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built around you

North



# Solvency & Financial Condition Report 2020

Sunderland Marine Insurance Company Limited  
Registered in the UK; Limited by Guarantee  
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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  
Chief Executive Officer

Date: 21 May 2020

# Executive Summary

The Directors present the Solvency Financial Condition Report (“SFCR”) for Sunderland Marine Insurance Company Limited (“Sunderland” or “the company”), based on the financial position as at 20 February 2020.

## Regulatory Requirement

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

The company 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](http://www.bankofengland.co.uk/pr)

[www.fca.org.uk](http://www.fca.org.uk)

The company’s external auditor is

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

## Policy

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

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

## Review of 2019/20

Operating activities generated a loss of US\$1.0 million compared to a surplus of US\$2.5 million in the prior year. There has been an increase in the net loss ratio with a slight reduction in the expense ratio, with the overall combined ratio increasing to 130% (2019: 99%).

The company's business objective is to generate a consistent return for the North of England P&I Association (North) membership and to maintain long-term financial stability. The strategy is to achieve this through providing insurance to markets where its high level of service and knowledge differentiates it from other insurance providers and where sustainable pricing can be achieved.

The company has been successful over its long history working in partnership with its policyholders in niche marine and aquaculture sectors. It is a strategic priority to retain the company's focus on policyholders and the service that sets it apart from other insurers. Sustainable premium levels can be achieved by providing a high-quality insurance cover and service which differentiates the company from its competitors.

The company's strategy, as part of the Group strategy to reduce complexity of the Group structure, is to transition its business to its parent, North, from which point the business will operate as a division of that Company. The transfer is subject to regulatory approval which it is anticipated will be forthcoming later in the current financial year. At that point the company will commence an orderly wind down of its operations.

Gross earned premiums declined from US\$48.4 million to US\$25.5 million as the Company ceased underwriting EEA business from 20 February 2019 and given the full year effects of the transfer of Australian and New Zealand business to its parent in the prior year. Since 20 February 2019, the Company's previous business in the EEA has been underwritten by North of England P&I DAC, a fellow subsidiary of North.

The Company's investments returned US\$1.5 million in the year compared to US\$2.4 million in the prior year, reflecting the low risk investment strategy adopted and the generation of stable returns to support capital requirements.

The total accumulated surplus decreased from US\$54.7 million at 20 February 2019 to US\$53.7 million at 20 February 2020. The movement results from the deficit for the year (US\$0.1 million), and foreign exchange losses on foreign operations (US\$0.9 million).

The Covid-19 pandemic has led to a global reduction in economic activity. For a number of SMI policyholders, a lack of access to fish markets has had an adverse impact, or is expected to have an adverse impact, on both the fishing vessel fleet and the aquaculture industry. The reduced activity of the fishing vessel fleet is expected to lead to a reduction in claims, but also to an increase in laid up returns and an increased credit risk associated with policyholders who may find it harder to meet their obligations to the Company. As the pandemic endures, stocking levels at aquaculture sites are expected to increase, with an increased propensity for certain types of claim. SMI policies have carefully constructed policy limits and exclusions to mitigated increased risk in this area. Up until the date of approval of this SFCR, there have not been any material effects of the pandemic on the carrying value of the Company's assets or liabilities, and no significant change in solvency coverage of the Company compared to that disclosed in section E.

# A Business and Performance

## A.1 Business

### Principal Activities

The company underwrites marine insurance for hull and machinery, protection and indemnity, personal accident and war risks as well as aquaculture insurance.

The principal activities of the company's subsidiaries are marine insurance and insurance broking.

The company operates from its head office in Newcastle upon Tyne in the UK but also has a number of offices and subsidiaries in locations worldwide including Canada, the Netherlands, and the US.

The entire voting rights of the company are held by the parent company, North, which is also the ultimate parent company, located in the UK.

### Strategy

The company's business objective is to generate a consistent return for the North of England P&I Association (North) membership and to maintain long-term financial stability. The strategy is to achieve this through providing insurance to markets where its high level of service and knowledge differentiates it from other insurance providers and where sustainable pricing can be achieved.

The company has been successful over its long history working in partnership with its policyholders in niche marine and aquaculture sectors. It is a strategic priority to retain the company's focus on policyholders and the service that sets it apart from other insurers. Sustainable premium levels can be achieved by providing a high-quality insurance cover and service which differentiates the company from its competitors.

The company's strategy, as part of the Group strategy to reduce complexity of the Group structure, is to transition its business to its parent, North, from which point the business will operate as a division of that Company. The transfer is subject to regulatory approval which it is anticipated will be forthcoming later in the current financial year. At that point the company will commence an orderly wind down of its operations.

## Business Performance

The company has key financial and other performance indicators (KPIs) which reflect its strategic priorities.

	2020 US\$M	2019 US\$M
<b>Long-term financial stability</b>		
Results of operating activities	(1.0)	2.5
Investment return	1.5	2.4
Total Accumulated Surplus	53.7	54.7
<b>Reduce complexity</b>		
Expense ratio	41%	43%
Operating expenses	3.3	7.3

### A.2 Underwriting Performance

The company underwrites a variety of marine risks, including hull and machinery, protection and indemnity and personal accident as well as 'all-risks' cover for the aquaculture industry. Both the marine and aquaculture insurance environments are highly competitive. We have seen some upward pressure on marine premium rates given the reduction in underwriting capacity in the company's main markets.

The company manages a portfolio of risks which is well diversified within its niche marine portfolio in relation to size of vessel, fishery and service activity and within aquaculture by species.

The Covid-19 pandemic has led to a global reduction in economic activity since the year end. For a number of SMI policyholders, a lack of access to fish markets has had an adverse impact, or is expected to have an adverse impact, on both the fishing vessel fleet and the aquaculture industry. The reduced activity of the fishing vessel fleet is expected to lead to a reduction in claims, but also to an increase in laid up returns and an increased credit risk associated with policyholders who may find it harder to meet their obligations to the Company. As the pandemic endures, stocking levels at aquaculture sites are expected to increase, with an increased propensity for certain types of claim. SMI policies have carefully constructed policy limits and exclusions to mitigate increased risk in this area.

The impact of the continuing uncertainty about the future trade relationship between the UK and the EU following the UK's decision to leave the EU is restricted to managing the run-off of EEA business, as all EEA business has been underwritten by a fellow subsidiary of North since 20 February 2019. The risks for the company are mitigated by the planned transfer of this book of business to North in the current financial year.



### **A.3 Investment Performance**

Investment income and fair value gains for the year ended 20 February 2020 are US\$1.5 million. Dividends from group undertakings of US\$0.5 million are included in this figure.

The company has a low appetite for investment risk within its portfolio. No equity investments, with the exception of investments in group undertakings, are held by the Company and a significant proportion of investable assets are held as cash or cash equivalents.

### **A4. Performance of Other Activities**

The total accumulated surplus decreased from US\$54.7 million at 20 February 2019 to US\$53.7 million at 20 February 2020. The movement results from the deficit for the year (US\$0.1 million) and foreign exchange losses on foreign operations (US\$0.9 million).

### **A.5 Any Other Information**

None.

# B System of governance

## 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 policyholders 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 comprises 8 directors: 6 non-executive Directors and 2 executive Directors. The Directors have a Group Nominations Committee, which evaluates the performance of the Directors and proposes new Directors. There is also a Group Remuneration Committee, which determines the Group Remuneration Policy including the policy for remuneration of the Executive and Non-Executive Directors.

The system of governance adopted is considered appropriate for the nature, scale and complexity of the risk 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 ongoing basis in order to identify any matters which necessitate the Requirements to be reassessed and updates the

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 Company Secretary and upon notification of any change or proposed change noted above.

### **Approved Persons**

North Group maintains a Management Responsibilities Map (Appendix 1), setting out details of all approved persons.

This map includes the regulatory structure of the group and identifies the reporting lines applicable to all approved persons.

## **B3 Risk Management System including the Own Risk and Solvency Assessment (ORSA)**

### **Risk Culture**

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

### **Board Oversight of Risk Management**

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

### **Group Risk Committee**

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

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

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

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

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

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

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

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

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

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

### **Enterprise Risk Management Committee**

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

### **Reserving Committee**

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

### **Risk Management Framework**

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



The core elements of the steps above are as follows:

Core Element	Description
<b>Board sets strategy and risk appetite</b>	<p>Quantitative parameters set for each primary category of risk – underwriting, market and operational.</p> <p>A total 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>
<b>Risk policies cascade risk appetite to operations</b>	<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>
<b>Risk identification, measurement, control and reporting</b>	<p><b>Risk register</b></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><b>Emerging risk protocol</b> 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><b>Risk tolerance and reporting indicators</b> Risk indicators are assigned to each risk and sub-components as agreed with risk owners and reported on quarterly by owners to the ERM Committee.</p> <p><b>Risk profile</b> 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>
<p><b>Stress testing and reverse stress testing of business model</b></p>	<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>
<p><b>Capital management plan update</b></p>	<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>
<p><b>Assess and document the ORSA framework and outputs</b></p>	<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. Overall responsibility for oversight of the process rests with the CRO. Final review, approval and sign-off is undertaken by the ERM committee, the GRC and the Board itself.

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

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

### B.4 Internal Control System

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

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

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

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

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

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

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

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

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

**Assurance** – reporting on the effectiveness of internal controls.

## Risk and Compliance Functions

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

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



### B.5 Internal Audit Function (Outsourced)

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

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the Group's control process;



- Significant legislative or regulatory issues impacting the Group are recognised and addressed properly; and
- Consistency of standards and approach across the various elements and companies within the Group.

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

## 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 E.2.

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

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

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

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

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

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

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

## Stress and Scenario Testing

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

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

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

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

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

### C.1 Underwriting Risk

The company issues contracts that transfer insurance risk.

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

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

The company's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability in outcomes. In particular, 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. In order 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 the company.

## **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 as a result 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 the company's investment risk management, including market risk, credit risk and liquidity risk, is the Prudent Person Principle (Article 132 of the Solvency II EU Directive). In particular:

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

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

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

## **Currency Risk**

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

## **Interest Rate Risk**

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

## **Price Risk**

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

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

## **C.3 Credit Risk**

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

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

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

The most significant concentration of credit risk lies within the reinsurance recoveries, in particular those from the parent company, North. North is rated 'A' by Standard and Poor's and the risk to the company is viewed as negligible in all but the most extreme circumstances.

## **C.4 Liquidity Risk**

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

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

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

## **C.5 Operational Risk**

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

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

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

- Regular review of service delivery standards and prompt investigation of potential shortfalls in service delivery;
- Dedicated risk and compliance department with access to appropriate professional advice;
- Detailed business continuity planning and regular testing of recovery plans;
- Information security assessments including cyber risk, 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**

None

## **C.7 Any Other Information**

None.

## D Valuation for Solvency purposes

### 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;
- Reinsurance recoverables; and
- Deferred acquisition costs

The following table sets out the value of the company's assets at 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019.

	20 February 2020		20 February 2019	
	IFRS assets US\$M	Solvency II Assets US\$M	IFRS Assets US\$M	Solvency II Assets US\$M
Investments – related undertakings including participations	5.5	3.7	5.7	3.7
Investments – other	34.6	34.6	38.5	38.5
Reinsurance recoverables	57.1	57.3	50.1	41.0
Receivables	36.7	20.4	37.4	17.9
Deposits, Cash and cash equivalents	6.9	6.9	7.3	7.3
Deferred acquisition costs	0.9	-	1.6	-
<b>Total Assets</b>	<b>141.7</b>	<b>122.9</b>	<b>140.6</b>	<b>108.4</b>

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

#### Investments – Related Undertakings Including Participations

Investments in brokerage subsidiaries are valued on an adjusted equity method, which is based on the cost of the investments adjusted for subsequent movements in reserves. Any goodwill or intangible assets on the subsidiaries' own balance sheets are deducted in the Solvency II valuation. These valuations replace the IFRS carrying value, which is based on the cost of the investments.

#### Investments - Other

This includes the company's financial investments. 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.



### **Reinsurance Recoverables**

In the Solvency II balance sheet, the reinsurance recoverables are valued as part of 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 and quota share reinsurance arrangements, including a quota share reinsurance arrangement with the parent company, North.

### **Receivables**

Insurance and reinsurance receivables 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. Adjustments are also made to remove prepayment balances from the Solvency II balance sheet.

### **Deposits, Cash and Cash Equivalents**

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

### **Deferred acquisition costs**

Deferred acquisition costs are valued at US\$nil 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 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019.

	20 February 2020		20 February 2019	
	IFRS TPs US\$M	Solvency II TPs US\$M	IFRS TPs US\$M	Solvency II TPs US\$M
Gross Technical provisions	76.7	66.4	74.9	52.9
Reinsurance recoverables	(57.1)	(57.3)	(50.1)	(41.0)
Risk margin	N/a	2.4	N/a	2.5
<b>Net Technical Provisions</b>	<b>19.6</b>	<b>11.5</b>	<b>24.8</b>	<b>14.4</b>

The company calculates its technical provisions separately in relation to business written under the Marine, Aviation and Transport (Hull, P&I, Personal Accident classes of business, including proportional Hull and P&I reinsurance) and the 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 a number of uncertainties inherent in the calculation of Solvency II technical provisions. The cash flows ultimately required to settle the net technical provisions are sensitive to a number of factors that can only be known for certain at the conclusion of a claim.

### Claims

Gross and net claims are projected to their ultimate cost using actuarial techniques including chain ladder and Bornhuetter-Ferguson methods. 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. 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**

No adjustment is made for bound but not incepted business in the calculation of the technical provisions. The company underwrites business throughout the year and any future cash flows associated with the low volumes of business bound but not incepted at the 20 February valuation date are not significant to the overall valuation.

### **Events not in Data (ENID)**

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

### **Reinsurer Bad Debt**

The technical provisions include an allowance for reinsurer bad debt.

### **Projected Cash Flows**

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

### **Discounting**

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

### **Risk Margin**

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

### D.3 Other Liabilities

The following table sets out the value of the company's other liabilities at 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019.

	20 February 2020		20 February 2019	
	IFRS	Solvency II	IFRS	Solvency II
	Liabilities	Liabilities	Liabilities	Liabilities
	US\$M	US\$M	US\$M	US\$M
Payables	11.3	0.9	11.1	0.6
<b>Total other liabilities</b>	<b>11.3</b>	<b>0.9</b>	<b>11.1</b>	<b>0.6</b>

Payables include insurance and reinsurance payables that 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. The company's other liabilities are recognised and valued for Solvency II purposes on the same basis as the IFRS financial statements.

### D.4 Alternative Valuation Methods

None.

### D.5 Any Other Information

None.

# E Capital Management

## 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 and amounts contributed by the parent company.

The company's objective with respect to the management of own funds is to ensure that sufficient resources are available to cover 130% 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 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019 are shown in the table below:

	20 Feb 2020 US\$M	20 Feb 2019 US\$M
Income & expenditure account	8.4	8.6
Translation reserve	(4.8)	(4.0)
Other reserves	50.1	50.1
<b>Total IFRS resources</b>	<b>53.7</b>	<b>54.7</b>
Solvency II adjustments	(0.5)	(2.3)
<b>Solvency II own funds</b>	<b>53.2</b>	<b>52.4</b>

The reconciliation reserve consists of the Solvency II excess of assets over liabilities of US\$53.2 million (2019: US\$52.4 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

All of the assets of the company are available to meet liabilities as and when they fall due, and therefore the company has no restrictions with regard to 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 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019:

	20 Feb 2020 US\$M	20 Feb 2019 US\$M
Market risk	8.4	8.4
Counterparty default risk	11.8	10.3
Underwriting risk	7.5	10.3
Diversification	(6.8)	(7.2)
<b>Basic SCR</b>	<b>20.9</b>	<b>21.8</b>
Operational risk	2.0	1.6
<b>SCR excluding capital add-on</b>	<b>22.9</b>	<b>23.4</b>
Agreed capital add-on (defined benefit pension schemes)	-	7.8
<b>Solvency Capital Requirement</b>	<b>22.9</b>	<b>31.2</b>

The reduction in underwriting risk follows the reduction in business volumes from the full year effects of the transfer of the Australian and New Zealand branches to the parent company in the prior year, and the fact that the Company ceased underwriting EEA business from 20 February 2019, as this business is now underwritten by a fellow subsidiary of North, North of England P&I DAC.

An annual assessment of the appropriateness of the standard formula SCR to the company is carried out. The last review, completed in November 2019, confirmed that the SCR was appropriate for all risks. The company has previously agreed with the PRA that a voluntary capital add-on was appropriate to capture the risks associated with the pension scheme which was transferred to the parent company in advance of 20 February 2018. Following the transfer of the pension scheme, 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 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 20<sup>th</sup> February 2020 and 20<sup>th</sup> February 2019, the calculated MCR is lower than the 25% floor and therefore the MCR has been set equal to 25% of the SCR, which is US\$5.7 million (2019: US\$7.8 million).

### Coverage of the SCR and MCR

The following tables show the company's coverage of the MCR and SCR.

	20 February 2020 US\$M	20 February 2019 US\$M
<b>Coverage of SCR</b>		
Capital resources	53.2	52.4
SCR	22.9	31.2
Coverage	30.3	21.2
% Coverage	232%	168%
<b>Coverage of MCR</b>		
Capital resources	53.2	52.4
MCR	5.7	7.8
Coverage	47.5	44.6
% Coverage	933%	672%

### 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 & Minimum Consolidated Group SCR

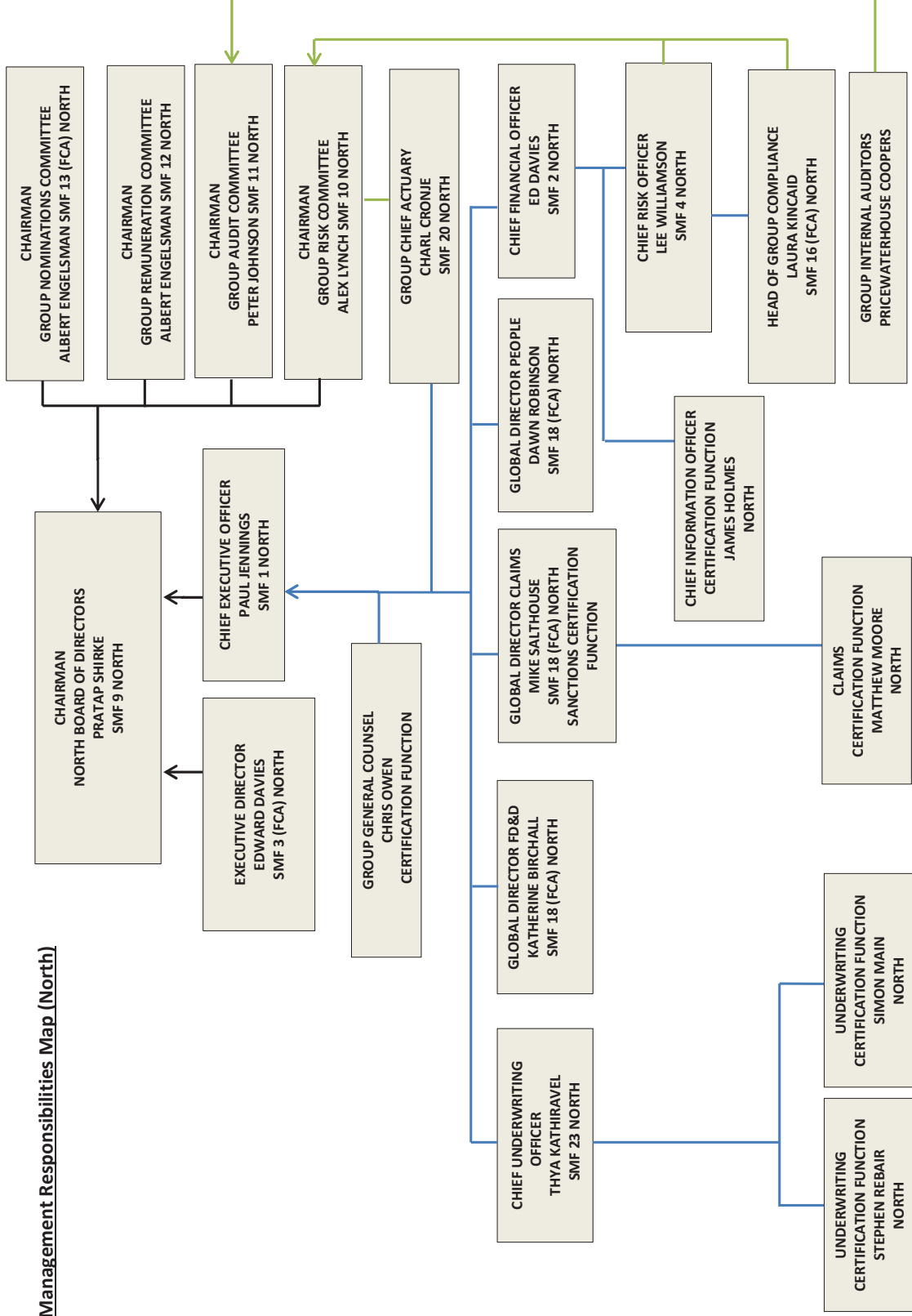
The company has complied with the SCR and MCR throughout the year.

### 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)**





Key

Reporting Lines

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

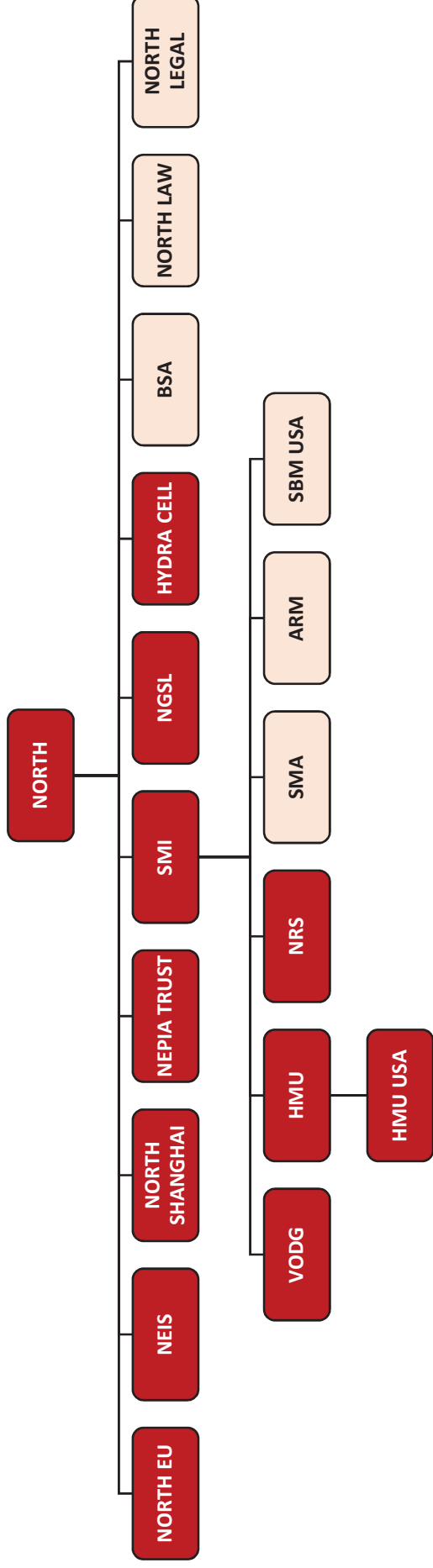
**PRA Senior Management Functions**

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

**FCA Senior Management Functions**

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

**Appendix 2 - Group Structure**



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

Active
  Dormant

### Appendix 3 - Glossary of Terms

Basic SCR – The SCR before operational risk and capital add-ons

BBNI – Bound but not incepted. Refers to insurance contracts which the business is obliged to enter into where the inception date is after the valuation date

Combined ratio – claims incurred and expenses as a proportion of premiums

CRO – Chief Risk Officer

EIOPA – European Insurance and Occupational Pensions Authority

ENID – Events not in data. Refers to possible future insured events which have not previously occurred

ERM Committee – Enterprise Risk Management Committee

Expense ratio – an expression of expenses as a proportion of premiums

GRC – Group Risk Committee

IFRS – International Financial Reporting Standards

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

# Sunderland Marine Insurance Company Ltd

## Solvency and Financial Condition Report

### Disclosures

20 February

**2020**

(Monetary amounts in USD thousands)

## General information

Undertaking name	Sunderland Marine Insurance Company Ltd
Undertaking identification code	549300MOM633ONHVMi67
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	20 February 2020
Currency used for reporting	USD
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.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
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	38,352
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	3,700
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	18,811
R0140	<i>Government Bonds</i>	16,304
R0150	<i>Corporate Bonds</i>	2,507
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	15,829
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	12
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	57,250
R0280	<i>Non-life and health similar to non-life</i>	57,250
R0290	<i>Non-life excluding health</i>	57,250
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
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	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	20,395
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	6,891
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>122,888</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
	<b>Liabilities</b>	
R0510	Technical provisions - non-life	68,876
R0520	<i>Technical provisions - non-life (excluding health)</i>	68,876
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	66,441
R0550	<i>Risk margin</i>	2,435
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	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	876
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	<b>Total liabilities</b>	<b>69,752</b>
R1000	<b>Excess of assets over liabilities</b>	<b>53,136</b>











## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	8,411		
R0020 Counterparty default risk	11,773		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	7,535		
R0060 Diversification	-6,837		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>20,881</b>		
	<b>C0100</b>		
<b>Calculation of Solvency Capital Requirement</b>	<b>1,993</b>		
R0130 Operational risk	0		
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		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>22,874</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>22,874</b>		
<b>Other information on SCR</b>	<b>0</b>		
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>	<b>C0109</b>		
R0590 Approach based on average tax rate	0		
<b>Calculation of loss absorbing capacity of deferred taxes</b>	<b>LAC DT</b>		
	<b>C0130</b>		
R0640 LAC DT	0		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

## USP Key

## For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

## For health underwriting risk:

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

## For non-life underwriting risk:

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



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