



Colonnade Insurance S.A.

Solvency & Financial Condition Report

Year ended 31 December 2019

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Summary

Purpose of report

The Solvency II regulations came into effect on 1 January 2016 and require new reporting and public disclosure arrangements to be implemented by insurance companies within the European Union. This document, the Solvency & Financial Condition Report (“SFCR”) as at 31 December 2019, is required to be submitted to the Commissariat aux Assurances (“CAA”).

A. Business and Performance

This section summarises how the Company operates and how it has performed during the year ended 31 December 2019. The Company’s financial year runs to 31 December and it reports its results in Euro.

B. System of Governance

The Company maintains a strong framework for the control and management of the business. This section describes the key committees and functions which serve to provide sound and prudent management of our operations.

C. Risk profile

This section provides information regarding our risk management processes, for each of the principal risks faced by the Company.

D. Valuation for solvency purposes

The Solvency II regulations require the Company to value assets and liabilities on a different basis to that used in the Company’s financial statements when assessing its solvency requirements. This section describes the main methods and assumptions used in the valuation.

E. Capital management

The Company holds capital in excess of its regulatory requirements, to maintain its ability to pay its policyholders even if extreme events materialise. In order to assess its regulatory Solvency Capital Requirement, the Company uses the standard formula specified in the Solvency II legislation. This section summarises the assets held to meet the regulatory Solvency Capital requirement.

A. Business and Performance

A.1 Business

i. Business profile

Colonnade Insurance S.A. (“Colonnade” or “the Company”) is a Luxembourg insurer which is authorised to write all classes of non-life insurance business with the exception of class 10a (motor vehicle liability). Colonnade underwrites consumer and commercial business lines through branches established in Hungary, Czech Republic, Slovakia, Bulgaria, Poland and Romania.

The Company’s shareholder is **Fairfax Luxembourg Holdings S.à r.l.**, a company registered in Luxembourg.

The Company’s ultimate parent is **Fairfax Financial Holdings Limited (“Fairfax”)**, a major Canadian holding company whose common shares are listed on the Toronto Stock Exchange, and whose address is 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7, Canada. Further details regarding Fairfax are set out within the section entitled “About Fairfax” overleaf.

ii. Significant business events during 2019

In 2019 the primary focus was on the improvement of our profitability, to position the Company to be able to invest in the future, including Consumer product expansion as well as transformation of its operations and systems.

The Part VII business taken over from QBE in 2017 in Czech Republic, Hungary and Slovakia was 100% ceded to Polish Re (fully owned subsidiary of the Fairfax group) and the business written in 2017 in Slovakia was retroceded by Polish Re to the Slovakian Branch of Colonnade.

The size of the loss reserves and the unearned premium reserve for the business taken over from the legacy QBE business have been significantly reduced as the business has been running off. On December 12, 2018 Colonnade and Polish Re have agreed to commute both Polish Re Quota-share reinsurance and Polish Re Retrocession contracts for underwriting years 2015 to 2017.

The remaining reinsurance portfolio with Polish Re was commuted in 2019. The pre-2015 contracts were commuted on June 11, 2019.

The Company has divested its Motor Casco business in Slovakia, where the combined ratios were over 100%. The transfer date was July 1, 2019; we do not expect further material losses to be generated by this line of business in the future.

iii. Capital and solvency cover

The Company received capital injections of EUR 10 million during 2019. **Colonnade’s SCR (standard formula) cover ratio stood at 183% at 31 December 2019.**

iv. About Fairfax

Fairfax, through its subsidiaries, has an international insurance and reinsurance business which has a global underwriting reach with longstanding relationships and a broad product range. At each of its subsidiaries there is an experienced management team focused on underwriting discipline and prudent reserving. Management at these companies are committed to Fairfax’s goals of underwriting profitability.

Fairfax (<http://www.fairfax.ca/>) is described in summary detail below:

- Significant player in the P&C industry with US\$17.5 billion in gross premium and US\$17.9 billion in total equity capital (as at 31 December 2019).
- Strong long-term relationships developed over 34 years and multiple cycles.
- Global territorial reach in both insurance and reinsurance.
- Fairfax culture is well known and respected within the industry.

v. **Summary Financial Performance**

Colonnade's summary income statement for the years ended 31 December 2019 and 2018 is set out below:

Income Statement (EUR'000)	2019	2018
Gross Written Premium	162,506	160,596
Net Earned Premium	123,463	105,323
Claims Incurred	-47,916	-45,953
Net operating expenses	-66,528	-58,225
Other technical income	355	0
Allocated investment return	228	-249
Underwriting result	9,602	897
Other income and charges	781	-459
Profit before tax	10,383	438
Taxes	-2,398	-1416
Profit for the financial period	7,985	-978

In 2019 the Company did not experience large scale complex projects, so it could focus on stabilization of operational capabilities of Colonnade. In 2019 the full benefit of the completion of historic transactions has resulted in an overall profit for the first time for Colonnade.

Colonnade recorded an underwriting profit of EUR 9.6 million in 2019 (combined ratio of 92%) and an overall profit after tax of EUR 8.0 million.

A.2 Underwriting Performance

Colonnade currently underwrites business through six branches established across the CEE region; three of which, being the branches in Hungary, the Czech Republic and Slovakia, commenced underwriting activities during 2016; with underwriting activities commencing in Bulgaria, Poland and Romania on 1 June, 1 July and 1 November 2017 respectively.

During 2019, Colonnade wrote total gross premiums of EUR 163 million, as tabulated below.

Gross Written Premiums (EUR '000s)	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia	Grand Total
Credit and Suretyship Insurance	-	-	564	-	-	-	564
Fire and Other Damage to Property Insurance	2,178	8,912	7,514	13,449	6,847	8,819	47,719
General Liability Insurance	2,104	10,185	13,308	16,268	3,057	6,570	51,492
Marine, Aviation and Transport Insurance	732	2,809	165	456	100	91	4,352
Medical expense insurance	715	11,920	15,790	12,681	1,081	641	42,829
Miscellaneous Financial Loss	64	620	-	2,049	-	27	2,761
Motor Vehicle Liability Insurance	-	615	-	660	-	-	1,275
Other Motor Insurance	-	3,039	1,291	-	-	7,183	11,514
Grand Total	5,793	38,101	38,631	45,564	11,085	23,332	162,506

A comparison to 2018 is below (positive numbers reflect an increase in premium).

Gross Written Premiums (EUR '000s)	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia	Grand Total
Credit and Suretyship Insurance	-	-	(45)	-	-	-	(45)
Fire and Other Damage to Property Insurance	236	1,015	430	(3)	1,653	(1,516)	1,815
General Liability Insurance	152	(789)	566	865	40	181	1,015
Marine, Aviation and Transport Insurance	320	(619)	(99)	(408)	29	(36)	(813)
Medical expense insurance	(10)	1,113	(552)	798	113	(6)	1,456
Miscellaneous Financial Loss	55	220	(9)	(1,632)	-	3	(1,363)
Motor Vehicle Liability Insurance	-	615	-	660	-	-	1,275
Other Motor Insurance	-	617	116	-	-	(2,162)	(1,429)
Grand Total	753	2,171	407	280	1,835	(3,536)	1,910

The comparison with 2018 reflects in the growth in the company across most branches. In addition, the gross written premium is impacted negatively by the divestment of Motor Casco business in Slovakia.

A.3 Investment Performance

i. Investment Performance

In December 2018, the Company began changing its investment strategy to move away from holding 100% cash. The portfolio was a blend of cash and bonds by 31 December 2018 while in 2019 Colonnade began investing in equities. While there are current negative base rates in the Eurozone, overall an investment profit of EUR 0.6 million was made.

The company's strategy is that all assets will be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Assets will also be invested in a manner appropriate to the nature and duration of the Company's insurance liabilities.

The Company is also parent to TIG (Bermuda) Ltd. and its balance sheet includes an asset of EUR 0.9 million in relation to its ownership of this entity. TIG (Bermuda) Ltd. is an insurance company authorised in Bermuda but has not written any new or renewing business for at least the last 9 years. Its net assets comprise a cash / investment portfolio of approximately \$1 million (with nil liabilities).

A.4 Performance of other activities

There are no other activities to disclose.

A.5 Other information

i. Guarantee from Fairfax

The Company benefits from a guarantee provided to it by Fairfax, under which it guarantees the performance of all (re)insurance business written by the Company. Under the terms of this agreement, Fairfax undertakes to pay all valid claims in the event of insolvency of the Company. The agreement remains in force until and automatically terminates on 31 December 2020 (unless renewed or extended by Fairfax) and covers all policies issued or renewed prior to the date of termination of the agreement.

ii. Supervisory Authority

The Company is regulated in Luxembourg by the Commissariat aux Assurances (“CAA”) whose address is 7, boulevard Joseph II, L-1840 Luxembourg.

iii. Auditor

The Company’s auditor is PwC whose address is 2 Rue Gerhard Mercator, 2182 Luxembourg.

iv. Employees

The number of staff employed across the Company’s operations was 459 at 31 December 2019.

v. Head office address

The Company’s head office address is 1, rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg.

vi. COVID-19 pandemic

In March 2020 Colonnade had to implement some measures to address the risks of the COVID-19 pandemic that started spreading in Europe. We successfully managed to keep our services continued by our employees working from home. The actions European governments are taking to control the spread of COVID-19 will have an impact on the Company’s results in 2020. These areas are:

- Premium volumes are expected to reduce in a number of lines of business, both in specific consumer lines of business directly impacted (e.g. travel insurance) and in lines of business impacted by any subsequent reduction in economic output.
- There are some risks to the anticipated loss ratio.
- While our investment portfolio is mostly cash and well rated corporate or government short-dated bonds, there is potential for unrealised losses in our investment portfolio, which would only be realised in the event of issuer insolvency.

There are some mitigating actions the Company can take, to minimize the impact of the pandemic such as delaying the planned investment in company infrastructure and reduced planned external sales expenses.

While these effects may result in a temporary reduction in profitability, given the level of capital in the Company, we do not believe this event will impact us as a going concern.

We have compared our analysis on the impact of the COVID-19 pandemic with our ORSA scenarios. We believe that scenarios defined in the ORSA remain appropriate at this time whilst recognising that COVID-19 has some specific features that we have captured in our analysis.

B. System of Governance

B.1 General information on the system of governance

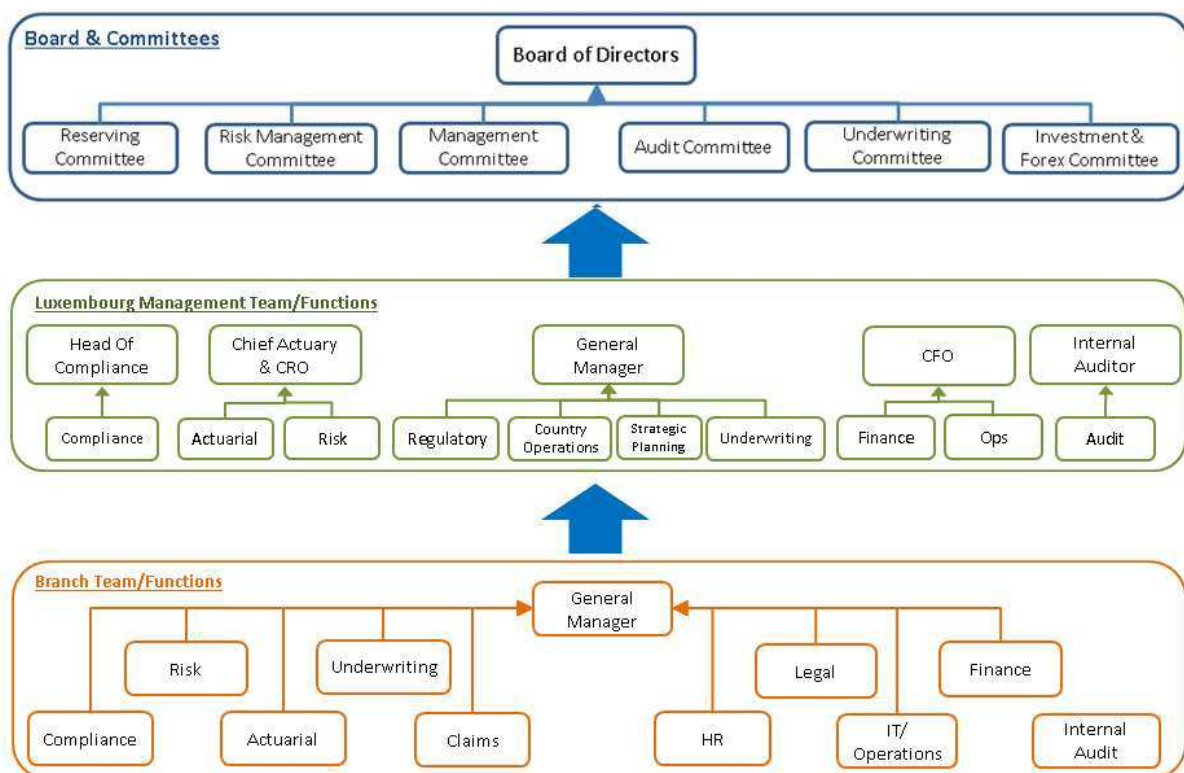
i. Introduction

The Company has implemented a system of governance which provides for sound and prudent management. Risk management, compliance, internal audit and actuarial functions which are consistent with the needs of Company's operations have been established. The Company's staff and directors have the skills, knowledge and expertise to fulfil their allocated responsibilities. The system of governance is therefore considered proportionate to the nature, scale and complexity of the Company's business.

ii. Management and Governance Structure

The Company has a Board of Directors and, currently, six board committees being the Reserving Committee, Risk Management Committee, Management Committee, Underwriting Committee, Investment & Foreign Exchange Committee as well as an Audit Committee.

The following diagram summarises the Company's governance structure.



The Board of Directors currently comprises six Directors: an executive Chairman, two executive Directors and three independent non-executive Directors.

The Board of Directors are:

- Mr. Ronald Schokking (Chairman)
- Mr. Frederick Gabriel (Independent)
- Mr. Marnix Wielenga (Independent)

- Mr. Leo de Waal (Independent)
- Mr. Jean Cloutier
- Mr. Bijan Khosrowshahi

With the exception of Mr. Khosrowshahi, who was appointed to the Board on 28 September 2017, all of the above have been Directors of the Company since it was licenced as a non-life insurer by the CAA on 24 July 2015. Under the Board's terms of reference, the Board is required to meet at least four times a year.

The responsibilities of the Board, and its committees, are set out below:

- The **Board of Directors** has ultimate responsibility for the oversight of the business, senior management and setting the strategy and risk appetite. The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management and for the approval of any changes to the capital, corporate and/or management structure of the Company.
- The **Reserving Committee** oversees the setting of the Company's reserves, liaising closely with the Company's actuarial function.
- The **Risk Management Committee's** role is to ensure the development and implementation of the Company's Enterprise Risk Management Framework, to ensure that appropriate procedures are in place to identify, assess and manage risk from a strategic and operational perspective and to monitor implementation of risk management procedures.
- The objective of the **Management Committee** is to take decisions, or to establish the basis on which all decisions are taken, required to execute the strategy determined by the Board, including all major operational decisions.
- The responsibilities of the **Audit Committee** include monitoring the Company's financial reporting process; monitoring the effectiveness of the Company's systems of internal control, internal audit and risk management; monitoring the statutory audit of the statutory financial statements; and reviewing and monitoring of the independence of the statutory auditors.
- The **Underwriting Committee** oversees the development of and adherence to the Company's Underwriting Policy, including setting protocols for underwriting authorities, guidelines and rate monitoring as well as rules of conduct for the distribution of our products. It has incorporated a sub-committee for product oversight and governance which oversees the Company's product development and distribution channels as well as the knowledge and ability of the branches local underwriting teams.
- The **Investment & Foreign Exchange Committee** oversees the management of the Company's investment portfolio by Hamblin Watsa (a Fairfax company), ensuring compliance with the investment guidelines established by the Board.

The independent, non-executive Directors do not have any executive relationship with the wider Fairfax group. They bring a wide range of experience and expertise from both the insurance and general business sectors.

B.2 Fit and proper requirements

The Company has adopted a Fitness and Probity policy to ensure that individuals who effectively run the Company or otherwise exercise control functions have adequate qualifications, knowledge and experience to enable sound and prudent management (fit) and are of good repute and integrity (proper).

The Directors, senior managers and those exercising control functions must meet the following criteria, amongst others, to be deemed fit and proper:

- Possess appropriate experience, educational or professional qualifications;
- Display a high degree of competency in current and previous roles;
- Demonstrate at all times good integrity, honesty and sound ethical character;

The ongoing assurance of fitness and propriety of the Directors and senior managers is re-assessed annually. A register of all persons falling within the Fit and Proper regime is maintained by the Compliance function.

Consistent with the requirements of the Insurance Distribution Directive (“IDD”) and its transposition into Luxembourg Insurance law, the Company has introduced policies and procedures around ensuring the good repute and appropriateness of knowledge and ability of our customer-facing employees who are directly involved in the distribution of our products. A listing of all persons falling within these particular requirements is centrally maintained and professional training requirements and completion are centrally monitored.

B.3 Risk management system including the own risk and solvency assessment

i. Risk Management Philosophy

Fairfax is the indirect 100% shareholder and ultimate capital provider to the Company. Fairfax expects its operating divisions, of which Colonnade is one, to act in an autonomous de-centralised way within the guiding principles (the “Guiding Principles”) established by the Fairfax group.

Colonnade’s corporate risk strategy is, therefore, set in the context of the Fairfax Guiding Principles, elements of which are described below:

- We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital.
- We are entrepreneurial. We encourage calculated risk taking. It is alright to fail but we should learn from our mistakes.
- We will never bet the company on any project or acquisition.

The Company’s risk management framework is described below.

ii. Risk Management Framework (“RMF”)

The Company’s Enterprise Risk Management Framework (“ERM”) has been designed to:

- Provide management and the Board of Directors with reasonable assurance that the organisation’s business objectives will be achieved by aligning risk appetite and strategy, proactively responding to risks, reducing the number of operational incidents and losses, and identifying and managing cross-enterprise risks.
- Facilitate deployment of capital.
- Ensure appropriate corporate governance practices are in place and successfully respond to a changing business environment.
- Assist management in implementing a sound and risk-based internal control system and provide the risk reporting tools to be used to identify significant control lapses/weaknesses and monitor corrective action.

- Guide staff in understanding the risk assessment methodology and strengthen their risk awareness and capability to identify, manage and control business risks.
- Assist the internal audit function in implementing a risk-based audit process for their independent review of the Company's processes.

The key elements of the ERM are:

- **Identification:** Risk events, risks and relevant controls are identified, classified and recorded in the Company's risk register.
- **Monitoring:** Risks are assessed and controls are evaluated. This includes reviewing the Risk Register for any changes in the risk assessment (both inherent and residual).
- **Management:** The information resulting from risk identification and measurement is used to improve how the business is managed. For example, key risk indicators (KRIs) are monitored quarterly to provide early warning of any changes in the entities risk profile.

The key categories of risk facing the Company include: insurance, market, credit, liquidity and operational risks.

The Company's strategy for managing its risks includes:

- Identifying and analysing risk through a disciplined risk management process;
- Mitigating, transferring or avoiding risks that do not fit our business objectives; and
- Retaining risk within an agreed risk appetite with appropriate levels of capital.

Risk appetite

The Board sets the Company's risk appetite at an overall level and each of the key categories of risk.

As the strategy and associated strategic objectives evolve, risk appetite is re-evaluated and updated as appropriate. Should a material change to the risk appetite be required outside of the normal annual review process, an evaluation of proposed changes is presented to senior management and then to the Risk Management Committee and the Board for approval.

Risk appetite for each of the key risks, being insurance risk, market risk, liquidity risk, credit risk, operational risk and reinsurance risk, is aligned with the Company's overall risk appetite.

Business decisions are made based on the impact of a decision on the overall risk appetite. Committee reporting at all levels is aligned to risk appetite measures.

The Board receives a quarterly update on performance against the risk appetites. Regular management team meetings and committee meetings taken place that monitor limits and implement remedial actions as required.

iii. Risk Management processes

This section summarises the Company's processes and tools to identify, measure, monitor, manage and report the risks to which the Company is exposed.

Risk identification

The following tools and processes are used in the risk identification process:

- **Risk Register:** The Chief Risk Officer maintains a Risk Register which ensures all key risks and controls are recorded and categorised.

- **Monitoring of risk events:** All employees are required to report all actual and near-miss risk events to the Chief Risk Officer.
- **Emerging risk analysis:** The Board and senior management periodically review the potential for risks not yet on the register to adversely impact the Company. These risks are reviewed and monitored in the business, and then added to the Risk Register if material enough.

Risk measurement

The following tools and processes are used to quantify the risks faced by the Company:

- **Stress testing:** The Company performs stress testing as part of its ORSA process and reports the results to the Risk Committee.
- **Qualitative assessments:** where identified risks are not quantifiable, a view on the likely materiality and nature of such risks is undertaken by the Chief Risk Officer. These risks are reported to the Risk Committee in the same way as quantifiable risks.

Risk management, monitoring and reporting

One of the key objectives of the RMF is to provide senior management and the Board with relevant risk information. The following processes and tools are in place to ensure risks are effectively monitored and escalated:

- **Risk policies:** The Company has developed policies for each of the key risk categories which set out the roles of each committee and the process to be followed to monitor and report risks.
- **Oversight by the Risk, Investment & Foreign Exchange, Reserving and Underwriting committees:** These Board-level committees, which meet quarterly, receive periodic updates from the Chief Risk Officer to ensure that risks are effectively monitored and reported.
- **Chief Risk Officer updates to Board:** A quarterly update from the Company's Chief Risk Officer is provided which sets out the key changes to the Company's key risk indicators ("KRIs") and a summary of the key risk activities since the last update.

iv. Own Risk and Solvency Assessment ("ORSA")

The ORSA is defined as the series of processes used to:

- Identify and assess the risks to which Colonnade is or could be exposed to in the short and long term.
- Determine the own funds necessary to ensure that overall solvency needs are met at all times.

The ORSA process undertaken by the Colonnade's Board of Directors (the "Board") and management involved:

- Establishing an appropriate risk management framework;
- Establishing the business strategy;
- Determining the maximum level of risk that Colonnade is willing to tolerate in pursuit of its business strategy;
- Comparing these risk tolerances for individual risks to the risk appetite, and establishing the risk management policies and procedures to manage such risks;
- Identifying risks that may prevent Colonnade from achieving its strategic objectives;
- Performing a forward-looking assessment of solvency needs with a medium or long-term perspective; and
- Stress testing the Company's capital levels for key risks over the business planning period.

A report was prepared which summarised the outputs of the ORSA process and which covered the three-year period to 31 December 2022. This report was approved by the Board of Directors and was submitted to the CAA in December 2019.

The ORSA process is proportionate to the nature, scale and complexity of risks at Colonnade and is an integral part of the business decision making process.

v. Summary and Effectiveness of the Risk Management Process

On a quarterly basis, the Risk Management Committee and Board of Directors will monitor the business against the various tolerances and appetites as set out in the Enterprise Risk Management Framework and as agreed by the Board of Directors. This is a key part of the ongoing management of the company that contributes to an effective ORSA process.

Accountability for risk management responsibilities is set forth in the Company's ERM framework and risk management policies. The governance hierarchy of risk management is illustrated in the chart set out in section B.1.ii ("*Management and Governance Structure*").

This structure leads to an effective Risk Management structure as:

- Sufficient oversight is provided to the Board of Directors.
- The assessment of the effectiveness of controls is documented in the risk register and approved by the Board.
- The Luxembourg based management team have sufficient oversight around the management of risk in the company and risks which must be managed holistically.
- Sufficient ownership and accountability is delegated to the branches where many of the day to day risks are taken.

Risk management is implemented through the branches via a number of ways:

- General Managers are responsible for embedding good risk management practices in their branches.
- All employees are required to practice risk awareness and risk management as part of the working culture of the Company.
- Each branch has a Risk Manager who oversees risk management at a branch level. This is overseen by the Chief Risk Officer.

B.4 Internal control system

i. Overview

The Company's internal controls framework is made up of:

- The control environment - the culture and organisational structures that support sound internal control;
- Risk assessment – to determine controls that should be implemented to manage identified risks to within tolerance levels;
- Control activities – the elements of effective control design and operation;
- Information and communication – reporting lines to report achievement of goals and adverse reporting to the Board and its sub-committees; and
- Monitoring and oversight - supporting the oversight and governance of internal control.

In order to ensure the ongoing effectiveness and efficiency of the control framework, the Company operates a “**three lines of defence model**”. Each of these three “lines” plays a distinct role within the Company’s wider governance framework, as described overleaf.

- Controls are the responsibility of the business and relevant line management, i.e. the ‘**first line of defence**’. As the first line of defence, line management is responsible for monitoring day to day adherence to this framework within its area of jurisdiction. There is close interaction between management based in Luxembourg and those located in the Company’s branch offices.
- Assurance, or the ‘**second line of defence**’, is provided by employees who are independent from business line management. Assurance functions include Risk Management and Compliance. Second line of defence assurance functions monitor compliance to the control framework. Breaches are reported to the Board and the Risk Committee on an exceptions-basis as appropriate.
- The ‘**third line of defence**’ is provided by Internal Audit and the Audit Committee. Independent non-executive directors comprise the majority of the Audit Committee.

Ultimate responsibility for implementing and monitoring the Internal Control Framework resides with the Board. The Internal Control Framework is reviewed and approved by management and the Board on an annual basis.

B.5 Compliance

The Company’s Head of Compliance has overall responsibility for overseeing compliance related activities across the Company and reports directly to the Board on compliance related matters and activities of relevance to the Company.

In executing the Company’s risk-based compliance monitoring programme, the Head of Compliance works closely with local branch compliance officers appointed by the branch managers. The branch compliance officers are responsible for carrying out compliance monitoring activities within their respective branch. They are also responsible for ensuring their branch complies with applicable local legal and regulatory requirements. Each branch compliance officer reports directly to their branch manager and the head of compliance in respect of their duties.

In the event that any compliance breaches or deficiencies are identified, the Head of Compliance will report these to the Board together with corrective measures recommended to address them, and on corrective measures already taken.

B.6 Internal audit function

The Company’s Internal Auditor is based in its head office in Luxembourg, with a remit extending to the Company’s branch operations. The Internal Auditor is responsible for evaluating the effectiveness and adequacy of the internal control system and other areas of governance within the Company.

Internal Audit activity is driven by a three year Internal Audit planning cycle which covers all areas of the Company’s activities. A “rolling” three year Internal Audit plan, together with the proposed internal audit activities for the coming year, is approved by the Board annually. This utilises a risk based approach to ensure that the internal audit plan provides adequate coverage of business activities with a particular focus on the higher risk areas of the business and taking into account the specificities of the Company.

The Internal Auditor does not assume any other key functions within the Company.

B.7 Actuarial function

The Company's Luxembourg based Chief Actuary is responsible for setting the Company's technical provisions, which are developed in accordance with Fairfax Group reserving policies and local requirements (including Solvency II). The Chief Actuary is also a member of the Company's Reserving Committee and Underwriting Committee. Additionally, amongst other duties, the Chief Actuary is responsible for preparing an opinion on the Company's underwriting policy and the adequacy of the reinsurance arrangements in place as well as contributing to the effective implementation of the risk management system.

In discharging these duties, the Chief Actuary works closely with actuarial resources located in the Company's branches as well as other business functions; namely Underwriting, Finance, Risk Management, Claims and Operations.

B.8 Outsourcing

The Board of Directors are responsible for all of Colonnade's activities, irrespective of whether the function is outsourced or not.

Intra company outsourcing arrangements are subject to the same level of diligence and monitoring as third-party service providers. Terms are negotiated on an arm's length basis.

A Fairfax group company, **ffh** Management Services, located in Ireland, provides support services, as may be required.

Prior to December 2018, the Company was solely invested in cash. However, from December 2018 Hamblin Watsa Investment Counsel Ltd, a wholly owned subsidiary of Fairfax, have been investing in a more diverse portfolio of assets, including bonds and equities.

Furthermore, Fairfax's head office (in Toronto) provides legal, tax and tax planning and any other required support to the Company.

Concerning the claims handling function, and more particular the assistance services under our travel and health covers, these are outsourced to an external assistance provider in all our branches with the exception of travel in Hungary.

Responsibility for overseeing each of the outsourced activities is assigned to an individual within the Company who has the requisite knowledge and experience.

The Company's outsourcing policy is reviewed and approved by both management and the Board each year and more frequently, if required.

B.9 Other information

All relevant information regarding the Company's governance and control structures is considered to be included in sections B1-B7 above.

C. Risk profile

The Company's activities expose it to a number of key risks which have the potential to affect its ability to achieve its business objectives. The main risks facing the Company's business include insurance (underwriting and reserving), market, credit, liquidity and operational risks. The Company's approach to managing these risks is as follows:

C.1 Insurance risk

i. Underwriting risk

Underwriting risk includes both the risk of inappropriate underwriting and inadequate pricing.

The insurance risk management policy covers the underwriting, claims and actuarial department and addresses risks such as inappropriate or unauthorised underwriting and pricing and inadequate controls around recording and reporting of underwriting results and exposures. Metrics have been developed for the ongoing monitoring of insurance risks.

Control structures are in place to mitigate the risk of accumulations of loss from catastrophic events and the Company is further protected by the reinsurance programme comprising a range of quota share and excess of loss contracts that cover the different lines of business written by the Company (for example, the Company's net exposure to a natural catastrophe event is limited to EUR 2 million).

ii. Reserving risk

This is the risk that unpaid loss reserves prove to be inadequate. The Company has recorded gross reserves for unpaid losses of EUR 92.3 million (which are in addition to a gross unearned premium reserve amounting to EUR 73.5 million) in the Luxembourg GAAP financial statements at 31 December 2019.

Colonnade has an Actuarial Function, to assess reserving levels, working in close cooperation with underwriting and claims staff within each of the branches. Oversight and reserve setting and compliance with the reserving policy (as established by the Board of Colonnade) are the responsibility of the Reserving Committee which meets at least three times per year. Fairfax's actuarial team will also periodically review final reserve selections as part of the independent peer review process.

C.2 Market risk

At 31 December 2019, the Company's investment portfolio comprised cash (EUR 31.7 million), Bonds (EUR 131.9 million), Collective Investment Undertakings (EUR 14.3 million), and an investment in a subsidiary, TIG (Bermuda) Ltd., recorded at EUR 1.0 million. The Company's market risk exposure mainly resulted from currency risk exposure (given that the Company undertakes business in multiple currencies) and equity risk, with interest rate, spread and concentration risks in addition.

The market risk management policy covers the various market risks. For example, the Company has established limits for each asset class and for net unhedged foreign currency exposure. Key risk indicators such as interest rates, credit quality and investment return, will be monitored to assess the appropriateness and riskiness of market exposures.

The Investment and Foreign Exchange Committee reviews and oversees market risks. For example, the net exposure to currencies is measured in the KRIs and reported regularly to the Risk Management Committee.

C.3 Credit risk

This is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The main sources of credit risk relate to:

- **Reinsurers:** through the failure to pay valid claims against a reinsurance contract held by the Company.
- **Premium debtors:** where a broker, intermediary or policyholder fails to pass on premiums or claims collected or paid on behalf of the Company.
- **Investments:** through the issuer default of all or part of the value of a financial instrument or the market value of that instrument.

Reinsurance credit risk

Credit risk from reinsurers is controlled through only transacting with reinsurers that meet certain minimum requirements and that have been approved by the Fairfax Reinsurance Security Committee in advance.

At 31 December 2019, the Company's largest balance sheet exposure to reinsurers is with AIG, rated A2 by Moody's.

The Company's premium debtors arising from direct insurance and reinsurance operations are EUR 39.4 million and EUR 3.6 million respectively as at 31 December 2019. Debtors are valued at the lower of their nominal or estimated realisable value. The credit risk associated with these receivables is considered low.

Investment credit risk

Credit risk relating to financial investments and cash and cash equivalents is monitored by the Investment & Foreign Exchange Committee, which is responsible for the management of investment credit risk.

At 31 December 2019, the Company has an exposure to credit risk in relation to cash held with credit institutions (EUR 31.7 million). Cash is placed, in accordance with established policy, with credit institutions having a rating of at least A-, except for immaterial exposures approved by the Risk Management Committee.

C.4 Liquidity risk

This is the risk the Company, though solvent, may encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Company monitors the levels of cash and investments to ensure liquidity requirements are addressed. The Company's exposure to liquidity risk is considered low, given the significant cash balances held at 31 December 2019 (EUR 31.7 million) and throughout the reporting period.

The Expected Profit in Future Premiums (EPIFP) is the profit relating to existing contracts with premium due in the future but not yet received at the valuation date. The EPIFP amounts to EUR 9.6 million at 31 December 2019.

C.5 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

Managing day-to-day operational risk is the responsibility of the line managers, both within Luxembourg and the branch offices. This includes responsibility for managing claims risks through policies and procedures including defining authority levels, protocols for management oversight, a system to support and report on major claims activity and a formal review process for major claims. The Company's investment managers, along with the company management, are responsible for establishing processes and controls to ensure an effective risk management framework with regard to investments. Operational risks through exposures to key counterparties like banks are managed by the Luxembourg management team whereas risks arising from relationships with brokers and other local counterparties are the responsibility of local branch managers.

C.6 Other Material Risks and Stress and Scenario testing

In 2019 the primary focus was on the improvement of our profitability, to position the Company to be able to invest in the future, including Consumer product expansion as well as transformation of its operations and systems. Therefore the risks facing the company were reflective of the ongoing portfolio.

Stress and Scenario testing

As part of the ORSA process, stress and scenario testing was undertaken to ensure the key risks identified were modelled to assess their impact on the SCR, income statement and resulting solvency ratio. This considered events considerably more severe than the Company's experience to date. The results of the testing are summarised in the annual ORSA report reviewed by the Board and submitted to the CAA. The latest exercise confirms that the Company has own funds to absorb the losses under each scenario considered and remain viable.

C.7 Other information

During 2019 the investment portfolio is expected to evolve to include other assets, such as equities, aside from cash and bonds. This risk is being overseen by the Investment and Foreign Exchange Committee.

D. Valuation for solvency purposes

The Company prepares its financial statements on a going concern basis and in accordance with Luxembourg GAAP ("Lux GAAP"), as detailed therein.

The table below summarises the Company's balance sheet under Lux GAAP and Solvency II bases:

Balance sheet as at 31 December 2019 (EUR'000)	Lux GAAP	Solvency II	Difference
Assets			
Subscribed, uncalled and unpaid capital	-	-	-
Deferred acquisition costs	18,373.6	-	(18,373.6)
Intangible assets	3,732.6	-	(3,732.6)
Deferred tax assets	-	3,632.0	3,632.0
Holdings in related undertakings, including participations	963.5	963.5	(0.0)
Reinsurance recoverables	38,451.9	10,524.6	(27,927.3)
Insurance, reinsurance and intermediaries receivables	42,947.5	12,715.2	(30,232.3)
Cash and cash equivalents	31,735.8	31,735.8	-
Bonds	133,005.1	133,005.1	-
Collective Investments Undertakings	14,315.2	14,315.2	
Property, plant & equipment held for own use	1,737.5	1,737.5	-
Other assets, not elsewhere shown	5,462.9	5,462.9	-
Total Assets	290,725.6	214,091.8	(76,633.8)
Liabilities			
Technical Provisions	165,863.4	97,917.3	(67,946.1)
Insurance & intermediaries payables	14,479.8	-	(14,479.8)
Reinsurance payables	12,735.0	-	(12,735.0)
Deferred tax liabilities	-	-	-
Payables (trade, not insurance)	12,381.3	12,381.3	-
Total Liabilities	205,459.5	110,298.6	(95,160.9)
Excess of assets over liabilities	85,266.2	103,793.2	18,527.0

The difference between the shareholder equity in the Lux GAAP financial statements (EUR 85.3 million) and the excess of assets over liabilities on the Solvency II balance sheet (EUR 103.8 million) amounts to EUR 18.5 million and results from the differing valuation / balance sheet treatment of certain assets and liabilities, such as technical provisions, under Lux GAAP and Solvency II. These are described below.

D.1 Assets

The differences in valuation between Lux GAAP and Solvency II are discussed below.

i. Deferred Acquisition Costs

Deferred Acquisition Costs on the Lux GAAP balance sheet are recognised under Solvency II rules, in line with the recognition of the best-estimate cashflows associated with the gross Unearned Premium reserve.

ii. Intangible assets

In accordance with Solvency II requirements, intangible assets recognised in the Lux GAAP financial statements (being policy data rights; software; and concessions, patents, licences and trademarks) have been ascribed a nil value.

iii. Deferred Tax Assets

The Solvency II balance sheet includes a deferred tax asset of EUR 3.6 million, which largely results from trading losses incurred at the level of the Company's branches, which is not recognised under Lux GAAP.

iv. Reinsurance recoverables

The reinsurance recoverables have been determined on a best estimate basis and consider those associated with the premium provision and claims provision, in line with the Solvency II rules.

v. Insurance, reinsurance and intermediaries receivables

Consistent with the Solvency II regulations, the technical provisions include claims expenses and premium cash flows. Therefore, future due insurance and intermediary receivables are incorporated within the Solvency II technical provisions, whereas they are shown separately on the Lux GAAP balance sheet.

D.2 Technical provisions

i. Solvency II Technical Provisions as at 31 December 2019

A breakdown of the Solvency II technical provisions as at 31 December 2019 is provided below (amounts in EUR'000):

EUR'000	Best Estimate	Risk Margin	Total
Gross	88,221	9,697	97,917
Reinsurers' share	-10,525	0	-10,525
Net	77,696	9,697	87,393

Details of the net technical provisions by Solvency II LoB as at 31 December 2019 are as follows (amounts in EUR'000s):

Solvency II LoB	Net Best Estimate	Risk Margin	Total
Medical Expense Insurance	9,550	1,192	10,742
Motor Vehicle Liability Insurance	1,083	135	1,218
Other Motor Insurance	914	114	1,028
Marine, Aviation and Transport Insurance	2,128	266	2,394
Fire and Other Damage to Property Insurance	30,185	3,767	33,952
General Liability Insurance	32,250	4,025	36,275
Credit and Suretyship Insurance	76	10	86
Miscellaneous Financial Loss	1,457	182	1,639
Total	77,696	9,697	87,393

An analysis of the difference between the technical provisions on a Lux GAAP and Solvency II basis by Solvency II Line of Business as at 31 December 2019 is shown below (amounts in EUR'000s):

Solvency II LoB	Net Insurance Liabilities	Reclassification Adjustments	Solvency II Basis Change	Solvency II TPs
Medical Expense Insurance	17,031	-3,202	-3,086	10,742
Motor Vehicle Liability Insurance	1,353	-188	53	1,218
Other Motor Insurance	31,664	-21,884	-8,752	1,028
Marine, Aviation and Transport Insurance	2,988	-672	77	2,394
Fire and Other Damage to Property Insurance	37,112	-4,193	1,033	33,952
General Liability Insurance	44,207	-1,671	-6,261	36,275
Credit and Suretyship Insurance	175	76	-164	86
Miscellaneous Financial Loss	6,820	-3,721	-1,460	1,639
Total	141,891	-35,872	-18,627	87,393

The 'Net Insurance Liabilities' include earned reserves and UPR net of reinsurance and commissions.

The reclassification adjustments reflect where cash flows in (such as insurance balances receivable) are offset against cash flows out (such as future claims payments) in the Solvency II balance sheet and do not result in a difference in the valuation of balance sheet equity. The differences in basis that impacts the equity are discussed further below (see sub-section vii).

ii. Reserving Process and Governance

The Company's reserving process to determine the technical provisions on GAAP and Solvency II bases broadly comprises the following steps, as part of a robust and rigorous process for setting reserves:

- Determination and recommendation of ultimate claims by the Actuarial Function;
- Review/validation by the branches;
- Determination of the technical provisions to adopt in the GAAP/Solvency II technical provisions; and
- Review and approval by the Reserving Committee / Board.

iii. Key methodology and assumptions used to determine ultimate premiums and claims

To determine the estimate for ultimate premiums and claims, analysis is undertaken separately for each line of business.

For the majority of the classes of business, the following standard actuarial projection techniques are used to calculate ultimate premiums and claims:

- Basic Chain Ladder (based on paid and incurred claims)
- Bornhuetter-Ferguson (based on paid and incurred claims)
- Initial Expected Loss Ratio

Claim experience on the most recent years of account is relatively immature. As a result, the Basic Chain Ladder methods produce estimates with a relatively higher level of uncertainty. When projecting estimates for these years of account, the Bornhuetter-Ferguson and Initial Expected Loss Ratio methods are used instead.

Specific adjustments may be made to projected ultimate claims at either a class or an individual claim level. This may be due to a known large loss and/or loss experience on a particular contract.

When choosing between methods, the maturity of each year of account, volume of data, benchmark information and other business-specific issues that are known about at the time of valuation are taken into account.

iv. Key methodologies and assumptions used to determine best estimate technical provisions on a GAAP and Solvency II basis

Having determined the ultimate premiums and claims to form the basis for the technical provisions, a number of additional material assumptions are required to determine the technical provisions on a GAAP and Solvency II basis:

- **Writing and earnings patterns** – used to determine the level of earned, unearned and bound but not incepted (BBNI) premiums. These are based on the historic inception and expiry dates of the underlying contracts.
- **Expense provisions** – an Unallocated Loss Adjustment Expenses (ULAE) provision is held within the GAAP technical provisions. In addition, expense provisions are required within the Solvency II technical provisions in respect of premiums, claims and investments which represent the on-going servicing of the business included in the valuation.
- **Payment patterns** – used to determine the cash flow profiles. When calculating technical provisions to demonstrate solvency on a Solvency II basis, the time-value of money must be allowed for. This requires the estimation of timing and quantum of future cash flows associated with the technical provisions. These cash flows are then discounted back to present value using risk-free yield curves.
- **Risk free yield curves** – by currency and based on those set by EIOPA.
- **Events Not In Data (ENID)** – designed to capture those potential future cashflows that do not exist in any historical data used for the LuxGAAP calculation.

A Risk Margin, being the expected cost of capital to support the run-off of the technical provisions, is also added and is calculated based on the standard formula and discounted using a yield of 6% as set by EIOPA.

v. Reserve Uncertainty

The key uncertainties surrounding the technical provisions relate to the ultimate unpaid claims reserves. These uncertainties are present on both a financial accounting and Solvency II basis. However, in determining the ultimate unpaid claims reserves, it was established that the Company was not exposed to any individual or aggregation of large losses which increased the uncertainty of the Company's reserves beyond the normal range of uncertainty for insurance liabilities at this stage of development.

vi. Impact of Reinsurance

The impact of reinsurance on the Solvency II technical provisions is quantified above.

vii. Material differences between technical provisions on GAAP and Solvency II bases

The key differences between the GAAP and Solvency II technical provisions are:

- **Profit on Unearned Premiums** – the UPR is based on 100% of unearned premium on a GAAP basis, whereas under Solvency II, profit relating to the unearned premium is recognised at the relevant expected loss ratio plus an allowance for expenses.
- **Additional Solvency II adjustments** - in addition to the Unallocated Loss Adjustment Expenses (ULAE) and bad debt held on a GAAP basis, provisions are required in respect of premiums, claims and investment expenses, as well as ENID. Also, any additional reserves set by the management on a GAAP basis are removed, in line with the Solvency II rules.
- **Discounting** - the impact of discounting using yield curves provided by EIOPA as at 31 December 2019.
- **Risk Margin** – the load required for the Risk Margin as at 31 December 2019.

In valuing the Solvency II technical provisions:

- There are no matching adjustments applied.
- There are no volatility adjustments used.
- There are no transitional risk-free interest term structures applied.
- There are no transitional deductions applied.

D.3 Other liabilities

For all liabilities other than the technical provisions, there are no valuation differences between the LuxGAAP and Solvency II bases.

D.4 Alternative methods for valuation

There are no alternative valuation methods to disclose.

D.5 Other information

All relevant information regarding the Company's valuation methodologies is considered to be included in sections D1-D4 above.

E. Capital management

E.1 Own funds

i. Policy

The Company's capital policy sets out capital requirements and principles of funding and states the importance of ensuring that the Company is sufficiently capitalised at all times and complies with the Solvency II requirements. Responsibility for ensuring compliance with this policy rests with the Board.

ii. Capital requirements

With effect from 1 January 2016, the regulatory and solvency requirements for most insurers and reinsurers underwent a major change with the introduction of Solvency II, which provides for the valuation of both assets and liabilities on a market consistent basis.

The Solvency Capital Requirement ("SCR") is the amount of capital required to ensure continued solvency over a one-year time frame with a probability of 99.5%. The Company calculates its SCR using the standard formula specified in detail in the Solvency II legislation.

The absolute minimum level of capital required under Solvency II is the Minimum Capital Requirement (MCR). This amount is lower than the SCR and defines the point of intensive regulatory intervention.

Under Solvency II, capital is referred to as Own Funds and a distinction is made between Basic Own Funds (BOF) and Ancillary Own Funds (AOF). Capital starts with the excess of assets over liabilities on the Solvency II balance sheet (EUR 103.8 million at year end 2019) to which qualifying subordinated debt are added (the Company has no subordinated debt) to arrive at Basic Own Funds. Off balance sheet items that may absorb losses are known as Ancillary Own Funds (the Company has none at 31 December 2019).

The Own Funds are classified into tiers of Own Funds and restrictions are applied to limit the extent to which the components of Own Funds can be used to meet the capital requirements (SCR and MCR).

iii. Reconciliation of Lux GAAP Net Equity to Solvency II Own Funds

The following table compares shareholders' equity as set out in the Company's Lux GAAP financial statements to the Solvency II Available Own Funds at 31 December 2019.

	EUR'000
Lux GAAP shareholders' equity	85,266
Intangibles	-3,733
Net Deferred Tax Assets	3,632
Revaluation of Non-Life reserves	18,628
Solvency II Available Own Funds	103,793

The composition of the Company's Solvency II Available Own Funds at 31 December 2019 is set out in the following section.

iv. Own Funds structure as at 31 December 2019

Whilst Basic Own Funds may fall within one of three tiers, Ancillary Own Funds are only permitted to form part of Tier 2 or 3 reflecting the fact they are not on the balance sheet.

EUR'000	Tier 1 Unrestricted BOF	Tier 2 Ancillary	Tier 3 BOF	Total
Paid up share capital	94,876			94,876
Uncalled and unpaid share capital		0		0
Share Premium	9,500			9,500
Legal reserve	0			0
Net Deferred Tax Assets			3,632	3,632
Reconciliation reserve	-4,215			-4,215
Total Own Funds	100,161	0	3,632	103,793

The Company's paid up share capital, share premium and legal reserve have each been classified as Tier 1 capital. The reconciliation reserve is also classified as Tier 1 capital in accordance with the Solvency II guidelines. The reconciliation reserve has been calculated as follows:

Reconciliation reserve	EUR'000
Excess of assets over liabilities	103,793
Less:	
Paid up Ordinary Share Capital	-94,876
Share Premium	-9,500
Legal Reserve	0
Net Deferred Tax Assets	-3,632
Reconciliation Reserve	-4,215

v. Eligible Own Funds at 31 December 2019

The classification into tiers is relevant to the determination of eligible own funds – being the own funds that are eligible to cover the MCR and SCR.

The MCR may only be covered by Tier 1 and Tier 2 basic own funds (Tier 2 ancillary own funds and Tier 3 basic own funds are not eligible to cover the MCR).

The table below shows the amount of eligible own funds to cover the SCR and MCR by tier:

EUR'000	Total eligible own funds	Tier 1 Unrestricted BOF	Tier 2 Ancillary	Tier 3 BOF
Total eligible own funds to meet the SCR	103,793	100,161	0	3,632
Total eligible own funds to meet the MCR	100,161	100,161	0	0

EUR 100.2 million (97%) of the company's eligible own funds are unrestricted tier 1 capital. This consists of the Company's paid up share capital, share premium, legal reserve and the reconciliation reserve.

vi. Eligible Own Funds to cover capital requirements (SCR and MCR)

The table below presents the ratio of eligible own funds that the Company holds to cover its capital requirements at 31 December 2019.

EUR'000	2017
SCR	56,768
MCR	18,438
Capital available for SCR	103,793
Capital available for MCR	100,161
Ratio SCR	183%
Ratio MCR	543%

E.2 Solvency capital requirement and Minimum capital requirement

The Company uses EIOPA's Solvency II Standard Formula to calculate its SCR. It does not use Company specific parameters and does not use simplified calculations in its computation. The table below sets out the capital requirements for each risk module of the Standard Formula.

Capital requirement for each risk module (EUR'000)	Net solvency capital requirement
Non-life underwriting risk	36,409
Life underwriting risk	0
Health underwriting risk	8,171
Market risk	8,651
Counterparty default risk	16,921
Diversification	-18,144
Basic Solvency Capital Requirement	52,007
Operational risk	4,761
Solvency Capital Requirement ("SCR")	56,768

As at 31 December 2019, the main component of the Company's SCR is non-life underwriting risk, particularly premium risk, in expectation of the premiums to be earned in 2020. Also included within non-life underwriting risk is a catastrophe risk charge which relates primarily to natural catastrophe exposures (flood, earthquake, windstorm and hail).

The next most significant component is counterparty default risk which includes risks associated with reinsurance, insurance balances receivable and cash at bank.

The other components of Colonnade's SCR are market risk, health underwriting risk and operational risk. Market risk mainly results from currency risk exposure (given that the Company undertakes

business in multiple currencies), equity risk, with additional interest rate, spread and concentration risks. Health underwriting risk mainly relates to the Medical Expenses Solvency II line of business.

The Minimum Capital Requirement at 31 December 2019 is EUR 18.4 million which is based on the Linear SCR calculation.

E.3 Use of the duration-based equity sub-module in the calculation of the Solvency capital requirement

As the Company does not write life insurance business, the duration-based equity risk sub-module set out in Article 304 is not relevant for the Company.

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

As the Company does not utilise an internal capital model, this is not relevant.

E.5 Non-compliance with the Minimum Capital requirement with the Solvency Capital requirement

There has been no non-compliance with the MCR or SCR during the reporting period, and the Company is expected to remain compliant going forward.

Colonnade Insurance S.A.

Solvency and Financial Condition Report

Disclosures

31 December

2019

(Monetary amounts in EUR thousands)

General information

Undertaking name	Colonnade Insurance S.A.
Undertaking identification code	222100IUSAKCDAYTMX08
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	3,632
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1,737
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	148,284
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	963
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	133,005
R0140	<i>Government Bonds</i>	94,246
R0150	<i>Corporate Bonds</i>	38,759
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	14,315
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
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:	10,525
R0280	<i>Non-life and health similar to non-life</i>	10,525
R0290	<i>Non-life excluding health</i>	10,149
R0300	<i>Health similar to non-life</i>	376
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	12,715
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	31,736
R0420	Any other assets, not elsewhere shown	5,463
R0500	Total assets	214,092

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	97,917
R0520	<i>Technical provisions - non-life (excluding health)</i>	86,811
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	78,305
R0550	<i>Risk margin</i>	8,506
R0560	<i>Technical provisions - health (similar to non-life)</i>	11,106
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	9,915
R0590	<i>Risk margin</i>	1,191
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	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	12,381
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	110,299
R1000	Excess of assets over liabilities	103,793

S.17.01.02

Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010 Technical provisions calculated as a whole	0			0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
R0060 Gross	-890			38	-9,468	-254	-3,950	-1,073	-203		0	1,126	0	25	0	163	-14,485
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	507			-71	3	-184	-6,456	-3,751	-36		0	1	0	0	0	0	-9,989
R0150 Net Best Estimate of Premium Provisions	-1,397			109	-9,471	-70	2,506	2,679	-166		0	1,125	0	25	0	163	-4,496
Claims provisions																	
R0160 Gross	10,816			921	10,215	4,044	38,128	38,127	281		0	309	-11	-89	-14	-22	102,706
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-131			-53	-169	1,846	10,449	8,556	38		0	-23	0	0	0	0	20,514
R0250 Net Best Estimate of Claims Provisions	10,947			973	10,385	2,198	27,679	29,572	243		0	332	-11	-89	-14	-22	82,192
R0260 Total best estimate - gross	9,926			959	748	3,790	34,178	37,055	79		0	1,435	-11	-64	-14	141	88,221
R0270 Total best estimate - net	9,550			1,083	914	2,128	30,185	32,250	76		0	1,457	-11	-64	-14	141	77,696
R0280 Risk margin	1,192			135	114	266	3,767	4,025	10		0	182	-1	-8	-2	18	9,697
Amount of the transitional on Technical Provisions																	
R0290 Technical Provisions calculated as a whole	0			0	0	0	0	0	0		0	0	0	0	0	0	0
R0300 Best estimate	0			0	0	0	0	0	0		0	0	0	0	0	0	0
R0310 Risk margin	0			0	0	0	0	0	0		0	0	0	0	0	0	0
R0320 Technical provisions - total	11,118			1,094	862	4,055	37,945	41,079	88		0	1,617	-12	-72	-16	159	97,917
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	376			-124	-166	1,662	3,993	4,804	2		0	-23	0	0	0	0	10,525
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	10,742			1,218	1,028	2,394	33,952	36,275	86		0	1,639	-12	-72	-16	159	87,393

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	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year										In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										0	0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0	0	0
R0170	2011	0	0	0	0	0	0	0	0	0		0	0
R0180	2012	0	0	0	0	0	0	0				0	0
R0190	2013	0	0	0	0	0	0					0	0
R0200	2014	0	0	0	0	0						0	0
R0210	2015	0	0	0	0	0						0	0
R0220	2016	1,205	640	2,725	1,598							1,598	6,168
R0230	2017	-7,023	13,828	4,258								4,258	11,063
R0240	2018	11,170	17,104									17,104	28,275
R0250	2019	11,393										11,393	11,393
R0260												Total	34,354

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										0	0	0
R0160	2010	0	0	0	0	0	0	0	0	0	0	0	0
R0170	2011	0	0	0	0	0	0	0	0	0		0	0
R0180	2012	0	0	0	0	0	0	0				0	0
R0190	2013	0	0	0	0	0	0					0	0
R0200	2014	0	0	0	0	0						0	0
R0210	2015	0	0	0	0	0						0	0
R0220	2016	2,338	2,045	4,161	2,243							2,236	2,236
R0230	2017	16,880	32,002	21,839								21,428	21,428
R0240	2018	40,366	35,385									34,451	34,451
R0250	2019	45,516										44,592	44,592
R0260												Total	102,706

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
9,500	9,500		0	
94,876	94,876		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-4,215	-4,215			
0		0	0	0
3,632				3,632
0	0	0	0	0

0				
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0	0	0	0	
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103,793	100,161	0	0	3,632
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0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

103,793	100,161	0	0	3,632
100,161	100,161	0	0	
103,793	100,161	0	0	3,632
100,161	100,161	0	0	

56,768

18,438

182.84%

543.24%

C0060

103,793

0

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108,008

0

-4,215

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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	8,651		
R0020 Counterparty default risk	16,921		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	8,171		
R0050 Non-life underwriting risk	36,409		
R0060 Diversification	-18,144		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	52,007		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	4,761		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	56,768		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	56,768		
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		
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

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

18,438

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

R0020	Medical expense insurance and proportional reinsurance	9,550	42,602
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	1,083	1,225
R0060	Other motor insurance and proportional reinsurance	914	11,687
R0070	Marine, aviation and transport insurance and proportional reinsurance	2,128	3,844
R0080	Fire and other damage to property insurance and proportional reinsurance	30,185	30,036
R0090	General liability insurance and proportional reinsurance	32,250	38,016
R0100	Credit and suretyship insurance and proportional reinsurance	76	321
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	1,457	2,772
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	141	0

		9,550	42,602
		0	0
		0	0
		1,083	1,225
		914	11,687
		2,128	3,844
		30,185	30,036
		32,250	38,016
		76	321
		0	0
		0	0
		1,457	2,772
		0	0
		0	0
		0	0
		141	0

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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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	18,438
R0310	SCR	56,768
R0320	MCR cap	25,546
R0330	MCR floor	14,192
R0340	Combined MCR	18,438
R0350	Absolute floor of the MCR	3,700
R0400	Minimum Capital Requirement	18,438

C0070

	18,438
	56,768
	25,546
	14,192
	18,438
	3,700
	18,438