - non-life (excluding health)	**R0520**	**802,288**
TP calculated as a whole	R0530	-
Best estimate	R0540	742,937
Risk margin	R0550	59,351
Technical provisions - health (similar to non-life)	**R0560**	**69,339**
TP calculated as a whole	R0570	-
Best estimate	R0580	66,452
Risk margin	R0590	2,886
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	2,390
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	10,882
Reinsurance payables	R0830	20,236
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	121,977
Total liabilities	**R0900**	**1,027,111**

Excess of assets over liabilities	**R1000**	**748,446**

S.05.01.02

Premiums Claims and Expenses by Line of Business

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

Amounts in USD 000's

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted 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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums Written													
Gross - Direct Business	R0110	3,896	5,860	11,371	0	0	23,212	18,283	151,140	133,555	0	688	1,191
Gross - Proportional reinsurance accepted	R0120	(14)	523	0	0	0	4,395	7,129	101,267	0	0	152	1
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	360	1,667	964	0	0	6,500	6,808	(5,737)	19,345	0	31	1,366
Net	R0200	3,523	4,716	10,407	0	0	21,107	18,603	258,144	114,211	0	810	(174)
Premiums earned													
Gross - Direct Business	R0210	3,517	8,234	14,867	0	0	26,623	16,374	187,384	151,959	0	578	4,067
Gross - Proportional reinsurance accepted	R0220	(6)	58	0	0	0	4,313	8,627	77,215	0	0	160	1
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	359	3,580	704	0	0	6,742	5,920	12,204	19,358	0	29	4,445
Net	R0300	3,152	4,713	14,163	0	0	24,195	19,081	252,395	132,601	0	710	(378)
Claims incurred													
Gross - Direct Business	R0310	3,287	2,033	8,226	0	0	17,347	3,964	128,948	106,800	0	96	(3,283)
Gross - Proportional reinsurance accepted	R0320	(4)	(87)	0	0	0	1,240	9,247	26,173	0	0	64	0
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	64	800	722	0	0	10,294	759	48,101	42,891	0	(0)	(4,728)
Net	R0400	3,218	1,147	7,504	0	0	8,294	12,452	107,021	63,909	0	160	1,445
Changes in other technical provisions													
Gross - Direct Business	R0410												
Gross - Proportional reinsurance accepted	R0420												
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440												
Net	R0500												
Expenses incurred	**R0550**	**1,268**	**3,240**	**5,735**	**0**	**0**	**8,989**	**8,695**	**87,514**	**47,112**	**0**	**259**	**(44)**
Other expenses	**R1200**												
Total expenses	**R1300**	1,268	3,240	5,735	0	0	8,989	8,695	87,514	47,112	0	259	(44)

		Line of Business for: accepted non-proportional				
		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
Premiums Written						
Gross - Direct Business	R0110					**349,197**
Gross - Proportional reinsurance accepted	R0120					**113,452**
Gross - Non-proportional reinsurance accepted	R0130	9,693	13,754	50,539	74,884	**148,871**
Reinsurers' share	R0140	3,753	21,824	20,928	22,428	**100,238**
Net	R0200	5,940	(8,070)	29,611	52,456	**511,282**
Premiums earned						
Gross - Direct Business	R0210					**413,604**
Gross - Proportional reinsurance accepted	R0220					**90,370**
Gross - Non-proportional reinsurance accepted	R0230	9,892	15,852	44,395	70,848	**140,986**
Reinsurers' share	R0240	3,590	23,537	19,445	23,588	**123,501**
Net	R0300	6,301	(7,686)	24,950	47,259	**521,458**
Claims incurred						
Gross - Direct Business	R0310					**267,419**
Gross - Proportional reinsurance accepted	R0320					**36,634**
Gross - Non-proportional reinsurance accepted	R0330	3,374	19,435	27,729	40,723	**91,262**
Reinsurers' share	R0340	960	9,129	12,008	27,980	**148,980**
Net	R0400	2,414	10,306	15,722	12,743	**246,335**
Changes in other technical provisions						
Gross - Direct Business	R0410					**0**
Gross - Proportional reinsurance accepted	R0420					**0**
Gross - Non-proportional reinsurance accepted	R0430					**0**
Reinsurers' share	R0440					**0**
Net	R0500					**0**
Expenses incurred	**R0550**	**2,819**	**(9,274)**	**11,581**	**15,008**	**182,901**
Other expenses	**R1200**					**0**
Total expenses	**R1300**	2,819	(9,274)	11,581	15,008	**182,901**

S.05.02.01

Premiums, claims and expenses by country
Amounts in USD 000's

S.05.02.01.01
Home Country - non-life obligations

S.05.02.01.02
Top 5 countries (by amount of gross premiums written) - non-life obligations

S.05.02.01.03
Total Top 5 and home country - non-life obligation

		Home Country	United States	Japan	Singapore	Israel	Mexico	Total Top 5 and home country
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	R0110	338,379	5,199	2,300	2,490	93	531	**348,991**
Gross - Proportional reinsurance accepted	R0120	1,941	414	3,041	1,094	4,088	8	**10,585**
Gross - Non-proportional reinsurance accepted	R0130	43,640	13,266	13,294	13,780	12,888	15,351	**112,220**
Reinsurers' share	R0140	80,637	9,404	8,222	8,175	10,947	4,952	**122,337**
Net	R0200	303,323	9,475	10,413	9,188	6,122	10,938	**349,459**
Premiums earned								
Gross - Direct Business	R0210	335,927	4,501	(164)	3,069	87	527	**343,947**
Gross - Proportional reinsurance accepted	R0220	2,840	733	3,110	1,307	3,250	6	**11,247**
Gross - Non-proportional reinsurance accepted	R0230	39,794	11,137	10,344	9,774	10,147	12,982	**94,178**
Reinsurers' share	R0240	73,168	9,522	8,939	7,889	11,707	4,989	**116,212**
Net	R0300	305,394	6,849	4,352	6,260	1,777	8,526	**333,159**
Claims incurred								
Gross - Direct Business	R0310	219,548	553	30	298	34	31	**220,493**
Gross - Proportional reinsurance accepted	R0320	3,252	2,501	913	(1,453)	1,432	22	**6,667**
Gross - Non-proportional reinsurance accepted	R0330	14,731	761	21,701	4,620	2,108	(516)	**43,405**
Reinsurers' share	R0340	83,390	1,397	17,553	190	1,946	1,252	**105,728**
Net	R0400	154,140	2,418	5,090	3,275	1,628	(1,714)	**164,837**
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	**-**
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	**-**
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	**-**
Reinsurers' share	R0440	-	-	-	-	-	-	**-**
Net	R0500	-	-	-	-	-	-	**-**
Expenses incurred	**R0550**	**101,186**	**3,478**	**1,593**	**2,569**	**2,589**	**2,347**	**113,763**
Other expenses	**R1200**							
Total expenses	**R1300**	101,186	3,478	1,593	2,569	2,589	2,347	**113,763**

S.17.01.02

Non-Life Technical Provisions
Amounts in USD 000's

		Direct business and accepted 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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions calculated as a whole	**R0010**												
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050												
Technical Provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross - Total	R0060	(558)	(1,078)	729	0	0	(2,578)	(6,987)	66,699	21,405	0	(56)	785
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(7)	(412)	(145)	0	0	1,416	(5,219)	(10,593)	(13,358)	0	9	4
Net Best Estimate of Premium Provisions	**R0150**	**(551)**	**(666)**	**874**	**0**	**0**	**(3,994)**	**(1,769)**	**77,292**	**34,763**	**0**	**(65)**	**781**
Claims provisions													
Gross - Total	R0160	54	5,963	49,136	0	0	20,807	16,532	445,990	88,912	0	89	(2,023)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	(830)	2,968	20,334	0	0	2,929	1,474	93,292	28,288	0	(1)	(2,426)
Net Best Estimate of Claims Provisions	**R0250**	**883**	**2,996**	**28,802**	**0**	**0**	**17,878**	**15,057**	**352,698**	**60,623**	**0**	**90**	**403**
Total Best estimate - gross	**R0260**	**(504)**	**4,885**	**49,866**	**0**	**0**	**18,230**	**9,544**	**512,690**	**110,317**	**0**	**34**	**(1,238)**
Total Best estimate - net	**R0270**	**332**	**2,329**	**29,676**	**0**	**0**	**13,885**	**13,288**	**429,991**	**95,387**	**0**	**25**	**1,185**
Risk margin	**R0280**	**30**	**138**	**2,186**	**0**	**0**	**1,076**	**1,016**	**46,572**	**3,415**	**0**	**13**	**55**
Amount of the transitional on Technical Provisions													
TP as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	R0320	(474)	5,023	52,051	0	0	19,306	10,560	559,261	113,732	0	47	(1,183)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	(836)	2,556	20,189	0	0	4,345	(3,744)	82,699	14,931	0	8	(2,423)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	363	2,468	31,862	0	0	14,961	14,304	476,562	98,802	0	39	1,240

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050					
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	R0060	(744)	12,610	(7,183)	(12,629)	70,415
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(862)	(1,785)	1,118	(2,948)	(32,782)
Net Best Estimate of Premium Provisions	**R0150**	**119**	**14,394**	**(8,301)**	**(9,682)**	**103,197**
Claims provisions						
Gross - Total	R0160	12,950	25,233	39,603	35,727	738,974
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,078	5,558	12,968	18,297	183,930
Net Best Estimate of Claims Provisions	**R0250**	**11,872**	**19,675**	**26,635**	**17,430**	**555,044**
Total Best estimate - gross	**R0260**	**12,206**	**37,843**	**32,419**	**23,098**	**809,389**
Total Best estimate - net	**R0270**	**11,990**	**34,069**	**18,334**	**7,749**	**658,241**
Risk margin	**R0280**	**532**	**3,338**	**1,903**	**1,962**	**62,237**
Amount of the transitional on Technical Provisions						
TP as a whole	R0290					
Best estimate	R0300					
Risk margin	R0310					
Technical provisions - total						
Technical provisions - total	R0320	12,737	41,181	34,323	25,060	871,626
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	215	3,773	14,085	15,349	151,148
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	12,522	37,408	20,237	9,711	720,478

S.19.01.21

Non-Life insurance Claims
Amounts in USD 000's

S.19.01.21.01

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											55,325
N-9	R0160	21,034	74,857	43,102	29,437	5,435	6,404	12,997	937	1,015	18,290	
N-8	R0170	9,208	46,484	23,204	25,301	4,158	8,245	8,607	13,707	6,698		
N-7	R0180	7,338	24,821	24,035	33,914	8,765	12,064	(1,994)	(560)			
N-6	R0190	11,322	32,905	21,007	12,983	15,212	21,188	20,798				
N-5	R0200	10,171	31,260	40,945	32,106	8,277	49,693					
N-4	R0210	11,202	41,127	52,017	21,823	57,296						
N-3	R0220	25,169	79,429	45,374	38,462							
N-2	R0230	10,089	54,489	44,615								
N-1	R0240	30,887	80,199									
N	R0250	10,417										

S.19.01.21.02

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	55,325	485,513
N-9	R0160	18,290	213,510
N-8	R0170	6,698	145,610
N-7	R0180	(560)	108,383
N-6	R0190	20,798	135,415
N-5	R0200	49,693	172,452
N-4	R0210	57,296	183,464
N-3	R0220	38,462	188,434
N-2	R0230	44,615	109,193
N-1	R0240	80,199	111,086
N	R0250	10,417	10,417
Total	R0260	381,233	1,863,478

S.19.01.21.03

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											25,503
N-9	R0160							27,326	24,148	19,170	9,188	
N-8	R0170						37,100	27,511	16,665	7,247		
N-7	R0180					63,372	36,868	25,312	17,967			
N-6	R0190				97,897	87,337	54,546	36,742				
N-5	R0200			100,091	84,264	74,932	38,967					
N-4	R0210		140,452	132,745	120,700	103,151						
N-3	R0220	89,025	122,226	125,790	77,347							
N-2	R0230	110,177	148,819	123,266								
N-1	R0240	107,889	179,846									
N	R0250	137,694										

S.19.01.21.04

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Year end (discounted data)
		C0360
Prior	R0100	25,026
N-9	R0160	8,856
N-8	R0170	7,116
N-7	R0180	17,819
N-6	R0190	35,420
N-5	R0200	38,184
N-4	R0210	100,777
N-3	R0220	76,125
N-2	R0230	121,173
N-1	R0240	175,154
N	R0250	133,324
Total	R0260	738,974

S.23.01.01

Own Funds

Amounts in USD 000's

S.23.01.01.01

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						
Ordinary share capital (gross of own shares)	R0010	**233,242**	233,242		-	
Share premium account related to ordinary share capital	R0030	**19,115**	19,115		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	**496,089**	496,089			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
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						
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	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	**R0290**	748,446	748,446	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	**R0400**	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	748,446	748,446	-	-	-
Total available own funds to meet the MCR	R0510	748,446	748,446	-	-	
Total eligible own funds to meet the SCR	R0540	748,446	748,446	-	-	-
Total eligible own funds to meet the MCR	R0550	748,446	748,446	-	-	
SCR	**R0580**	380,165				
MCR	**R0600**	138,466				
Ratio of Eligible own funds to SCR	**R0620**	1.9687				
Ratio of Eligible own funds to MCR	**R0640**	5.4053				

S.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	748,446
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	252,356
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	496,089
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	53,063
Total Expected profits included in future premiums (EPIFP)	**R0790**	**53,063**

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Amounts in USD 000's

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	116,393	
Counterparty default risk	R0020	34,760	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	21,714	
Non-life underwriting risk	R0050	316,393	
Diversification	R0060	(104,024)	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	**R0100**	385,235	

S.25.01.21.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Total capital requirement for operational risk	R0130	24,282
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(29,353)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	**R0200**	**380,165**
Capital add-on already set	R0210	0
Solvency capital requirement	**R0220**	**380,165**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.28.01.01

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

Amounts in USD 000's

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	138,466

S.28.01.01.02

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	332	2,007
Income protection insurance and proportional reinsurance	R0030	2,329	5,922
Workers' compensation insurance and proportional reinsurance	R0040	29,676	9,540
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	13,885	24,817
Fire and other damage to property insurance and proportional reinsurance	R0080	13,288	14,848
General liability insurance and proportional reinsurance	R0090	429,991	151,455
Credit and suretyship insurance and proportional reinsurance	R0100	95,387	141,035
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	25	765
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,185	327
Non-proportional health reinsurance	R0140	11,990	6,960
Non-proportional casualty reinsurance	R0150	34,069	10,675
Non-proportional marine, aviation and transport reinsurance	R0160	18,334	24,441
Non-proportional property reinsurance	R0170	7,749	56,612

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{NL} Result	R0200	-

S.28.01.01.04

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

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

S.28.01.01.05

Overall MCR calculation

		C0070
Linear MCR	R0300	138,466
SCR	R0310	380,165
MCR cap	R0320	171,074
MCR floor	R0330	95,041
Combined MCR	R0340	138,466
Absolute floor of the MCR	R0350	4,144
Minimum Capital Requirement	**R0400**	**138,466**

Group Quantitative Reporting Templates

S.02.01.02

Balance Sheet

Amounts in USD 000's

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	3,463
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**1,409,061**
Property (other than for own use)	R0080	239
Holdings in related undertakings, including participations	R0090	2,509
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	1,266,065
Government Bonds	R0140	337,452
Corporate Bonds	R0150	603,035
Structured notes	R0160	-
Collateralised securities	R0170	325,579
Collective Investments Undertakings	R0180	86,781
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	53,467
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**	**385,593**
Non-life and health similar to non-life	R0280	385,593
Non-life excluding health	R0290	348,679
Health similar to non-life	R0300	36,914
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	108,418
Reinsurance receivables	R0370	72,551
Receivables (trade, not insurance)	R0380	56,742
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	174,602
Any other assets, not elsewhere shown	R0420	489
Total assets	**R0500**	**2,210,919**

S.02.01.02

Balance Sheet

Amounts in USD 000's

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**1,128,312**
Technical provisions - non-life (excluding health)	**R0520**	**1,036,696**
TP calculated as a whole	R0530	-
Best estimate	R0540	972,525
Risk margin	R0550	64,170
Technical provisions - health (similar to non-life)	**R0560**	**91,617**
TP calculated as a whole	R0570	-
Best estimate	R0580	87,966
Risk margin	R0590	3,651
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	14,983
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	55,651
Reinsurance payables	R0830	117,569
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	138,311
Total liabilities	**R0900**	**1,454,826**

Excess of assets over liabilities	**R1000**	**756,094**

S.05.01.02

Premiums Claims and Expenses by Line of Business

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

Amounts in USD 000's

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted 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
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums Written													
Gross - Direct Business	R0110	3,896	27,705	13,734	0	0	102,096	73,789	321,619	190,158	0	688	17,706
Gross - Proportional reinsurance accepted	R0120	(14)	9,014	0	0	0	17,034	21,736	16,907	0	0	152	860
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	360	26,324	1,128	0	0	83,703	69,827	73,500	29,983	0	31	16,600
Net	R0200	3,523	10,395	12,606	0	0	35,427	25,698	265,027	160,176	0	810	1,966
Premiums earned													
Gross - Direct Business	R0210	3,517	24,741	16,358	0	0	90,732	62,337	298,180	183,155	0	578	16,881
Gross - Proportional reinsurance accepted	R0220	(6)	7,783	0	0	0	14,985	19,260	14,266	0	0	160	761
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	359	23,547	772	0	0	73,408	58,061	53,908	27,080	0	29	16,232
Net	R0300	3,152	8,978	15,586	0	0	32,309	23,536	258,538	156,075	0	710	1,410
Claims incurred													
Gross - Direct Business	R0310	3,302	9,929	9,152	0	0	52,105	28,523	173,926	144,865	0	105	10,095
Gross - Proportional reinsurance accepted	R0320	(4)	3,596	0	0	0	6,799	17,837	(9,274)	0	0	64	87
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	64	10,050	777	0	0	46,094	30,856	43,897	53,095	0	(1)	6,660
Net	R0400	3,233	3,475	8,375	0	0	12,810	15,504	120,755	91,770	0	170	3,522
Changes in other technical provisions													
Gross - Direct Business	R0410												
Gross - Proportional reinsurance accepted	R0420												
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440												
Net	R0500												
Expenses incurred	**R0550**	**1,146**	**6,694**	**6,147**	**0**	**0**	**9,261**	**12,591**	**77,164**	**56,867**	**0**	**302**	**(1,864)**
Other expenses	**R1200**												
Total expenses	**R1300**	1,146	6,694	6,147	0	0	9,261	12,591	77,164	56,867	0	302	(1,864)

		Line of Business for: accepted non-proportional				
		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
Premiums Written						
Gross - Direct Business	R0110					**751,392**
Gross - Proportional reinsurance accepted	R0120					**65,689**
Gross - Non-proportional reinsurance accepted	R0130	10,549	34,374	53,967	102,690	**201,580**
Reinsurers' share	R0140	3,938	42,072	21,958	30,213	**399,635**
Net	R0200	6,612	(7,698)	32,010	72,477	**619,027**
Premiums earned						
Gross - Direct Business	R0210					**696,479**
Gross - Proportional reinsurance accepted	R0220					**57,210**
Gross - Non-proportional reinsurance accepted	R0230	10,586	31,390	47,204	96,682	**185,861**
Reinsurers' share	R0240	3,668	45,140	20,399	31,085	**353,689**
Net	R0300	6,918	(13,750)	26,805	65,596	**585,862**
Claims incurred						
Gross - Direct Business	R0310					**432,002**
Gross - Proportional reinsurance accepted	R0320					**19,105**
Gross - Non-proportional reinsurance accepted	R0330	3,624	17,483	28,570	42,008	**91,684**
Reinsurers' share	R0340	970	21,521	12,146	29,447	**255,576**
Net	R0400	2,654	(4,039)	16,424	12,560	**287,215**
Changes in other technical provisions						
Gross - Direct Business	R0410					**0**
Gross - Proportional reinsurance accepted	R0420					**0**
Gross - Non-proportional reinsurance accepted	R0430					**0**
Reinsurers' share	R0440					**0**
Net	R0500					**0**
Expenses incurred	**R0550**	**2,730**	**7,673**	**11,274**	**20,283**	**210,269**
Other expenses	**R1200**					
Total expenses	**R1300**	2,730	7,673	11,274	20,283	**210,269**

S.05.02.01
Premiums, claims and expenses by country
Amounts in USD 000's

S.05.02.01.01
Home Country - non-life obligations

S.05.02.01.02
Top 5 countries (by amount of gross premiums written) - non-life obligations

S.05.02.01.03
Total Top 5 and home country - non-life obligation

		Home Country	France	Spain	Belgium	Germany	Singapore	Total Top 5 and home country
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	R0110	373,899	112,723	72,447	73,698	40,825	2,312	675,904
Gross - Proportional reinsurance accepted	R0120	18,714	47	13,043	0	1,775	1,858	35,438
Gross - Non-proportional reinsurance accepted	R0130	60,026	1,962	14,380	253	4,897	1,328	82,846
Reinsurers' share	R0140	143,530	96,154	41,441	81,182	44,091	3,809	410,206
Net	R0200	309,110	18,578	58,429	(7,232)	3,406	1,690	383,981
Premiums earned								
Gross - Direct Business	R0210	354,845	80,545	81,413	76,045	35,842	3,069	631,760
Gross - Proportional reinsurance accepted	R0220	17,238	25	11,291	0	2,196	1,589	32,339
Gross - Non-proportional reinsurance accepted	R0230	49,519	1,931	18,306	255	4,900	1,017	75,927
Reinsurers' share	R0240	128,918	64,792	42,625	83,219	39,522	3,520	362,595
Net	R0300	292,685	17,709	68,384	(6,919)	3,417	2,155	377,431
Claims incurred								
Gross - Direct Business	R0310	235,801	55,992	56,064	7,564	13,004	223	368,649
Gross - Proportional reinsurance accepted	R0320	11,645	19	(986)	0	(628)	989	11,039
Gross - Non-proportional reinsurance accepted	R0330	27,200	602	(4,572)	128	128	85	23,571
Reinsurers' share	R0340	98,152	56,098	27,221	6,154	12,338	118	200,081
Net	R0400	176,493	515	23,285	1,537	167	1,179	203,177
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	91,252	4,570	39,118	(12,243)	2,092	1,276	126,064
Other expenses	R1200							
Total expenses	R1300	91,252	4,570	39,118	(12,243)	2,092	1,276	126,064

S.23.01.22

Own funds

Amounts in USD 000's

S.23.01.22.01

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						
Ordinary share capital (gross of own shares)	R0010	206,735	206,735			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	549,359	549,359			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	R0280					
Total basic own funds after deductions	R0290	**756,094**	**756,094**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	756,094				
Total available own funds to meet the minimum consolidated group SCR	R0530	756,094				
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	756,094				
Total eligible own funds to meet the minimum consolidated group SCR	R0570	756,094				
Minimum consolidated Group SCR	R0610	**164,016**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	**4.6099**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	**756,094**				
Group SCR	R0680	**457,494**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	**1.6527**				

S.23.01.22.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	756,094
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	206,735
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fe	R0740	
Other non available own funds	R0750	
Reconciliation reserve	R0760	**549,359**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	97,618
Total Expected profits included in future premiums (EPIFP)	R0790	**97,618**

S.25.01.22

Solvency Capital Requirement - for undertakings on Standard Formula

Amounts in USD 000's

S.25.01.22.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	106,591	
Counterparty default risk	R0020	50,083	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	26,049	
Non-life underwriting risk	R0050	387,870	
Diversification	R0060	(112,555)	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	**R0100**	458,038	

S.25.01.22.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	34,227
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(34,772)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	457,494
Capital add-ons already set	R0210	0
Solvency capital requirement for undertakings under consolidated method	R0220	457,494
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	164,016
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institu	R0510	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions fo	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requi	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	0
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency capital requirement	R0570	457,494

S.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800DGPY4ZCTVJVQ23	1 - LEI	HCC International Insurance Co PLC	2 - Non life insurance undertaking	companies limited by shares or by guarantee or unlimited	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800LMAZPELOFXYI61	1 - LEI	TM HCC Insurance Holdings (International) Limited	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	companies limited by shares or by guarantee or unlimited	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
LU	213800OFIWVHWHUYHI98	1 - LEI	Tokio Marine Europe S.A.	2 - Non life insurance undertaking	companies limited by shares or by guarantee or unlimited	2 - Non-mutual	Commissariat aux Assurances	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800DGPY4ZCTVJVQ23GB30216	2 - Specific code	Qdos Broker and Underwriting Services Limited	99 - Other	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
GB	213800DGPY4ZCTVJVQ23GB10208	2 - Specific code	QDOS Holdings Limited	99 - Other	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
GB	213800DGPY4ZCTVJVQ23GB30202	2 - Specific code	HCCI Credit Services Limited	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
JO	213800DGPY4ZCTVJVQ23JO30301	2 - Specific code	Rattner Mackenzie Limited (Jordan Exempt Company)	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800DGPY4ZCTVJVQ23GB10101	2 - Specific code	HCC Diversificacion y Soluciones S.L.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800DGPY4ZCTVJVQ23GB30215	2 - Specific code	Radius Underwriting Limited	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		55.00%	55.00%	55.00%		1 - Dominant	55.00%	1 - Included in the scope		1 - Method 1: Full consolidation