TOKIO MARINE
HCC

Tokio Marine HCC Insurance Holdings (International) Limited

Single Group-Wide Solvency and Financial Condition Report

31 December 2020

Contents

Executive Summary 3

Directors' Report 11

Independent auditors' report to the Directors of Tokio Marine HCC Insurance Holdings (International) Limited 12

Section A – Business and Performance 15

A1 – Business 15

A2 – Underwriting Performance 22

A3 – Investment Performance 31

A4 – Performance of Other Activities 32

A5 – Any Other Information 33

Section B – System of Governance 34

B1 – General Information on the System of Governance 34

B2 – Fit and Proper Requirements 38

B3 – Risk Management System including the Own Risk and Solvency Assessment 39

B4 – Internal Control System 44

B5 – Internal Audit Function 45

B6 – Actuarial Function 46

B7 – Outsourcing 46

B8 – Any Other Information 46

Section C – Risk Profile 48

C1 – Underwriting (Insurance) Risk 49

C2 – Market Risk 54

C3 – Credit Risk 56

C4 – Liquidity Risk 57

C5 – Operational Risk 57

C6 – Other Material Risks 59

C7 – Any other information 61

Section D – Valuation for Solvency Purposes 68

D1 – Assets 70

D2 - Technical Provisions 75

D3 – Other Liabilities 86

D4 – Alternative methods for valuation 88

D5 – Any other information 88

Section E – Capital Management 89

E1 – Own Funds 89

E2 – Solvency Capital Requirements and Minimum Capital Requirements 91

E3 – Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement 95

E4 – Differences between the standard formula and any internal model used 95

E5 – Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement 95

E6 – Any other information 95

Section F – ANNEX: Quantitative Reporting Templates 96

Solo Quantitative Reporting Templates 97

Group Quantitative Reporting Templates 108

Executive Summary

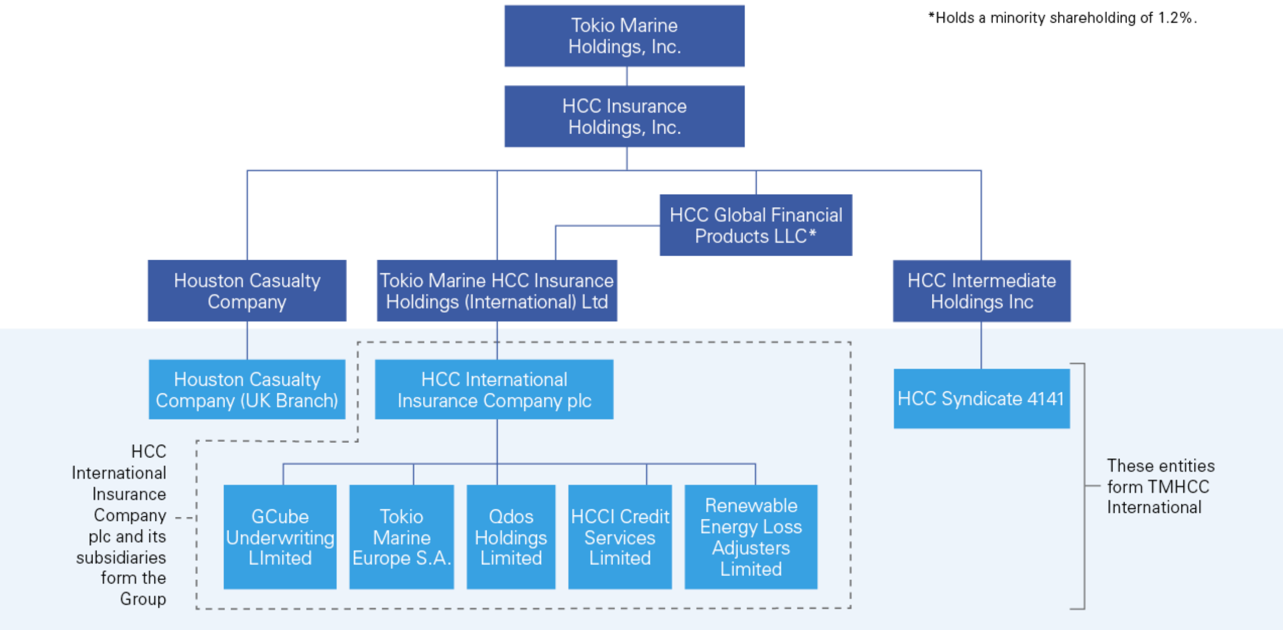
The following Single Group-Wide Solvency and Financial Condition Report ('SFCR') has been prepared to provide information to the Prudential Regulatory Authority ('PRA') about the financial and capital position of both Tokio Marine HCC Insurance Holdings (International) Limited ('TMHCCIH(I)' or 'the Group'), 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 TME SFCR. The other related companies in the Group are either ancillary service or holding companies 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). Given the United Kingdom's departure from the EU this waiver shall be continually monitored by the Group.

Business & Performance

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; 4) GCube Underwriting Limited ('GCube'), an underwriting agency offering renewable energy insurance products; 5) Renewable Energy Loss Adjusters Limited ('RELA'); and 6) HCC Credit Services Limited, a data and information provider to the credit insurance market.

The Company is part of the Tokio Marine HCC International Group ('TMHCC International'), which also includes the Company's wholly owned subsidiary TME, the 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.



Information as at 1 April 2021. This simplified structure chart shows ownership information for the principal operating entities within TMHCC International.

The Group 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.

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 Switzerland also being material locations. London Market business is comprised of Property Direct and Facultative, Delegated Property, 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.

A summary of the key financial information for the year ended 31 December 2020 for the Group and the Company is shown in the table below, indicating both have produced strong financial results for 2020.

31 December 2020	TMHCCIH(I) $'000	HCCI $'000
Gross Written Premiums (GWP)	1,195,412	821,804
Net Premiums Earned	705,787	574,628
Underwriting Result (Technical Account pre investment income)	124,110	116,916
Net Loss Ratio	46%	42%
Net Combined Ratio	82%	80%
Investment Income (Transferred to technical account)	26,265	21,378
Profit on ordinary activities before tax	176,880	168,298
SII Cash and investments (excluding investment in subs and land and buildings)	1,852,166	1,472,729
Solvency II Own Funds	854,405	840,280

The Group made a net profit before tax for the financial year 2020 of $176.9m (2019: $141.3m) of which $150.4m (2019: $124.1m) was from the technical account for general business which included Investment income of $26.3m (2019: $28.1m). The Company made a net profit before tax for the financial year of $168.3m (2019: $144.7m) and includes a balance on the technical account for general business of $138.3m (2019: $117.5m), which included investment income of $21.4m (2019: $23.8m).

The non-technical account items increased the balance on the technical account for general business by $26.3m (2019: $28.1m) and comprise of net unrealised gains on the Group's fixed-income portfolio of $49.9m (2019: $41.7m losses) which is consistent with the effect of US interest rate reductions during the year on the Group's investment portfolio which is principally in US dollar fixed-income securities. The increase is partially offset by amortisation of goodwill and intangibles totalling $10.7m (2019: $10.3m), net foreign exchange losses $5.3m (2018: $8.1m), and other operating expenses.

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.

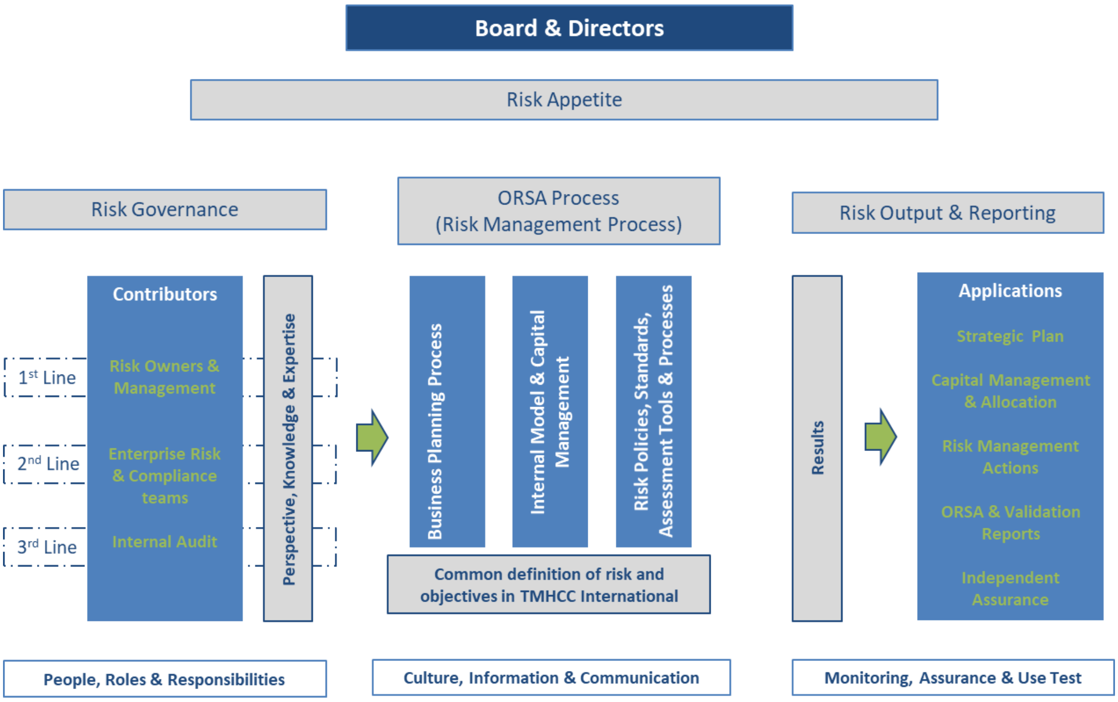
The Group believes that a strong, effective and embedded Enterprise Risk Management ('ERM') framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. This is achieved through a strong risk culture, together with rigorous and consistent risk management that is embedded across the Group and embodied by management at all levels through its governance structure and risk management.

Although the Board has ultimate responsibility for ensuring the Group has a robust ERM framework in place, certain risk management activities are delegated to the level that is the most appropriate to oversee and manage the risks. The Board accepts that the Group's business operations cannot be risk free, therefore the ERM framework is designed to manage risk to a desired level and minimise the adverse effects of any residual risk, rather than to entirely eliminate the risk.

The Group operates a 'three lines of defence' risk governance framework which clearly defines the roles and responsibilities of those involved:

1. Risk owners and senior management.
2. Key functions responsible for risk oversight and risk guidance, including International Compliance and Enterprise Risk departments and the Risk and Capital Management Committee; and
3. Internal Audit provide independent assurance to the board and senior management on the effectiveness of risk management processes.

The diagram below illustrates the Group's ERM framework; demonstrating how Risk Appetite, Risk Governance, Risk Management, Risk Output and Monitoring interact with one another.



- Risk Appetite – the level of business risk the Group will take in order to achieve the strategic objectives. The Group has established risk appetite statements, which, provide assurance that the Group is able to manage or absorb the impact of a risk, in the event that it materialises.
- Risk Governance - includes risk policies and procedures, Risk and Capital Management Committees and roles and responsibilities ('three lines of defence').
- Risk Management - the processes used to identify, measure, manage, monitor and report risks, including the internal capital model, and stress and scenario testing, are designed to enable dynamic risk-based decision-making and effective day-to-day risk management.

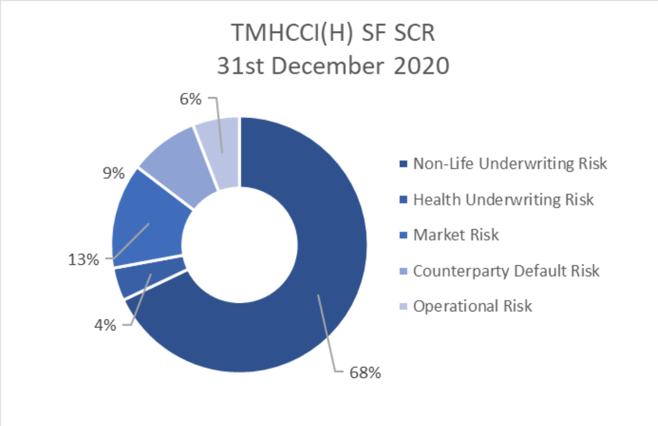
The Risk and Capital Management Committee ensures that inherent, emerging and developing risks are identified and managed appropriately and in a timely manner. The Risk and Capital Management Committee meets on a quarterly basis and reviews the risk register, emerging and developing risk radar and a live risk tracker which are updated quarterly with any changes in underlying risks.

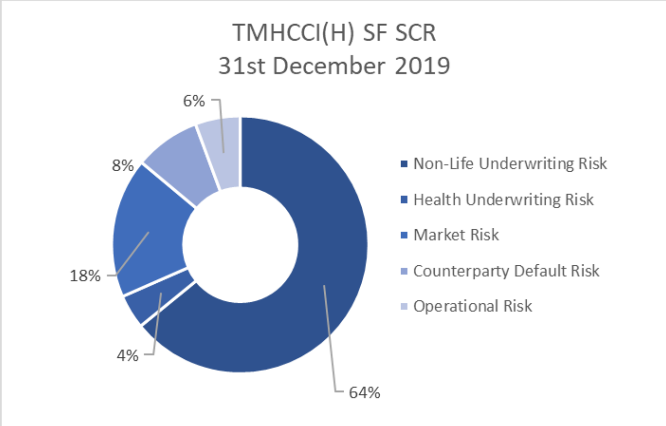
Risks transition from the emerging and developing risk radar to the live risk tracker as they become more likely to impact the Group's strategic objectives and to the risk register when the risk is near to crystallising and requires formal monitoring and the establishment of a risk control framework.

Risk Profile

The Group 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 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 Standard Formula Solvency Capital Requirement ('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. 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 Covid-19, sustainability risk (including climate change) and operational resilience. Details on the Covid-19 risks and the various mitigations in place to reduce the impact of these risks can be found below.

Covid-19 Pandemic

The Group's and Company's strong risk and governance frameworks ensured the business continued to operate effectively in the new pandemic environment, which emerged in March 2020. Part of the adaptation to that new environment was the development of a pandemic risk register to sit alongside the existing frameworks and which was 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 materially mitigated 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. • To assist with staff welfare, the introduction of a range of initiatives (such as online exercise and hobby sessions, staff surveys, training sessions, additional employee assistance services), as well as the close monitoring of staff perceived to be particularly at risk by both managers and HR. • 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.

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 this 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 2020 and 31 December 2019, for the Group and Company.

BALANCE SHEET UNDER SOLVENCY II	TMHCCIH(I) 31/12/2020 $'000	TMHCCIH(I) 31/12/2019 $'000	HCCII 31/12/2020 $'000	HCCII 31/12/2019 $'000
ASSETS				
Investments	1,590,624	1,409,061	1,544,273	1,347,928
Deferred Tax Assets	-	-	8,422	-
Property, plant & equipment held for own use	6,655	3,463	4,641	2,766
Reinsurance recoverables from Non-Life	520,824	385,593	281,944	151,148
Insurance and intermediaries receivables	61,693	108,418	30,546	51,321
Reinsurance receivables	98,775	72,551	56,083	30,387
Receivables (trade, not insurance)	40,439	56,742	98,988	81,364
Cash and cash equivalents	276,925	174,602	130,245	110,643
Any other assets, not elsewhere shown	277	489	-	-
Total assets	**2,596,212**	**2,210,919**	**2,155,142**	**1,775,557**
LIABILITIES				
Technical provisions - Non-Life	1,442,106	1,128,312	1,117,563	871,626
Deferred tax liabilities	8,210	14,983	-	2,390
Insurance & intermediaries payables	31,499	55,651	9,259	10,882
Reinsurance payables	104,076	117,569	41,771	20,236
Payables (trade, not insurance)	-	-	-	-
Any other liabilities, not elsewhere shown	155,916	138,310	146,269	121,977
Total liabilities	**1,741,807**	**1,454,825**	**1,314,862**	**1,027,111**
Excess of assets over liabilities	**854,405**	**756,094**	**840,280**	**748,446**

The overall movements in the Group Solvency II balance sheet have been principally driven by changes in investments, cash and technical provisions throughout 2020. The investments increase is related to the strong unrealised gains in the period, with spreads tightening across most asset classes as a result of Covid-19. The cash and cash equivalents rose throughout 2020 in anticipation of cash requirements for TME Covid-19 related claims. The source of this cash was net maturities of AFS Securities and net premiums earned. Meanwhile. increases in technical provisions were driven by increased business volumes.

Reinsurance recoverables increased between 2019 and 2020, for the Group and the Company, driven by the higher value of current balances (pipeline and not yet due premium debtors) being reclassed from insurance and intermediaries receivables, and increased claims incurred but not reported ('IBNR') reserves during the year within Contingency and Property Treaty lines of business as a result of Covid-19.

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 2020, the Group and the Company maintained solvency capital resources in excess of the solvency capital requirement ('SCR'). The position as at 31 December 2020 and 31 December 2019 is shown below:

Eligible own funds to cover capital requirements 31 December 2020 $'000	TMHCCIH(I) 2020	TMHCCIH(I) 2019	HCCII 2020	HCCII 2019
Solvency II Net Assets	854,405	756,094	840,280	748,446
Standard Formula Solvency Capital Requirement ('SF SCR')	553,135	457,494	475,525	380,165
Minimum consolidated group SCR/ Minimum Capital Requirement ('MCR') [1]	191,028	164,016	158,739	138,466
Excess Net Assets over SF SCR	301,270	298,600	364,755	368,281
Excess Net Assets over Minimum consolidated group SCR	663,377	592,078	681,541	609,980
Solvency Ratio (i.e. SII Net Assets / SF SCR)	154%	165%	177%	197%
SII Net Assets as a Percentage of minimum consolidated group SCR	447%	461%	529%	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 SF SCR or MCR for the Group or the Company over the last reporting period.

Resilience During Covid-19

The Covid-19 pandemic has been an unprecedented challenge for everyone. Throughout 2020, the Group continued to operate effectively within the varying restrictions in the UK and across Europe, successfully supporting its customers, and employees through these challenging and uncertain times.

The health, safety and wellbeing of its employees has been a priority for the Group during the pandemic. To enable its employees to work safely and securely in a remote working environment the Group ensured that it has: robust IT infrastructure; employee access to appropriate IT and office equipment; and supported the physical and mental wellbeing of its employees. The Group's Return to Office policy, initially implemented in late 2020, is flexible and encompasses the strategy to enable employees to safely return to the office when local restrictions allow.

Throughout the pandemic, employees received regular communications from the CEO providing updates on how the Group continued to operate and support its customers during the pandemic. In addition, employees were provided with regular communications and resources to support their wellbeing following the transition to new ways of working due to the pandemic. More details on the wellbeing initiatives undertaken during the year is set out in the People section of the HCC International Insurance Company Plc annual report and consolidated financial statements.

Despite the challenging environment the Group, performed strongly during 2020, demonstrating the resilience of its business model and its strategy to have a diversified portfolio of non-correlating business; supported by its financial strength, strong stakeholder relationships and open and supportive culture.

Directors' Report

Company Directors

The directors set out below have held office from 1 January 2020 to the date of this report unless otherwise stated:
A M Baker (appointed 29 January 2021)
S A Button
B J Cook (Chief Executive Officer)
K Hatakeyama (resigned 31 March 2021)
T J G Hervy
N I Hutton-Penman (non-executive) (resigned 25 August 2020)
K L Letsinger
N C Marsh (non-executive Chairman)
H Mishima (appointed 6 February 2021)
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 the 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 2020 to the date of this report unless otherwise stated:

B J Cook (Chairman)
K L Letsinger
T Weist

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:
AE17272309124A7...

K L Letsinger
Group Chief Financial Officer

8 April 2021

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 2020:

- 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 2020, ('**the Narrative Disclosures subject to audit**'); and

- 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 2020 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.

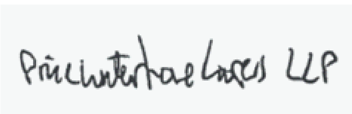
Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is 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

Chartered Accountants

7 More London Riverside

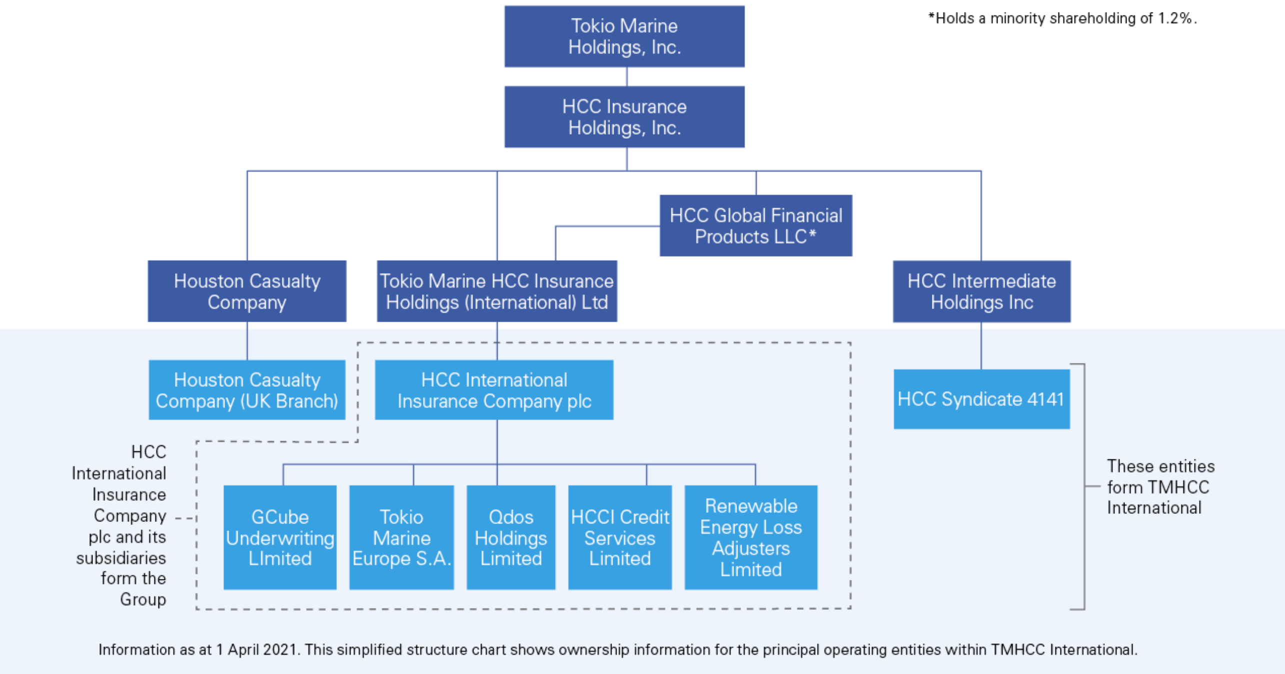
8 April 2021

Section A – Business and Performance

A1 – Business

Overview

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 252 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 2020, TM Group had total assets of ¥25.6 trillion (December 2019: ¥24.4 trillion) and shareholders' equity of ¥1.9 trillion (December 2019: ¥1.9 trillion.

TM Group and a number of its major insurance companies have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC (S&P).

HCC Insurance Holdings, Inc. (TMHCC Group) is a subsidiary within the TM Group based in the United States and is a leading international specialty insurance group with more than 100 classes of specialty insurance which underwrites risks located in approximately 180 countries. Given its financial strength and 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 principal subsidiaries are HCCII, Tokio Marine Europe S.A ('TME'), Qdos Holdings Limited, GCube Underwriting Limited and HCC Credit Services Limited. These principal subsidiaries are further detailed under 'Company information'. Meanwhile a comprehensive 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 and GCube, because these do 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 sheets of Qdos and GCube, which under UK GAAP are fully consolidated.

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 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 with the exception of the Swiss branch, were closed during 2020 following the transfer of the European risks historically written by these branches to TME under a Part VII transfer process on 1 January 2019. HCCII also accepts inwards reinsurance risks from United States, Canada and Australia.

HCCII has five subsidiaries, as follows:

1. 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 1 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 Tokio Marine Kiln Insurance Limited ('TMKI'). This is done directly or through their respective European branch networks.
2. Qdos Holdings Limited, is an underwriting agency based in Leicester. 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 UK small contractor market via Qdos Shop, an online digital distribution platform.
3. HCC Credit Services Limited is a data and information provider to the credit insurance market.

   GCube was acquired on 29 May 2020 and from 1 January 2021 it will operate as a line of business within the London Market division. GCube is one of the largest global underwriters of renewable energy, covering wind, solar, bio, hydro, wave and tidal projects. GCube, consists of:

4. GCube Underwriting Ltd, a managing general agent which is one of the largest global underwriters of renewable energy, covering wind, solar, bio, hydro, wave and tidal projects.
5. Renewable Energy Loss Adjusters Ltd, a separate loss adjusting company which specialises in loss adjusting renewable energy losses.

Business Model

The Group's business model is built upon fundamental principles which position policyholders with confidence about their risk decisions.

Face risk with confidence
The Group's core business is underwriting speciality lines of insurance. The Group has three core underwriting segments: International Specialty; London Market; and European Property & Casualty (P&C).

The Group writes London Market, International 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 Freedom of Services authorisations. HCCII accepts global inwards reinsurance risks where its licenses permit. Business written by the Group is principally Commercial lines, with de- minimis personal lines business written by the London Market and Specialty divisions.

Providing clients with products through the distribution network
The London Market, International 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, certain Specialty and London Market business is written through online distribution portals.

Underwriting and managing risk
Careful risk selection and reinsurance purchasing is central to the Group's culture and is the foundation to grow by meeting or exceeding its target risk adjusted return. 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. The Group may delegate underwriting where distribution is held by coverholders or brokers 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. 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 recognises the importance of the claims settlement process and believes that it can differentiate itself from its competitors through its approach. The claims teams are focused on delivering a quality, reliable and efficient claims service by adjusting and processing claims fairly, in a timely manner, ensuring its customers are treated fairly and in accordance with the policy's terms and conditions.

Strategy

The Group's fundamental business philosophy is to produce an underwriting profit and investment income resulting in consistent net earnings that will increase shareholder value. This has been accomplished through diversified businesses headed by those who are the best the business, a comprehensive reinsurance programme and a conservative investment policy. This philosophy is supported by TMHCC International's culture which is underpinned by its core values: professionalism, disciplined, honesty, respect and trust.

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.

Strategic objectives

- Maintain a diversified portfolio of non-correlating business.

- Ensure 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 that 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 –** TMHCC International manages portfolios by line of business on a single integrated operating model. This provides operational efficiencies across TMHCC International, which benefits the Group.

- **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 a very strong security (HCCII and TME both have S&P Ratings of A+ and AA- from Fitch). This provides the policyholder with the knowledge and comfort that its 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.

The core principles of this vision are integral to the Group's culture, business and the creation of sustainable growth and value for all its stakeholders (customers, employees, distribution network, suppliers, shareholders, regulators, and the community).

To support the "Good Company" approach to being a sustainable and responsible business, the Group has a sustainability governance structure that covers a wide range of Environmental, Social and Corporate Governance (ESG) issues relevant to its business and stakeholders. The Group's approach to Sustainability includes the following areas of focus:

Charity and community
Investing in our wider community by developing mutually beneficial partnerships with charities as well as organising relevant fundraising and volunteering initiatives and actively engaging employees in these projects to make a difference.

Workplace
Developing the Group's diversity and inclusion practices, ensuring and promoting the health and wellbeing of our employees, and providing training and development opportunities for all employees.

Marketplace and environment
The identification, assessment and management of Physical, Transitional and Liability risks and opportunities from climate change and the development of initiatives to minimise the Group's environmental impact from its business and operations.

Business Conduct and ethics
Conducting business ethically, honestly and responsibly.

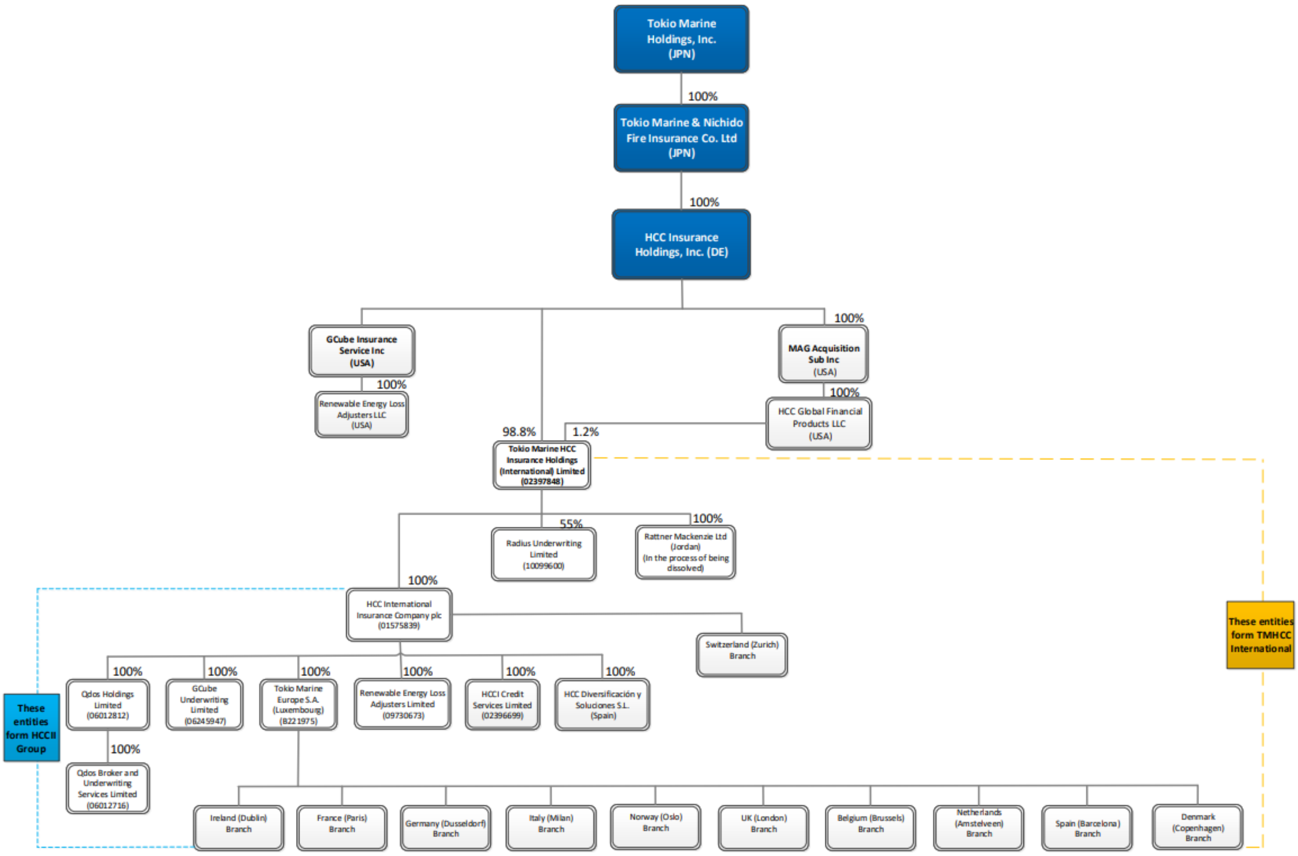
Auditor and Regulatory Bodies

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 Group is shown below, followed by brief descriptions of each of the companies. All companies are wholly owned except for Radius Underwriting Limited. Blue items show TMHCCIH(I) immediate and ultimate parents, while the other boxes indicate TMHCCIH(I) group companies.



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 as at 31 December 2020 total $854.4m (2019: $756.1 million). TMHCCIH(I) directly owns Rattner Mackenzie Ltd and owns 55% of the shares in Radius Underwriting Limited.

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, Accident and Health, Energy, Marine (Hull, Liability and, from 2021, Cargo), Professional Risks, Financial Lines, Credit and Political Risk, Credit & Surety, Contingency and J-Business lines. 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, with the exception of the Swiss branch, were 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.

As a wholly owned subsidiary, TME is carried as an investment on the Company's balance sheet using the adjusted equity method. HCCII Eligible Own Funds as at 31 December 2020 total $840.3m (2019: $748.4m).

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

Established in 2018 in response to the United Kingdom's vote to leave the European Union ('EU'), TME is a subsidiary of HCCII, which is licensed in Luxembourg with an A+ S&P rating. A legal Part VII portfolio transfer, as of 1 January 2019, between HCCII, Tokio Marine Kiln Insurance ('TMKI') and TME transferred insurance and reinsurance contracts from HCCII and TMKI European branches to TME together with the transfer of all branch employees. The transfer was affected through TME issuing one share each to TMKI and HCCII. During 2020, TME has continued to underwrite new and renewal business and continues to be well positioned to continue to support the Group, as a strong underwriting platform to support EEA risks across multiple classes of business.

TME has its own Board, including independent non-executive Directors, in addition to standalone Board committees to oversee the TME business and 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 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. During 2020 the Company's business was underwritten through its branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, Netherlands and on a freedom of services basis in the remaining EU member states. European risks presented in the London Market have been underwritten through TME's branch in the UK. From 1 January 2021, new and renewing European risks across all lines of business will be written on one of TME's EEA branches.

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

In 2018, HCCI acquired 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.

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.

GCube Underwriting Ltd & Renewable Energy Loss Adjusters Ltd ("GCube")

On 29 May 2020, the Group completed the acquisition of GCube (an underwriting agency which is one of the largest global underwriters of renewable energy, covering wind, solar, bio, hydro, wave and tidal projects) and its sister company RELA. RELA provides loss adjusting services to insurers of large renewable energy projects. The acquisition demonstrates the Group's commitment to the renewable energy insurance market and its desire to actively address the issues around sustainability, helping us move towards a safe, secure and sustainable future. The strategic acquisition of GCube complements the business currently written by the Group, and as an underwriting class within London Market from 1 January 2021, GCube will be underwriting 100% of the business on TMHCC International platforms, replacing the facility previously in place. This investment in the renewables sector will provide further opportunities for growth and further diversification throughout the TM Group.

A2 – Underwriting Performance

A summary of key financial information for the years ending 31 December 2020 and 31 December 2019, for the Group and Company, can be found below:

TMHCCIH(I)	31 December 2020 $'000	31 December 2019 $'000
Gross Written Premiums (GWP)	1,195,412	1,018,662
Net Premiums Earned	705,787	585,862
Underwriting Result (Technical Account pre investment income)	124,110	95,944
Net Loss Ratio	46%	49%
Net Combined Ratio	82%	84%
Investment Income (Transferred to technical account)	26,265	28,126
Profit on ordinary activities before tax	176,880	141,329
SII Cash and investments (excluding investment in subs and land and buildings)	1,852,166	1,580,914
Solvency II Own Funds	854,405	756,094

HCCII	31 December 2020 $'000	31 December 2019 $'000
Gross Written Premiums	821,804	611,520
Net Premiums Earned	574,628	521,458
Underwriting Result (Technical Account pre investment income)	116,916	93,663
Net Loss Ratio	42%	47%
Net Combined Ratio	80%	82%
Investment Income (Transferred to technical account)	21,378	23,838
Profit on ordinary activities before tax	168,298	144,683
Solvency II cash and investments (excluding investment in subs and land and buildings)	1,472,729	1,288,770
Solvency II Own Funds	840,280	748,446

There are small differences between the HCCII Consolidated Annual Report & Accounts (AR&A) , as a result of the profits arising from the additional small companies that sit between TMHCCIH(I) and the HCCII Consolidated Accounts. The net income in 2020 equated to $0.024m (2019: $0.034m).

The Group

The Group continued to grow in 2020 with Gross Written Premium (GWP) reaching $1.2 billion, up by $206.9m or 20.9% (excluding the accounting impact of the Part VII transfer of European branches to TME in 2019, as detailed in the Group AR&A). This increase was the result of organic growth from strong market conditions across the underwriting divisions, particularly in Specialty ($54.7m) and London Market ($100m). The increase in Specialty was due to strong performance in Financial Lines ($49.4m) and Professional

Risks ($19m). The increase in London Markets was primarily driven by growth in Marine & Energy ($44.9m) as well as new initiatives, such as Delegated Property ($26.8m), with European P&C benefitting from the addition of the UK J Business ($13m) portfolio.

The Group made a net profit before tax for the financial year 2020 of $176.9m (2019: $141.3m) of which $150.4m (2019: $124.1m) was from the technical account for general business which included investment income of $26.3m (2019: $28.1m).

The underwriting result on the technical account excluding investment income was $124.1m (2019: $96.0m), showing a combined ratio of 82.4% (2019: 83.6%), with strong profits from both the London Market and Specialty divisions.

Investment income transferred to the technical account comprises of earned investment income reflecting the Group's investment strategy, which is to preserve and grow shareholder's equity principally from underwriting profits in addition to net investment income within a conservative investment policy. The Group's solid operating cash flow and robust capital position supports this approach over one of managing total yield inclusive of unrealised gains and losses.

The non-technical account items increased the balance on the technical account for general business by $26.3m (2019: $28.1m) and comprise net unrealised gains on the Group's fixed-income portfolio of $49.9m (2019: $41.7m losses) which is consistent with the effect of US interest rate reductions during the year on the Group's investment portfolio which is principally in US dollar fixed-income securities. The increase is partially offset by amortisation of goodwill and intangibles totalling $10.7m (2019: $10.3m), net foreign exchange losses $5.3m (2018: $8.1m), and other operating expenses.

The Company

The Company made a net profit before tax for the financial year of $168.3m (2019: $144.7m) and includes a balance on the technical account for general business of $138.3m (2019: $117.5m), which includes investment income of $21.4m (2019: $23.8m).

Within the non-technical account, 2020 has seen strong unrealised gains, similar to those seen in 2019 (see Section A3). This is consistent with the causes reported within the Group investment income figures (see above).

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 divisions, 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, Delegated Property, 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 Group's growth is across all divisions. The Specialty division (2020 technical result $81.2m; 2019: $46.5m) continued organic growth and good rating conditions, particularly in Financial Lines and Professional Risks. UK Trade Credit and Surety saw modest premium increases as a result of the impact of Covid-19 on economic activity. The impact of this on the bottom line was more than offset by significantly improved loss experience from the 2019 re-underwriting of the UK Credit portfolio which reduced exposures, particularly in the retail sector. 2020 Surety losses were substantially less severe in 2020 compared to 2019. The Contingency line of business has been impacted by Covid-19, with a dampening effect on the top line from reduced economic activity and the losses in the event cancellation business for which incurred net losses of ($12m) have been recorded. Total prior accident year reserve strengthening totalled $10.8m (2019: reserve releases of $4.5m).

In the London Market division (2020 technical result $39.6m; 2019: $44.6m) an improved ratings environment and other market conditions have seen the division exceed expectations. This growth stems from new initiatives combined with the Group's ability to quickly offer capacity in dislocated markets. The Group did not have significant exposure to 2020 large catastrophes, nor was it impacted by the deterioration of prior year events. In contrast to other market experience, Covid-19 losses were inconsequential given policy wordings and exclusions. Total prior accident year net reserve releases were consistent with the previous year, at $5.4m (2019: $6.0m prior accident year releases).

The European P&C division contributed $3.3m (2019: $4.9m) to the technical result. 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 ceding commission, 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 2020 and 31 December 2019, for the Group and Company, is as follows:

TMHCCIH(I) 31 December 2020	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio % $'000	Underwriting Result $'000
Specialty				
Financial Lines	269,995	153,884	62%	17,379
Surety	102,133	82,257	28%	25,658
Contingency & Disability	51,472	21,650	107%	(10,487)
Credit & Political Risk	108,327	106,805	38%	33,756
Professional Risks	161,148	138,422	38%	29,449
Other Specialty	4,183	34	530%	(11,921)
Total Specialty	**697,258**	**503,052**	**47%**	**83,834**
London Market				
Property Treaty	98,067	64,919	26%	26,806
Marine & Energy	150,526	82,376	50%	12,869
Delegated Property	26,770	9,627	56%	(2,745)
Accident & Health	39,194	25,865	53%	6,319
Total London Market	**314,557**	**182,787**	**42%**	**43,249**
European P&C				
Japanese Business	155,551	(1)	-	(2,843)
European Business	28,046	19,949	57%	(130)
Total European P&C	**183,597**	**19,948**	**57%**	**(2,973)**
Total	**1,195,412**	**705,787**	**46%**	**124,110**

TMHCCIH(I) 31 December 2019	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio % $'000	Underwriting Result $'000
Specialty				
Financial Lines	220,630	134,606	61%	15,970
Surety	94,849	69,134	71%	(8,210)
Contingency & Disability	67,390	10,005	59%	1,556
Credit & Political Risk	112,230	96,563	50%	18,171
Professional Risks	102,000	129,106	39%	28,459
Other Specialty	5,400	1,467	120%	(7,260)
Total Specialty	**602,499**	**440,881**	**53%**	**48,686**
London Market				
Property Treaty	93,966	64,896	23%	30,426
Marine & Energy	105,577	61,323	47%	12,305
Delegated Property	-	-	-	-
Accident & Health	15,006	13,458	42%	(430)
Total London Market	**214,549**	**139,677**	**36%**	**42,301**
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 31 December 2020	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio % $'000	Underwriting Result $'000
Specialty				
Financial Lines	209,817	153,830	62%	15,118
Surety	62,457	49,354	0%	31,085
Contingency & Disability	11,327	1,752	532%	(8,560)
Credit & Political Risk	97,883	98,142	33%	34,108
Professional Risks	152,972	130,922	38%	28,112
Other Specialty	1,251	5	864%	(13,238)
Total Specialty	**535,707**	**434,005**	**43%**	**86,625**
London Market				
Property Treaty	70,284	45,518	26%	19,608
Marine & Energy	114,969	62,635	45%	12,985
Delegated Property	23,257	7,982	64%	(2,761)
Accident & Health	37,768	24,488	51%	3,772
Total London Market	**246,278**	**140,623**	**41%**	**33,604**
European P&C				
Japanese Business	39,819	-	-	(3,313)
European Business	-	-	-	-
Total European P&C	**39,819**	**-**	**-**	**(3,313)**
Total	**821,804**	**574,628**	**42%**	**116,916**

HCCII 31 December 2019	Gross Written Premium $'000	Net Earned Premium $'000	Net Loss Ratio % $'000	Underwriting Result $'000
Specialty				
Financial Lines	143,922	134,620	61%	14,306
Surety	42,434	44,359	54%	4,653
Contingency & Disability	16,988	3,410	47%	832
Credit & Political Risk	104,072	92,711	51%	13,802
Professional Risks	134,783	130,417	37%	28,946
Other Specialty	1,008	1,582	99%	(1,903)
Total Specialty	**443,207**	**407,099**	**50%**	**60,636**
London Market				
Property Treaty	69,370	50,071	27%	21,169
Marine & Energy	85,017	51,689	47%	10,637
Delegated Property	-	-	-	-
Accident & Health	13,926	12,599	41%	1,221
Total London Market	**168,313**	**114,359**	**38%**	**33,027**
European P&C				
Japanese Business	-	-	-	-
European Business	-	-	-	-
Total European P&C	**-**	**-**	**-**	**-**
Total	**611,520**	**521,458**	**47%**	**93,663**

Branch Performance

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

HCCII is based in the United Kingdom and had authorised branches established in Republic of Ireland, France, Spain, Germany, Italy, Switzerland and Norway, which with the exception of the Swiss branch, were 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 on 1 January 2019. During 2020, the Swiss branch was the only branch to write business on behalf of HCCII. This business makes up 100% of the Group Swiss Branch business, and as such is detailed within the group information below.

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 2020 and 31 December 2019, for the Group and Company, is as follows:

TMHCCIH(I) 31 December 2020	Ireland $'000	Switzerland $'000	France $'000	Spain $'000	Germany $'000	Italy $'000	Norway $'000	Netherlands $'000	Belgium $'000	Denmark $'000
SPECIALTY										
Financial Lines	-	12,188	-	112,546	4,315	9,591	-	-	763	-
Surety	10,085	-	5,256	1,257	8,252	7,322	93	1,526	-	3,330
Contingency & Disability	-	2,803	28,151	-	1,114	-	-	-	-	-
Credit & Political Risk	965	1,728	-	-	-	-	-	-	-	-
Professional Risks	-	-	-	-	-	-	-	-	-	-
Other Specialty	-	839	-	2,240	305	-	-	-	-	-
Total Specialty	**11,050**	**17,558**	**33,407**	**116,043**	**13,986**	**16,913**	**93**	**1,526**	**763**	**3,330**
Total London Market	**-**	**601**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total European P&C	**-**	**-**	**48,914**	**3,744**	**58,351**	**5,438**	**-**	**9,621**	**17,710**	**-**
Total	**11,050**	**18,159**	**82,321**	**119,787**	**72,337**	**22,351**	**93**	**11,147**	**18,473**	**3,330**

TMHCCIH(I)	Ireland	Switzerland	France	Spain	Germany	Italy	Norway	Netherlands	Belgium	Denmark
31 December 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
SPECIALTY										
Financial Lines	-	13,557	-	93,460	2,588	4,043	-	-	-	-
Surety	14,396	-	5,518	-	2,461	5,671	1,089	546	-	1,413
Contingency & Disability	-	-	-	-	-	-	-	-	-	-
Credit & Political Risk	1,336	2,293	-	-	-	-	-	-	-	-
Professional Risks	-	320	-	-	900	(3,395)	-	-	-	-
Other Specialty	-	992	-	1,474	257	-	-	-	-	-
Total Specialty	**15,732**	**17,162**	**5,518**	**94,934**	**6,206**	**6,319**	**1,089**	**546**	**-**	**1,413**
Total London Market	**-**	**674**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**

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
Financial Lines	Direct & Proportional General liability insurance Non-proportional casualty reinsurance
Surety	Direct Credit and suretyship insurance Non-proportional property reinsurance
Contingency & Disability	Direct & Proportional Income protection insurance Non-proportional health reinsurance
Credit & Political Risk	Direct Credit and suretyship insurance
Professional Risks	Direct General liability insurance
Other Specialty	Direct Miscellaneous financial loss Direct Income protection insurance Non-proportional health reinsurance
Property & Property Treaty	Non-proportional property reinsurance Direct & Proportional Fire and other damage to property insurance
Energy & Marine	Direct & Proportional marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
Delegated Property	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

Japanese Business	Non-proportional property reinsurance Direct & Proportional Fire and other damage to property insurance
European Business	Direct & Proportional marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance

The gross written premium and underwriting results of the top five Solvency II lines, for the years ending 31 December 2020 and 31 December 2019, for the Group and Company, are as follows.

TMHCCIH(I) 31 December 2020	General liability insurance $'000	Credit and suretyship insurance $'000	Marine, aviation and transport insurance $'000	Property $'000	Non-Prop Property $'000	Other $'000	Total $'000
Gross Written Premium	**401,319**	**190,264**	**170,055**	**136,389**	**111,457**	**185,928**	**1,195,412**
Net Earned Premium	254,625	175,177	59,889	36,219	80,034	99,843	705,787
Net Claims	(110,390)	(63,061)	(36,227)	(11,514)	(441)	(104,812)	(326,445)
Net Expenses	(81,157)	(61,645)	(20,518)	(17,325)	(41,329)	(33,258)	(255,232)
Underwriting Result	**63,078**	**50,471**	**3,144**	**7,380**	**38,264**	**(38,227)**	**124,110**

TMHCCIH(I) 31 December 2019	General liability insurance $'000	Credit and suretyship insurance $'000	Marine, aviation and transport insurance $'000	Non-Prop Property $'000	Property $'000	Other $'000	Total $'000
Gross Written Premium	**338,527**	**190,158**	**119,130**	**102,690**	**92,525**	**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 31 December 2020	General liability insurance $'000	Credit and suretyship insurance $'000	Non-Prop Property $'000	Property $'000	Marine, aviation, transport $'000	Other $'000	Total $'000
Gross Written Premium	**329,105**	**145,435**	**83,355**	**81,241**	**64,228**	**118,440**	**821,804**
Net Earned Premium	258,466	132,358	58,110	29,365	31,313	65,016	574,628
Net Claims	(120,064)	(31,070)	1,045	(7,288)	(19,958)	(66,000)	(243,335)
Net Expenses	(92,333)	(51,088)	(20,310)	(12,594)	(14,174)	(23,878)	(214,377)
Underwriting Result	**46,069**	**50,200**	**38,845**	**9,483**	**(2,819)**	**(24,862)**	**116,916**

HCCII 31 December 2019	General liability insurance $'000	Credit and suretyship insurance $'000	Property $'000	Non-Prop MAT $'000	Marine, aviation, transport $'000	Other $'000	Total $'000
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**

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 $270m (2019: $220.6m) 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 sharp, yet temporary, decrease in Transaction Risk Insurance ('TRI') business due to the effect on M&A market activity throughout the second and third quarters of 2020. Premium volume in 2021 has returned to pre-Covid levels as M&A markets recover.

Professional Risks GWP increased to $161.1m (2019: $142.1m). The business includes two main product lines, Professional Indemnity and Liability. The growth is driven by a combination of improved market conditions in Professional Indemnity and new initiatives in Liability.

Credit and Suretyship

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

Credit & Political Risk GWP decreased marginally to $108.3m (2019: $112.2m). The Group offers a full range of Credit & 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 high service standards in both underwriting and claims handling positions the Group as one of the major insurers in the UK and results in 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. The 2019 actions taken to shift the underlying business mix away from retail risks in particular has to some extent reduced GWP in premium on the UK whole turnover Credit account.

Surety GWP increased to $102.1m (2019: $94.8m). 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 the new European Surety underwriting team, which wrote $17.3m in 2020 ($6.0m in 2019).

Property & Non-Proportional Property

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

Property Treaty GWP increased to $98.1m (2019: $76.4m). The portfolio principally comprises Non-US excess of loss reinsurance business. The strategy of continuing strong client relationships and participation on high programme layers combined with a consistent and responding reinsurance programme, has consistently produced profitable results.

Property Direct & Facultative and Accident & Health GWP increased to $39.2m (2019: $32.6m). Growth in the Property Direct and Facultative account 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.

Delegated Property This was a new line of business that wrote $26.8m of premium for the Group in its first year. This business primarily consists of a niche book of predominantly UK property business written via risk attaching binders. Adding good diversification to other Property business, this will continue to grow in 2021.

Marine, Aviation and Transport

Marine & Energy GWP increased to $150.5m (2019: $105.6m). The increase is driven by better rating conditions and the organic growth in Marine Liability following its establishment in 2019.

Other

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

Further detail on underwriting performance may be found in the "Underwriting Performance by Line of Business" subsection of Section A2.

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 2020, and 31 December 2019, for the Group and Company. The amounts detailed in the column "Other" refer to any business outside of the UK and top 5 geographic locations.

TMHCCIH(I)	United Kingdom	Spain	France	Germany	Italy	Switzerland	Other	Total
31 December 2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Written Premium	**575,753**	**89,666**	**85,833**	**74,160**	**29,164**	**26,090**	**314,746**	**1,195,412**
Net Earned Premium	386,213	44,669	44,811	20,162	19,664	16,124	174,144	705,787
Net Claims	(140,135)	(18,740)	(23,959)	(4,533)	(7,938)	(5,493)	(125,647)	(326,445)
Net Expenses	(141,040)	(17,786)	(12,787)	(1,752)	(10,069)	(5,206)	(66,592)	(255,232)
Underwriting Result	**105,038**	**8,143**	**8,065**	**13,877**	**1,657**	**5,425**	**(18,095)**	**124,110**

TMHCCIH(I)	United Kingdom	France	Spain	Belgium	Germany	Singapore	Other	Total
31 December 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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	United Kingdom	Switzerland	Australia	Israel	Singapore	Mexico	Other	Total
31 December 2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Written Premium	**534,336**	**21,610**	**18,458**	**17,812**	**14,000**	**13,227**	**202,361**	**821,804**
Net Earned Premium	338,397	16,493	10,345	12,115	11,117	9,971	176,190	574,628
Net Claims	(125,291)	(4,129)	(2,569)	(9,251)	(3,335)	(13,647)	(85,113)	(243,335)
Net Expenses	(132,581)	(2,884)	(1,794)	(3,121)	(2,617)	(2,579)	(68,801)	(214,377)
Underwriting Result	**80,525**	**9,480**	**5,982**	**(257)**	**5,165**	**(6,255)**	**22,276**	**116,916**

HCCII	United Kingdom	United States	Japan	Singapore	Israel	Mexico	Other	Total
31 December 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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	**50,086**	**953**	**(2,331)**	**416**	**(2,440)**	**7,893**	**39,104**	**93,663**

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 4.89 (2019: 5.01 years). The performance of the Group's portfolio, for the years ending 31 December 2020 and 31 December 2019, is as follows.

Asset Classes 31 December 2020	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	12,279	305	12,584	17,365	29,949
Government Bonds	10,275	502	10,777	19,232	30,009
Collective Investment Undertakings	-	-	-	5,040	5,040
Collateralised Securities	5,000	165	5,165	8,268	13,433
Total	**27,506**	**972**	**28,477**	**49,905**	**78,382**
Investment Expense			(2,213)		(2,213)
Technical Earned Investment Income			**26,265**		**76,170**
Bank Interest					187
Total Earned Investment Income					**76,357**

Asset Classes 31 December 2019	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	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**

The performance of the investment portfolio, as recorded in the technical account, is $26.3m (2019: $28.1m). Including unrealised gains and losses, and bank interest, the total earned investment income for the Company is $76.4m (2019: $71.7m).

The performance of the Company's portfolio, for the years ending 31 December 2020 and 31 December 2019, is as follows:

Asset Classes 31 December 2020	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	9,822	228	10,050	14,191	24,242
Government Bonds	8,709	20	8,729	16,533	25,262
Collective Investment Undertakings	-	-	-	5,040	5,040
Collateralised Securities	4,171	166	4,337	7,483	11,820
Total	**22,702**	**414**	**23,116**	**43,248**	**66,364**
Investment Expense			(1,738)		(1,738)
Technical Earned Investment Income			**21,378**		**64,626**
Bank Interest					94
Total Earned Investment Income					**64,720**

Asset Classes 31 December 2019	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	10,046	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**

The performance of the investment portfolio, as recorded in the technical account, is $21.4m (2019: $23.8m). Including unrealised gains and losses, and bank interest, the total earned investment income for the Company is $64.7m (2019: $63.2m).

A4 – Performance of Other Activities

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

31 December 2020	TMHCCIH(I) $'000	HCCII $'000
Brexit transition costs	66	-
Covid-19 costs	575	-
Corporate oversight costs	4,053	2,528
Service awards	2,956	1,921
Amortisation of goodwill	5,727	-
Amortisation of intangibles	4,936	1,545
Total other (income) / charges	**18,313**	**5,994**

The corresponding table for 2019 for the Group and Company is shown below:

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

A5 – Any Other Information

Share Capital

No share capital was issued during 2020. During 2019, 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 (2019: $Nil).

Section B – System of Governance

B1 – General Information on the System of Governance

The Group's governance

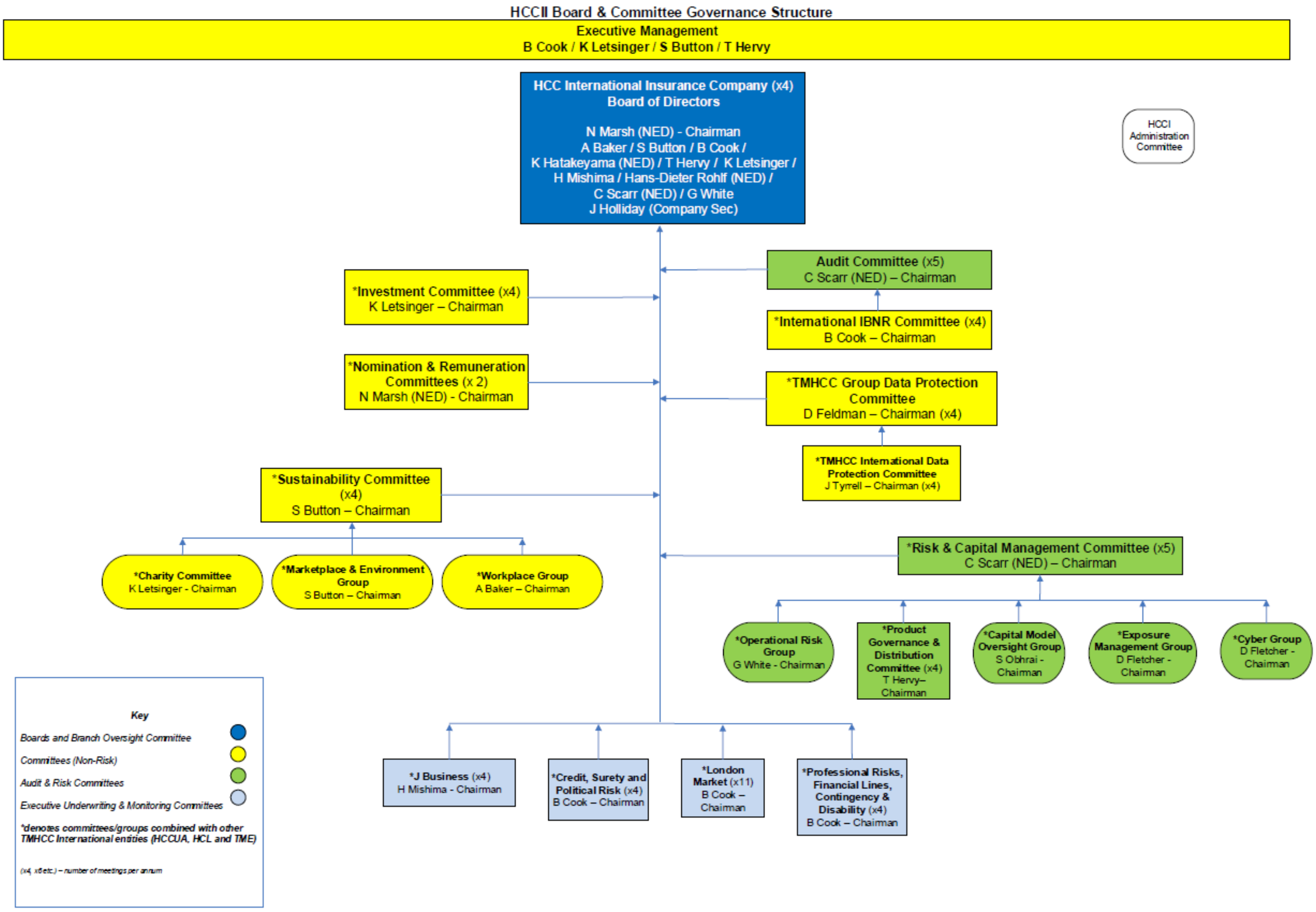
The Group's Board is comprised of B J Cook, Chief Executive Officer of TMHCC International and K L Letsinger, Group Chief Financial Officer of TMHCC International, both of whom are also Directors of HCCII, and T Weist, Executive Vice President and Co-Chief Financial Officer of HCC Insurance Holdings,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

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 2020, along with reliance on testing performed in 2019, 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 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 our Performance Management Programme which is the responsibility of individuals and their 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. <u>Systematic and structured risk management</u>
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. <u>Evidenced-based risk management</u>
   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. <u>Human factors</u>
   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. <u>Adding benefit and value</u>
   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 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 Strategy & 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

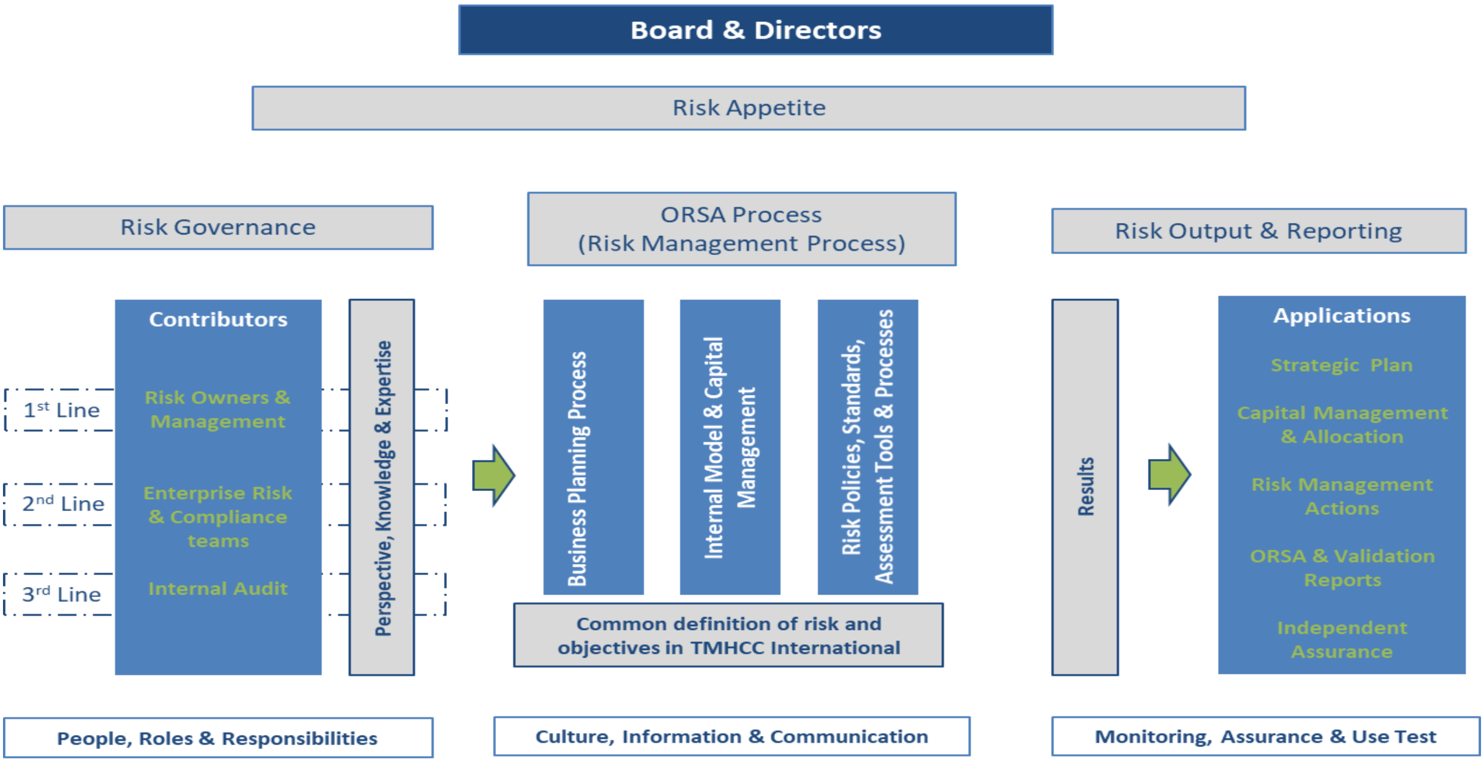
The Company operates a 'three line of defence' risk governance framework which means that we coordinate risk holistically ensuring that all types of risk are prioritised and analysed both in absolute and relative terms.

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 for 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 quarterly 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 stress and scenario 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 also 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 • Translating risk appetite into more granular tolerance and risk limits • Preparation and monitoring of risk metrics • 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 • Assisting with the stress and scenario analyses • Carry out financial projections to better understand the risk drivers during the business planning horizon • 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. The annual ORSA Report is made available to key stakeholders and the regulators and sections are also included within this report, where considered appropriate. 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. An ORSA Lite was produced in 2020 in light of the coronavirus pandemic.

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 175 controls across 10 key cycles were tested for 2020. The testing was divided into two phases during the year. The overall business process results of the 2020 controls testing continued to be positive, in line with previous years, with only one testing failure identified, related to Surety Claims.

In 2019, UK IT was identified as an area that needed to address various operational effectiveness issues / challenges, such as large IT projects and staff stretch due to increased business. Similar IT audit findings were not identified in 2020 and, as at 31 December

2020, 11 out of the 15 IT audit findings, identified in 2019, were closed, with the others having plans in place to close the audit findings in 2021.

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 directly to 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 Senior Vice President of Internal Audit & Controls, who is based in the Houston head office, and administratively to the TMHCC International Chief Risk Officer, who is based in the London office. The reporting line into the Chief Risk Officer 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. In addition to this, the UK Audit Committee Chairman also verifies on an annual basis the independence of the Head of International Internal Audit.

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. During 2020, the Chief Actuary role was split from a combined Chief Actuary / Chief Risk Officer role, to help provide transparency that the role is free from the influence of other functions and management.

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
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) in early 2020, the Group's and Company's strong risk and governance frameworks remained in place and continued to operate effectively. The points below identify how the framework was adapted to the new environment:

- The business continuity protocols, which included specific pandemic responses, were instigated at an early stage of the 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 provided practical evidence of the Group's and Company's operational resilience.

- At the commencement of the move to working remotely, the Group and Company strongly supported employees to adopt flexible working hours to facilitate personal responsibilities for childcare and others in need. Additionally, it ensured that employees had the appropriate computer hardware and other equipment to enable effective and efficient working. Disruption during this transition was minimal and the Group and Company was able to continue to service clients and brokers.
- As the pandemic continued, the Group and Company introduced a range of initiatives (such as online exercise and hobby sessions, staff surveys, training sessions, additional employee assistance services) to assist with staff welfare and mental wellbeing. This was in addition to the close monitoring of staff perceived to be particularly at risk by both managers and HR.
- Technology was maximised to ensure that the frameworks continued to operate effectively in the new remote-based environment, including:
    - Daily interactions were held between underwriters and senior management to keep abreast of the rapidly developing market conditions, enabling the business to operate proactively.
    - Boards and Committee meetings were run remotely, with ad hoc meetings set up, where appropriate, to discuss and make decisions relating to the fluid pandemic situation.
    - Closer contact was maintained with material third parties, including reinsurers, investment managers and outsource suppliers.
    - The Risk Management team confirmed that the internal control systems continue to operate effectively in a remote working environment. Internal Audit also undertook a review of Business Continuity Management during lockdown and this further supported this view.
- A pandemic risk register was developed to sit alongside the existing frameworks, and which has been incorporated into reporting to the Risk & Capital Management Committee and the ORSAs.
- An ORSA Lite was produced, to reflect the potential impact of the pandemic on the Group and Company's business profiles, risk profiles and capital/solvency positions.

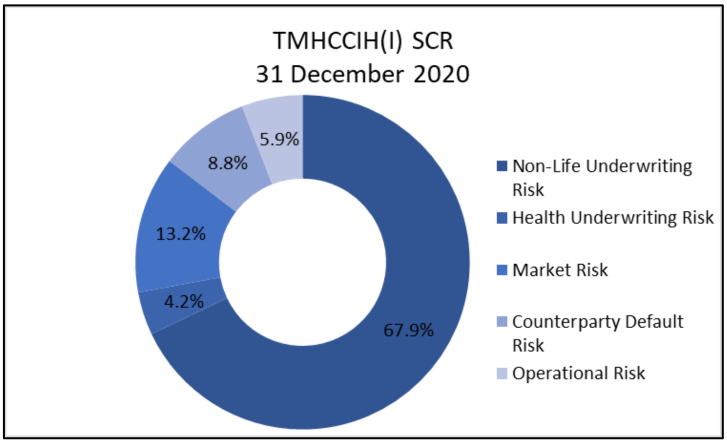
Section C – Risk Profile

The Group 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.

It is not anticipated that there will be any material risk exposure changes over the three-year planning cycle other than any continued potential impacts from the COVID-19 pandemic discussed in B8 and C7.

As at 31 December 2020, HCCII and TME are 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 2020.



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:

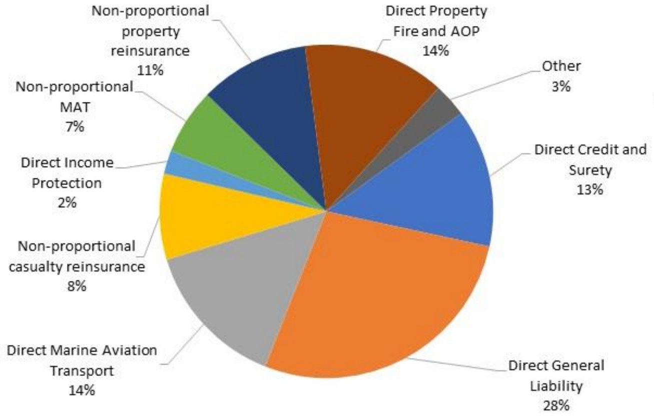
- Cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- Event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- Pricing risk – the risk that the level 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

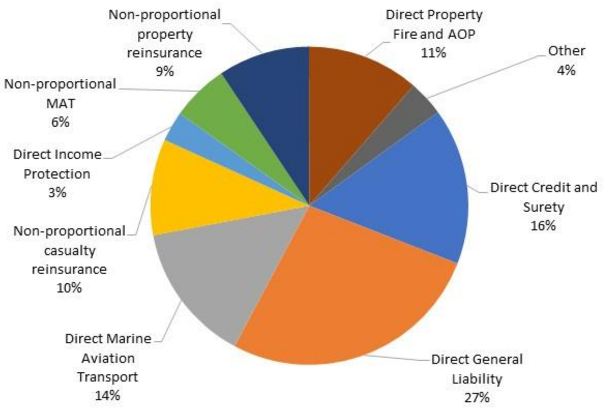
The charts below show 2021 budgeted gross written premium ('GWP') broken down into Solvency II line of business, versus 2020 actual premiums.

Group

2021 Budget GWP

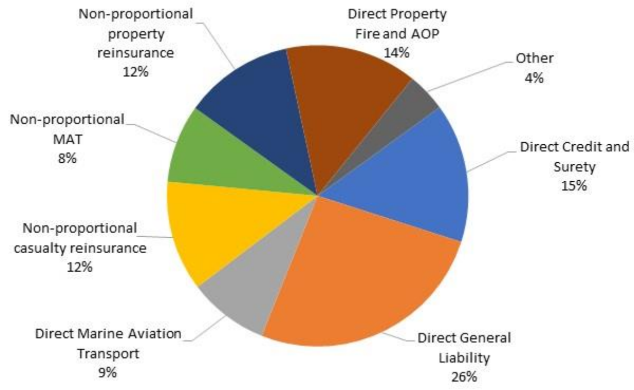


2020 Actual GWP

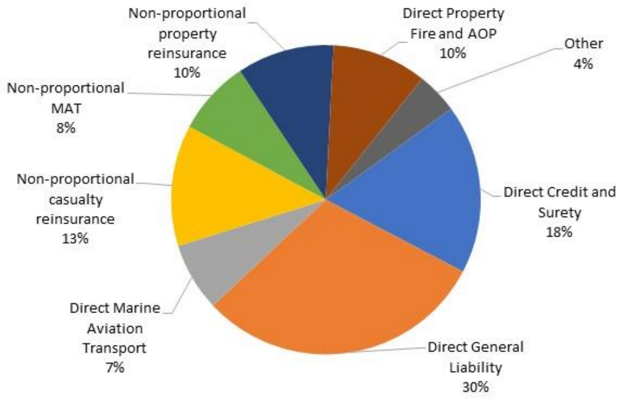


Company

2021 Budget GWP



2020 Actual GWP



The charts above highlight concentrations of risk across the lines of business and the broadly similar split across classes between 2021 Budget and 2020 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 2021 shows that the level of catastrophe exposed business is similar to 2020 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	
	2021 Budget	2020 Actual	2021 Budget	2020 Actual
Catastrophe business	20.6%	17.7%	23.8%	20.1%
Non-Cat business	79.4%	82.3%	76.2%	79.9%

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 Group and the Company balance sheets. 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

Nature of the Risk

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.

Managing & Mitigating the Risk

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 EUMC will 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

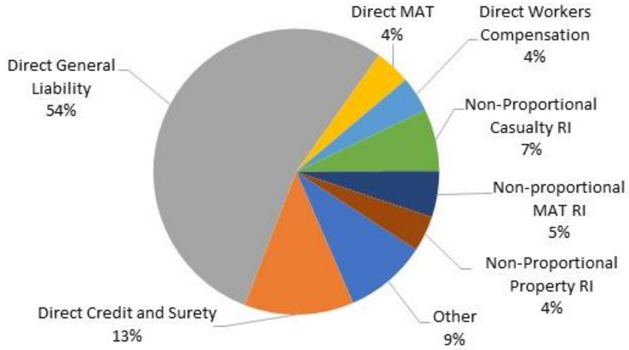
Reserving risk occurs within the Group where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

Risk Profile & Concentration of the Risk

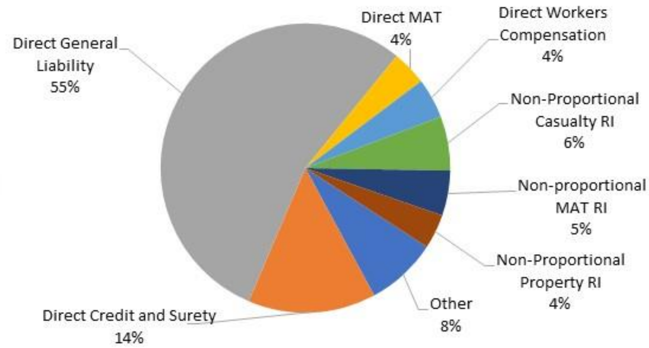
The pie charts below illustrate the concentration of reserves between the lines, for Q4 2020 and Q4 2019. The charts show net booked reserves (including Unallocated loss adjustment expenses) for the Group and the Company as at Q4 2020 and Q4 2019.

Group

Q4 2020

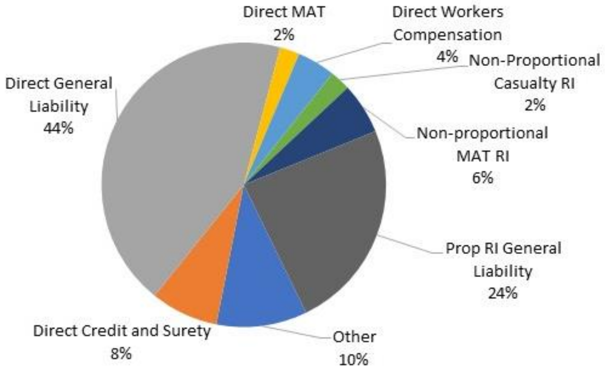


Q4 2019

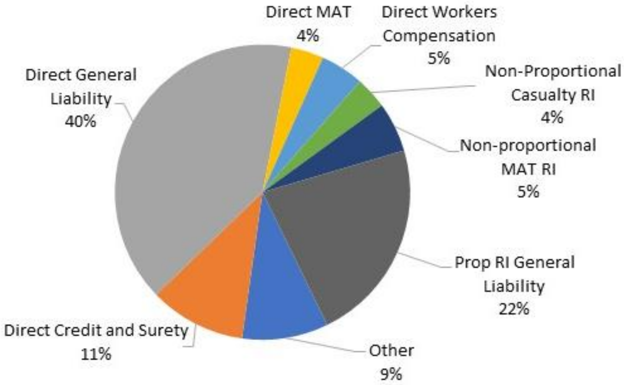


Company

Q4 2020



Q4 2019



Overall, net reserves for the Group have increased from Q4 2019 to Q4 2020 from $640.2m to $783.1m, with the Company Q4 2020 net reserves being $680.7m. The pie charts indicate that, on a Group basis, the proportions between the various lines have generally remained stable, with the absolute increase in reserves reflecting the increase in volume of business written during 2020, 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 2020, is as follows:

Asset Type & Rating ($m)	Group 31/12/20	Group 31/12/19	Company 31/12/20	Company 31/12/19
Government Bonds AAA	64.8	40.7	54.8	35.1
Government Bonds AA+	80.8	59.5	68.1	55.4
Government Bonds AA	82.8	109.8	71.4	101.4
Government Bonds AA-	112.7	50.9	101.1	44.0
Government Bonds A+	46.2	51.4	31.2	34.2
Government Bonds A	17.5	14.2	17.0	14.2
Government Bonds A-	12.2	10.2	12.2	10.2
Government Bonds BBB+	0.7	0.7	0.7	0.7
Corporate Bonds AAA	35.9	32.8	33.4	32.8
Corporate Bonds AA+	3.1	4.4	0.6	1.8
Corporate Bonds AA	17.8	12.9	16.5	12.9
Corporate Bonds AA-	53.1	30.9	44.1	29.8
Corporate Bonds A+	79.8	90.5	70.6	77.1
Corporate Bonds A	146.2	153.3	91.3	114.4
Corporate Bonds A-	132.4	122.4	97.3	96.4
Corporate Bonds BBB+	111.5	79.2	107.2	69.3
Corporate Bonds BBB	50.5	54.4	42.4	48.6
Corporate Bonds BBB-	5.6	19.3	5.0	18.8
Corporate Bonds BB+	6.0	2.8	6.0	2.8
Corporate Bonds BB	-	-	-	-

Corporate Bonds BB-	0.9	-	0.5	-
Corporate Bonds B+	-	-	-	-
Collateralised Securities AAA	25.4	3.1	-	3.1
Collateralised Securities AA+	299.6	322.5	287.9	286.9
Cash & Cash Equivalents	276.9	174.6	130.2	110.6
Deposits other than cash equivalents	48.5	53.5	42.4	29.7
Collective Investment Funds	141.2	86.8	140.8	58.7
Investment in Subsidiary	15.1	2.5	201.6	169.6
Property (Other than own use)	0.2	0.2	0.2	0.2
Property, Plant & Equipment held for own use	6.7	3.5	4.6	2.8
Total	**1,874.1**	**1,587.0**	**1,679.1**	**1,461.5**

Increase in investments and cash is primarily driven by strong unrealised gains within the period, along with strong operational cash flows in the period.

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. The investment risk budget is set at a level such that the amount of an investment loss, at the 1-in-200 Tail Value at Risk ('TVaR') level, is limited to the Group's excess capital (above the regulatory minimum). The investment risk budget was at a similar level in both 2019 and 2020.

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	7.4%
AA-	21.1%
A+	46.4%
A	10.3%
A-	3.3%
Not Rated	11.4%

[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, with the recoverability process being enhanced following the experiences during the Covid-19 pandemic. 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 150 national or quasi-national government issuers, with the largest being about 3% 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 $146.7m for the Group and $87.6m for the Company (2019: $76.7m for the Group and $69.8m for the Company). 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 2020.

Worst Case As at 31st December 2020	Near Term As at 31st December 2020
Operational Risks	**Operational Risks**
Business Continuity Risk	Credit Rating Risk
Reluctance or Total Failure of Reinsurers to make payment	Capital Model Error or Failure in Use
High Profile Third Party Disputes	Business Continuity Risk
Business Change Risk	Operational Cyber Risk
Data Protection	Conduct Risk
Operational Cyber Risk	Delegated Underwriting Risk
Capital Model Error or Failure in Use	Reluctance or Total Failure of Reinsurers to make payment
Credit Rating Risk	Claims Management Risk
Loss of Key Personnel	External Fraud
Conduct Risk	Data Quality Risk

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 over the last couple of years.

Managing & Mitigating the Risk

Progress has been made by the Group and Company in 2020 towards articulating its philosophy related to Sustainability, and all its component elements, through the establishment of a Sustainability Committee and the nomination of the Chief Underwriting Officer – London Market as the designated SM&CR holder who has responsibility for the financial impacts of climate change. The Board-delegated Sustainability 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 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.

The United Kingdom left the EU on 31 January 2020 and entered a Brexit Transition Period which ended on 31 December 2020. Late in 2020, the UK government signed an EU-UK Trade and Cooperation Agreement that came into provisional force as the transition period ended. However, the UK will have to wait until later in the year to learn what market access rights UK financial services companies will have in future and this leaves some residual post Brexit risk for the Group and Company.

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 creation of TME and its successful operation since commencing ensures that the Group and Company are able to provide continuous service to its European clients. Uncertainties related to the future reciprocal market access rights of financial services companies leaves some residual post Brexit risk for the Group and Company. To mitigate this risk, the Group and Company are keeping in close contact with both the market, UK and European regulators, to ensure that any issues are identified early and appropriate action is taken.

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.

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. 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. However, the fresh regulatory focus provides the opportunity to review and further develop a robust operational resilience framework, which will be implemented to reflect the final requirements of the UK regulators ahead of the 31 March 2022 deadline.

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 2020	Near Term As at 31st December 2020
Risks	**Risks**
Reserving Risk	Reserving Risk
Catastrophe/Large Losses Outside of Business Plan	Systemic Losses Outside of Business Plan
Systemic Losses Outside of Business Plan	Catastrophe/Large Losses Outside of Business Plan
Investment Market Volatility	Investment Market Volatility
Cyber Underwriting Risk	Foreign Exchange Risk
Foreign Exchange Risk	Credit Rating Risk
Selection Risk	Failure of Investment Counterparty
Business Continuity Risk	Inadequate Pricing Methodology
Unwillingness or Total Failure of Reinsurers to Make Payments	Capital Model Error or Failure in Use
Outwards Reinsurance Risk	Business Continuity Risk

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.

Reverse Stress and Stress & 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 RSTs

The identification of the 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.

<table>
<tr><th>Scenario</th><th>Description</th></tr>
<tr><td rowspan="3">RST1
Scenario driven by substantial underwriting losses</td><td><u>RST 1.1 Possible scenarios:</u>
• Two natural catastrophes: windstorms, earthquakes, winter storm, etc, occurring in the same quarter.
• Solar Flares: One of the largest geomagnetic storms causing blackouts, electrical disruptions, property damage.
• The impact of a global pandemic causing aggregate underwriting losses.
With the severity of the assumptions made, this is estimated to be a 1 in 500 event.</td></tr>
<tr><td><u>RST 1.2 Possible scenarios:</u>
• A natural catastrophe (EU/NA windstorms) followed by an opportunistic cyber-attack.
• A terrorist attack triggering or coupled with a sophisticated cyber-attack.
• The impact of a global pandemic causing aggregate underwriting losses.
With the severity of the assumptions made, this is estimated to be a 1 in 500 event.</td></tr>
<tr><td><u>RST 1.3</u>
A large global natural catastrophe impacting a large exposure, i.e. North Sea exposures, causing significantly large losses.
With the severity of the assumptions made, this is estimated to be a 1 in 500 event.</td></tr>
<tr><td>RST2
Scenario caused by a substantial economic recession</td><td>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 a 1 in 500 event.</td></tr>
<tr><td>RST3
A combination of RST1 (UW losses) leading</td><td>Combination of RST1 leading to an economic recession (RST2), drivers include:
• A large underwriting loss such as a Pandemic, Nat Cat(s), Cyber-attack leading to a recession.
With the severity of the assumptions made, this is estimated to be a 1 in 1000 event.</td></tr>
</table>

to an economic recession (RST2)	
RST4 ***Scenario where there is a significant reserve deterioration***	This scenario captures a substantial reserve deterioration triggered from latent claims or legislation changes leading to insurance losses. With the severity of the assumptions made, this is estimated to be a 1 in 500 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 SSTs assessed were as follows:

Scenario	Summary of Scenario
SST1 ***Scenario driven by Operational Losses***	SST 1.1 - Significant Losses caused by a loss of key personnel. It is calibrated to an estimated 1 in 10 year event.
	SST 1.2 - Loss of key revenue stream. It is calibrated to an estimated 1 in 20 year event.
SST2 ***Large event and business continuity***	A combination of Nat Cat, pandemic or other large event which impacts business continuity. It is calibrated to an estimated 1 in 20 year event.
SST3 ***A significant loss impacting a LoB***	A significant loss impacting a line of business: • Credit/Surety losses due to a major construction company collapses. • Political unrest. • Latent liability claims. • It is calibrated to an estimated 1 in 20 year event.
SST4 ***Cyber Loss***	Cyber-attack impacting the business. • It is calibrated to an estimated 1 in 50 year event.

Potential impacts of RSTs and SSTs

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 is 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]
RST1.1	\$600m-\$700m	\$20m-\$50m	<\$10m	<\$10m	\$600m-\$700m	<100%	<100%
RST1.2	\$400m-\$500m	\$20m-\$50m	\$50m-\$100m	\$10m-\$20m	\$500m-\$600m	<100%	100%-200%
RST1.3	\$700m-\$800m	\$10m-\$20m	<\$10m	<\$10m	\$700m-\$800m	<100%	<100%
RST2	\$400m-\$500m	\$20m-\$50m	\$100m-\$200m	\$10m-\$20m	\$600m-\$700m	<100%	<100%
RST3	\$600m-\$700m	\$50m-\$100m	\$50m-\$100m	<\$10m	\$700m-\$800m	<100%	<100%
RST4	\$600m-\$700m	<\$10m	<\$10m	<\$10m	\$600m-\$700m	100%-200%	400%-500%
SST1.1	<\$10m	<\$10m	<\$10m	\$20m-\$50m	\$20m-\$50m	100%-200%	400%-500%
SST1.2	<\$10m	<\$10m	<\$10m	\$20m-\$50m	\$20m-\$50m	100%-200%	400%-500%
SST2	<\$10m	<\$10m	<\$10m	\$20m-\$50m	\$20m-\$50m	100%-200%	400%-500%
SST3	\$20m-\$50m	<\$10m	<\$10m	<\$10m	\$20m-\$50m	100%-200%	400%-500%
SST4	\$100m-\$200m	<\$10m	<\$10m	<\$10m	\$100m-\$200m	100%-200%	400%-500%

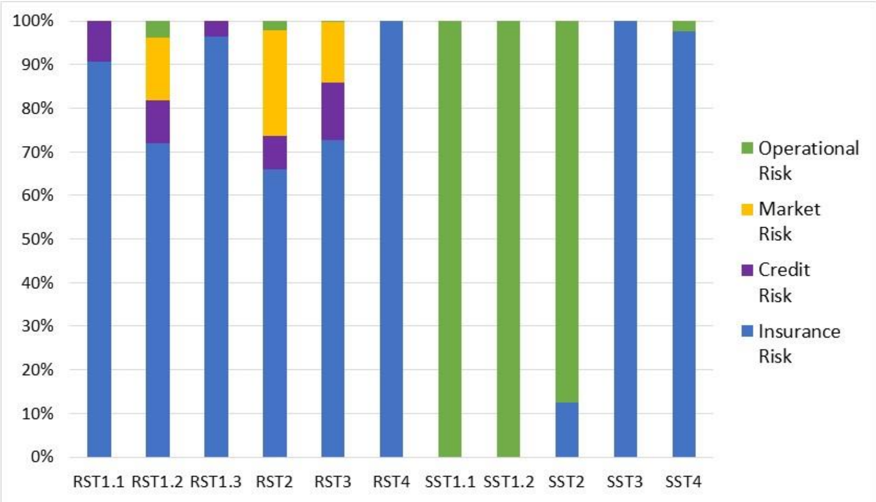
[1]: Note using an ultimate capital impact to re-assess solvency ratios. Base Company Eligible Own Funds / SF SCR is c. 155%; base Company Eligible Own Funds / SF MCR is c. 435%

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]
RST1.1	\$400m-\$500m	\$20m-\$50m	<\$10m	<\$10m	\$400m-\$500m	<100%	100%-200%
RST1.2	\$300m-\$400m	\$20m-\$50m	\$50m-\$100m	\$10m-\$20m	\$400m-\$500m	<100%	100%-200%
RST1.3	\$500m-\$600m	\$10m-\$20m	<\$10m	<\$10m	\$500m-\$600m	<100%	100%-200%
RST2	\$300m-\$400m	\$20m-\$50m	\$100m-\$200m	\$10m-\$20m	\$500m-\$600m	<100%	100%-200%
RST3	\$500m-\$600m	\$50m-\$100m	\$50m-\$100m	<\$10m	\$500m-\$600m	<100%	100%-200%
RST4	\$400m-\$500m	<\$10m	<\$10m	<\$10m	\$400m-\$500m	<100%	200%-300%
SST1.1	<\$10m	<\$10m	<\$10m	\$20m-\$50m	\$20m-\$50m	100%-200%	400%-500%
SST1.2	<\$10m	<\$10m	<\$10m	\$10m-\$20m	\$10m-\$20m	100%-200%	400%-500%
SST2	<\$10m	<\$10m	<\$10m	\$20m-\$50m	\$20m-\$50m	100%-200%	400%-500%
SST3	\$10m-\$20m	<\$10m	<\$10m	<\$10m	\$10m-\$20m	100%-200%	400%-500%
SST4	\$100m-\$200m	<\$10m	<\$10m	<\$10m	\$100m-\$200m	100%-200%	400%-500%

[1]: Base Company Eligible Own Funds / SF SCR is c. 155%; base Company Eligible Own Funds / SF MCR is c. 435%

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



ECM Validation of RST and SST 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 business strategy is sound and considers areas of potential impact that may not be apparent in today's environment.

The Group and Company define 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 risks are considered as those which might materialise over a three to five year time horizon, while developing risks are those that have the potential to crystallise over the next three years, reflecting the timeframes of the business planning cycle.

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 Group and 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 the Group and the Company and these are then listed on the Emerging and Developing Risks Register and anything considered pertinent is presented to the Risk & Capital Management Committee for 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 the Group and Company proportionately.

The radar below provides details of those areas identified as emerging or developing risks as at Q4 2020. As noted above, the items included for consideration on the emerging and developing risk radar are tightly defined as those areas which are not currently allowed for in the business strategy, insurance terms, pricing, reserving or capital setting in any capacity. This creates a very focussed analysis of risks, affording the monitoring and management of these to be closely governed.

Emerging and Developing Risks (1 – 5 Year Horizon)
Q4 2020

Covid-19 Pandemic

The Group's and Company's strong risk and governance frameworks ensured the business continued to operate effectively in the new pandemic environment which emerged in March 2020. Part of the adaptation to that new environment was the development of a pandemic risk register to sit alongside the existing frameworks and which were 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 materially mitigated 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. • To assist with staff welfare, the introduction of a range of initiatives (such as online exercise and hobby sessions, staff surveys, training sessions, additional employee assistance services), as well as the close monitoring of staff perceived to be particularly at risk by both managers and HR. • 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 table below shows the Group's balance sheet reconciliation from UK GAAP, through the Solvency II reclassifications ('reclass') 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 2020 was $0.1m.

BALANCE SHEET RECONCILIATION FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass Adj	SII Valuation Adj Tech. Provisions	SII Valuation Adj DAC & UPR	SII Valuation Adj Other	Solvency II	Solvency II as at 31/12/19
As at 31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Investments *(D1.1)*	1,566,216	24,408				1,590,624	1,409,061
Goodwill *(D1.2)*	79,000				(79,000)	-	-
Intangible Assets *(D1.3)*	59,752				(59,752)	-	-
Deferred acquisition costs *(D1.4)*	102,264			(102,264)		-	-
Property, plant & equipment held for own use *(D1.5)*	6,677	(22)				6,655	3,463
Reinsurance recoverables from Non-Life *(D2)*	789,935	(110,594)	5,521	(164,038)		520,824	385,593
Insurance and intermediaries receivables *(D1.6)*	285,783	(224,090)				61,693	108,418
Reinsurance receivables *(D1.6)*	217,756	(118,981)				98,775	72,551
Receivables (trade, not insurance) *(D1.6)*	38,933	1,506				40,439	56,742
Cash and cash equivalents *(D1.7)*	287,464	(10,539)				276,925	174,602
Any other assets, not elsewhere shown *(D1.8)*	9,658	(9,381)				277	489
Total assets	**3,443,438**	**(447,693)**	**5,521**	**(266,302)**	**(138,752)**	**2,596,212**	**2,210,919**
LIABILITIES							
Technical provisions - Non-Life *(D2)*	1,967,859	(322,631)	355,785	(558,907)		1,442,106	1,128,312
Deferred tax liabilities *(D3.1)*	9,652	1,703			(3,145)	8,210	14,983
Insurance & intermediaries payables *(D3.2)*	40,500	(9,001)				31,499	55,651
Reinsurance payables *(D3.2)*	214,670	(110,594)				104,076	117,569
Payables (trade, not insurance) *(D3.2)*	-	-				-	-
Any other liabilities, not elsewhere shown *(D3.3)*	204,193	(7,170)		(41,107)		155,916	138,310
Total liabilities	**2,436,874**	**(447,693)**	**355,785**	**(600,014)**	**(3,145)**	**1,741,807**	**1,454,825**
Excess of assets over liabilities	**1,006,564**	**-**	**(350,264)**	**333,712**	**(135,607)**	**854,405**	**756,094**

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

BALANCE SHEET RECONCILIATION FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass Adj	SII Valuation Adj Tech. Provisions	SII Valuation Adj DAC & UPR	SII Valuation Adj Other	Solvency II	Solvency II as at 31/12/19
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS							
Investments *(D1.1)*	1,694,957	7,768			(158,452)	1,544,273	1,347,928
Goodwill *(D1.2)*	1,545				(1,545)	-	-
Intangible Assets *(D1.3)*						-	-
Deferred Tax Assets *(D3.1)*	-				8,422	8,422	
Deferred acquisition costs *(D1.4)*	87,956			(87,956)		-	-
Property, plant & equipment held for own use *(D1.5)*	4,641	-				4,641	2,766
Reinsurance recoverables from Non-Life *(D2)*	358,933	(42,479)	50,292	(84,802)		281,944	151,148
Insurance and intermediaries receivables *(D1.6)*	149,065	(118,519)				30,546	51,321
Reinsurance receivables *(D1.6)*	135,343	(79,260)				56,083	30,387
Receivables (trade, not insurance) *(D1.6)*	98,988					98,988	81,364
Cash and cash equivalents *(D1.7)*	130,245	-				130,245	110,643
Any other assets, not elsewhere shown *(D1.8)*	7,768	(7,768)				-	-
Total assets	**2,669,441**	**(240,258)**	**50,292**	**(172,758)**	**(151,575)**	**2,155,142**	**1,775,557**
LIABILITIES							
Technical provisions - Non-Life *(D2)*	1,363,902	(197,779)	360,483	(409,043)		1,117,563	871,626
Deferred tax liabilities *(D3.1)*	4,401				(4,401)	-	2,390
Insurance & intermediaries payables *(D3.2)*	9,259	-				9,259	10,882
Reinsurance payables *(D3.2)*	84,250	(42,479)				41,771	20,236
Payables (trade, not insurance) *(D3.2)*	-					-	-
Any other liabilities, not elsewhere shown *(D3.3)*	164,993			(18,724)		146,269	121,977
Total liabilities	**1,626,805**	**(240,258)**	**360,483**	**(427,767)**	**(4,401)**	**1,314,862**	**1,027,111**
Excess of assets over liabilities	**1,042,636**	**-**	**(310,191)**	**255,009**	**(147,174)**	**840,280**	**748,446**

For the purposes of this SFCR, the adjustments from UK GAAP to SII, have been grouped as follows:

- SII Reclass Adjustments – reclassification of financial amounts between balance sheet lines (net impact of nil on the SII balance sheet)
- SII Valuation Adj Tech. Provisions – net impact of moving from UK GAAP to SII reserves, excluding reclassification items and removal of DAC and UPR
- SII Valuation DAC & UPR – removal of DAC and UPR
- SII Valuation Adj. Other – Other

The following sections provide further detail on the above and the valuation basis for each line of the balance sheet.

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.

D1 – Assets

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

D1 (1) – Investments

At 31 December 2020, the Group investments were as follows:

RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass $'000	SII Valuation Adjustment $'000	Solvency II $'000
Government bonds	414,350	3,346	-	417,696
Corporate bonds	637,827	5,155	-	642,982
Collateralised securities	324,080	763	-	324,843
Collective investments undertakings	141,198	-	-	141,198
Deposits other than cash equivalents	48,522	-	-	48,522
Holdings in related undertakings, including participations	-	15,144	-	15,144
Property (other than for own use)	239	-	-	239
Investments	**1,566,216**	**24,408**	**-**	**1,590,624**

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

RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2019	UK GAAP $'000	SII Reclass $'000	SII Valuation Adjustment $'000	Solvency II $'000
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 2020, the Company investments were as follows:

RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass $'000	SII Valuation Adjustment $'000	Solvency II $'000
Government bonds	353,680	2,846	-	356,526
Corporate bonds	510,511	4,254	-	514,765
Collateralised securities	287,275	668	-	287,943
Collective investments undertakings	140,830	-	-	140,830
Deposits other than cash equivalents	42,420	-	-	42,420
Holdings in related undertakings, including participations	360,002	-	(158,452)	201,550
Property (other than for own use)	239	-	-	239
Investments	**1,694,957**	**7,768**	**(158,452)**	**1,544,273**

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

RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2019	UK GAAP $'000	SII Reclass $'000	SII Valuation Adjustment $'000	Solvency II $'000
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**

Key movements in the year for the Group and Company are driven primarily by operational cash flows and unrealised gains (see Section A3) in the period. The principal movement for holdings and related undertakings for the Group was the introduction of GCube in 2020 and for the Company were the introduction of GCube and a $20m capital injection into TME.

Solvency II Reconciliation

The Group's $9.3m Solvency II reclassification, excluding 'holdings in related undertakings, including participations', are 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 'holdings in related undertakings, including participations' reclassification of $15.1m is in relation to the treatment of Qdos and GCube. Qdos and GCube do not meet the SII definition of 'ancillary services companies', and the investment are 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 and GCube are fully consolidated within the group balance sheet.

The Company's $7.8m Solvency II reclassifications are for the same reasons stated within the Group's $9.3m Solvency II reclassification (see above). The $158.5m Solvency II valuation adjustment arises from the result of the valuation of Qdos and GCube on the 'adjusted equity method', with reference to Solvency II valuation rules, valuing intangible assets and goodwill at nil, as well as the variance between the investment in TME under UK GAAP and SII valuation rules.

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 2020, 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 using observable prices for recent arm's length transactions for an identical asset that are available either directly as prices or indirectly from 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 most 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 2020.

- 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 and GCube.

These Group investments do not meet the definition of 'ancillary services undertakings', per article 335 of the delegated acts. As a result, they remain 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 and GCube, 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 occupied long leasehold industrial units, was reviewed at 31 December 2020 on an open market basis, using reasonable judgements and contemporary evidence available. The valuation of the property in these statements remains materially correct and no impairment is required.

D1 (2) – Goodwill

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Goodwill	79,000	(79,000)	-

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Goodwill	1,545	(1,545)	-

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. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement immediately. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

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 a marketplace. In the absence of this evidence, Goodwill is valued at nil for Solvency II purposes.

D1 (3) – Intangible Assets

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass $'000	Solvency II $'000
Intangible Assets	59,752	(59,752)	-

Solvency II Reconciliation & Valuation

Under UK GAAP, 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.

In 2020 the Group has recognised intangibles on the acquisition of GCube amounting to $25.2m. Intangibles also arose from the acquisition in 2018 of Qdos Holdings Limited and its subsidiary Qdos Broker and Underwriting Services Limited amounting $36.2m. In addition, intangibles of $1.6m arose on the acquisition in 2006 of Manchester Dickson Holdings Limited and its subsidiaries. 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 a marketplace. In the absence of this evidence, the Group's intangible assets are valued at nil for Solvency II purposes. All figures reported above have been detailed at their acquisition cost.

No intangible assets are held on the Company balance sheet.

D1 (4) – Deferred Acquisition Costs

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Valuation Adj DAC & UPR $'000	Solvency II $'000
Deferred acquisition costs	102,264	(102,264)	-

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Valuation Adj DAC & UPR $'000	Solvency II $'000
Deferred acquisition costs	87,956	(87,956)	-

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) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass $'000	Solvency II $'000
Property, plant & equipment held for own use	6,677	(22)	6,655

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass $'000	Solvency II $'000
Property, plant & equipment held for own use	4,641	-	4,641

Solvency II Reconciliation & Valuation

Under UK GAAP, 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 2020 is a materially fair approximation for fair market value.

The group SII reclass includes the reclass of investments in QDOS and GCube, as detailed in Section D1 (1).

D1 (6) – Receivables

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Insurance and intermediaries receivables	285,783	(224,090)	61,693
Reinsurance receivables	217,756	(118,981)	98,775
Receivables (trade not insurance)	38,933	1,506	40,439
Total receivables	**542,472**	**(341,565)**	**200,907**

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Insurance and intermediaries receivables	149,065	(118,519)	30,546
Reinsurance receivables	135,343	(79,260)	56,083
Receivables (trade not insurance)	98,988	-	98,988
Total receivables	**383,396**	**(197,779)**	**185,617**

Solvency II Reconciliation & Valuation

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 premium provisions element of the technical provisions. The remaining balances are due or past due as at the reporting date.

The group SII reclass includes the reclass of investments in QDOS and GCube, as detailed in section D1 (1).

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) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Cash and cash equivalents	287,464	(10,539)	276,925

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Cash and cash equivalents	130,245	-	130,245

Solvency II Reconciliation & Valuation

Under UK GAAP, 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.

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.

D1 (8) – Other Assets

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	**$'000**	**$'000**	**$'000**
Any other assets, not elsewhere shown	9,658	(9,381)	277

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	**$'000**	**$'000**	**$'000**
Any other assets, not elsewhere shown	7,768	(7,768)	-

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 $9.4m and $7.8m, 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 investments in QDOS and GCube, 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 2020, the total value of net technical provisions for the Group was $921.3m, which included $96.7m in respect of the risk margin. For the Company, the total value of net technical provisions for the Group was $835.6m, which included $87.2m in respect of the risk margin.

TMHCCIH(I) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	SII Valuation Adj. Tech Provisions	SII Valuation Adj. DAC & UPR	Solvency II
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Technical provisions - Non-Life	1,967,859	(322,631)	355,785	(558,907)	1,442,106
Reinsurance Recoverables from Non-Life	(789,935)	110,594	(5,521)	164,038	(520,824)
Net Technical Provisions	**1,177,924**	**(212,037)**	**350,264**	**(394,869)**	**921,282**

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	SII Valuation Adj. Tech Provisions	SII Valuation Adj. DAC & UPR	Solvency II
31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Technical provisions - Non-Life	1,363,902	(197,779)	360,483	(409,043)	1,117,563
Reinsurance Recoverables from Non-Life	(358,933)	42,479	(50,292)	84,802	(281,944)
Net Technical Provisions	**1,004,969**	**(155,300)**	**310,191**	**(324,241)**	**835,619**

Solvency II Reconciliation & Valuation

Under UK GAAP, 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 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.

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.

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	Net Best Estimate	Risk Margin	Net Technical Provision
31 December 2020	$'000	$'000	$'000
Medical expense insurance	(472)	30	(442)
Income protection insurance	12,125	988	13,113
Workers' compensation insurance	31,045	2,503	33,548
Marine, aviation and transport insurance	52,561	3,929	56,490
Fire and other damage to property insurance	2,250	3,510	5,760
General liability insurance	451,490	59,843	511,333
Credit and suretyship insurance	144,336	7,377	151,713
Assistance	148	14	162
Miscellaneous financial loss	11,431	830	12,261
Non-proportional health reinsurance	11,302	630	11,932
Non-proportional casualty reinsurance	62,893	9,717	72,610
Non-proportional marine, aviation and transport reinsurance	33,736	2,370	36,106
Non-proportional property reinsurance	11,701	4,995	16,696
Total	**824,546**	**96,736**	**921,282**

HCCII Net Technical Provisions	Net Best Estimate	Risk Margin	Net Technical Provision
31 December 2020	$'000	$'000	$'000
Medical expense insurance	(90)	25	(65)
Income protection insurance	2,564	172	2,736
Workers' compensation insurance	27,791	2,083	29,874
Marine, aviation and transport insurance	35,827	2,254	38,081
Fire and other damage to property insurance	(321)	2,448	2,127
General liability insurance	486,015	63,399	549,414
Credit and suretyship insurance	83,192	4,279	87,471
Assistance	149	13	162
Miscellaneous financial loss	5,197	256	5,453
Non-proportional health reinsurance	11,433	588	12,021
Non-proportional casualty reinsurance	53,124	6,151	59,275
Non-proportional marine, aviation and transport reinsurance	29,883	1,848	31,731
Non-proportional property reinsurance	13,704	3,635	17,339
Total	**748,468**	**87,151**	**835,619**

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 2020 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.

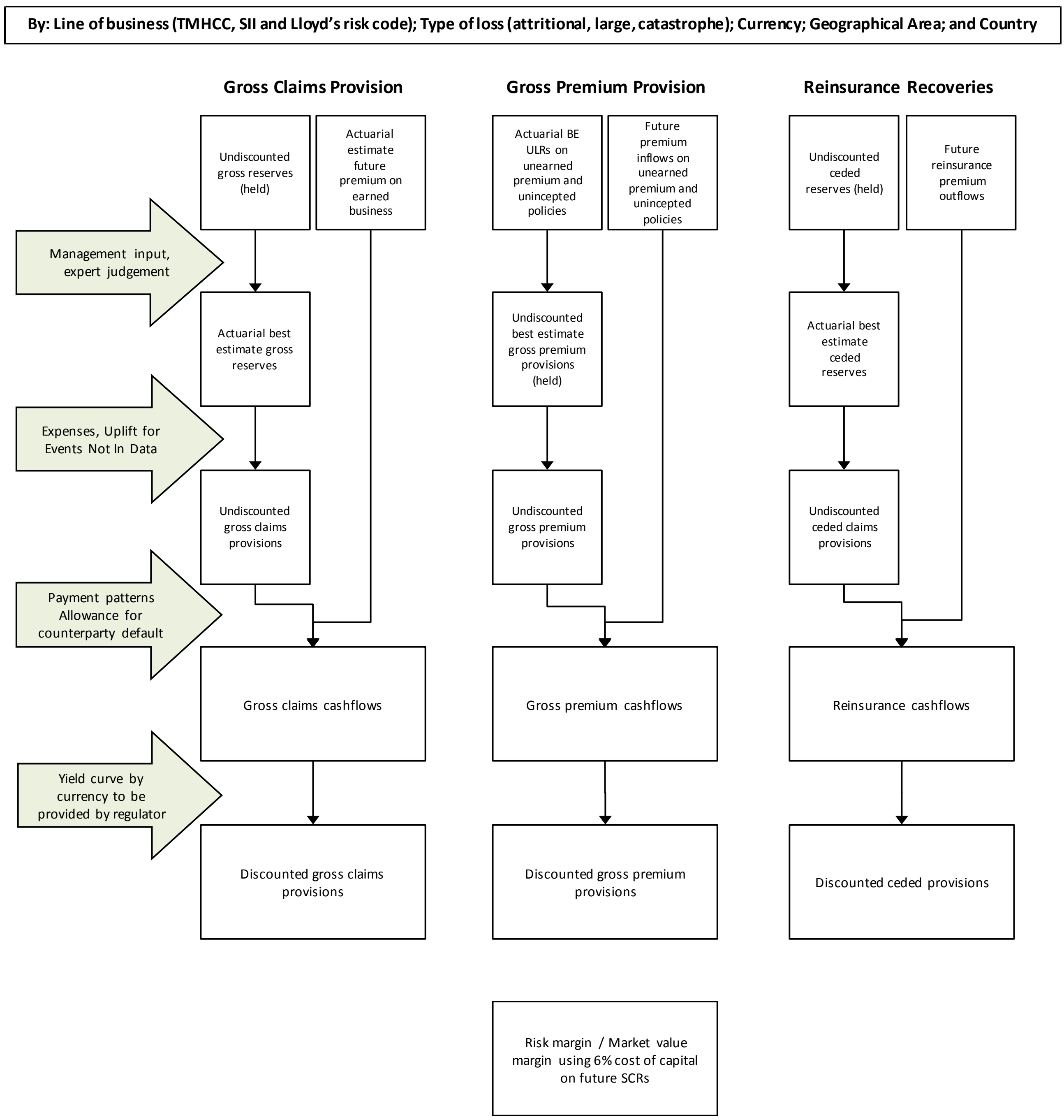
Sufficiency in this context means that the Group and the Company are satisfied that the process for estimating technical provisions is thorough and proportionate, and the resulting amounts are within a reasonable range that might be calculated by a number of different qualified people using various reasonable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

The methodologies used are consistent across all material lines of business and the key items are summarised below.

Technical Provisions Calculation Overview

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, catastrophe); Currency; Geographical Area; and Country
Gross Claims Provision
Gross Premium Provision
Reinsurance Recoveries
Undiscounted gross reserves (held)
Actuarial estimate future premium on earned business
Actuarial BE ULRs on unearned premium and unincepted policies
Future premium inflows on unearned premium and unincepted policies
Undiscounted ceded reserves (held)
Future reinsurance premium outflows
Management input, expert judgement
Actuarial best estimate gross reserves
Undiscounted best estimate gross premium provisions (held)
Actuarial best estimate ceded reserves
Expenses, Uplift for Events Not In Data
Undiscounted gross claims provisions
Undiscounted gross premium provisions
Undiscounted ceded claims provisions
Payment patterns Allowance for counterparty default
Gross claims cashflows
Gross premium cashflows
Reinsurance cashflows
Yield curve by currency to be provided by regulator
Discounted gross claims provisions
Discounted gross premium provisions
Discounted ceded 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 2020, 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 2020, will have reinsurance treaties, incepting during 2021, 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 adds 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 European Insurance and Occupational Pensions Authority ('EIOPA') and Prudential Regulation Authority ('PRA'). 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 2020 and last year end results for the Group and the Company are set out below:

The Company's NET Technical Provisions: Comparison to Prior Valuations (USD'000)			
	Group	**Group**	**Group**
	31 December 2020 (2020 YE FX Rates)	**31 December 2019 (2020 YE FX Rates)**	**31 December 2019 (2019 YE FX Rates)**
Claims Provisions	785,572	631,938	606,499
Premium Provisions	65,974	71,394	68,399
Total excluding Risk Margin	824,546	703,332	674,898
Risk Margin	96,736	70,678	67,821
Total including Risk Margin	**921,282**	**774,010**	**742,719**

The Company's NET Technical Provisions: Comparison to Prior Valuations (USD'000)			
	Company	**Company**	**Company**
	31 December 2020 (2020 YE FX Rates)	**31 December 2019 (2020 YE FX Rates)**	**31 December 2019 (2019 YE FX Rates)**
Claims Provisions	655,086	580,160	555,044
Premium Provisions	93,382	109,392	103,197
Total excluding Risk Margin	748,468	689,552	658,241
Risk Margin	87,151	65,197	62,237
Total including Risk Margin	**835,619**	**754,749**	**720,478**

On a Group basis, between 31 December 2019 and 31 December 2020, the technical provisions (excluding risk margin) increased by about $147.3m, after allowing for FX rate movements. This is driven by an increase in claims provisions arising from movements in reserves on Financial Lines, Surety and Property Treaty accounts, and the development of the Local Marine and Local TMSL lines of business across the TME platform. The risk margin has increased in percentage terms, reflecting the higher volume of earned reserves, primarily on the Financial Lines account and the higher level of overall of technical provisions since 31 December 2019, resulting in a $26.1m increase in absolute terms.

On a Company basis, between 31 December 2019 and 31 December 2020, the technical provisions (excluding risk margin) increased by $80.9m, after allowing for FX rate movements. This is driven by an increase in claims provisions arising from movements in reserves on Financial Lines and Property Treaty accounts (growth in business and claims experience). This has been partially offset by a reduction in premium provisions, which has arisen from an increase to future premium cashflows (as represented by current balances which relate to premium which is due but not paid). 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 increased in percentage terms, reflecting the higher volume of earned reserves, primarily on the Financial Lines account and the higher level of overall of technical provisions since 31 December 2019, resulting in a $22.0m in absolute terms.

Segmentation

Calculation of technical provisions for application of the SF and for statutory reporting requires remapping 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 (e.g., 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 (both gross and ceded).

Third country insurance and reinsurance undertakings

The Group'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 2nd or 3rd quarter depending on the LOB. 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 (London Market lines 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.

Quantitative analysis around the technical provisions for the Group and the Company is undertaken annually. The conclusions of the 2019 analysis 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.

The 2020 analysis is to be undertaken in the second half of 2021. It is expected that the 2020 analysis will be broadly consistent with 2019's.

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.

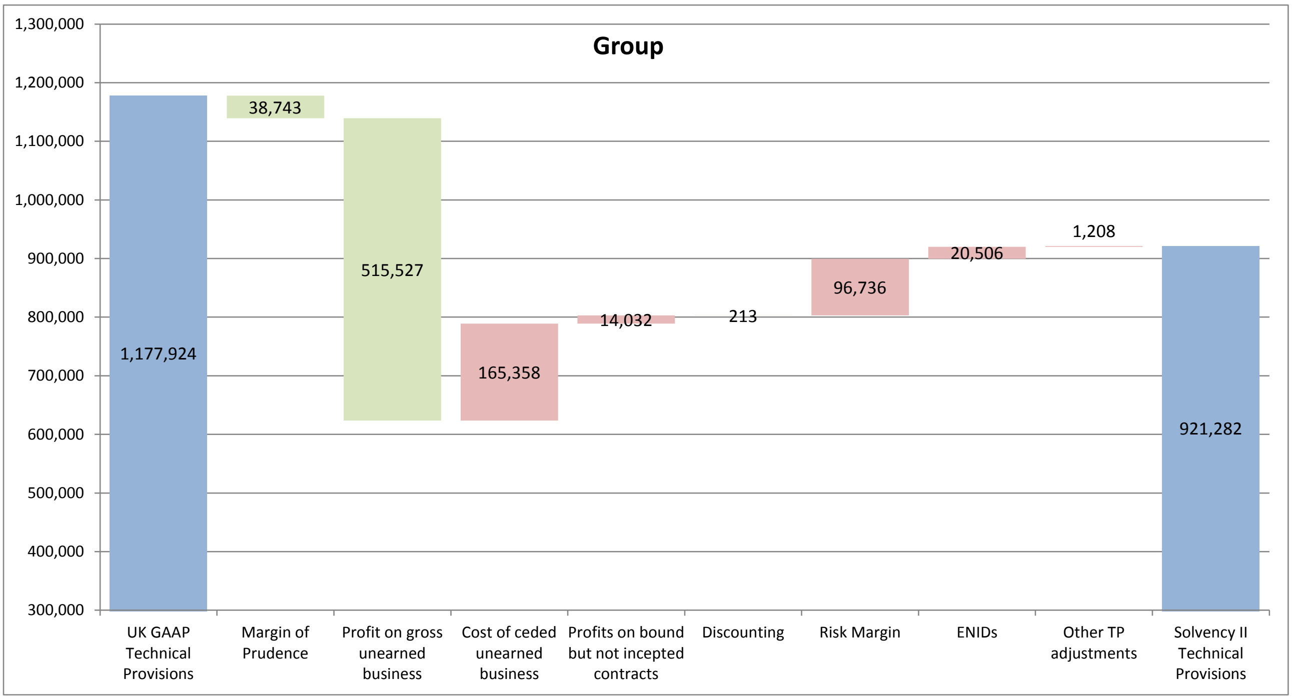
The secondary risk associated with this reinsurance - reinsurer credit risk - is also included in the technical provisions.

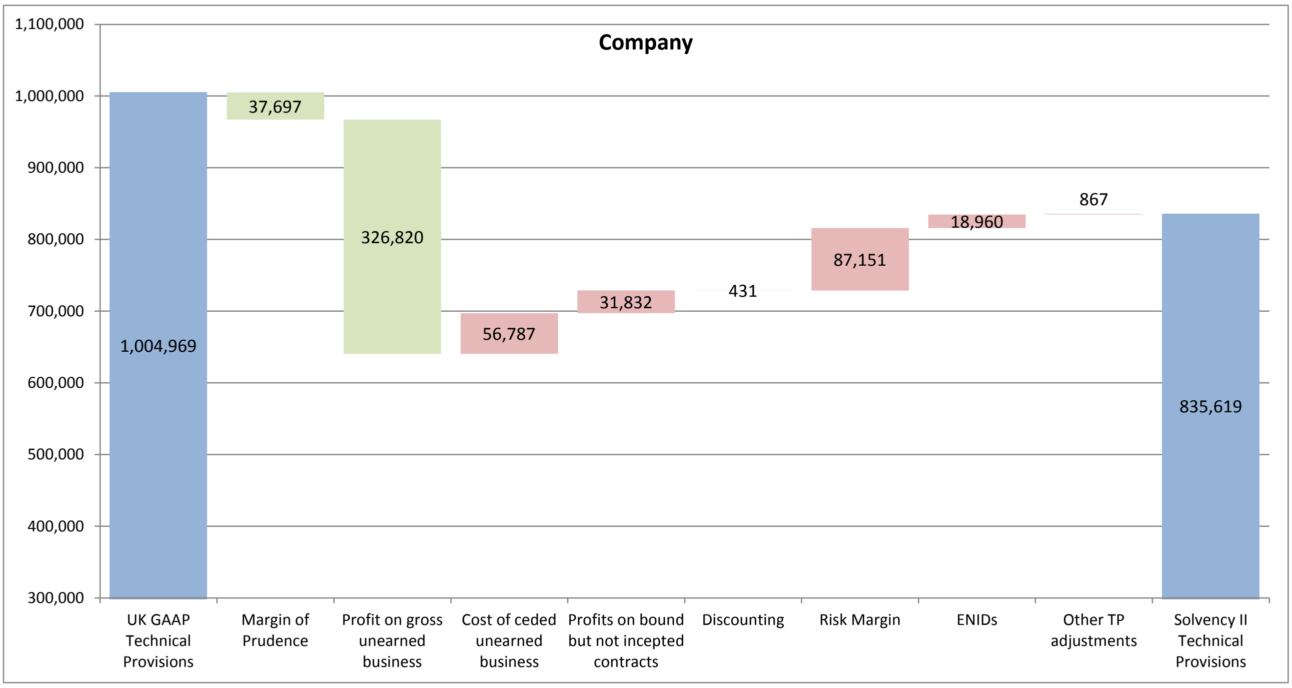
Differences to UK GAAP Technical Provisions

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)
- Emergence of profit on future premium, including removal of 100% UPR (usually decrease)
- Adjustments to earned provisions, including future development in earned premium where appropriate (usually decrease)
- Bound but not incepted policies (usually decrease)
- Discounting (decrease)
- Risk margin (increase)
- Loading for events not in data (increase)
- Change of expense basis (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 2020	Group as at 31 Dec 2019	Company as at 31 Dec 2020	Company as at 31 Dec 2019
UK GAAP Technical Provisions	**1,177,920**	**949,401**	**1,004,969**	**845,367**
Removal of margin of prudence	(38,743)	(31,846)	(37,697)	(30,670)
Allowance for events not in data (binary events)	20,506	19,847	18,960	18,772
Change of expense basis	51,926	41,133	37,210	30,832
Adjustments to earned provisions	1,208	740	867	475
Removal of unearned UK GAAP provisions	(394,868)	(309,188)	(324,241)	(259,554)
Future premium iro unearned incepted business	(209,782)	(149,202)	(153,552)	(87,345)
Projected losses arising from UPR	202,559	154,517	170,552	130,983
Future premium iro unincepted business	(50,660)	(27,798)	(31,225)	(33,179)
Projected losses arising from unincepted contracts	64,692	47,295	63,057	59,798
Discounting credit	(213)	(20,001)	(431)	(17,238)
Inclusion of risk margin	96,736	67,821	87,151	62,237
SII Technical Provisions	**921,282**	**742,719**	**835,619**	**720,478**

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) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass Adj $'000	SII Valuation Adj Other $'000	Solvency II $'000
Deferred Tax Liabilities	9,652	1,703	(3,145)	8,210

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II 31 December 2020	UK GAAP $'000	SII Reclass Adj $'000	SII Valuation Adj Other $'000	Solvency II $'000
Deferred Tax Assets	-	-	8,422	8,422
Deferred Tax Liabilities	4,401	-	(4,401)	-

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 investments in QDOS and GCube 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 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) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Insurance and intermediaries payables	40,500	(9,001)	31,499
Reinsurance Payables	214,670	(110,594)	104,076
Payables (trade, not insurance)	-	-	-
Total payables	**255,170**	**(119,595)**	**135,575**

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass	Solvency II
31 December 2020	$'000	$'000	$'000
Insurance and intermediaries payables	9,259	-	9,259
Reinsurance Payables	84,250	(42,479)	41,771
Payables (trade, not insurance)	-	-	-
Total payables	**93,509**	**(42,479)**	**51,030**

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 investments in QDOS and GCube, 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) RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass Adj	SII Valuation Adj DAC & UPR	Solvency II
31 December 2020	$'000	$'000	$'000	$'000
Any other liabilities, not elsewhere shown	204,193	(7,170)	(41,107)	155,916

HCCII RECONCILLIATIONS FROM UK GAAP TO SOLVENCY II	UK GAAP	SII Reclass Adj	SII Valuation Adj DAC & UPR	Solvency II
31 December 2020	$'000	$'000	$'000	$'000
Any other liabilities, not elsewhere shown	164,993	-	(18,724)	146,269

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 investments in QDOS and GCube, 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

Both the Group and the Company are single shareholder entities. They have no debt financing nor do they have any material plans to issue new shares in the short or medium term. The 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, and a reconciliation reserve. There are no transitional provisions or ancillary own funds for the Group or the Company.

E1 – Own Funds

Group Own Funds

At 31 December 2020, the own funds held by the Group were $854.4m (2019: $756.1m). All own funds qualify as Tier 1 capital and are unrestricted. The Group's common equity consisted of share capital totalling $206.7m (2019: $206.7m) and retained earnings and other reserves totalling $647.7m (2019: $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 and GCube, 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.

RECONCILIATION RESERVE 31 December 2020	2020 $'000	2019 $'000
Excess of assets over liabilities	854,405	756,094
less:		
Own Share Capital	206,735	206,735
Share premium		
Reconciliation reserve	**647,670**	**549,359**

Group Eligible Own Funds

AVAILABLE FUNDS 31 December 2020	Total $'000	Tier 1 unrestricted $'000	Tier 1 restricted $'000	Tier 2 $'000	Tier 3 $'000
Total eligible funds to meet the SCR	854,405	854,405	-	-	-
Total eligible funds to meet the MCR	854,405	854,405	-	-	-

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 31 December 2020	2020 USD'000	2019 $'000

Solvency II Net Assets	854,405	756,094

Standard Formula Solvency Capital Requirement ('SF SCR')	553,135	457,494
Minimum consolidated group SCR/ Minimum Capital Requirement ('MCR')	191,028	164,016

Excess Net Assets over SF SCR	301,270	298,600
Excess Net Assets over Minimum consolidated group SCR	663,377	592,078

Solvency Ratio (i.e. SII Net Assets / SF SCR)	154%	165%
SII Net Assets as a Percentage of minimum consolidated group SCR	447%	461%

The growth in the SCR in 2020 predominately reflects the increase in business volumes in the year, as well as the parameterisation changes, effective 1 January 2020, on the Premium & Reserve Risk module within the Standard Formula (as laid out in Commission Delegated Regulation (EU) 2019/981). 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 154% (2019: 165%).

Solo Own Funds

At 31 December 2020, the own funds held by the Company were $840.3m (2019: $748.4m). All own funds qualify as Tier 1 capital and are unrestricted. The Company's common equity consisted of share capital totalling $233.2m (2019: $233.2m), share premium of $19.1m (2019: $19.1m), and retained earnings and other reserves totalling $587.9m (2019: $496.1m).

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 **31 December 2020**	**2020** **$'000**	**2019** **$'000**
Excess of assets over liabilities	840,280	748,446
less:		
Own Share Capital	233,242	233,242
Share premium	19,115	19,115
Reconciliation reserve	**587,923**	**496,089**

Note, within the 2020 SII balance sheet, a deferred tax asset of $8.4m was recorded, which is classified as a Tier 3 capital item. Whilst this is eligible to support the SCR, it is not eligible to meet the MCR (see the section below).

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 December 2020**	**Total** **$'000**	**Tier 1 unrestricted** **$'000**	**Tier 1 restricted** **$'000**	**Tier 2** **$'000**	**Tier 3** **$'000**
Total eligible funds to meet the SCR	840,280	831,858	-	-	8,422
Total eligible funds to meet the MCR	831,858	831,858	-	-	-

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 **31 December 2020**	**2020** **$'000**	**2019** **$'000**
Solvency II Net Assets	840,280	748,446

Standard Formula Solvency Capital Requirement ('SF SCR')	475,525	380,165
Minimum consolidated group SCR/ Minimum Capital Requirement ('MCR')	158,739	138,466
Excess Net Assets over SF SCR	364,755	368,281
Excess Net Assets over Minimum consolidated group SCR	681,541	609,980
Solvency Ratio (i.e. SII Net Assets / SF SCR)	177%	197%
SII Net Assets as a Percentage of minimum consolidated group SCR	529%	541%

The growth in the SCR in 2020 predominately reflects the increase in business volumes, as well as the parameterisation changes, effective 1 January 2020, on the Premium & Reserve Risk module within the Standard Formula (as laid out in Commission Delegated Regulation (EU) 2019/981). 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). This has led to a decrease in Solvency Ratio to 177% (2019: 197%).

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 $'000	TMHCCIH(I) 31 December 2020	TMHCCIH(I) 31 December 2019	HCCII 31 December 2020	HCCII 31 December 2019
Arising from SII asset valuations	847,226	587,864	514,299	396,440
Arising from SII technical provisions	(525,753)	(402,264)	(246,339)	(214,091)
Arising from SII other liabilities	(169,314)	(79,231)	(65,604)	(41,489)
Total of reserves and retained earnings from financial statements	1,542,293	655,728	843,087	636,950
Reserves from financial statements adjusted for Solvency II valuation differences	647,670	549,359	587,923	496,089
Called up share capital and share premium	206,735	206,735	252,357	252,357
Excess assets over liabilities	**854,405**	**756,094**	**840,280**	**748,446**
Less: Foreseeable dividends	-	-	-	-
Add: Subordinated liabilities	-	-	-	-
Excess assets over liabilities	**854,405**	**756,094**	**840,280**	**748,446**
Add: Letters of credit	-	-	-	-
Total own funds	**854,405**	**756,094**	**840,280**	**748,446**

E2 – Solvency Capital Requirements and Minimum Capital Requirements

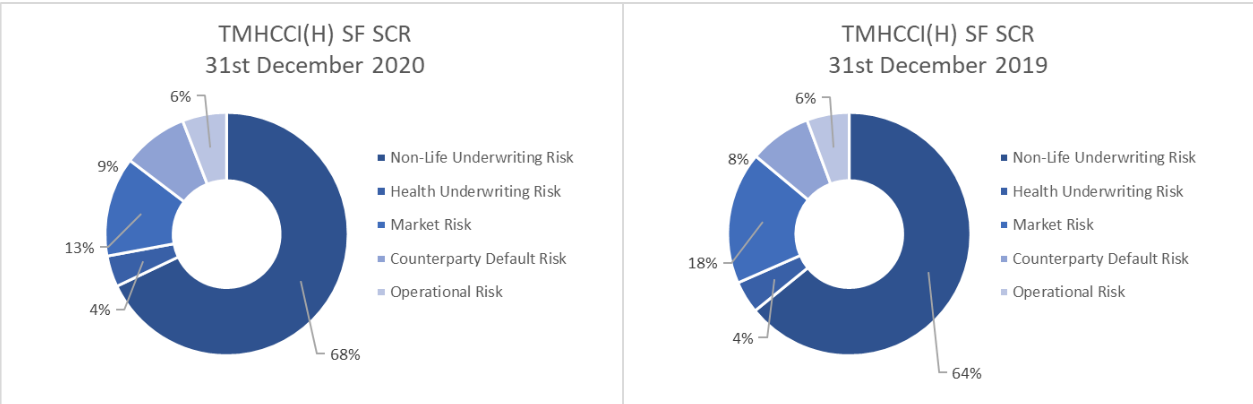
Group Solvency Requirement

At 31 December 2020, the SCR of the Group was $553.1m (2019: $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 Net SCR	2020 $'000	2019 $'000
Non-Life Underwriting Risk	479,587	387,870
Health Underwriting Risk	29,329	26,049
Market Risk	93,515	106,591
Counterparty Default Risk	61,809	50,083
Diversification Credit	(115,911)	(112,555)
Operational Risk	41,578	34,227
Pre Deferred Tax SF SCR	589,907	492,265
Loss Absorbing Capacity of Deferred Tax	(36,772)	(34,771)
Final SF SCR	**553,135**	**457,494**



The breakdown of the SCR into its underlying risk categories remains broadly similar from 31 December 2019 to 31 December 2020. The increase in underwriting risk is reflective of increased business volumes that are projected for the coming year, as well as the parameterisation changes, effective 1 January 2020, on the Premium & Reserve Risk module within the Standard Formula (as laid out in Commission Delegated Regulation (EU) 2019/981). The decrease in market risk is driven by lower interest rate risks and the counterparty default risk increase is reflective of increased reinsurance recoverable balances, partly in relation to COVID-19 reserves.

The diversification ratio between risk modules of the Basic SCR at 31 December 2020 is 17% (2019: 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. The level of diversification benefit is checked against the Group's validated economic capital model to confirm its appropriateness.

Within the 2019 SCR calculations, Geographical Diversification on the Non-Proportional Property CAT risk was included, in line with noted market practice at the time. Subsequently, following movement in the market, and Q&A responses by EIOPA, the Group has decided to remove the geographical diversification benefit from its SCR calculations. After taking account of RI, there was no impact to the Solvency Ratio of the Group.

Overall Minimum Consolidated SCR	2020 USD'000	2019 USD'000
Linear MCR	191,028	164,016
SCR	553,135	457,494
MCR cap	248,911	205,872
MCR floor	138,284	114,373
Combined MCR	191,028	164,016
Absolute floor of the MCR	4,545	4,144
Minimum Capital Requirement	**191,028**	**164,016**

The increase in the Group MCR to $191.0m (2019: $164.0m) 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 2020**	**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	-	1,722
Income protection insurance and proportional reinsurance	12,125	23,241
Workers' compensation insurance and proportional reinsurance	31,045	8,427
Motor vehicle liability insurance and proportional reinsurance	-	-
Other motor insurance and proportional reinsurance	-	-
Marine, aviation and transport insurance and proportional reinsurance	52,561	75,789
Fire and other damage to property insurance and proportional reinsurance	2,250	51,749
General liability insurance and proportional reinsurance	451,490	195,056
Credit and suretyship insurance and proportional reinsurance	144,336	169,997
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	148	796
Miscellaneous financial loss insurance and proportional reinsurance	11,431	1,275
Non-proportional health reinsurance	11,302	6,384
Non-proportional casualty reinsurance	62,893	13,503
Non-proportional marine, aviation and transport reinsurance	33,736	40,587
Non-proportional property reinsurance	11,701	77,080

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.

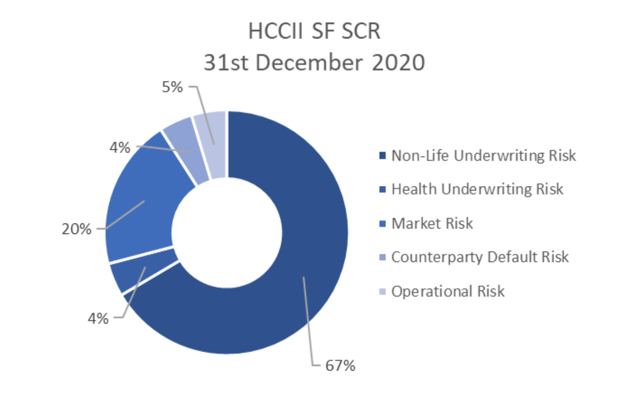
Solo Solvency Requirement

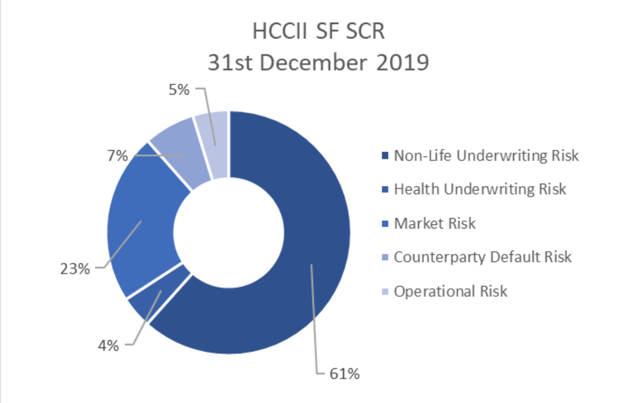
At 31 December 2020, the SCR of the Company is $475.5m (2019: $380.2m). The SCR is calculated using the SF. The Company does not apply any simplifications or undertaking specific parameters in the calculation.

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 SCR 2020**	**Net SCR 2019**
Non-Life Underwriting Risk	415,592	316,393
Health Underwriting Risk	27,584	21,714
Market Risk	125,051	116,393
Counterparty Default Risk	27,601	34,760
Diversification Credit	(115,033)	(104,024)
Operational Risk	29,091	24,282
Pre Deferred Tax SF SCR	509,886	409,518
Loss Absorbing Capacity of Deferred Tax	(34,361)	(29,353)
Final SF SCR	**475,525**	**380,165**





The breakdown of the SCR into its underlying risk categories remains broadly similar from 31 December 2019 to 31 December 2020. The increase in underwriting risk is reflective of increased business volumes that are projected for the coming year, as well as the parameterisation changes, effective 1 January 2020, on the Premium & Reserve Risk module within the Standard Formula (as laid out in Commission Delegated Regulation (EU) 2019/981).

The diversification ratio between risk modules of the Basic SCR at 31 December 2020 is 19% (2019: 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.

Within the 2019 SCR calculations, Geographical Diversification on the Non-Proportional Property CAT risk was included, in line with noted market practice at the time. Subsequently, following movement in the market, and Q&A responses by EIOPA, the Company has decided to remove the geographical diversification benefit from its SCR calculations. After taking account of RI, the impact was a reduction in the Solvency Ratio of the Company of 7%.

The Overall MCR for the Company of $158.7m (2019: $138.5m) is calculated on the net premiums due to the Company during the twelve months ending 31 December 2020 and the net technical provisions, excluding risk margin, as at 31 December 2020, represented by the tables below:

Overall Minimum Consolidated SCR	2020 $'000	2019 $'000
Linear MCR	158,739	138,466
SCR	475,525	380,165
MCR cap	213,986	171,074
MCR floor	118,881	95,041
Combined MCR	158,739	138,466
Absolute floor of the MCR	4,545	4,144
Minimum Capital Requirement	**158,739**	**138,466**

Calculation of MCR (inputs) $'000 31 December 2020	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	-	1,722
Income protection insurance and proportional reinsurance	2,564	4,956
Workers' compensation insurance and proportional reinsurance	27,792	6,346
Motor vehicle liability insurance and proportional reinsurance	-	-
Other motor insurance and proportional reinsurance	-	-
Marine, aviation and transport insurance and proportional reinsurance	35,827	32,235
Fire and other damage to property insurance and proportional reinsurance	-	39,974
General liability insurance and proportional reinsurance	486,015	187,574
Credit and suretyship insurance and proportional reinsurance	83,192	128,045
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	149	796
Miscellaneous financial loss insurance and proportional reinsurance	5,198	398
Non-proportional health reinsurance	11,433	5,963
Non-proportional casualty reinsurance	53,124	13,503
Non-proportional marine, aviation and transport reinsurance	29,883	38,344
Non-proportional property reinsurance	13,704	56,650

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 year.

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 the Group and the Company in respect of the year ended 31 December 2020.

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 $'000

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	8,422
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	4,641
linked contracts)	**R0070**	**1,544,273**
Property (other than for own use)	R0080	239
Holdings in related undertakings, including participations	R0090	201,550
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*1,159,234*
Government Bonds	R0140	356,526
Corporate Bonds	R0150	514,766
Structured notes	R0160	
Collateralised securities	R0170	287,943
Collective Investments Undertakings	R0180	140,830
Derivatives	R0190	
Deposits other than cash equivalents	R0200	42,420
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**	**281,944**
Non-life and health similar to non-life	R0280	281,944
Non-life excluding health	R0290	256,346
Health similar to non-life	R0300	25,599
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	30,546
Reinsurance receivables	R0370	56,083
Receivables (trade, not insurance)	R0380	98,988
Own shares (held directly)	R0390	
not yet paid in	R0400	
Cash and cash equivalents	R0410	130,245
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**2,155,142**

S.02.01.02
Balance Sheet
Amounts in $'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**1,117,563**
Technical provisions - non-life (excluding health)	**R0520**	**1,047,398**
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	963,115
Risk margin	R0550	84,283
Technical provisions - health (similar to non-life)	**R0560**	**70,164**
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	67,297
Risk margin	R0590	2,867
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	9,259
Reinsurance payables	R0830	41,771
Payables (trade, not insurance)	R0840	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities not in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	146,269
Total liabilities	**R0900**	**1,314,862**

Excess of assets over liabilities	**R1000**	**840,280**

S.05.01.02

Premiums Claims and Expenses by Line of Business

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

Amounts in $'000

		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	874	5,250	12,005	0	0	57,117	65,899	247,797	145,435	0	634	5,874
Gross - Proportional reinsurance accepted	R0120	0	1,400	0	0	0	1,702	15,342	81,308	0	0	14	11
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	67	2,616	838	0	0	26,075	29,149	53,290	16,909	0	11	5,917
Net	**R0200**	**808**	**4,033**	**11,167**			**32,743**	**52,092**	**275,815**	**128,526**		**637**	**-32**
Premiums earned													
Gross - Direct Business	R0210	1,435	5,279	11,691	0	0	38,533	41,823	219,106	152,351	0	654	4,155
Gross - Proportional reinsurance accepted	R0220	0	1,246	0	0	0	1,277	9,051	81,308	0	0	81	7
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	-7	2,510	835	0	0	14,579	21,509	41,949	19,993	0	19	4,039
Net	**R0300**	**1,442**	**4,015**	**10,857**			**25,231**	**29,365**	**258,466**	**132,358**		**717**	**123**
Claims incurred													
Gross - Direct Business	R0310	3,289	2,060	4,662	0	0	16,008	16,177	105,618	19,696	0	53	94,291
Gross - Proportional reinsurance accepted	R0320	-1	105	0	0	0	4,818	1,919	36,553	0	0	-471	9
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	-65	-800	589	0	0	7,497	10,808	22,107	-11,374	0	-532	72,543
Net	**R0400**	**3,354**	**2,966**	**4,073**			**13,330**	**7,288**	**120,064**	**31,070**		**115**	**21,756**
Changes in other technical provisions													
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**												
Expenses incurred	**R0550**	**158**	**3,193**	**5,016**			**10,716**	**12,625**	**92,902**	**51,612**		**315**	**724**
Other expenses	R1200												
Total expenses	**R1300**												

S.05.01.02

Premiums Claims and Expenses by Line of Business

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

Amounts in $'000

		Line of Business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					**540,885**
Gross - Proportional reinsurance accepted	R0120					**99,777**
Gross - Non-proportional reinsurance accepted	R0130	9,463	24,097	64,228	83,355	**181,142**
Reinsurers' share	R0140	1,539	8,230	28,435	19,276	**192,354**
Net	**R0200**	**7,924**	**15,866**	**35,793**	**64,078**	**629,450**
Premiums earned						
Gross - Direct Business	R0210					**475,029**
Gross - Proportional reinsurance accepted	R0220					**92,970**
Gross - Non-proportional reinsurance accepted	R0230	9,944	20,809	59,026	77,507	**167,286**
Reinsurers' share	R0240	1,818	6,302	27,714	19,396	**160,656**
Net	**R0300**	**8,127**	**14,506**	**31,313**	**58,110**	**574,629**
Claims incurred						
Gross - Direct Business	R0310					**261,855**
Gross - Proportional reinsurance accepted	R0320					**42,933**
Gross - Non-proportional reinsurance accepted	R0330	3,057	21,518	73,831	17,449	**115,855**
Reinsurers' share	R0340	941	3,226	53,874	18,494	**177,308**
Net	**R0400**	**2,116**	**18,292**	**19,958**	**-1,045**	**243,335**
Changes in other technical provisions						
Gross - Direct Business	R0410					**0**
Gross - Proportional reinsurance accepted	R0420					**0**
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	**0**
Reinsurers' share	R0440	0	0	0	0	**0**
Net	**R0500**					**0**
Expenses incurred	**R0550**	**3,633**	**1,097**	**14,300**	**20,511**	**216,803**
Other expenses	R1200					
Total expenses	**R1300**					**216,803**

S.05.02.01

Premiums Claims and Expenses by Country

Amounts in $'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		CH	AU	IL	SG	MX	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	468,723	15,195	11,007	165	3,433	326	**498,849**
Gross - Proportional reinsurance accepted	R0120	23,582	7	1	5,965	30	8	**29,593**
Gross - Non-proportional reinsurance accepted	R0130	42,031	6,409	7,450	11,682	10,537	12,893	**91,002**
Reinsurers' share	R0140	138,383	7,305	7,257	4,169	3,277	3,096	**163,487**
Net	**R0200**	**395,953**	**14,306**	**11,201**	**13,643**	**10,723**	**10,131**	**455,957**
Premiums earned								
Gross - Direct Business	R0210	404,162	15,822	9,051	133	2,734	457	**432,359**
Gross - Proportional reinsurance accepted	R0220	8,764	6	1	5,055	26	7	**13,858**
Gross - Non-proportional reinsurance accepted	R0230	38,521	6,792	6,617	10,695	11,690	12,392	**86,707**
Reinsurers' share	R0240	113,051	6,126	5,324	3,769	3,333	2,883	**134,486**
Net	**R0300**	**338,397**	**16,493**	**10,345**	**12,115**	**11,117**	**9,971**	**398,438**
Caims incurred								
Gross - Direct Business	R0310	231,981	11,725	2,499	33	195	28	**246,460**
Gross - Proportional reinsurance accepted	R0320	2,197	0	6	1,736	2	3	**3,944**
Gross - Non-proportional reinsurance accepted	R0330	41,241	1,907	469	8,673	3,808	18,342	**74,440**
Reinsurers' share	R0340	150,128	9,503	405	1,191	669	4,726	**166,623**
Net	**R0400**	**125,291**	**4,129**	**2,569**	**9,251**	**3,335**	**13,647**	**158,222**
Changes in other technical provisions								
Gross - Direct Business	R0410							**0.00**
Gross - Proportional reinsurance accepted	R0420							**0.00**
Gross - Non-proportional reinsurance accepted	R0430							**0.00**
Reinsurers' share	R0440							**0.00**
Net	**R0500**							**0.00**
Expenses incurred	**R0550**	132,581	2,884	1,794	3,121	2,617	2,579	**145,575**
Other expenses	**R1200**							
Total expenses	**R1300**							**145,575**

S.17.01.02

Non-Life Technical Provisions

Amounts in $’000

		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 calculated as a whole	**R0050**												
Technical Provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	26	-763	1,555			31,318	-33,252	27,740	19,257		128	12,556
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	91	3	346	0	0	7,283	-10,134	-10,342	-8,097	0	17	14,435
Net Best Estimate of Premium Provisions	R0150	-65	-766	1,208			24,035	-23,118	38,082	27,354		111	-1,880
Claims provisions													
Gross	R0160	-1,018	6,669	47,634			51,562	27,207	568,767	68,740		-494	50,909
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-994	3,339	21,050	0	0	39,770	4,411	120,834	12,902	0	-532	43,832
Net Best Estimate of Claims Provisions	R0250	-24	3,330	26,583			11,792	22,797	447,933	55,838		38	7,077
Total Best estimate - gross	**R0260**	-992	5,906	49,188			82,880	-6,045	596,507	87,997		-366	63,465
Total Best estimate - net	**R0270**	-90	2,564	27,791			35,827	-321	486,015	83,192		149	5,197
Risk margin	**R0280**	25	172	2,083	0	0	2,254	2,448	63,399	4,279	0	13	256
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290												
Best estimate	R0300												
Risk margin	R0310												
Technical provisions - total													
Technical provisions - total	**R0320**	-968	6,077	51,271			85,133	-3,597	659,906	92,276		-353	63,721
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-903	3,342	21,397			47,053	-5,724	110,492	4,805		-515	58,268
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	-65	2,736	29,874			38,081	2,127	549,414	87,471		162	5,453

S.17.01.02
Non-Life Technical Provisions
Amounts in $'000

		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**					**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**					**0**
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	**-1,000**	**39,081**	**-6,424**	**-11,601**	**78,619**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-819	1,008	-6,812	-1,743	**-14,763**
Net Best Estimate of Premium Provisions	R0150	**-181**	**38,073**	**389**	**-9,858**	**93,382**
Claims provisions						
Gross	R0160	**14,195**	**23,045**	**60,367**	**34,209**	**951,793**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	2,582	7,994	30,873	10,647	**296,707**
Net Best Estimate of Claims Provisions	R0250	**11,614**	**15,051**	**29,495**	**23,562**	**655,086**
Total Best estimate - gross	**R0260**	**13,196**	**62,126**	**53,944**	**22,608**	**1,030,412**
Total Best estimate - net	**R0270**	**11,433**	**53,124**	**29,883**	**13,704**	**748,468**
Risk margin	**R0280**	588	6,151	1,848	3,635	**87,151**
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290					**0**
Best estimate	R0300					**0**
Risk margin	R0310					**0**
Technical provisions - total						
Technical provisions - total	**R0320**	**13,784**	**68,277**	**55,792**	**26,244**	**1,117,563**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**1,763**	**9,002**	**24,060**	**8,904**	**281,944**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**12,021**	**59,275**	**31,731**	**17,339**	**835,619**

S.19.01.21

Non-Life Insurance Claims
Amounts in $'000

S.19.01.21.01
Gross Claims Paid (non-cumulative) – Development Year (Absolute Amount)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											12,394
-9	R0160	9,487	47,381	23,766	25,561	4,285	8,483	8,941	14,033	6,321	-851	
-8	R0170	7,512	25,622	24,659	34,372	9,050	12,454	-2,152	-69	7,071		
-7	R0180	11,712	34,433	21,930	13,324	16,157	22,246	19,953	1,929			
-6	R0190	10,475	32,371	41,776	33,600	8,529	55,533	15,211				
-5	R0200	11,571	41,966	53,480	22,429	60,418	23,694					
-4	R0210	25,977	82,170	46,817	42,111	4,502						
-3	R0220	10,456	56,603	48,221	48,623							
-2	R0230	31,890	78,283	40,028								
-1	R0240	10,447	100,999									
0	R0250	8,178										

S.19.01.21.02
Gross Claims Paid (non-cumulative) – Current year, Sum of years (Cumulative)

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	12,394	730,553
	R0160	-851	147,407
	R0170	7,071	118,519
	R0180	1,929	141,684
	R0190	15,211	197,495
	R0200	23,694	213,557
	R0210	4,502	201,577
	R0220	48,623	163,902
	R0230	40,028	150,201
	R0240	100,999	111,446
	R0250	8,178	8,178
Total	R0260	**261,777**	**2,184,519**

S.19.01.21.03
Gross Undiscounted Best Estimate Claims Provision (non-cumulative) – Development Year (Absolute Amount)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											31,536
-9	R0160	0	0	0	0	0	38,318	28,407	17,559	7,578	6,568	
-8	R0170	0	0	0	0	65,180	39,063	26,730	19,178	16,648		
-7	R0180	0	0	0	103,400	92,629	58,184	37,598	38,763			
-6	R0190	0	0	104,444	88,584	78,750	40,590	36,766				
-5	R0200	0	145,865	138,975	127,014	105,825	81,928					
-4	R0210	92,990	127,683	132,576	81,318	89,526						
-3	R0220	114,766	155,163	129,024	104,524							
-2	R0230	112,666	186,774	190,450								
-1	R0240	142,302	211,589									
0	R0250	145,614										

S.19.01.21.04
Gross Discounted Best Estimate Claims Provision - Current year, Sum of years (Cumulative)

		Year end (discounted data)
		C0360
	R0100	31,371
	R0160	6,578
	R0170	16,752
	R0180	38,615
	R0190	36,612
	R0200	82,060
	R0210	89,225
	R0220	104,491
	R0230	189,906
	R0240	211,047
	R0250	145,135
Total	R0260	**951,793**

S.23.01.01

Own Funds

Amounts in $'000

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	**579,502**	579,502			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	**8,422**				8,422
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
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**	**840,280**	**831,858**			**8,422**
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**	**840,280**	**831,858**			**8,422**
Total available own funds to meet the MCR	**R0510**	**831,858**	**831,858**			
Total eligible own funds to meet the SCR	**R0540**	**840,280**	**831,858**			**8,422**
Total eligible own funds to meet the MCR	**R0550**	**831,858**	**831,858**			
SCR	**R0580**	**475,525**				
MCR	**R0600**	**158,739**				
Ratio of Eligible own funds to SCR	**R0620**	**176.7057%**				
Ratio of Eligible own funds to MCR	**R0640**	**524.0410%**				

S.23.01.01.02

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**840,280**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**260,778**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**579,502**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	87,624
Total Expected profits included in future premiums (EPIFP)	**R0790**	**87,624**

S.25.01.21
Solvency Capital Requirement – for undertakings on Standard Formula
Amounts in $'000

S.25.01.21.01
Basic Solvency Capital Requirement

		Gross solvency capital requirement
		C0110
Market risk	R0010	125,051
Counterparty default risk	R0020	27,601
Life underwriting risk	R0030	
Health underwriting risk	R0040	27,584
Non-life underwriting risk	R0050	415,592
Diversification	R0060	-115,033
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	**R0100**	**480,796**

S.25.01.21.02
Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	29,091
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-34,361
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	475,525
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	475,525
Other information on SCR		

S.28.01.01
Minimum Capital Requirement – Only Life or Non- Life insurance or reinsurance activity
Amounts in $'000

S.28.01.01.01
Linear formula component for Non-Life insurance and reinsurance obligations

		Non-life activities
		C0010
MCRNL Result	R0010	158,739

S.28.01.01.02
Background information

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		1,722
Income protection insurance and proportional reinsurance	R0030	2,564	4,956
Workers' compensation insurance and proportional reinsurance	R0040	27,792	6,346
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070	35,827	32,235
Fire and other damage to property insurance and proportional reinsurance	R0080		39,974
General liability insurance and proportional reinsurance	R0090	486,015	187,574
Credit and suretyship insurance and proportional reinsurance	R0100	83,192	128,045
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	149	796
Miscellaneous financial loss insurance and proportional reinsurance	R0130	5,198	398
Non-proportional health reinsurance	R0140	11,433	5,963
Non-proportional casualty reinsurance	R0150	53,124	13,503
Non-proportional marine, aviation and transport reinsurance	R0160	29,883	38,344
Non-proportional property reinsurance	R0170	13,704	56,650

S.28.01.01.03
Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: 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.28.01.01.04
Total capital at risk for all life (re)insurance obligations

		Life activities
		C0040
MCRL Result	R0200	

S.28.01.01.05
Overall MCR calculation

Overall MCR calculation		C0070
Linear MCR	R0300	158,739
SCR	R0310	475,525
MCR cap	R0320	213,986
MCR floor	R0330	118,881
Combined MCR	R0340	158,739
Absolute floor of the MCR	R0350	4,545
		C0070
Minimum Capital Requirement	**R0400**	**158,739**

Group Quantitative Reporting Templates

S.02.01.02
Balance Sheet
Amounts in $'000

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	6,655
linked contracts)	**R0070**	**1,590,624**
Property (other than for own use)	R0080	239
Holdings in related undertakings, including participations	R0090	15,144
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*1,385,521*
Government Bonds	R0140	417,696
Corporate Bonds	R0150	642,982
Structured notes	R0160	0
Collateralised securities	R0170	324,843
Collective Investments Undertakings	R0180	141,198
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	48,522
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**	**520,824**
Non-life and health similar to non-life	R0280	520,824
Non-life excluding health	R0290	483,271
Health similar to non-life	R0300	37,553
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	61,693
Reinsurance receivables	R0370	98,775
Receivables (trade, not insurance)	R0380	40,439
Own shares (held directly)	R0390	0
not yet paid in	R0400	0
Cash and cash equivalents	R0410	276,925
Any other assets, not elsewhere shown	R0420	277
Total assets	**R0500**	**2,596,212**

S.02.01.02
Balance Sheet
Amounts in $'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**1,442,106**
Technical provisions - non-life (excluding health)	**R0520**	**1,346,403**
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	1,253,818
Risk margin	R0550	92,585
Technical provisions - health (similar to non-life)	**R0560**	**95,703**
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	91,552
Risk margin	R0590	4,151
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	8,210
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	31,499
Reinsurance payables	R0830	104,076
Payables (trade, not insurance)	R0840	0
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities not in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	155,916
Total liabilities	**R0900**	**1,741,807**

Excess of assets over liabilities	**R1000**	**854,405**

S.05.01.02

Premiums Claims and Expenses by Line of Business

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

Amounts in $’000

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	874	35,202	14,217	0	0	165,008	109,169	389,531	190,264	0	634	17,098					**921,997**
Gross - Proportional reinsurance accepted	R0120	0	1,447	0	0	0	5,047	27,220	11,787	0	0	14	42					**45,558**
Gross - Non-proportional reinsurance accepted	R0130													10,459	36,810	69,132	111,457	**227,857**
Reinsurers' share	R0140	67	14,331	970	0	0	93,757	72,533	127,149	16,625	0	20	16,295	2,115	15,904	31,095	26,381	**417,241**
Net	**R0200**	**808**	**22,318**	**13,247**			**76,297**	**63,856**	**274,169**	**173,639**		**628**	**845**	**8,344**	**20,906**	**38,037**	**85,076**	**778,171**
Premiums earned																		
Gross - Direct Business	R0210	1,435	33,070	14,067	0	0	130,681	83,299	353,705	194,602	0	654	15,755					**827,268**
Gross - Proportional reinsurance accepted	R0220	0	1,275	0	0	0	5,192	18,864	12,253	0	0	81	38					**37,703**
Gross - Non-proportional reinsurance accepted	R0230													10,864	34,890	63,357	106,015	**215,126**
Reinsurers' share	R0240	-7	14,036	981	0	0	75,984	65,944	111,333	19,425	0	28	14,151	2,344	13,860	30,250	25,981	**374,310**
Net	**R0300**	**1,442**	**20,309**	**13,086**			**59,889**	**36,219**	**254,625**	**175,177**		**707**	**1,642**	**8,520**	**21,030**	**33,107**	**80,034**	**705,787**
Claims incurred																		
Gross - Direct Business	R0310	3,362	15,548	6,003	0	0	68,981	32,229	145,468	49,478	0	39	124,511					**445,617**
Gross - Proportional reinsurance accepted	R0320	-1	118	0	0	0	7,529	19,763	9,944	0	0	-471	14					**36,897**
Gross - Non-proportional reinsurance accepted	R0330													5,933	59,916	75,497	20,234	**161,579**
Reinsurers' share	R0340	-65	4,097	683	0	0	40,282	40,478	45,021	-13,583	0	-547	100,163	1,239	26,325	53,762	19,792	**317,648**
Net	**R0400**	**3,426**	**11,569**	**5,320**			**36,227**	**11,514**	**110,390**	**63,061**		**115**	**24,363**	**4,693**	**33,591**	**21,735**	**441**	**326,445**
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**	**146**	**10,158**	**5,611**			**20,640**	**17,375**	**81,777**	**62,339**		**334**	**1,426**	**3,727**	**9,177**	**14,951**	**41,703**	**269,363**
Other expenses	R1200																	
Total expenses	**R1300**																	**269,363**

S.05.02.01
Premiums Claims and Expenses by Country
Amounts in $'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		ES	FR	DE	IT	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	505,319	84,754	84,061	65,128	22,359	15,166	776,788
Gross - Proportional reinsurance accepted	R0120	8,443	0	95	2,236	2,158	3,578	16,510
Gross - Non-proportional reinsurance accepted	R0130	61,991	4,912	1,676	6,796	4,647	7,346	87,368
Reinsurers' share	R0140	134,027	44,861	38,823	51,633	8,886	9,157	287,387
Net	**R0200**	**441,726**	**44,805**	**47,010**	**22,527**	**20,278**	**16,934**	**593,280**
Premiums earned								
Gross - Direct Business	R0210	428,330	78,564	108,770	52,347	19,117	15,709	702,836
Gross - Proportional reinsurance accepted	R0220	2,507	0	72	4,725	3,081	674	11,059
Gross - Non-proportional reinsurance accepted	R0230	57,640	6,040	1,640	6,811	4,960	7,570	84,661
Reinsurers' share	R0240	102,265	39,935	65,670	43,720	7,494	7,829	266,913
Net	**R0300**	**386,213**	**44,669**	**44,811**	**20,162**	**19,664**	**16,124**	**531,643**
Claims incurred								
Gross - Direct Business	R0310	264,511	15,444	61,699	27,551	8,097	11,462	388,763
Gross - Proportional reinsurance accepted	R0320	1,120	20	61	2,015	1,375	1,022	5,614
Gross - Non-proportional reinsurance accepted	R0330	52,867	7,977	268	1,212	2,242	2,838	67,404
Reinsurers' share	R0340	178,364	4,700	38,069	26,244	3,776	9,830	260,983
Net	**R0400**	**140,135**	**18,740**	**23,959**	**4,533**	**7,938**	**5,493**	**200,798**
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**	141,040	17,786	12,787	1,752	10,069	5,206	188,639
Other expenses	**R1200**							
Total expenses	**R1300**							**188,639**

S.23.01.22
Own Funds
Amounts in $’000

S.23.01.22.01

		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	647,671	647,671			
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**	**854,405**	**854,405**			
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**	**854,405**	**854,405**			
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**854,405**	**854,405**			
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**	**854,405**	**854,405**			
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**854,405**	**854,405**			
Minimum consolidated Group SCR	**R0610**	**191,028**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**4.4727**				
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**	**854,405**	**854,405**			
Group SCR	**R0680**	**553,135**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**1.5447**				

Own Funds

S.23.01.22.02
Reconciliation Reserves

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**854,405**
Own shares (included as assets on the balance sheet)	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 fenced funds	R0740	
Other non available own funds	R0750	
Reconciliation reserve	**R0760**	**647,671**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	146,704
Total EPIFP	**R0790**	**146,704**

S.25.01.22
Solvency Capital Requirement – for undertakings on Standard Formula
Amounts in $'000

S.25.01.22.01
Basic Solvency Capital Requirement

		Gross solvency capital requirement
		C0110
Market risk	R0010	93,515
Counterparty default risk	R0020	61,809
Life underwriting risk	R0030	
Health underwriting risk	R0040	29,329
Non-life underwriting risk	R0050	479,587
Diversification	R0060	-115,911
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	**R0100**	**548,328**

S.25.01.22.02
Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	41,578
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-36,772
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**553,135**
Capital add-on already set	R0210	
Solvency capital requirement	**R0220**	**553,135**
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	
Minimum consolidated group solvency capital requirement	R0470	191,028
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	**R0570**	**553,135**

S.32.01.22

Undertakings in 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		1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800XX1W9F44RNUZ85	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		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		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		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		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		1 - Included in the scope		1 - Method 1: Full consolidation
JO	213800DGPY4ZCTVJVQ23JO30301	2 - Specific code	Rattner Mackenzie 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		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		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		1 - Included in the scope		1 - Method 1: Full consolidation
GB	213800DGPY4ZCTVJVQ23GB30217	2 - Specific code	GCube Underwriting Limited	99 - Other	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant		1 - Included in the scope		3 - Method 1: Adjusted equity method
GB	213800DGPY4ZCTVJVQ23GB30218	2 - Specific code	Renewable Energy Loss Adjusters Limited	99 - Other	companies limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant		1 - Included in the scope		3 - Method 1: Adjusted equity method