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North

Solvency & Financial Condition Report 2021

Sunderland Marine Insurance Company Limited
Registered in the UK: Limited by Guarantee
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Approval by the Board of Directors

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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: 28 May 2021

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 2021; and
- Highlight that the company no longer undertakes insurance business nor has any open claims. The company’s insurance business has been transferred to its parent company, North (the ‘**Transfer**’). The transfer was, in the main, executed pursuant to a UK court sanctioned insurance business transfer scheme which was effective from 30 June 2020. Matters will now be progressed to complete the company’s orderly wind up.

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

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 2020/21

As part of the North Group's restructuring of its insurance activities, on 16 June 2020 all conditions required for the Part VII transfer of the Company's insurance business to its parent company, North of England Protecting and Indemnity Association Limited, were met. On 30 June 2020, the effective date of transfer, all assets and liabilities (excluding residual Canadian branch policies) of SMI were transferred to North. On 8 January 2021 all assets and liabilities relating to the Canadian branch of SMI were also transferred to North. The Company ceased underwriting activity on 30 June 2020.

Following the completion of the Part VII transfer, it is the Directors intention that the Company surrenders its insurance permissions and thereafter that the Company be wound up. The Company has ceased trading and has applied to have its regulatory approval under Part 4A of the Financial Services and Markets Act 2000 cancelled, the application was lodged on 12 April 2021.

The Company reported a surplus before tax of US\$0.8 million for the year, pertaining to trading activities before 30 June 2020.

A Business and Performance

A.1 Business

Principal Activities

On 16 June 2020 all conditions required for the Part VII transfer of the Company's insurance business to its parent company, North of England Protecting and Indemnity Association Limited, were met. On 30 June 2020, the effective date of transfer, all assets and liabilities (excluding residual Canadian branch policies) of SMI were transferred to North. On 8 January 2021 all assets and liabilities relating to the Canadian branch of SMI were also transferred to North. The Company has therefore ceased trading.

Prior to the Part VII transfer, the company underwrote marine insurance for hull and machinery, protection and indemnity, personal accident and war risks as well as aquaculture insurance.

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 strategy is for the Company to surrender its insurance permissions and subsequently for the Company to be wound up. These activities will mark the conclusion of the strategy first adopted by the Company on acquisition by North to reduce the operational complexity of the Group's business.

In determining the strategy, the Directors are satisfied that the decision to proceed with the solvent wind up of the business is in the best interests of the Company's sole member. The Company has no employees, and following the Part VII transfer, no policyholders or suppliers, and no operations. An orderly wind up of the Company is consistent with its reputation for high standards of business conduct.

Business Performance

	2021 US\$M	2020 US\$M
Results of operating activities	(0.9)	(1.0)
Investment return	(0.4)	1.5
Total Accumulated Surplus	6.9	53.7
Operating expenses	0.6	3.3

A.2 Underwriting Performance

The company recorded a small loss on underwriting activities in the short period up until 30 June 2020. Premiums, claims and operating expenses were significantly reduced compared to the prior year as a result of ceasing trading during the year.

A.3 Investment Performance

Investment income and fair value gains for the year ended 20 February 2021 are a small loss of US\$0.4 million. Dividends from group undertakings of US\$0.4 million are included in this figure.

The Company divested of its investment portfolio on the successful conclusion of the Part VII transfer, and has no residual investment assets.

A4. Performance of Other Activities

The total accumulated surplus decreased from US\$53.7 million at 20 February 2020 to US\$6.9 million at 20 February 2021. The movement results primarily from a capital distribution of US\$45.8 million to the parent company in the year.

A.5 Any Other Information

None.

B System of governance

B.1 General Information

The company is no longer trading and the Directors are in the process of overseeing its orderly wind up. The company's current system of governance is appropriate given it has transferred its business to North and is no longer trading.

B.2 Fit and Proper Requirements

During the reporting period, the company adhered to the Group's fit and proper requirements ensuring the company's Directors, senior managers and individuals within certification functions were assessed to be fit and proper to undertake their respective roles.

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)

Prior to the Transfer, the company benefitted from the Group's risk management framework. During the reporting period, the company completed its final ORSA.

B.4 Internal Control System

The company maintained a robust system of internal controls 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 were ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems.

B.5 Internal Audit Function (Outsourced)

During the reporting period, the company outsourced its Internal Audit function to PricewaterhouseCoopers. This relationship was governed by a detailed engagement letter, charter and plan.

B.6 Actuarial Function (Outsourced)

During the reporting period, the company outsourced its Actuarial Function to Lane Clark & Peacock. This relationship was governed by a detailed engagement letter and plan. The Actuarial Function focussed on the company's technical provisions, underwriting policy and reinsurance arrangements, and also contributed to the company's risk management activities.

B.7 Outsourcing Arrangements

The actuarial and internal audit functions represented the most significant activities outsourced to external service providers during the reporting period. Outsourced activities were managed in accordance with the company's Outsourcing Policy.

B.8 Any Other Information

None.

C Risk Profile

Overview

The company previously operated a low risk business model that was supported by a robust risk management framework which ensures risks are well understood and controlled. Policies and procedures operated to ensure risks were managed within the Board's risk appetite prior to the Transfer.

C.1 Underwriting Risk

Following the Transfer, the company no longer has any underwriting risk.

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 company previously operated a very low risk investment strategy. The company will remain subject to market risk until its residual assets are transferred to North as part of its wind-up process.

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 previously operated internationally and during the reporting period was exposed to foreign exchange risks which arise primarily with respect to the US Dollar and UK Sterling but also Euro and other global currencies. During the reporting period, 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 any remaining holdings in debt securities. The company managed its exposure to price risk by setting constraints on its investments and by limiting its investments in each country, sector and market. .

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.

During the reporting period, investment related credit risk was managed through the Board-approved investment guidelines issued to the investment managers. The guidelines imposed strict diversification limits by credit rating, maturity and per issuer.

Non-investment related credit risk was managed through the 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.

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 was managed by maintaining adequate reserves and banking facilities and ensuring that the spread of investments across short, medium and long term funds, enabling any short term funding requirements to be met. As a result of the Transfer, the company does not anticipate liquidity risks to materialise.

C.5 Operational Risk

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. As a result of the Transfer, the company does not anticipate operational risks to materialise.

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 did not provide a market consistent valuation in the prior year were:

- Investments – related undertakings including participations;
- Reinsurance recoverables; and
- Deferred acquisition costs

Following the Part VII transfer, there are no differences between the IFRS and Solvency II balance sheets of the Company.

The following table sets out the value of the company's assets at 20th February 2021 and 20th February 2020.

	20 February 2021		20 February 2020	
	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
Investments – other	-	-	34.6	34.6
Reinsurance recoverables	-	-	57.1	57.3
Receivables	6.9	6.9	36.7	20.4
Deposits, Cash and cash equivalents	-	-	6.9	6.9
Deferred acquisition costs	-	-	0.9	-
Total Assets	6.9	6.9	141.7	122.9

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 20th February 2021 and 20th February 2020.

	20 February 2021		20 February 2020	
	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
Reinsurance recoverables	-	-	(57.1)	(57.3)
Risk margin	N/a	-	N/a	2.4
Net Technical Provisions	-	-	19.6	11.5

Following the Part VII transfer, the Company has no insurance contracts and no IFRS or Solvency II technical provisions.

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 20th February 2021 and 20th February 2020.

	20 February 2021		20 February 2020	
	IFRS	Solvency II	IFRS	Solvency II
	Liabilities	Liabilities	Liabilities	Liabilities
	US\$M	US\$M	US\$M	US\$M
Payables	-	-	11.3	0.9
Total other liabilities	-	-	11.3	0.9

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.

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, and to ensure that the MCR is covered at all times. 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 2021 and 20th February 2020 are shown in the table below:

	20 Feb 2021 US\$M	20 Feb 2020 US\$M
Income & expenditure account	-	8.4
Translation reserve	-	(4.8)
Other reserves	6.9	50.1
Total IFRS resources	6.9	53.7
Solvency II adjustments	-	(0.5)
Solvency II own funds	6.9	53.2

The reconciliation reserve consists of the Solvency II excess of assets over liabilities of US\$6.9 million (2020: US\$53.2 million).

Solvency II Adjustments

Following the Part VII transfer, there are no differences between the IFRS and Solvency II balance sheets.

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 20th February 2021 and 20th February 2020:

	20 Feb 2021 US\$M	20 Feb 2020 US\$M
Market risk	1.4	8.4
Counterparty default risk	1.1	11.8
Underwriting risk	1.0	7.5
Diversification	(0.9)	(6.8)
Basic SCR	2.6	20.9
Operational risk	0.2	2.0
Solvency Capital Requirement	2.8	22.9

The reduction in the Solvency Capital Requirement follows from the completion of the Part VII transfer in the year and the capital distribution made to the parent, which has significantly reduced the size of the balance sheet.

An annual assessment of the appropriateness of the standard formula SCR to the company is carried out. The last review, completed in November 2020, confirmed that the SCR was appropriate for all risks.

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, and an absolute floor established with reference to the classes of business underwritten. As at 20th February 2021, the calculated MCR is below the absolute floor of the MCR based on the classes of business underwritten, and so has been set with reference to the absolute floor being US\$4.3 million. At 20th February 2020, 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.

Coverage of the SCR and MCR

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

	20 February 2021 US\$M	20 February 2020 US\$M
Coverage of SCR		
Capital resources	6.9	53.2
SCR	2.8	22.9
Coverage	4.1	30.3
% Coverage	246%	232%
Coverage of MCR		
Capital resources	6.9	53.2
MCR	4.3	5.7
Coverage	2.6	47.5
% Coverage	160%	933%

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.

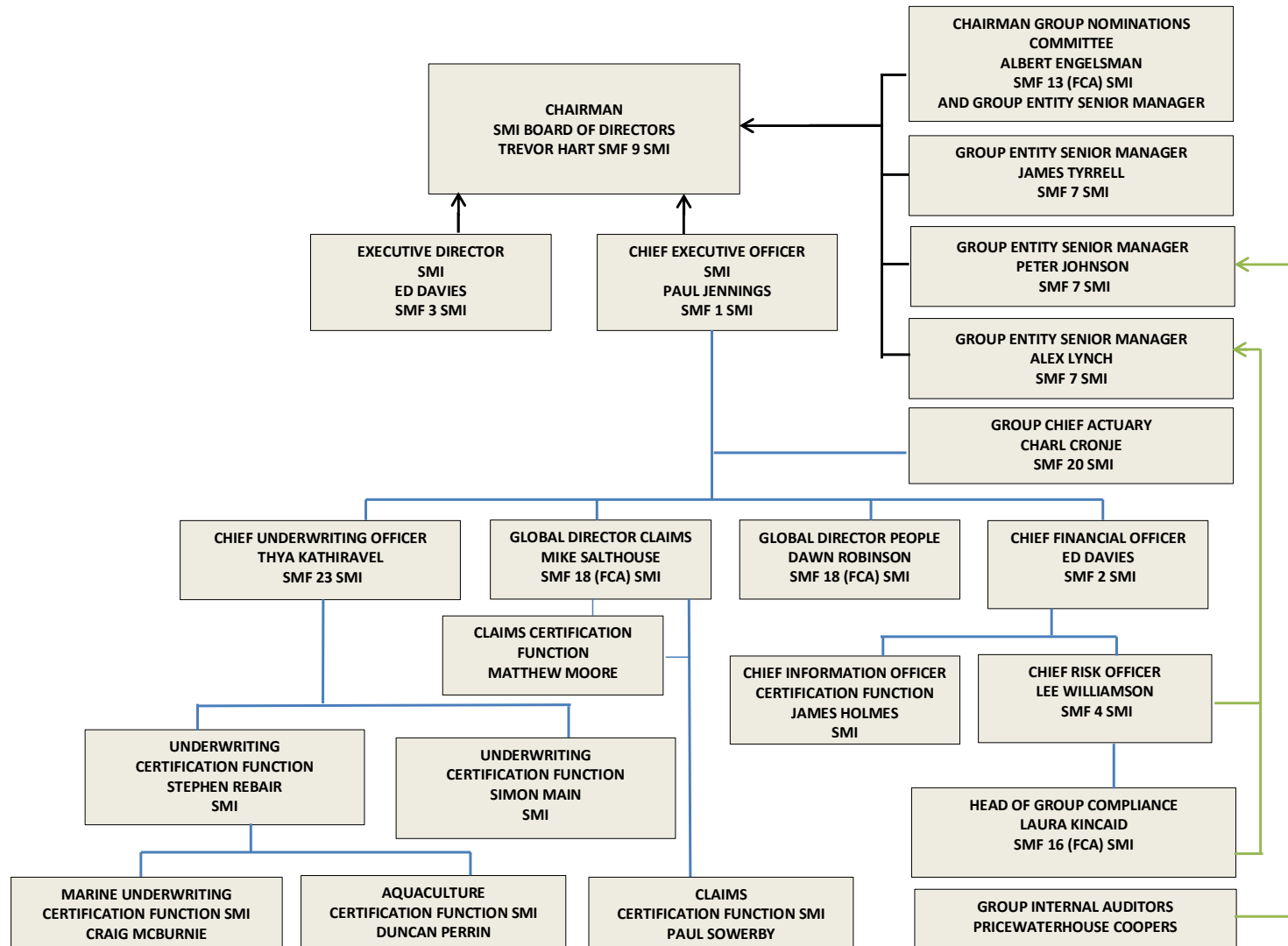
E.5 Confirmation of Compliance with the SCR & Minimum Consolidated Group SCR

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



Key

Reporting Lines

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

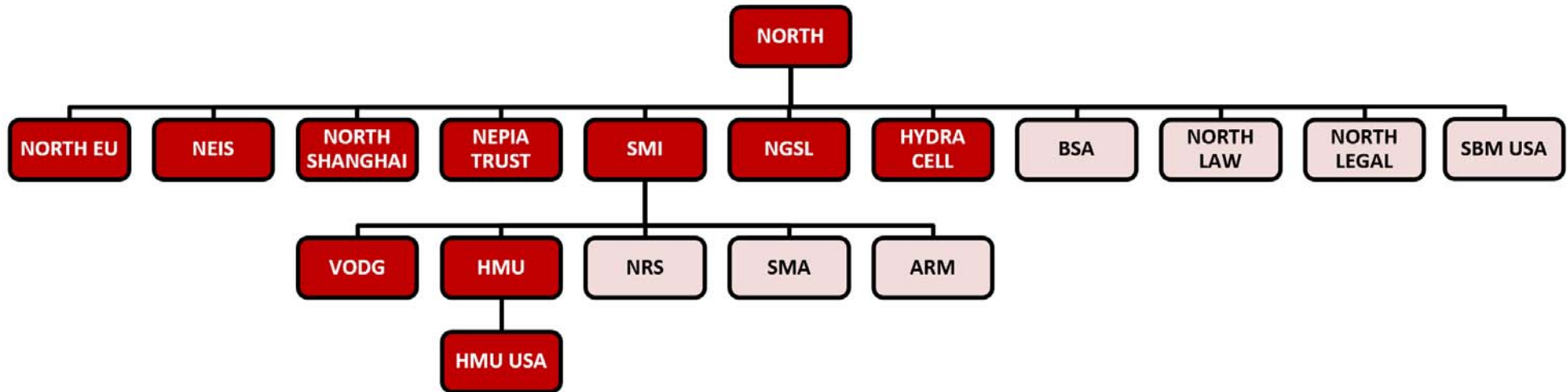
PRA Senior Management Functions

- 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



Active Dormant

* Excludes North's bermuda based parallel mutual company North of England Mutual Insurance Association Limited

Entity	Full name	Principal Activity	Registered Number	Domicile & LEI Number (if applicable)	Holding Percentage
NORTH	North of England Protecting and Indemnity Association Limited	Marine insurance	505456	England XJCO61LLUWTBTNWXO53	Group Parent Company
NORTH EU	North of England P&I DAC	Marine and aquaculture insurance	628183	Ireland 635400AADIICESCVBE87	100%
NEIS	North of England Insurance Services Inc.	Marketing and introduction of US business to North	7008165	USA	100%
NORTH SHANGHAI	North of England Marine Consultant (Shanghai) Ltd. Co.	Claims consultancy services for North & North EU	41000002201611180030	China	100%
NEPIA TRUST	NEPIA Trust Company Limited	Trustee of Group death in service schemes	03225823	England	100%
SMI	Sunderland Marine Insurance Company Limited	Marine and aquaculture Insurance , in run off following Part VII transfer to North.	00016432	England 549300MOM633ONHVMI67	100%
NGSL	North Group Services Limited	Employment of Group staff	03922841	England	100%
HYDRA CELL	Hydra Insurance Company Limited (North Segregated Cell)	Segregated cell company involved in International Group reinsurance programme	34834	Bermuda	100%
BSA	British Shipowners Association	Dormant, retained for brand protection purposes	00025850	England	100%
NORTH LAW	North Law Limited	Dormant, acquired for brand protection purposes	09652622	England	100%
NORTH LEGAL	North Legal Limited	Dormant, acquired for brand protection purposes	09652689	England	100%
VODG	Van Olst De Graaff & Co B.V.	Brokerage	24285533	Netherlands	91% North 9% Other
HMU	Harlock Murray Underwriting Limited	Lloyds Coverholder	142398	Canada	100%
NRS	North Risk Services Limited	Loss prevention/ risk	07277271	England	100%

Entity	Full name	Principal Activity	Registered Number	Domicile & LEI Number (if applicable)	Holding Percentage
		management consultancy services			
SMA	Sunderland Marine Africa Ltd	Marine Insurance, now de-registered and in process of being wound up	2005/025780/06	South Africa	100%
ARM	Aquaculture Risk (Management) Limited	Dormant, retained for brand protection purposes	SC102124	Scotland	100%
SBM USA	Salvus Bain Management (USA) LLC	Former brokerage, currently in process of being wound up.	602311188	USA	100%
HMU USA	Harlock Murray Underwriting LLC	Wholly owned subsidiary of HMU established for licensing purposes in USA	6174509	USA	100%

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

2021

(Monetary amounts in USD thousands)

General information

Undertaking name	Sunderland Marine Insurance Company Ltd
Undertaking identification code	549300MOM633ONHVM167
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 2021
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.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
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)	0
R0080	<i>Property (other than for own use)</i>	
R0090	<i>Holdings in related undertakings, including participations</i>	
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	0
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	0
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:	0
R0280	<i>Non-life and health similar to non-life</i>	0
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>	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	
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	6,933
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	
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	6,933

S.02.01.02

Balance sheet

Solvency II value	
C0010	
Liabilities	
R0510 Technical provisions - non-life	0
R0520 <i>Technical provisions - non-life (excluding health)</i>	0
R0530 <i>TP calculated as a whole</i>	
R0540 <i>Best Estimate</i>	
R0550 <i>Risk margin</i>	
R0560 <i>Technical provisions - health (similar to non-life)</i>	0
R0570 <i>TP calculated as a whole</i>	
R0580 <i>Best Estimate</i>	
R0590 <i>Risk margin</i>	
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)	
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	0
R1000 Excess of assets over liabilities	6,933

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	Development year						C0100	C0110	C0170	C0180
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)	
R0100	Prior											294	294	294
R0160	2012	30,960	51,865	55,340	58,429	61,274	61,373	62,641	62,799	55,783	138	138	500,602	
R0170	2013	43,934	65,739	72,508	76,449	79,916	81,882	82,086	63,754	12		12	566,280	
R0180	2014	46,506	72,807	78,249	85,248	87,710	91,454	85,137	370			370	547,481	
R0190	2015	45,435	86,315	97,445	102,537	107,970	100,568	69				69	540,340	
R0200	2016	58,630	80,007	90,003	94,623	89,104	249					249	412,616	
R0210	2017	30,147	52,520	59,014	54,764	274						274	196,718	
R0220	2018	28,001	40,594	34,091	1,519							1,519	104,205	
R0230	2019	17,388	19,927	17,984								17,984	55,299	
R0240	2020	10,277	912									912	11,189	
R0250	2021	0										0	0	
R0260												Total	21,822	2,935,026

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	Development year						C0300	C0360	
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)	
R0100	Prior											0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0	0	
R0170	2013	0	0	0	0	0	0	0	0	0		0	
R0180	2014	0	0	0	0	0	0	0				0	
R0190	2015	0	0	0	0	0	0					0	
R0200	2016	0	0	0	0	0	0					0	
R0210	2017	0	0	0	0	0						0	
R0220	2018	0	0	0	0							0	
R0230	2019	0	0	0								0	
R0240	2020	67,206	0									0	
R0250	2021	0										0	
R0260												Total	0

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
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
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
6,933	6,933			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
0				
0				
0				
6,933	6,933	0	0	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

6,933	6,933	0	0	0
6,933	6,933	0	0	
6,933	6,933	0	0	0
6,933	6,933	0	0	

2,824
4,328
245.49%
160.18%

C0060
6,933
0
0
0
6,933

0
0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	1,412		
R0020 Counterparty default risk	1,040		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	1,048		
R0060 Diversification	-904		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	2,595		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	229		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
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	2,824		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	2,824		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	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		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
	LAC DT		
	C0130		
R0640 LAC DT			
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

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	284
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020 C0030

	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		2,032
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		

Linear formula component for life insurance and reinsurance obligations

R0200 MCR _L Result	C0040	0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
--	---

C0050 C0060

	C0050	C0060
R0210 Obligations with profit participation - guaranteed benefits		
R0220 Obligations with profit participation - future discretionary benefits		
R0230 Index-linked and unit-linked insurance obligations		
R0240 Other life (re)insurance and health (re)insurance obligations		
R0250 Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

R0300 Linear MCR	C0070	284
R0310 SCR		2,824
R0320 MCR cap		1,271
R0330 MCR floor		706
R0340 Combined MCR		706
R0350 Absolute floor of the MCR		4,328
R0400 Minimum Capital Requirement		4,328

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