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North

Solo Solvency & Financial Condition Report 2020

The North of England Protecting and Indemnity Association Limited
Registered in the UK: Limited by Guarantee
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Index

Approval by the Board of Directors

Report of the External Independent Auditor

Executive Summary
- Regulatory requirement
- Policy
- Review of 2019/20

A. Business and Performance
- A.1 Business
- A.2 Underwriting performance
- A.3 Investment performance
- A.4 Performance of other activities
- A.5 Any other information

B. System of Governance
- B.1 General information on the system of governance
- B.2 Fit and proper requirements
- B.3 Risk management system including the own risk and solvency assessment
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Any other information

C. Risk Profile
- C.1 Underwriting risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risks
- C.7 Any other information

D. Valuation for Solvency Purposes
- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative valuation methods
- D.5 Any other information

E. Capital Management

E.1 Own funds

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

E.4 Differences between the standard formula and any internal model used

E.5 Confirmation of compliance with the MCR & SCR

E.6 Any other information

Appendices

1. Management Responsibilities Map
2. Group structure
3. Glossary of terms
4. SFCR Quantitative Templates

Approval by the Board of Directors

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report ("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 insurer 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 insurer has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board of Directors

PA Jennings
Chief Executive Officer

Date: 28 May 2020

Report of the external independent auditor to the Directors of The North of England Protecting and Indemnity Association Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by The North of England Protecting and Indemnity Association Limited as at 20th February 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of The North of England Protecting and Indemnity Association Limited as at 20th February 2020, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit'**).

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

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

- the 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;

- Company templates S05.01.02, S05.02.01, S19.01.21;

- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of North of England Protecting & Indemnity Association Limited as at 20 February 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, and as supplemented by supervisory approvals and determinations.

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 *Auditor's Responsibilities for the Audit of the Relevant Elements of the 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 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.

Emphasis of Matter – special purpose basis of accounting

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

Going Concern

The Directors have prepared the Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Solvency and Financial Condition Report ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Solvency and Financial Condition Report. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the 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 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 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 Solvency and Financial Condition Report

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

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Relevant Elements of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The North of England Protecting & Indemnity Association Limited'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.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
Quayside House, 110 Quayside
Newcastle upon Tyne
NE1 3DX

Date: 28 May 2020

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.12.01.02
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Executive Summary

The Directors present the Solvency Financial Condition Report ("SFCR") for North of England Protecting & Indemnity Association Ltd ("North" or "the company"), based on the financial position as at 20 February 2020.

Regulatory Requirement

The company's headquarters are in the United Kingdom. Within the United Kingdom, the company is authorised by the Prudential Regulation Authority (PRA) and dual regulated by the PRA and the Financial Conduct Authority (FCA). Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA's general objective is to promote the safety and soundness of the firms it regulates and is the company's lead regulator. The FCA is the company's conduct regulator.

North is required to produce a Solvency & Financial Condition Report (SFCR) by the PRA Rulebook, SII Firms/Reporting/Parts 3 to 6.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pra

www.fca.org.uk

The company's external auditor is

KPMG LLP
Quayside House
110 the Quayside
Newcastle upon Tyne
NE1 3DX

Policy

The company is required by Part 6.1 of the Reporting Rules to have appropriate systems and structures in place to fulfil the requirements for the SFCR and a written policy in place to ensure the appropriateness of the information enclosed.

The company maintains a Group Reporting and Public Disclosure Policy which captures the SFCR. This is reviewed annually and was last approved in May 2020.

Review of 2019/20

2019 was another positive year with North delivering further strategic progress and culminating in a successful renewal, underpinned by a strong financial performance. The surplus after tax was US$2.0 million driven primarily by a close to breakeven underwriting performance and a positive investment result.

We saw a significant reduction in both premium and tonnage for the Company compared to the prior year in line with our expectations, as the Company's EEA based subsidiary, North of England P&I DAC ("North EU"), commenced underwriting all EEA business from 20 February 2019.

Despite the fall in exposure, the 2019 policy year showed an increase in the gross value of claims incurred as a result of one very large claim from North's own Membership. This is where our strong reinsurance relationships demonstrate their value and we are protected against adverse outcomes across our own retained and International Group pool claims. Net retained claims have reduced from US$38.3 million to US$22.4 million.

Investment income and net foreign exchange gains contributed US$4.0 million, which more than offsets a US$1.3 million underwriting deficit.

Since the conclusion of our financial year, on 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 as a pandemic. North's primary concern from the Covid-19 pandemic is for the health and wellbeing of all those associated with the Club. The Company has been following the applicable guidance in all the global locations in which it operates in terms of employees working from home, and is confident after a period of operating under these conditions that its operations can continue indefinitely without access to its usual office locations. North continues to serve its Members and policyholders on a business as usual basis.

North underwrites primarily P&I insurance for commercial ocean-going shipping. The health of the sector generally tracks global economic activity which has been severely disrupted by the Covid-19 pandemic. We have seen a downturn in freight markets as a result of the outbreak, with dry bulk and containership markets particularly adversely affected. The tanker markets have been more resilient to date given the fall in oil prices, but are likely to also suffer from slowing global industrial production as the pandemic endures. The reduction in economic activity is likely to result in reduced claims activity, which is favourable, but may also reduce the ability of our Members and policyholders to meet their payment obligations to the Company. North's growth strategy over the last ten years has been to have strong relationships with financially resilient shipowners in each sector, and this, together with the insurance cessation provisions for non-payment of any obligation due to the Company mitigates this increased credit risk.

The pandemic has led to significant investment market turbulence. The investment strategy employed by the Company is to invest in highly liquid, short-term Government and investment grade corporate credit instruments matched by currency and duration to its claim obligations, in order to ensure sufficient liquidity to meet those claims obligations as they become due. We have not seen significant volatility in the valuation of the Company's financial investments as a result of the pandemic to date. Up until the date of approval of this SFCR, there has not been a significant movement in the Company's solvency coverage compared to that disclosed in section E.

A Business and Performance (Unaudited)

A.1 Business

Principal Activities

The principal activities of the company are the insurance and reinsurance of marine Protection & Indemnity ("P&I"), Freight, Demurrage & Defence ("FD&D") and War Risks on behalf of Members. The company also underwrites Hull, P&I, Personal Accident and Aquaculture business for its policyholders. North principally operates from its head office in Newcastle upon Tyne but also has subsidiary and/or branch offices in China (Hong Kong and Shanghai), Greece, Singapore, Japan, USA, Ireland, Australia, New Zealand, London, Canada and the Netherlands.

Strategy

North's purpose is to enable our Members to trade with confidence, and North's vision statement is to be the Club of choice. The Directors have developed four strategic goals to further the vision over the next five years as follows:

- Increase our mutual and diversified income
- Be a leader in all our key service and product areas
- Build our financial strength and standing in the International Group
- Empower our people to develop, and connect responsibly with our communities and the environment.

Key Performance Indicators ("KPIs") have been identified against which management report to the Board on a regular basis to monitor the achievement of these strategic goals.

Business Performance

North's key financial and other performance indicators were as follows:

	2020 US$M	2019 US$M
Gross written premiums	206.1	305.5
Surplus after tax	2.0	34.0
Free reserves (total accumulated surplus)	213.4	228.2

A.2 Underwriting Performance

Gross written premiums have fallen significantly on the prior year, as the Club's EEA business has been underwritten by a subsidiary company, North of England P&I DAC ("North EU"), since 20 February 2019. North underwrites primarily P&I insurance for commercial ocean-going shipping. The health of the sector generally tracks economic activity, and overall the P&I sector has seen the dilution of premium rates over the last five years. We reported last year that we anticipated a premium adjustment in the market would be necessary to ensure clubs continue to underwrite responsibly, and North declared a 7.5% general increase for the 2020 policy year renewal (2020/21 financial year) in line with this approach.

Written premium decreased from US$305.5 million in 2019 to US$206.1 million in 2020.

Premium written by business segment is as follows:

	2020 US$M	2019 US$M
P & I	165.2	278.9
FD & D	10.9	20.1
War	1.1	0.1
Fixed Premium	28.9	6.4
	206.1	**305.5**

The reduction in gross premiums for P&I and FD&D business is predominantly a reflection of the fact that the company ceased underwriting EEA business from 20 February 2019 as part of the Group's response to the UK decision to leave the European Union. Additional war risk premiums have been charged in the year where vessels are operating in areas of perceived enhanced risk. The growth in fixed premium reflects the launch of the fixed premium P&I product in the current year and also the full year effect of the transfer of Australian and New Zealand business from the subsidiary company Sunderland Marine Insurance Company Limited ("SMI") in October 2018.

Despite the reduction in exposure at the 20 February 2019 renewal as a result of ceasing to underwrite EEA business, the company's gross incurred claims are higher than the prior year given the incidence of one very large Member claim in the year. This is where our strong reinsurance relationships demonstrate their value, and net claims incurred have reduced from US$38.3 million in 2019 to US$22.4 million in the current year.

A.3 Investment Performance

The company's investment assets contributed a gain of US$3.5 million in the year.

A.4 Performance of Other Activities

The movement in the valuation of the defined benefit pension schemes sponsored by the Company for the benefit of group employees are included in the Company's performance for the year. Losses amounting to US$16.1 million have been recognised in the year, predominantly driven by a reduction in corporate bond yields which drive the discount rate used to calculate the present value of the scheme liabilities (2019 – loss of US$3.8 million).

In the prior year, the company received a net capital distribution from SMI amounting to US$26.2 million as part of the on-going restructuring of that business.

The total accumulated surplus attributable to members decreased from US$228.2 million at 20 February 2019 to US$213.4 million at 20 February 2020.

A.5 Any Other Information

None.

B System of Governance (Unaudited)

B.1 General Information

The Directors are collectively responsible for the long-term success of the Company, setting the strategic aims and ensuring that obligations to Members and others are understood and met.

The Board of Directors is responsible for directing the affairs of the Company in compliance with statutory and regulatory requirements. The Board consists of seven to nine Member Directors, up to two Executive Directors and up to five Independent Directors. The Directors have a Nominations Committee, which evaluates the performance of the Directors and proposes new Directors. There is also a Remuneration Committee, which determines the Group Remuneration Policy including the policy for remuneration of the Executive and Non-Executive Directors.

The Members Board provides a forum for Members to play an enhanced role in the governance of the Group. It has separate committees to consider matters relating to the P&I Class and FD&D Class and an Elections Committee which considers appointments to the Members Board.

The Members Board has the power to nominate Directors. Any Director so appointed may serve until the next annual general meeting, when they must retire and may offer themselves for reappointment by the Members.

The system of governance adopted is considered appropriate for the nature, scale and complexity of the risks inherent in the business.

B.2 Fit and Proper Requirements

The Company has a policy which is owned by the Group Nominations Committee and is reviewed annually. The policy requires that prior to approving the appointment of any candidate as a Responsible Person, the Board of Directors must take appropriate steps to ensure that the candidate is fit and proper to perform the relevant role or function. This assessment includes, but is not limited to, confirmation that the candidate:

- Has the appropriate personal characteristics;
- Possesses the required level of competence, knowledge and experience;
- Has the relevant qualifications; and
- Has undergone or is undergoing all training required to perform the role or function effectively and in accordance with all relevant requirements.

The policy also sets out that the Board of Directors must review and confirm annually whether the Responsible Persons meet, and continue to meet, the applicable requirements.

The goals pursued by this policy are to:

- Ensure that Group undertakings comply with all applicable laws, regulations and prudential standards (“Requirements”) relating to the fitness and propriety of persons who effectively run and/or perform a key or designated function for that undertaking (“Responsible Persons”);
- Clearly describe the procedure for assessing the fitness and propriety of Responsible Persons, both when being considered for the specific position and on an on-going basis;
- Clearly describe the situations that give rise to a re-assessment of applicable Requirements:
- Clearly describe the Group’s procedure and internal standards for assessing the skills,

knowledge, expertise and personal integrity of other relevant personnel not subject to Requirements, both when being considered for the specific position and on an on-going basis.

The Head of Group Compliance is responsible for monitoring all Requirements on an on-going basis to identify any matters which necessitate the Requirements to be reassessed and updates the North Company Secretary as appropriate. The Requirements shall be reassessed in the event of the following:

- Any change or proposed change to the relevant laws, regulations and prudential standards in any jurisdiction where any Group undertaking conducts business;
- A Group undertaking commencing or proposing to conduct business in any jurisdiction where it does not currently do so.

This policy is reviewed on an annual basis by the North Company Secretary and upon notification of any change or proposed change noted above.

Approved Persons

North Group maintains a Management Responsibilities Map (Appendix 1), setting out details of all approved persons. This map includes the regulatory structure of the Group and identifies the reporting lines applicable to all approved persons.

B.3 Risk Management System including the Own Risk and Solvency Assessment (ORSA)

Risk Culture

The Company's aim is to embed a strong culture of risk management at all levels within the organisation, so that all members of staff understand their role and its relationship to risk management. The Risk and Compliance department engages throughout the business to ensure that the risk management and ORSA framework are understood at all levels.

Board Oversight of Risk Management

The Board is responsible for setting strategy – including target capital coverage – and for establishing risk appetite which is expressed in the Board's risk appetite statements. The Board is also responsible for putting in place systems of governance around risk management and has ownership of the ORSA framework and documentation.

Group Risk Committee

The Board has established a Group Risk Committee ("GRC") to which it has delegated key responsibilities within the ORSA framework. The scope of the GRC's responsibilities is group-wide and includes the following key areas:

Governance: Oversee the integration of risk management across the Group and ensure the framework is aligned with its strategic objectives. Review the risk management framework including its documentation and related policies and procedures.

Regulatory: Review the Group's regulatory position, the outcome from regulatory assessments, regulatory breaches and mitigating actions or responses.

Risk appetite: Review and make recommendations in respect of risk appetite.

Risk policies: Review the Group's risk policies and policies in respect of compliance with legal obligations.

Risk identification, measurement, control and reporting: Oversee the production and maintenance of Risk Registers and assess the appropriateness of risk management controls including controls over illegal acts. Set appropriate risk triggers, monitor and review risk reporting against triggers and review mitigating actions for reporting exceptions. Review risk profiles against the Board's risk appetite.

Investment risk: Oversight of investment risk including compliance with the Board's agreed appetite for investment risk and ensuring that investment management and decisions are within the framework agreed by the Board for managing investment risk including market and counterparty risks.

Capital management: Review the method of assessment of capital requirements and the outputs of those processes.

Stress tests and reverse stress tests: Review stress tests and reverse stress tests and assess their adequacy and effectiveness in testing the robustness of the Group's business model.

ORSA assessment: Review ORSA documentation, assess its adequacy and effectiveness in capturing the ORSA system and its outputs and assess its compliance with regulatory requirements.

Enterprise Risk Management Committee

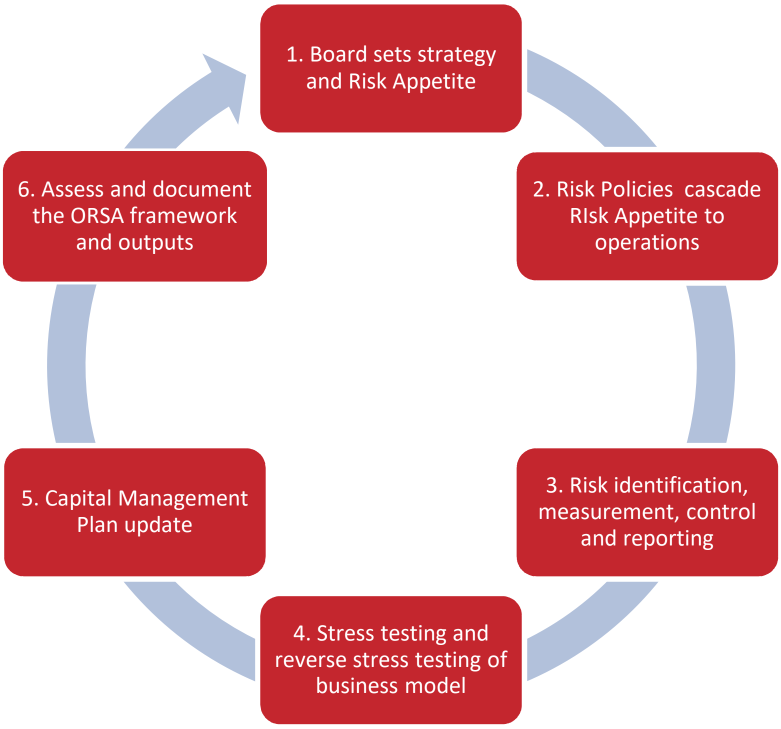
In order to ensure that sound risk management principles and practices are embedded within the business, management have formed an Enterprise Risk Management committee ("ERM committee"). This committee meets at least three times each year and its responsibilities broadly follow those of the GRC but at a more granular management level. This committee is chaired by the Chief Risk Officer ("CRO").

Reserving Committee

Management have formed a Reserving Committee with a specific remit to review and approve the technical provisions included in the financial statements of the Company each year. It is also responsible for reviewing the methodology and assumptions adopted in the calculation of the Solvency II technical provisions and monitoring the Company's response to any findings and recommendations made by the Group Chief Actuary. The Reserving Committee is chaired by the Corporate Actuary and attended by senior underwriting, claims and finance staff.

Risk Management Framework

The risk management framework has been developed over several years and is summarised below. The process operates as a feedback loop and reflects the requirement to reconsider strategy and risk appetite in view of risk assessment, results and capital requirements. Each step in the cycle may be iterative and may be revisited as a result of the outputs of subsequent steps.



The core elements of the steps above are as follows:

Core Element	Description
Board sets strategy and risk appetite	Quantitative parameters set for each primary category of risk – underwriting, market and operational. A total risk limit set as an absolute amount at a 1 in 20 year probability. Target capital coverage established as a range by reference to the overall risk limit.
Risk policies cascade risk appetite to operations	Set out the operational response to the Board's risk appetite for risk within underwriting, reinsurance, investment, operations and capital management. Establish documentary link between risk appetite and operational processes and procedures. Separate policies to support other areas of internal governance covering internal audit, valuation of assets and liabilities, remuneration and outsourcing.
Risk identification, measurement, control and reporting	**Risk register** Central repositories for all risks identified by the company. Constructed on the basis of "key" risks comprising of sub-risks and risk components. Risk owners assigned responsibility for each key risk. Key controls identified for all risks with the accepted risk treatment (prevent, mitigate or accept).

	Emerging risk protocol Process for risk identification by anybody within the organisation. Assessment of potential impact, mitigation in place or required and changes required to the risk register. **Risk tolerance and reporting indicators** Risk indicators are assigned to each risk and sub-components as agreed with risk owners and reported on quarterly by owners to the ERM Committee. **Risk profile** Calculation performed independently of risk owners to provide segregation in the process. Variety of actuarial (statistical or mathematical) and practical techniques employed. Correlation applied between risks and risk categories to reach overall assessment. Assessment at a 1 in 20 year probability represents the position against the Board's stated risk appetite.
Stress testing and reverse stress testing of business model	Use a blend of scenarios identified by the Risk function, the Board or the GRC and those set by regulators. Stress tests assess the impact of adverse scenarios on the company's business model. Reverse stress tests ascertain the circumstance which could cause the business model of the company to fail.
Capital management plan update	Performed for each separate business unit on a commercial basis and for each relevant jurisdiction on a regulatory basis. Outputs are forecast free reserves, regulatory capital (own funds or local equivalents), minimum and solvency capital requirements (or local equivalents) and rating agency capital calculations.
Assess and document the ORSA framework and outputs	Brings together all of the features above and documents status of current risk position and flow through strategy, risk appetite and risk management framework.

ORSA

The Company has in place an ORSA policy. The purpose of this policy is to set out the processes and methodologies for carrying out the ORSA.

Each ORSA process takes place as part of the group's annual strategic and capital management cycle. Overall responsibility for oversight of the process rests with the CRO. Final review, approval and sign-off is undertaken by the ERM committee, the GRC and the Board itself.

The numeric element of the ORSA process begins its cycle following the Board's approval of the updated business plan in November, with an updated ORSA report presented to the February Board meeting.

The timeframe over which any ORSA specifically applies is for the following 12 months, plus the period covered by the business plan.

B.4 Internal Control System

The Company has a robust system of internal controls which is designed to provide reasonable assurance that its financial reporting is reliable, it is compliant with applicable laws and regulations and its operations are effectively controlled. The Directors are ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice, the oversight and management of these systems necessarily involves Board committees, members of senior management and the risk, finance and compliance teams.

Internal controls are documented in the Company's policies and procedure manuals, covering all areas required by Solvency II and all core areas of operation. They are also summarised in the risk register, which ensures they are appropriate for use in managing the risks faced by the company to within the documented risk appetite.

The key elements of the company's internal control framework are:

Corporate governance – sets out how people and committees are organised and managed to support strategic and operational objectives.

Planning and budget process – supports the implementation and monitoring of corporate strategy.

Risk management – facilitates identification, assessment, mitigation and reporting of risk.

Compliance – monitors compliance with legal and regulatory requirements, identifies and monitors the control of legal and regulatory risks.

Control policies and processes – govern the management, control and oversight of key risks.

Information and communication – used to assess whether the components of control are present and functioning, identifies control deficiencies to those responsible for taking corrective action.

Assurance – reporting on the effectiveness of internal controls.

Risk and Compliance Functions

The CRO leads the Risk and Compliance Department and formally reports to the GRC at least three times each year. The CRO has a direct and independent line of contact to the GRC at any time.

Key activities undertaken by the Group's Risk and Compliance functions are summarised as follows:

Identifying & Assessing	• Assess relevant risks and controls • Determine applicable requirements • Make initial assessment of risk valuation and identify risk limits
Monitoring & testing	• Monitor policies and procedures and compliance with them • Liaising with other internal control functions to ensure co-ordinated approach • Monitoring of risk valuations and risk triggers compared to set limits • Stress testing and risk scenario analysis
Advising (Including Regulatory)	• Provision of relevant advice and training • Interaction with worldwide regulators • Proposals for risk appetite and tolerance limits
Reporting	• Reporting on activities to relevant Board committees and, ultimately, the Board.

B.5 Internal Audit Function (Outsourced)

The Group outsources its Internal Audit function to PwC. The relationship is governed by a detailed engagement letter, charter and plan. The scope of the internal audit programme is to determine whether the Group's risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the Group's control process;
- Significant legislative or regulatory issues impacting the Group are recognised and addressed properly; and
- Consistency of standards and approach across the various elements and companies within the Group.

In addition, the Internal Audit function can be asked by the business, the second line of defence or the Board to carry out specific one-off tasks where its knowledge and expertise can be utilised without compromising its independence. All internal audit work results, including one-off tasks, are reported to the Group Audit Committee.

Independence and objectivity from the activities that Internal Audit reviews is achieved by ensuring that:

- There is a direct line of reporting to the Group Audit Committee;
- All internal audit activities are free of influence from anyone in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content;
- Members of the Internal Audit function are able to meet with the Group Audit Committee on request of the Board or Group Audit Committee;
- The function has the necessary skills and resources required to deliver the internal audit plan;
- Internal Audit has the authority to audit all parts of the business; and
- Internal Audit has full and complete access to all information, records, facilities and personnel relevant to the performance of an audit.

B.6 Actuarial Function (Outsourced)

The Actuarial Function is outsourced to ensure appropriate levels of technical resource and expertise are always available to the Group. The outsourcing provider is currently Lane Clark & Peacock.

The outsourcing provider provides a Chief Actuary, as defined by PRA rules. This appointment is approved by the Board and subject to review, on an on-going basis, in accordance with the Group's policy and procedures concerning the fitness and propriety of regulated function holders.

The Actuarial Function is independent of other functions and, because it is outsourced, is constituted by persons who have a sufficient level of independence from the Group's senior management team. The Actuarial Function is appointed by, and reports to, the GRC.

The key areas of responsibility for the Actuarial Function include:

Technical provisions: Co-ordinating the calculation, ensuring the appropriateness of methods, assumptions, data and models used, and informing the Board of the reliability and adequacy of the calculation.

Expressing an opinion on the overall underwriting policy: This includes an assessment of the sufficiency of premiums, underwriting policies and processes, profitability and volatility within underwriting and pricing models.

Expressing an opinion on the adequacy of reinsurance arrangements: This includes an assessment of the reinsurance programme and security, evaluation of alternative reinsurance programmes, calculation of reinsurance recoveries in technical provisions and the ORSA and reinsurance policies.

Contribution to risk management: in particular with respect to the risk modelling underlying the calculation of the capital requirements and the ORSA. The two key areas of Actuarial Function activity are in relation to the Standard Formula SCR and MCR, and the ORSA.

The Actuarial Function is required to report on its findings in each of the four areas above as a minimum, on an annual basis. The component reports are produced for each of these areas at the time that the analysis is completed. These component reports are then combined into an annual aggregate report which includes comments on the Actuarial Function's contribution to the company's risk management system.

B.7 Outsourcing Arrangements

The Company has chosen to outsource some of its operational functions and activities in order to take advantage of economies of scale and external expertise. The activities primarily affected by this arrangement are the Actuarial and Internal Audit functions as described above.

The Company has adopted an Outsourcing Policy which establishes a prudent risk management framework in relation to the management of outsourced arrangements and ensures compliance with relevant regulatory requirements. The Policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through relationship management and oversight, including performance measurement and reporting, and provides processes to effectively manage the risks associated with outsourcing relationships.

B.8 Any other Information

None.

C Risk Profile (Unaudited)

Overview

The Company operates a low risk business model that is supported by a robust risk management framework which ensures risks are well understood and controlled. Policies and procedures are in place to ensure risks are managed within the Board's risk appetite.

A breakdown of the valuation of risks within the SCR is included within section E2.

Risk Profile Drivers and Measures

An overview of the principal risks associated with the Company's business including an outline of how each is managed follows. The risks that comprise the risk register have been allocated to risk categories which are aligned to the statement of Board risk appetite. For internal risk valuation purposes, each of the risks is valued across a range of probabilities by combining both actuarial and practical techniques. Our risk profile is calculated by our stochastic capital model, providing a consistent presentation of the possible deviation from business plan expectation for all risks and business entities. Meetings with risk owners take place to discuss the valuation of their risks.

For premium risk, we calculate model parameters based on our own claims history to set claims value and volatility expectations. Resulting parameters are incorporated in our stochastic capital model alongside our current reinsurance programme to calculate the range of future net claims (after reinsurance).

The modelling of reserving risk is based on our own claims history and takes into account our reinsurance programme.

Market risk for investment assets (including pension scheme assets) is provided by our investment advisors through an economic scenario generator (ESG). This information feeds directly into our stochastic capital model.

Some risks facing the Company are not quantifiable using statistical or mathematical techniques. Consideration has been given to these risks to ensure that, as far as possible, they are identified, and an estimate made of their valuation at different likelihoods.

At each selected probability point (e.g. a likelihood of one in twenty years), the relevant individual risks within each risk category (underwriting, market and operational) have been correlated to provide values against the risk appetite statements. These figures are further correlated between risk categories to provide an overall value to compare to the risk limit shown in the statement of Board risk appetite.

During the year, our stochastic capital model has been further developed to enhance the valuation and presentation of our risk profile.

Stress and Scenario Testing

The stress and scenario framework are an important part of the Company's risk management framework and is applied to a range of business processes to assist management and the Board in understanding the potential vulnerabilities within the business model and financial plans. This approach is overseen by the ERM committee and is designed to provide qualitative and quantitative information on what risks look like under stressed conditions, including any mitigating actions available.

There are three main elements to the stress and scenario framework:

Sensitivity testing involves looking at the impact on the company's business model of changing a business plan assumption.

Stress and scenario testing involves changing a number of business plan assumptions at once to reflect a stressed but plausible economic or business scenario.

Reverse stress testing involves consideration of scenarios which could render the company's current business model unviable.

C.1 Underwriting Risk

The Company issues contracts that transfer insurance risk.

The principal risk the company faces under insurance contracts is that actual claims payments or the timing thereof, differ from expectations. This risk is influenced by the frequency of claims, severity of claims and the subsequent development of long-tail claims.

In addition, the company faces the risk of a catastrophic loss event, where the likelihood of the claim occurring is classified as extremely remote. This equates to a claim with a 1 in 200-year chance of occurring.

North's underwriting strategy is to seek a diverse and balanced portfolio of risks to limit the variability in outcomes. Business is spread across geographical regions and vessel types and sizes. Underwriters calculate premiums for each risk written on a range of criteria, including (but not limited to) financial exposure, loss record, risk characteristics, limits and deductibles. The company also recognises that insurance events are random by nature and that the actual number and size of events may vary from those estimated using established statistical techniques.

The objective of the company is to ensure that risks are mitigated to a level within the statement of risk appetite approved by the Board. To achieve this, the controls operated by the company include:

- Comprehensive reinsurance programme covering both vertical risk (one claim of a very high individual value) and horizontal risk (where many claims accumulate to a high value);
- Experienced underwriters operating to detailed procedural guidance, established authority limits and appropriate management review;
- Regular review of claims reserves, both for individual claims and in the aggregate;
- Monitoring of the claims environment to ensure that changes which could influence the future valuation of claims are recorded and accounted for; and
- Setting of overall technical provisions at a prudent percentile of confidence in accordance with the reserving policy approved by the Group Audit Committee and the Board.

Each of these mitigation techniques is monitored regularly to ensure that there have been no changes within the book of business or the insurance market which would render them ineffective or significantly less effective. In addition, regular monitoring of compliance with internal controls takes place to ensure their continuous effectiveness.

Given the wide spread of business there are no material underwriting risk concentrations for North.

C.2 Market Risk

Market risk is the risk that the value of the company's assets, liabilities or income from its assets may fluctuate because of market movements. Sources of general market risk include movements in interest rates (interest rate risk), exchange rates (currency risk) and asset prices (price risk) – all are further detailed below. It is important to note that none of these sources of risk is independent of the others.

The guiding principle for North's investment risk management, including market risk, credit risk and liquidity risk, is the Prudent Person Principle (Article 132 of the Solvency II EU Directive). In particular:

- Investment risks have been confirmed as 'ancillary' to those associated with the writing of insurance business, and defined as such within the Board's risk appetite;
- Some investment activities are outsourced to expert managers and advisers, although the Group Risk Committee remains responsible for the investment risk undertaken by the company;
- Investment parameters specify detailed quantitative restrictions for all mandates; and
- The use of derivatives is strictly controlled and monitored.

Market risk is managed by adjusting the allocation to asset classes to reflect the investment risk appetite approved by the directors. The concentration of investments into any one asset is also restricted. The asset class allocation matches assets against the company's technical provisions by currency and maturity. In addition, the company ensures minimal risk is taken with committed regulatory capital.

Monitoring of the risk position compared to risk appetite takes place regularly using information from investment managers and custodians, specific value at risk models and economic scenario generators. Risk concentrations are captured using the 'look through' facilities within these models.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of assets and liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar and UK Sterling but also Euro and other global currencies. The asset allocation policy applied to the investment portfolio contains provisions for matching of assets and liabilities by currency to mitigate the exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to price risk on its holdings in debt securities.

The Company manages its exposure to price risk by setting constraints on its investments and by limiting its investments in each country, sector and market. Market valuations are obtained both from investment managers and custodians on a regular basis.

C.3 Credit Risk

Credit risk is the risk that a counterparty will cause a financial loss for the company by failing to discharge an obligation. This risk arises principally on the company's financial assets, including investments, reinsurance recoveries and premium receivables.

Investment related credit risk is managed through the board-approved investment guidelines issued to the investment managers. The guidelines impose strict diversification limits by credit rating, maturity and per issuer.

Non-investment related credit risk is managed through monitoring of overdue receivables from policyholders on a regular basis, and by the requirement for all reinsurers providing security on the company's reinsurance programme to comply with a minimum rating requirement.

The most significant concentration of credit risk lies within the reinsurance recoveries, those from one reinsurer (NEMIA) which has been established by the members of North but does not form part of the Group. NEMIA is rated 'A' by Standard and Poor's and the risk to the company is viewed as negligible in all but the most extreme circumstances.

C.4 Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Liquidity risk is managed by maintaining adequate reserves and banking facilities and ensuring that the spread of investments across short, medium- and long-term funds will enable any short term funding requirements to be met.

Liquidity is continuously monitored by review of actual and forecast cash flows and the company has negligible liquidity risk in normal business circumstances. Premiums are received well in advance of liabilities and most assets are traded in extremely liquid markets so that funds are available from the sale of these without material discount in all but the most extreme cases.

The liquidity position is monitored under stressed scenarios which include major claim events and reductions in market liquidity. A detailed analysis of the maturity profile of financial instruments at the reporting date is included within the financial statements.

C.5 Operational Risk

The company is exposed to operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the risk of business disruption, of compliance or regulatory breaches, or of poor service delivery, any of which could result in damage to the company's reputation and reduce its ability to meet its stated objectives.

Primary responsibility for the development and implementation of controls to address operational risks rests with senior management. The main operational risks identified relate to compliance with legal and regulatory requirements and those related to business continuity and provision of IT services, including information security. These risks are separately identified on the risk register. There is no specific concentration of risk in this category.

Operational risk controls are many and varied given the wide range of possible causes, including controls in the following areas:

- Regular review of service delivery standards and prompt investigation of potential shortfalls in service delivery;
- Dedicated risk and compliance department with access to appropriate professional advice;
- Detailed business continuity planning and regular testing of recovery plans;
- Information security assessments including cyber risks, detailed gap analysis, and roll out of updated procedures and policies;
- Dedicated human resources department ensuring appropriate monitoring of recruitment and performance of staff members;
- Monitoring of monthly financial results and comparison of results to budget and forecast; and
- Regular monitoring of and interaction with all branches and subsidiaries.

C.6 Other Material Risks

Pension Risk

The company operates defined benefit pension schemes and is accordingly exposed to changes in the valuation of scheme assets and liabilities. These schemes are closed to the future accrual of benefits. Full details of the schemes and their valuation at the balance sheet date can be found in the financial statements.

Whilst the management of the schemes' assets and the risks of the schemes are the responsibility of the trustees, the risk to the company is managed through the regular monitoring of the asset valuation and the key economic indicators which influence the valuation.

C.7 Any other Information

None.

D Valuation for Solvency Purposes (Audited)

D.1 Assets

Assets are recognised and measured for Solvency II purposes consistently with the IFRS financial statements. Solvency II asset valuations also follow the IFRS financial statements where those financial statements provide a market consistent valuation. The main areas where the financial statements do not provide a market consistent valuation are:

- Investments – related undertakings including participations;
- Intangible assets; and
- Reinsurance recoverables.

The following table sets out the value of the company's assets at 20th February 2020 and 20th February 2019:

	20 February 2020		20 February 2019	
	IFRS Assets US$M	**Solvency II Assets US$M**	**IFRS Assets US$M**	**Solvency II Assets US$M**
Investments – related undertakings including participations	96.9	107.3	96.9	105.9
Investments - other	58.3	78.0	51.3	67.4
Intangible assets	19.1	-	19.0	-
Reinsurance recoverables	1,071.4	1,047.1	806.0	715.5
Receivables	90.2	2.8	49.1	2.1
Deposits, Cash and cash equivalents	65.8	65.8	77.2	77.2
Other assets	23.2	17.7	19.5	16.2
Total Assets	**1,424.9**	**1,318.7**	**1,119.0**	**984.3**

The company's assets are recognised and valued using the following principles:

Investments – Related Undertakings including Participations

Investments in related undertakings including participations relates predominantly to investments in the insurance subsidiary companies SMI and North EU, and, in the IFRS balance sheet only, the Hydra North Cell ("the Cell") (see Appendix 2). There have been no significant movements in either the IFRS or Solvency II valuation compared to the prior year.

The Cell is included as an investment in related undertakings including participations on the IFRS balance sheet but is shown as investments – other in the Solvency II balance sheet. Investments in non-insurance participations are immaterial.

The investments in SMI and North EU are valued at the excess of their assets over their liabilities, each calculated on a Solvency II consistent basis. The adjustments to the insurance subsidiary asset and liability valuations are similar in nature to those made for North. These valuations are higher than the IFRS carrying value, which is based on the cost of the investment. The increased valuation of SMI and North EU explains the increased valuation of investments – related undertakings including participations between the IFRS and Solvency II balance sheets, offset by the differing presentation of the investment in the Cell.

Investments - Other

This includes the company's financial investments and, in the Solvency II balance sheet only, the investment in the Cell.

All of the company's financial investments are traded on mainstream exchanges and included in the financial statements at fair value, which is consistent with Solvency II valuation requirements. Fair value is determined based on published quotes in an active market. A market is regarded as active if quoted prices are readily available from a broker, dealer, exchange, pricing service, industry group or regulatory agency.

The investment in the Cell is part of the mechanism through which North participates in the International Group pooling agreement, with the Cell reinsuring part of North's claims incurred from that participation. The investment is valued using a current replacement cost approach which is an alternative valuation method as set out in the Solvency II regulations. This approach assumes that the service capacity of the asset can be measured as the amount of capital required to establish an alternative asset that could provide an equivalent amount of reinsurance security as the Cell currently provides to North. The valuation is therefore based on the excess of the assets of the Cell over its liabilities, both measured on a Solvency II basis. Note that as the investment in the Cell is a restricted asset (see section E.1 Own Funds), the solvency coverage of the company is not sensitive to changes in the valuation of the investment. It is the increased valuation of the investment in the Cell which explains the increased valuation of investments – other on the Solvency II balance sheet.

Intangible Assets

The intangible assets held by the company do not meet the criteria to be included as an asset for Solvency II purposes and therefore no value is attributable to them.

Reinsurance Recoverables

In the Solvency II balance sheet reinsurance recoverables are valued as part of the net technical provisions (see D.2 Technical Provisions). Reinsurance recoverables represent amounts receivable from external reinsurers under the company's reinsurance programme. The programme consists of excess of loss, stop loss and quota share reinsurance arrangements. In addition, the company participates in the International Group pooling arrangement, including market reinsurance bought by the pool, and benefits from its arrangement with the Cell.

Receivables

Insurance and reinsurance receivables are valued separately in the IFRS financial statements but are considered as a component of the future cash flow projections used to value technical provisions for Solvency II purposes. An adjustment is also made to remove prepayment balances from the Solvency II balance sheet.

Deposits, Cash and Cash Equivalents

Cash and deposits are included in both the IFRS financial statements and for Solvency II purposes at their fair value. Deposit amounts are disclosed separately from cash and cash equivalents in the quantitative reporting templates.

Other Assets

Other assets on the Solvency II balance sheet include land and buildings of US$16.4 million (2019: US$16.2 million) which have been valued by independent valuers within the last three years and included at that revalued amount in the financial statements. This is also the market value of these properties in the Solvency II balance sheet. Alongside direct comparison of the properties with other properties sold in the relevant markets, the valuations have been performed using an investment method approach which involves an assessment of the likely annual rental value of the property which is then translated to a freehold capital value by applying an appropriate investment yield. The sensitivity of this valuation to changes in unobservable inputs is included in the company's financial statements. Other assets on the Solvency II balance sheet also include a right of use asset of US$1.3 million (2019: US$nil) in respect of operating leases entered into by the Company.

Other assets on the IFRS balance sheet include deferred acquisition costs and property, plant and equipment other than land and buildings and right of use assets which are assigned no value on the Solvency II balance sheet.

D.2 Technical Provisions

The following table sets out the value of the company's net technical provisions ("TPs") at 20th February 2020 and 20th February 2019.

	20 February 2020		20 February 2019	
	IFRS TPs US$M	Solvency II TPs US$M	IFRS TPs US$M	Solvency II TPs US$M
Gross Technical provisions	1,071.5	970.8	817.3	693.1
Reinsurance recoverables	(1,071.4)	(1,047.1)	(806.0)	(715.5)
Risk margin	N/a	16.1	N/a	14.9
Net Technical Provisions	**0.1**	**(60.2)**	**11.3**	**(7.5)**

North's technical provisions are in relation to business written under the Marine, Aviation and Transport (P&I, FD&D, War, Hull, PA) and Fire and Other Damage to Property (Aquaculture) Solvency II lines of business. The company values TPs using the methodology prescribed by the Solvency II Directive and the Regulations made under that Directive. The TPs are made up of a best estimate of the claims, premiums and expense cash flows, which are then discounted to arrive at the necessary provisions. A specific risk margin is then added. The inclusion of future premiums, together with the high levels of reinsurance purchased by the Company, mean that reinsurance recoverables in the technical provisions can be in excess of the gross technical provisions, as is the case in both the current and prior year.

Similarly to the IFRS financial statements, there are several uncertainties inherent in the calculation of Solvency II technical provisions. The cash flows ultimately required to settle the net technical provisions are sensitive to several factors that can only be known for certain at the conclusion of all claims to which the provisions relate.

Claims

Gross and net claims are projected to their ultimate cost using standard actuarial techniques including chain ladder modelling. Claims cash flows are calculated on a best estimate basis which involves removing the allowance for prudence allowed for in the IFRS financial statements.

Premiums

Future premiums receivable and reinsurance premiums payable in respect of incepted business are taken from the IFRS balance sheet. They are then split between premiums on earned business which are included in the claims provision, and premiums on unearned business which are included in the premiums provision.

Expenses

Allowance is made for the expenses that will be incurred in managing the run-off of the technical provisions at the balance sheet date. Claims handling, policy administration, depreciation, investment management and an element of overhead expenses are included in the provision. Some of these expenses are additional to those included in the calculation of the claims handling reserve in the IFRS financial statements.

Bound but not Incepted (BBNI) Business

Most of the company's insurance business is underwritten with an inception date of 20 February, meaning that at the year-end valuation date there is a significant amount of BBNI business. Provision is made for the future cash flows in relation to this business considering premiums, expected claims, and associated expenses expected to be incurred in the management of that business. This BBNI business is not included in the IFRS valuation of technical provisions.

Events not in Data (ENID)

Events not in data are modelled based on the estimated development of latent claims for an as yet unknown industrial disease, based in part on the development of asbestosis claims historically. This modelling results in a percentage loading which is then added to both earned and unearned business to allow for ENIDs. No such provision is made in the IFRS valuation of technical provisions.

Reinsurer Bad Debt

The technical provisions include an allowance for reinsurer bad debt.

Projected Cash Flows

Projected cash flows are estimated by applying historical payment patterns to the estimates of ultimate claims, premiums and expenses.

Discounting

Projected cash flows are discounted using the EIOPA prescribed risk-free interest rate term structure applicable to each currency for which technical provisions are calculated. IFRS technical provisions are not discounted.

Risk margin

The risk margin is calculated as the cost of capital for an insurer taking on the technical provisions of the company at the valuation date and running the provisions off to zero. The company's SCR is recalculated at the valuation date and one year later on a run-off basis and is then projected forward on the assumption that the SCR runs-off in proportion to the best estimate technical provisions. A cost of capital of 6% is then applied to the SCR at each future date, with the corresponding costs discounted back to the valuation date to reflect the time value of money.

D.3 Other Liabilities

The following table sets out the value of the company's other liabilities at 20th February 2020 and 20th February 2019:

	20 February 2020		20 February 2019	
	IFRS Liabilities US$M	Solvency II Liabilities US$M	IFRS Liabilities US$M	Solvency II Liabilities US$M
Payables	74.8	62.7	18.9	14.1
Pension benefit obligations	64.1	64.1	52.3	52.3
Derivative liabilities	1.1	1.1	2.4	2.4
Total other liabilities	**140.0**	**127.9**	**73.6**	**68.8**

The company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the IFRS financial statements.

Payables include insurance and reinsurance payables which are valued separately in the IFRS financial statements but are included in the future cash flow projections used to value technical provisions for Solvency II purposes.

Derivative liabilities are valued at fair value as in the IFRS financial statements. Derivatives are used to hedge the company's exposure to GBP/USD exchange rate movements, as a significant proportion of the company's operating expenditure is incurred in GBP whereas most of the income is generated in USD.

The IAS 19 valuation of the defined benefit pension schemes included in the IFRS financial statements is an economic valuation of the net liability of the company associated with the operation of the schemes. Further information on the valuation of the net obligation is included in the financial statements of the company. The schemes require the company to fund future payments to members of the schemes and as such exposes the company to the risk that the assets held by the schemes are insufficient to meet the schemes' obligations as they fall due for payment. The following table sets out the value and nature of the pension schemes' assets at 20th February 2020 and 20th February 2019:

	20 February 2020 US$M	20 February 2019 US$M
Equities	52.6	51.6
Bonds	67.9	59.6
Other	-	0.5
Cash	12.5	10.3
Total	**133.0**	**122.0**

D.4 Alternative Valuation Methods

Alternative valuation methods as prescribed by the Solvency II regulations are used to value the investment in the Cell and the land and buildings held by the company – details are provided in section D.1 Assets.

D.5 Any other Information

None.

E Capital Management (Audited)

E.1 Own Funds

The company has a simple capital structure. IFRS balance sheet reserves comprise only tier 1 items derived from past underwriting and investment surpluses.

In addition to basic own funds, North has received PRA approval for a maximum of 50% of the SCR to be met using ancillary own funds ("AOFs"). These are included as tier 2 own funds. AOFs represent an allowance reflecting the Company's ability to make additional premium calls on its members in the event of a shortfall. The amount that can be included is calculated as a percentage of member's P&I premium making an appropriate allowance for default risk, or, if lower, an amount equal to 50% of the SCR. The current approval for AOFs was granted on 18 February 2020 and expires on 20 April 2023. In the event of an additional call, the additional own funds raised would form part of the company's surplus and be included in tier one capital.

The company's objective with respect to the management of own funds is to ensure that enough resources are available to cover 120% of the SCR at any point in time. The company uses a five-year planning horizon when managing own funds to ensure this level is maintained at all times.

Solvency II Own Funds at 20th February 2020 and 20th February 2019 are shown in the table below:

	20 Feb 2020 US$M	**20 Feb 2019 US$M**
Income & expenditure account	172.4	198.5
Contingency funds	36.3	25.7
Revaluation reserve	4.7	4.0
Total IFRS Resources	**213.4**	**228.2**
Solvency II adjustments	(9.5)	(20.6)
Solvency II excess of assets over liabilities	**203.9**	**207.6**
Ring fenced funds	(2.6)	(2.1)
Tier 1 own funds	**201.3**	**205.5**
Ancillary own funds (Tier 2)	59.1	69.3
Total Solvency II Resources (Own Funds)	**260.4**	**274.8**

The reconciliation reserve consists of the Solvency II excess of assets over liabilities (US$203.9 million; 2019: US$207.6 million) and the adjustment for restricted own fund items in respect of ring-fenced funds (US$(2.6) million; 2019: US$(2.1) million).

Solvency II Adjustments

All differences included as Solvency II adjustments relate to the valuation differences for assets and liabilities relative to the financial statements as set out in Section D Valuation for Solvency purposes.

Capital Transferability

The capital represented by the company's investment in Hydra Insurance Company Limited (North Cell) is not available to the company to fully absorb losses on a going-concern basis. An adjustment has been made to Solvency II resources for this ring-fenced capital. The excess of assets over liabilities for the ring-fenced fund is US$19.7 million, the adjustment of US$2.6 million represents this excess less the contribution of the ring-fenced fund to the SCR of US$17.1 million.

All the other assets of the company are available to meet liabilities as and when they fall due, and therefore the company has no other restrictions regarding capital transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The following table shows an analysis of the company's SCR split by risk modules at 20th February 2020 and 20th February 2019:

	20 Feb 2020 US$M	20 Feb 2019 US$M
Market risk	72.4	81.7
Counterparty default risk	37.9	38.6
Underwriting risk	7.8	16.4
Diversification	(22.7)	(28.6)
Basic SCR	**95.4**	**108.1**
Operational risk	23.3	20.8
SCR excluding Capital Add-On	**118.7**	**128.9**
Agreed capital add-on (defined benefit pension schemes)	-	22.5
Solvency Capital Requirement	**118.7**	**151.4**

The reduction in market risk is primarily driven by better matching of assets and liabilities held by the Company sponsored defined benefit pension schemes for the interest rate risk sub-module. This follows a change in investment strategy adopted by the scheme trustees and the investment return in the year for schemes closed to future accrual. The reduction in underwriting risk is a result of the decrease in business volume as a result of EEA business being underwritten by a subsidiary company from 20 February 2019.

An annual assessment of the appropriateness of the standard formula SCR to North is carried out. The last review, completed in November 2019, confirmed that the standard formula SCR was appropriate for all risks.

Previous reviews of the appropriateness of the standard formula SCR had resulted in an agreement with the PRA to apply a voluntary capital add-on of US$22.5 million in respect of the defined benefit pension schemes. This reflected management's assessment at the time that this was necessary to capture the risks associated with the schemes. Following a re-assessment of these risks and their materiality to the overall SCR the standard formula is now considered appropriate for all risks. An application to the PRA to remove the voluntary capital add-on was approved by the PRA on 8 March 2019.

The final amount of the SCR, including the capital add-on, is subject to supervisory assessment.

Amount of the MCR

The MCR calculation is based on the net value of technical provisions and the expected level of retained premiums over the next 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 20th February 2020 and 20th February 2019, the calculated MCR is lower than the 25% floor and therefore the MCR has been set equal to 25% of the SCR, which is US$29.7 million (2019: US$37.8 million).

Coverage of the SCR and MCR

The following tables show the company's coverage of the SCR and MCR as at 20 February 2020 and 20 February 2019:

	20 February 2020 US$M	20 February 2019 US$M
Coverage of SCR		
Capital resources	260.4	274.8
SCR	118.7	151.4
Coverage	141.7	123.4
% Coverage	219%	182%
Coverage of MCR		
Capital resources	201.3	205.5
MCR	29.7	37.8
Coverage	171.6	167.7
% Coverage	678%	543%

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the SCR

The company does not use the duration-based equity risk sub-module for the calculation of its SCR.

E.4 Differences between the Standard Formula and Any Internal Model Used

The company does not use an internal model to calculate any part of its SCR.

E.5 Confirmation of Compliance with the SCR & MCR

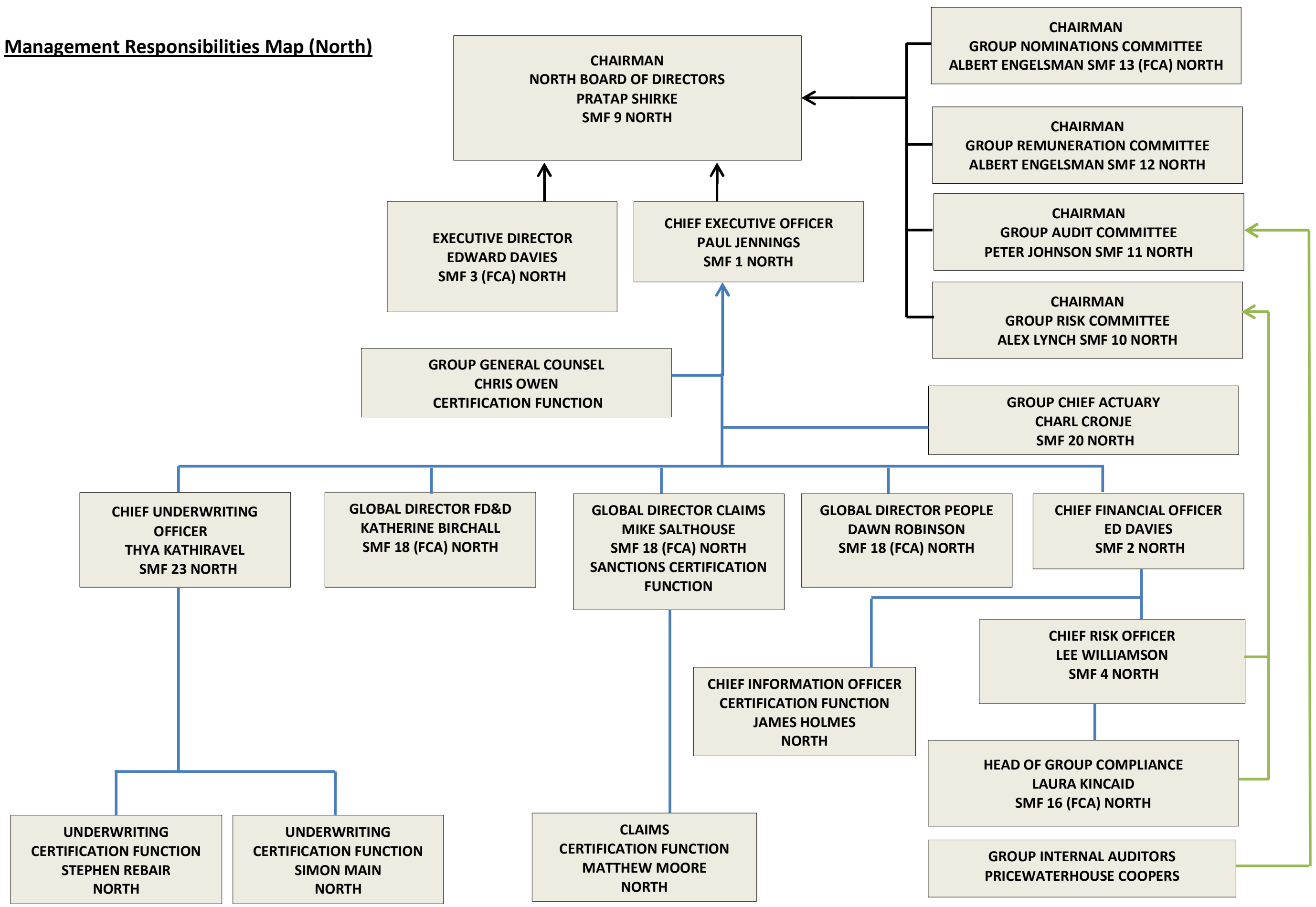
The company has complied with the SCR and MCR throughout the year.

E.6 Any other Information

None

Appendix 1 – Governance Map
Senior Insurance Management Functions & Key Functions – Responsible Individuals and Reporting Lines

Management Responsibilities Map (North)



Reporting Lines

Reporting line to Board of Directors
Primary operational reporting line
Independent reporting line to Committee

Key

PRA Senior Management Functions

SMF 1 – Chief Executive Function
SMF 2 – Chief Finance Function
SMF 4 – Chief Risk Function
SMF 5 – Head of Internal Audit Function (Election for outsourcing applied as North not considered 'significant')
SMF 7 – Group Entity Senior Insurance Manager Function
SMF 9 – Chairman
SMF 10 – Chair of Risk Committee
SMF 11 – Chair of Audit Committee
SMF 12 – Chair of Remuneration Committee
SMF 20 – Chief Actuary Function
SMF 23 – Chief Underwriting Officer Function

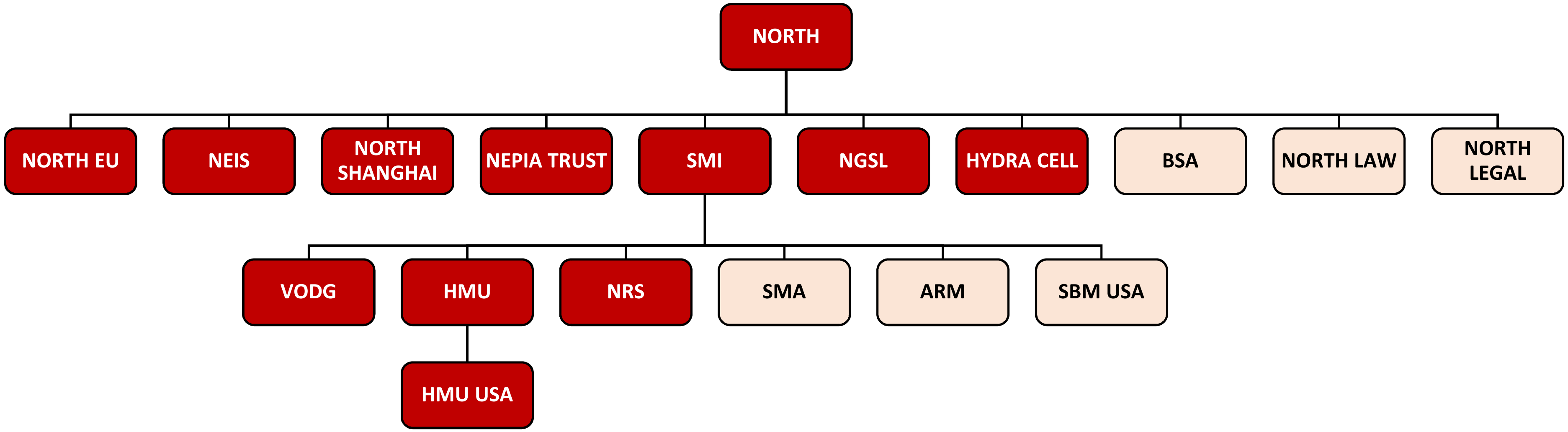
FCA Senior Management Functions

SMF 3 – Executive Director
SMF 13 – Chair of Nominations Committee
SMF 16 –Compliance Oversight Function
SMF 18 – Other Overall Responsibility Function

Appendix 2 - Group Structure

North EU – North of England Protecting and Indemnity Association Limited
NEIS -North of England Insurance Services Inc.
North Shanghai – North of England Marine Consultant (Shanghai) Ltd. Co.
NEPIA Trust – NEPIA Trust Company Limited
SMI – Sunderland Marine Insurance Company Limited
NGSL – North Group Services Limited
HYDRA Cell – Hydra Insurance Company Limited (North Segregated Cell)
VODG – Van Olst De Graaf & Co B.V.
HMU – Harlock Murray Underwriting Limited
NRS – North Risk Services Limited
HMU USA - Harlock Murray Underwriting LLC

Active Dormant


NORTH
NORTH EU
NEIS
NORTH SHANGHAI
NEPIA TRUST
SMI
NGSL
HYDRA CELL
BSA
NORTH LAW
NORTH LEGAL
VODG
HMU
NRS
SMA
ARM
SBM USA
HMU USA

Appendix 3 - Glossary of Terms

Basic SCR:	The SCR before operational risk and capital add-ons
BBNI:	Bound but not incepted. Refers to insurance contracts which the business is obliged to enter into where the inception date is after the valuation date
Combined ratio:	Claims incurred and expenses as a proportion of premiums
CRO:	Chief Risk Officer
EIOPA:	European Insurance and Occupational Pensions Authority
ENID:	Events not in data. Refers to possible future insured events which have not previously occurred
ERM Committee:	Enterprise Risk Management Committee
Expense ratio:	An expression of expenses as a proportion of premiums
GRC:	Group Risk Committee
IAS 19:	The international financial reporting standards for employee benefits, including defined benefit pension schemes
IFRS:	International Financial Reporting Standards
IG:	International Group of Protection & Indemnity Clubs, of which North is a member
IG Pool:	A mechanism for members of the IG to pool their large claims
Loss ratio:	An expression of claims incurred as a proportion of premiums

MCR – Minimum Capital Requirement

ORSA – Own Risk and Solvency Assessment

Own Funds – the capital resources available to the company

QRTs – Quantitative Reporting Templates

Reconciliation reserve – a component of own funds

SCR – Solvency Capital Requirement

SFCR - Solvency Financial Condition Report

SIMF – Senior Insurance Management Function

Standard Formula – the approach applied by the company to calculate its SCR

Appendix 4 - SFCR Quantitative Templates

S.02.01 Balance Sheet
S.05.01 Premium, claims & expenses by line of business
S.05.02 Premium, claims & expenses by country
S.17.01 Non-life technical Provisions
S.19.01 Non-life insurance claim triangles
S.23.01 Own funds
S.25.01 Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01 Minimum Capital Requirement – non-life

North of England Protecting & Indemnity Association Ltd

Solvency and Financial Condition Report

Disclosures

20 February

2020

(Monetary amounts in USD thousands)

General information

Undertaking name	North of England Protecting & Indemnity Association Ltd
Undertaking identification code	XJCO61LLUWTBTNWIXO53
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2020
Currency used for reporting	USD
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	17,668
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	217,336
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	107,331
R0100	*Equities*	19,700
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	19,700
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	58,313
R0190	*Derivatives*	57
R0200	*Deposits other than cash equivalents*	31,935
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	1,047,075
R0280	*Non-life and health similar to non-life*	1,047,075
R0290	*Non-life excluding health*	1,047,075
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	2,791
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	33,818
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	1,318,689

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	986,817
R0520	*Technical provisions - non-life (excluding health)*	986,817
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	970,765
R0550	*Risk margin*	16,052
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	64,089
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	1,066
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	62,652
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	1,114,624
R1000	**Excess of assets over liabilities**	204,065

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						197,150	2,656										199,806
R0120	Gross - Proportional reinsurance accepted						6,278											6,278
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						186,780	2,250										189,030
R0200	Net						16,648	406										17,054
	Premiums earned																	
R0210	Gross - Direct Business						191,640	2,563										194,203
R0220	Gross - Proportional reinsurance accepted						7,132											7,132
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						179,969	2,218										182,188
R0300	Net						18,804	345										19,148
	Claims incurred																	
R0310	Gross - Direct Business						562,981	151										563,133
R0320	Gross - Proportional reinsurance accepted						7,049											7,049
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						547,644	131										547,775
R0400	Net						22,387	20										22,407
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0	0										0
R0550	**Expenses incurred**						-2,266	-84										-2,350
R1200	**Other expenses**																	-549
R1300	**Total expenses**																	-2,899

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			AU	NZ				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	178,411	14,474	6,921				199,806
R0120	Gross - Proportional reinsurance accepted	6,278						6,278
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	171,650	11,155	6,225				189,030
R0200	Net	13,039	3,319	696				17,054
	Premiums earned							
R0210	Gross - Direct Business	179,838	14,689	6,809				201,336
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	166,459	9,247	6,482				182,188
R0300	Net	13,378	5,442	327				19,148
	Claims incurred							
R0310	Gross - Direct Business	554,124	7,050	1,958				563,133
R0320	Gross - Proportional reinsurance accepted	7,049						7,049
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	542,448	3,726	1,609				547,783
R0400	Net	18,725	3,325	349				22,399
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0				0
R0550	**Expenses incurred**	-4,018	1,815	-147				-2,350
R1200	**Other expenses**							-549
R1300	**Total expenses**							-2,899

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0	0										0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						10,173	868										11,041
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						19,788	706										20,494
R0150	**Net Best Estimate of Premium Provisions**						-9,615	162										-9,453
	Claims provisions																	
R0160	Gross						958,769	955										959,724
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						1,025,812	769										1,026,581
R0250	**Net Best Estimate of Claims Provisions**						-67,043	186										-66,857
R0260	**Total best estimate - gross**						968,942	1,823										970,765
R0270	**Total best estimate - net**						-76,658	348										-76,310
R0280	**Risk margin**						16,051	1										16,052
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole						0	0										0
R0300	Best estimate						0	0										0
R0310	Risk margin						0	0										0
R0320	**Technical provisions - total**						984,993	1,824										986,817
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						1,045,600	1,475										1,047,075
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						-60,607	349										-60,258

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
R0100	Prior											=	=	=
R0160	2011	=	=	=	=	=	=	=	=	=	=		=	0
R0170	2012	=	=	=	=	=	=	=	=	=			=	0
R0180	2013	=	=	=	=	=	=	=	=				=	0
R0190	2014	=	=	=	=	=	=	=					=	0
R0200	2015	=	=	=	=	=	=						=	0
R0210	2016	=	=	=	=	=							=	0
R0220	2017	=	=	=	=								=	0
R0230	2018	=	=	=									=	0
R0240	2019	=	=										=	0
R0250	2020	=											=	0
R0260												Total	0	0

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
R0100	Prior											=	=
R0160	2011	=	=	=	=	=	=	=	=	=	=		=
R0170	2012	=	=	=	=	=	=	=	=	=			=
R0180	2013	=	=	=	=	=	=	=	=				=
R0190	2014	=	=	=	=	=	=	=					=
R0200	2015	=	=	=	=	=	=						=
R0210	2016	=	=	=	=	=							=
R0220	2017	=	=	=	=								=
R0230	2018	=	=	=									=
R0240	2019	=	=										=
R0250	2020	=											=
R0260												Total	=

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											1,493	1,493	1,493
R0160	2011	25,338	41,644	29,062	48,136	15,099	4,989	9,355	2,360	1,155	852		852	177,989
R0170	2012	45,623	98,194	55,212	35,249	25,964	7,670	2,393	4,521	3,696			3,696	278,521
R0180	2013	43,939	63,438	61,675	43,747	17,256	4,716	4,626	4,686				4,686	244,082
R0190	2014	55,487	91,601	122,738	19,146	14,410	7,713	14,533					14,533	325,629
R0200	2015	42,710	68,526	61,492	20,815	28,601	10,960						10,960	233,104
R0210	2016	31,340	49,164	36,179	23,839	16,413							16,413	156,935
R0220	2017	38,166	45,094	36,915	19,054								19,054	139,230
R0230	2018	41,541	63,291	40,055									40,055	144,887
R0240	2019	66,446	79,595										79,595	146,041
R0250	2020	111,058											111,058	111,058
R0260												Total	302,395	1,958,970

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											0	0
R0160	2011	0	0	0	0	0	0	0	0	0	0		0
R0170	2012	0	0	0	0	0	0	0	0	0			0
R0180	2013	0	0	0	0	0	0	0	0				0
R0190	2014	0	0	0	0	0	0	0					0
R0200	2015	0	0	0	0	0	0						0
R0210	2016	0	0	0	0	0							0
R0220	2017	0	0	0	0								0
R0230	2018	0	0	0									0
R0240	2019	0	0										0
R0250	2020	0											0
R0260												Total	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	201,513	201,513			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	201,513	201,513	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	59,100			59,100	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	59,100			59,100	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	260,613	201,513	0	59,100	0
R0510	Total available own funds to meet the MCR	201,513	201,513	0	0	
R0540	Total eligible own funds to meet the SCR	260,613	201,513	0	59,100	0
R0550	Total eligible own funds to meet the MCR	201,513	201,513	0	0	
R0580	**SCR**	118,713				
R0600	**MCR**	29,678				
R0620	**Ratio of Eligible own funds to SCR**	219.53%				
R0640	**Ratio of Eligible own funds to MCR**	678.99%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	204,065
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	2,552
R0760	**Reconciliation reserve**	201,513
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	73,990		
R0020	Counterparty default risk	38,697		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	8,021		
R0060	Diversification	-25,445		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	95,263		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	23,450
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	118,713
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	118,713
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	101,615
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	17,098
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	2,394

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	16,648
R0080	Fire and other damage to property insurance and proportional reinsurance	348	406
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	2,394
R0310	SCR	118,713
R0320	MCR cap	53,421
R0330	MCR floor	29,678
R0340	Combined MCR	29,678
R0350	Absolute floor of the MCR	4,127
R0400	**Minimum Capital Requirement**	29,678

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