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North



Solo Solvency & Financial Condition Report 2019

The North of England Protecting and Indemnity Association Limited
Registered in the UK: Limited by Guarantee
100 The Quayside, Newcastle upon Tyne, NE1 3DU
Tel: +44 191 232 5221

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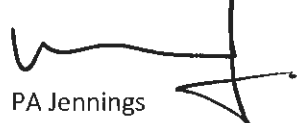
Approval by the Board of Directors

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
Executive Director

Date: 23 May 2019

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 2019:

- 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 2019, (**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 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, 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.

Conclusions relating to going concern

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

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

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 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 S.S. Katsouris

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

29 May 2019

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

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 2019.

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/pr

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 February 2019.

Review of 2018/19

2018 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\$34.0 million driven primarily by income received from subsidiary companies.

Overall the P&I sector has seen the dilution of premium rates over the last five years. A nil general increase declared for the 2018 policy year together with the effects of churn and a reduction in IG reinsurance costs passed onto Members has resulted in a reduction of premium despite a growth in tonnage at renewal.

The 2018 policy year showed an increase in the retained values of claims, with the year producing a greater number of large claims (over US\$1 million) for North and more incidents reported across all clubs involved in the International Group pool. 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.

Investment income and net foreign exchange losses detracted US\$1.6 million from the surplus recorded for the year.

In response to the UK's decision to leave the European Union ("Brexit") and the uncertainty as to what that means for the Company in terms of its ability to continue to service insurance contracts within the EEA in the event of a so-called hard Brexit, the Company has in the year established a subsidiary company in Ireland – North of England P&I DAC ("North EU"). North EU will underwrite the EEA insurance business previously underwritten by the Company from 20 February 2019 and allow the Group to ensure continuity of service for EEA based Members and policyholders.

The North of England Mutual Insurance Association (Bermuda) Limited ("NEMIA")

This SFCR has been prepared in accordance with Solvency II requirements and as a result NEMIA, of which the members of the Company are also members, is included as a reinsurer in the information provided in this document. This document provides information about the results and the financial position on a company basis rather than the combined basis with which Members will be familiar.

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. Following the transfer of fixed premium business from its subsidiary, Sunderland Marine Insurance Company Limited (“SMI”) in the year, 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 or branch offices in China (Hong Kong and Shanghai), Greece, Singapore, Japan, USA, Ireland, Australia, New Zealand, Canada and the Netherlands.

Strategy

North’s mission statement is to be “A world leading marine insurance group, providing the highest quality of cost-effective service”. The Directors have developed a series of strategic objectives which are expected to deliver the desired mission outcome. The objectives are as follows:

- To maintain the Group’s financial strength, stability and standing in the IG, and enhance as market conditions allow
- To provide the highest level of personable, professional and cost-effective service to all North Group Members and Clients
- To grow market share in a controlled manner
- To explore M&A and JV opportunities
- To realise the benefits of the successful integration of SMI

Key Performance Indicators (“KPI’s”) have been identified against which the management report to the Board on a regular basis. The primary KPI’s are:

- To maintain an S&P A rating
- Not to levy unbudgeted additional calls
- Maintain capital available of at least 120% of the Solvency capital requirement
- No members or clients lost as a result of service levels

Business Performance

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

	2019 US\$M	2018 US\$M
Gross written premiums	305.5	325.5
Surplus after tax	34.0	22.2
Free reserves (total accumulated surplus)	228.2	197.8

A.2 Underwriting Performance

North underwrites primarily P&I insurance for commercial Ocean-going shipping. The health of the sector generally tracks economic activity, with the dilution of premium rates and lower claims numbers over the past five years reflecting relatively weak freight markets over that period. Whilst we will endeavour to keep premiums as low as we can to support our Members going forward, we continue to believe that an adjustment is needed to premium levels over future renewals if clubs are to underwrite responsibly, especially as freight markets strengthen and hence we would expect both the number of claims and their aggregate value to rise.

Written premium decreased from US\$325.5 million in 2018 to US\$305.5 million in 2019.

Premium written by business segment is as follows:

	2019 US\$M	2018 US\$M
P & I	278.9	306.1
FD & D	20.1	19.3
War	0.1	0.1
Hull, P&I, PA, Aquaculture	6.4	-
	305.5	325.5

The reduction in gross premiums is a reflection of both the reduction in premium rates for North's own business and the reduction in premium passed through from North's subsidiary company, SMI, under a quota share reinsurance agreement (and shown within the P&I class). The nil general increase declared for North's own business resulted in premium reductions at renewal, and SMI's strategy to withdraw from non-profitable geographic locations reduces the level of underlying premium on which the reinsurance premium payable to North is based. This is offset to some extent by the transfer of Australian and New Zealand business from SMI to North in November, which will increase the premium volumes further in the year ahead allowing for a full year of underwriting.

Claims experience suffered from a higher number of large claims (more than US\$1 million) for the company and a higher number of reported incidents across the Clubs participating in the International Group pooling arrangements. The increase in the level of net claims is mitigated through the value of our strong reinsurance protection which is designed to respond to such events.

A.3 Investment Performance

The company's investment assets contributed a loss of US\$1.6 million in the year, including foreign exchange losses on investments held in GBP to provide an economic hedge against the GBP denominated defined benefit pension obligations.

A.4 Performance of Other Activities

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

The total accumulated surplus attributable to members increased from US\$197.8 million at 20 February 2018 to US\$228.2 million at 20 February 2019.

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 Group 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 governance 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 statement. 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 plan: 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 four 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	<p>Quantitative parameters set for each primary category of risk – underwriting, market and operational.</p> <p>Overall internal risk limit set as an absolute amount at a 1 in 20 year probability.</p> <p>Target capital coverage established as a range by reference to the overall risk limit.</p>
Risk policies cascade risk appetite to operations	<p>Set out the operational response to the Board’s risk appetite for risk within underwriting, reinsurance, investment, operations and capital management.</p> <p>Establish documentary link between risk appetite and operational processes and procedures.</p> <p>Separate policies to support other areas of internal governance covering internal audit, valuation of assets and liabilities, remuneration and outsourcing.</p>
Risk identification, measurement, control and reporting	<p>Risk register</p> <p>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.</p>

	<p>Key controls identified for all risks with the accepted risk treatment (prevent, mitigate or accept).</p> <p>Emerging risk protocol Process for risk identification by anybody within the organisation.</p> <p>Assessment of potential impact, mitigation in place or required and changes required to the risk register.</p> <p>Risk tolerance and reporting triggers Each risk and sub-components separately assigned a reporting trigger, agreed with risk owners and reported on quarterly by owners to the ERM Committee.</p> <p>Risk profile Calculation performed independently of risk owners to provide segregation in the process. Variety of actuarial (statistical or mathematical) and practical techniques employed.</p> <p>Correlation applied between risks and risk categories to reach overall assessment.</p> <p>Assessment at a 1 in 20 year probability represents the position against the Board's stated risk appetite.</p>
Stress testing and reverse stress testing of business model	<p>Use a blend of scenarios identified by the Risk function, the Board or the GRC and those set by regulators.</p> <p>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.</p>
Capital management plan update	<p>Performed for each separate business unit on a commercial basis and for each relevant jurisdiction on a regulatory basis.</p> <p>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.</p>
Assess and document the ORSA framework and outputs	<p>Brings together all of the features above and documents status of current risk position and flow through strategy, risk appetite and risk management framework.</p>

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. Initial 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 due to the February 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 functions and formally reports to the GRC at least four 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:



B.5 Internal Audit Function (Outsourced)

The Group outsources its Internal Audit function to PwC. The relationship is governed by a detailed engagement letter and scope of work. The scope of work 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. This calculation is performed independently of risk owners to provide segregation within the process, although meetings with risk owners take place to discuss the valuation of their risks.

The valuation technique for a number of risk types conforms to Solvency II valuation methods so that the risk profile requirement is aligned with the regulatory solvency requirement. To arrive at valuations across a range of likelihoods, the methodology is to agree a known or expected valuation at a specific likelihood point and then apply a statistical distribution to arrive at other likelihoods.

This is not the case for premium and reserving risk, which utilise internally developed models that accurately reflect the claims characteristics and reinsurance structure of the business. These models use North's own claims history to set volatility assumptions and apply North's reinsurance programme explicitly to the gross claims modelling to capture net claims volatility. Similarly, the modelling of reserving risk is based on the company's own claims history and considers the specific reinsurance programme in place.

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.

There have been no material changes to the measures used to assess risks during the year.

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:

Stress testing involves looking at the impact on the company's business model of changing a single factor.

Scenario testing involves changing several factors at once to reflect an 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 the committed regulatory capital.

Monitoring of the risk position compared to risk appetite takes place regularly using information from investment managers and custodians and specific value at risk models. 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 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. 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. In addition, the assets and liabilities of the schemes are considered and modelled alongside those of the company.

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 2019 and 20th February 2018:

	20 February 2019		20 February 2018	
	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	105.9	44.7	78.6
Investments - other	51.3	67.4	99.6	125.6
Intangible assets	19.0	-	15.5	-
Reinsurance recoverables	806.0	715.5	770.5	506.6
Receivables	49.1	2.1	42.7	6.4
Deposits, Cash and cash equivalents	77.2	77.2	63.3	63.3
Other assets	19.5	16.2	16.5	16.5
Total Assets	1,119.0	984.3	1,052.8	797.0

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). North EU was established and capitalised by the Company in the year which explains most of the movement from the prior year on both an IFRS and Solvency II basis. 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 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 both 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 of US\$43.9 million (2018: US\$33.7 million) 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 of US\$3.1 million (2018: US\$2.6 million) 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\$16.2 million (2018: US\$14.5 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 IFRS balance sheet include deferred acquisition costs (US\$0.9 million) and property, plant and equipment other than land and buildings (US\$2.4 million) 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 2019 and 20th February 2018.

	20 February 2019		20 February 2018	
	IFRS TPs US\$M	Solvency II TPs US\$M	IFRS TPs US\$M	Solvency II TPs US\$M
Gross Technical provisions	817.3	693.1	767.0	491.7
Reinsurance recoverables	(806.0)	(715.5)	(770.5)	(506.6)
Risk margin	N/a	14.9	N/a	12.3
Net Technical Provisions	11.3	(7.5)	(3.5)	(2.6)

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.

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 actuarial techniques including chain ladder and stochastic 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 is included in the claims provision, and premiums on unearned business which is 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. Provision is made based on expenses as a proportion of gross business on the assumption that the same proportion will apply to the unearned business. 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 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 2019 and 20th February 2018:

	20 February 2019		20 February 2018	
	IFRS Liabilities US\$M	Solvency II Liabilities US\$M	IFRS Liabilities US\$M	Solvency II Liabilities US\$M
Payables	18.9	14.1	32.4	11.2
Pension benefit obligations	52.3	52.3	55.6	55.6
Derivative liabilities	2.4	2.4	-	0.4
Total other liabilities	73.6	68.8	88.0	67.2

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 of US\$4.8 million (2018: US\$21.2 million) 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 2019 and 20th February 2018:

	20 February 2019 US\$M	20 February 2018 US\$M
Equities	51.6	62.9
Bonds	59.6	55.8
Other	0.5	1.0
Cash	10.3	10.3
Total	122.0	130.0

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 have 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 16 February 2017 and expires on 20 February 2020. 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 2019 and 20th February 2018 are shown in the table below:

	20 Feb 2019 US\$M	20 Feb 2018 US\$M
Income & expenditure account	198.5	178.3
Contingency funds	25.7	15.6
Revaluation reserve	4.0	4.0
Total IFRS Resources	228.2	197.8
Solvency II adjustments	(20.6)	28.0
Solvency II excess of assets over liabilities	207.6	225.8
Ancillary own funds (Tier 2)	69.3	73.2
Ring fenced funds	(2.1)	(3.3)
Total Solvency II Resources (Own Funds)	274.8	295.7

The reconciliation reserve consists of the Solvency II excess of assets over liabilities (US\$207.6 million; 2018: US\$225.8 million) and the adjustment for restricted own fund items in respect of ring-fenced funds (US\$(2.1) million; 2018: US\$(3.3) 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\$16.1 million, the adjustment of US\$2.1 million represents this excess less the contribution of the ring-fenced fund to the SCR of US\$14.0 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 2019 and 20th February 2018:

	20 Feb 2019 US\$M	20 Feb 2018 US\$M
Market risk	81.7	99.6
Counterparty default risk	38.6	29.7
Underwriting risk	16.4	19.5
Diversification	(28.6)	(27.9)
Basic SCR	108.1	120.9
Operational risk	20.8	14.8
SCR excluding Capital Add-On	128.9	135.7
Agreed capital add-on (defined benefit pension schemes)	22.5	22.5
Solvency Capital Requirement	151.4	158.2

An annual assessment of the appropriateness of the standard formula SCR to North is carried out. The last review, completed in January 2019, confirmed that the SCR was appropriate for all risks. This is a change from previous reviews whereby the risks associated with the defined benefit pension schemes were not considered to be appropriately captured by the standard formula SCR. Following a re-assessment of these risks and their materiality to the overall SCR, we now consider the standard formula SCR to be appropriate for all risks.

As previously agreed with the PRA a voluntary capital add-on of US\$22.5 million has been added in respect of the defined benefit pension schemes based on management's prior assessment that this was necessary to capture the risks associated with the schemes. An application to the PRA was made to remove this voluntary capital add-on, and this was approved by the PRA with effect from 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 2019 and 20th February 2018, 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\$37.8 million (2018: US\$39.6 million).

Coverage of the SCR and MCR

The following tables show the company's coverage of the SCR and MCR as at 20 February 2019 and 20 February 2018:

	20 February 2019 US\$M	20 February 2018 US\$M
Coverage of SCR		
Capital resources	274.8	295.7
SCR	151.4	158.2
Coverage	123.4	137.5
% Coverage	182%	187%
Coverage of MCR		
Capital resources	205.5	222.5
MCR	37.8	39.6
Coverage	167.7	182.9
% Coverage	543%	562%

With effect from 8 March 2019 the PRA have confirmed the removal of the capital add-on related to the defined benefit pension schemes. If this removal had been effective at 20 February 2019, then Own Funds would have been US\$270.0 million, the SCR would have been US\$128.9 million, and coverage of the SCR would have been 209%.

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

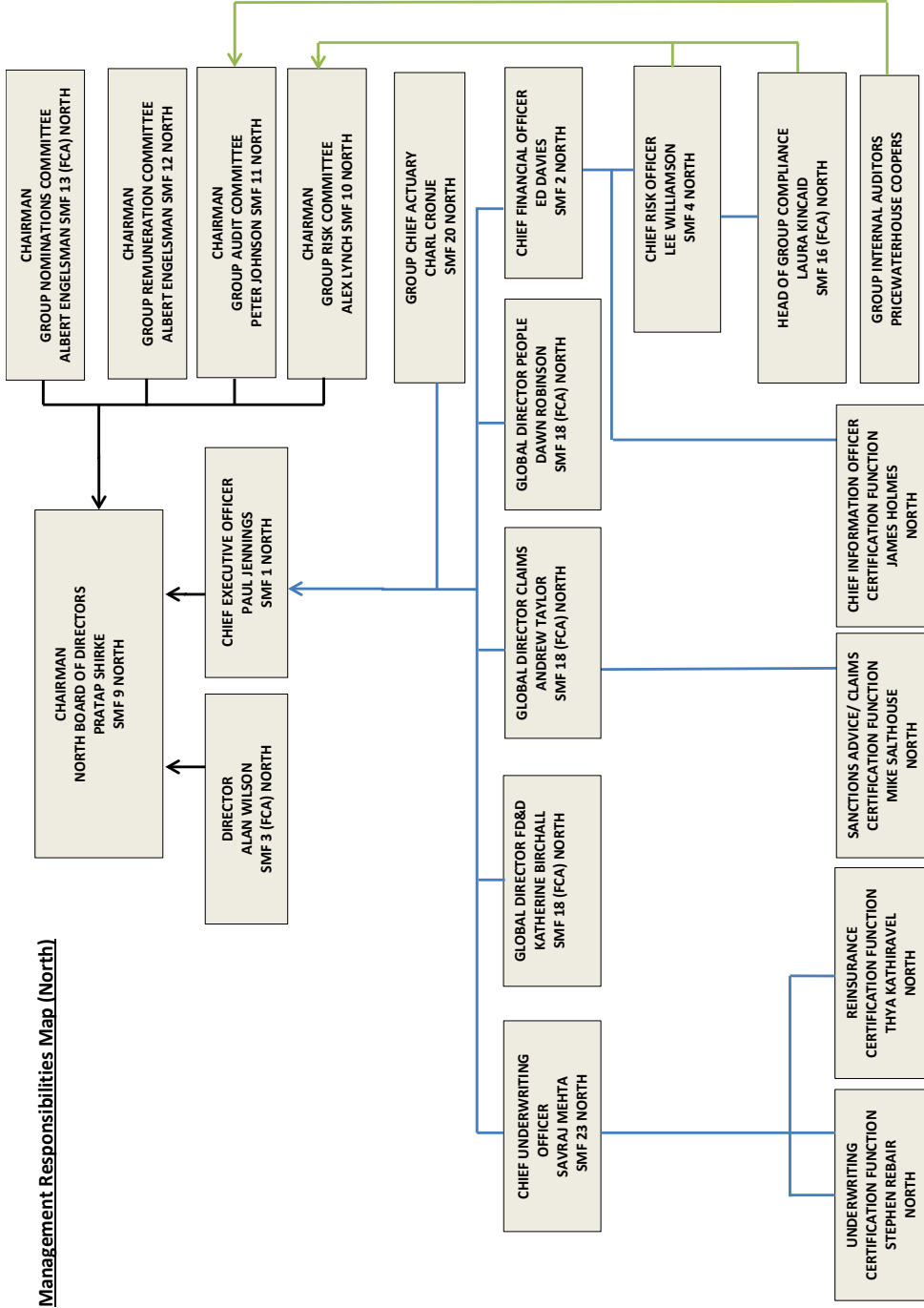
The company has complied with the SCR and MCR throughout the year.

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

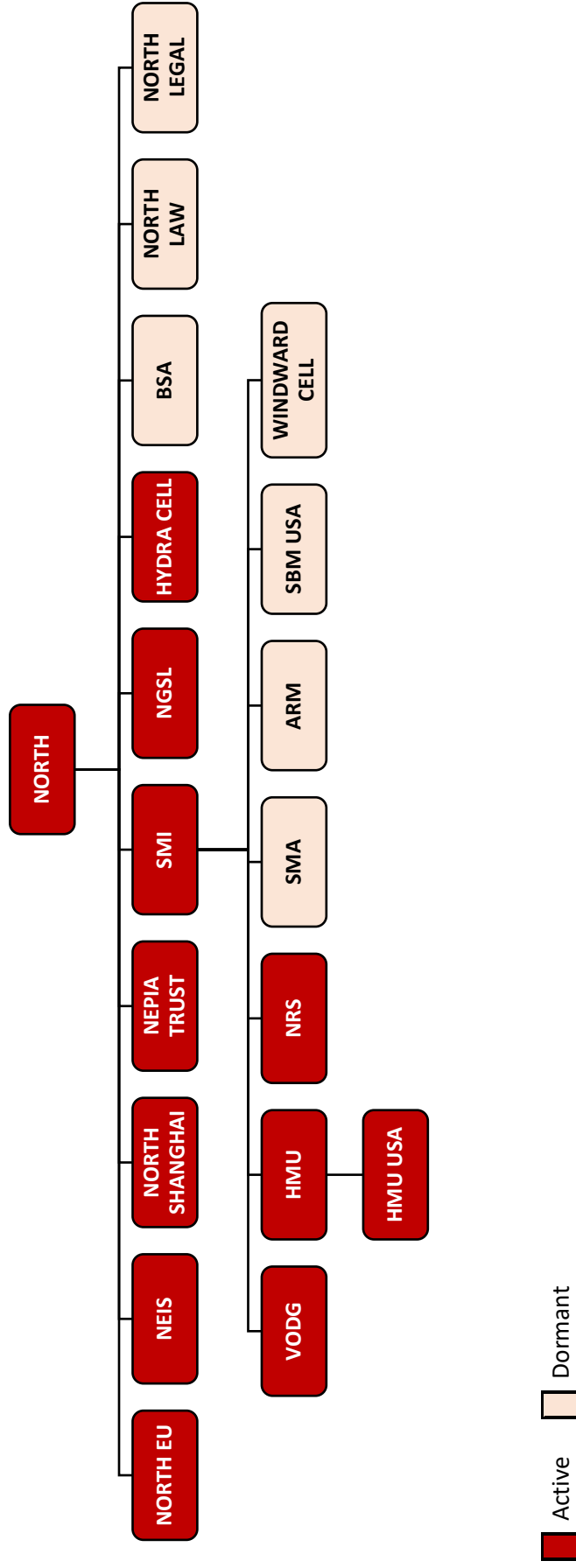
Key**PRA Senior Management Functions**

- 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



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
EIOPAP:	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

2019

(Monetary amounts in USD thousands)

General information

Undertaking name	North of England Protecting & Indemnity Association Ltd
Undertaking identification code	XJCO61LLUWTBTNWXO53
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 2019
Currency used for reporting	USD
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
		0
		16,210
		201,215
		0
		105,882
		16,146
		0
		16,146
		51,132
		28,601
		22,532
		0
		0
		0
		1,289
		26,765
		0
		0
		0
		715,537
		715,537
		715,537
		0
		0
		0
		2,296
		0
		50,419
		985,677

Assets

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
	Liabilities	
R0510	Technical provisions - non-life	708,019
R0520	<i>Technical provisions - non-life (excluding health)</i>	708,019
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	693,121
R0550	<i>Risk margin</i>	14,898
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	52,274
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	3,706
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)	14,106
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	778,105
R1000	Excess of assets over liabilities	207,571

5.17.01.02

Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance					Total Non-Life obligation	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170
	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	
R0010						0	0										0
R0050																	0
	Technical provisions calculated as a whole																
	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																
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
	Premium provisions																
R0060	Gross																
R0140						12,750	489										13,239
R0150						4,328	610										4,938
	Net Best Estimate of Premium Provisions																
R0160						8,422	-121										8,301
	Claims provisions																
R0240	Gross																
R0250						678,636	1,246										679,882
R0260						709,149	1,450										710,599
R0270						-30,513	-204										-30,717
R0280						691,386	1,735										693,121
	Total best estimate - gross																
	Total best estimate - net																
	Risk margin																
						-22,091	-325										-22,416
						14,682	216										14,898
	Amount of the transitional on Technical Provisions																
R0290	Technical Provisions calculated as a whole																
R0300	Best estimate																
R0310	Risk margin																
R0320	Technical provisions - total																
R0330						706,068	1,951										708,019
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																
						713,477	2,060										715,537
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																
						-7,409	-109										-7,518

R0010 **Technical provisions calculated as a whole**

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

Technical provisions calculated as a sum of BE and RM
Best estimate

Premium provisions

R0060 Gross
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
R0150 **Net Best Estimate of Premium Provisions**

Claims provisions

R0240 Gross
R0250 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
R0260 **Net Best Estimate of Claims Provisions**

Total best estimate - gross

Total best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

R0290 Technical Provisions calculated as a whole

R0300 Best estimate

R0310 Risk margin

R0320 **Technical provisions - total**

R0330 **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**

R0340 **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**

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 2015/25

	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	0	0
R0030 Share premium account related to ordinary share capital	0	0	0	0	0
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0	0	0	0
R0050 Subordinated mutual member accounts	0	0	0	0	0
R0070 Surplus funds	0	0	0	0	0
R0090 Preference shares	0	0	0	0	0
R0110 Share premium account related to preference shares	0	0	0	0	0
R0130 Reconciliation reserve	205,476	205,476	0	0	0
R0140 Subordinated liabilities	0	0	0	0	0
R0160 An amount equal to the value of net deferred tax assets	0	0	0	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	0	0	0	0
R0230 Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290 Total basic own funds after deductions	205,476	205,476	0	0	0
Ancillary own funds					
R0300 Unpaid and uncalled ordinary share capital callable on demand	0	0	0	0	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	0	0	0	0
R0320 Unpaid and uncalled preference shares callable on demand	0	0	0	0	0
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0	0	0	0	0
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	69,300	0	0	69,300	0
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0	0	0	0	0
R0390 Other ancillary own funds	0	0	0	0	0
R0400 Total ancillary own funds	69,300	0	0	69,300	0
Available and eligible own funds					
R0500 Total available own funds to meet the SCR	274,776	205,476	0	69,300	0
R0510 Total available own funds to meet the MCR	205,476	205,476	0	0	0
R0540 Total eligible own funds to meet the SCR	274,776	205,476	0	69,300	0
R0550 Total eligible own funds to meet the MCR	205,476	205,476	0	0	0
R0580 SCR	151,354				
R0600 MCR	37,838				
R0620 Ratio of Eligible own funds to SCR	181.55%				
R0640 Ratio of Eligible own funds to MCR	543.04%				
Reconciliation reserve	C0060				
R0700 Excess of assets over liabilities	207,571				
R0710 Own shares (held directly and indirectly)	0				
R0720 Foreseeable dividends, distributions and charges	0				
R0730 Other basic own fund items	0				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	2,095				
R0760 Reconciliation reserve	205,476				
Expected profits					
R0770 Expected profits included in future premiums (EPIFP) - Life business	84				
R0780 Expected profits included in future premiums (EPIFP) - Non- life business	84				
R0790 Total Expected profits included in future premiums (EPIFP)	84				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
		C0090	C0120
		C0110	
R0010	Market risk	81,713	
R0020	Counterparty default risk	38,622	
R0030	Life underwriting risk	0	
R0040	Health underwriting risk	0	
R0050	Non-life underwriting risk	16,443	
R0060	Diversification	-28,718	
		USP Key	
R0070	Intangible asset risk	0	For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None
R0100	Basic Solvency Capital Requirement	108,060	
		C0100	
R0130	Operational risk	20,794	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
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	128,854	
R0210	Capital add-ons already set	22,500	
R0220	Solvency capital requirement	151,354	
			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
R0400	Other information on SCR	0	
R0410	Capital requirement for duration-based equity risk sub-module	114,820	
R0420	Total amount of Notional Solvency Capital Requirements for remaining part	14,031	
R0430	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0	
R0440	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0	
	Diversification effects due to RFF nSCR aggregation for article 304	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

R0010 MCR_{NL} Result

C0010

5,339

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
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

C0020	C0030
0	
0	
0	
0	
0	
0	38,083
0	102
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

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

C0050	C0060

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 Minimum Capital Requirement

C0070

5,339
151,354
68,109
37,838
37,838
4,188
37,838

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