# Solvency and Financial Condition Report

## Summary

This is the Solvency and Financial Condition Report for Stewart Title Limited ("STL") based on its financial position as at 31 December 2017.

STL is the primary underwriter for STL's transactions in the United Kingdom, Europe, The Bahamas and Australia.

Over the year STL has further developed its internal systems and controls to meet the additional regulatory requirements of Solvency II specifically around:

- Reviewing its system of governance and risk management framework
- Assessing STL's solvency in accordance with the Solvency II Rules
- Developing its Own Risk and Solvency Assessment, and the processes around that

The results demonstrate that STL has a strong balance sheet with a solvency ratio as at 31 December 2017 of 232%.

## A. Business and Performance

### A.1 Business

Stewart Title Limited ("STL") is a general insurer, incorporated under the laws of England and Wales since 1992. It is the primary underwriter for STL's transactions in the United Kingdom, Europe, The Bahamas and Australia.

STL is authorised by the Prudential Regulatory Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The PRA is the supervisory authority responsible for the financial supervision of STL. The contact details of the PRA are as follows:

Prudential Regulatory Authority
20 Moorgate
London
EC2R 6DA

The name and contact details of the external auditor of STL are as follows:

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

STL is a wholly owned subsidiary of the global insurance group Stewart Title Guaranty Company ("STGC"), the primary underwriter for Stewart Information Services Company ("SISCO").

STG is the third largest title insurer in the U.S. Founded in Galveston, Texas in 1893, the company now closes transactions and issues title policies on homes and commercial and other real estate properties located in all 50 U.S. states, the District of Columbia, and international markets.

STL itself is a standalone entity, separately managed and capitalized, operating through various branch offices and representative offices.

STL is authorized by the PRA to underwrite three classes of business, namely:

General liability
Miscellaneous financial loss
Legal expenses

Within the parameters of those classes of business, STL has positioned itself as a specialist insurer, focusing on title indemnities which is a product used to enhance the real estate closing process by insuring risks related to the real property being sold, purchased or financed.

STL's areas of operation are as follows:

| Country | Type of office |
|---|---|
| United Kingdom | Head office |
| Romania | Representative Office |
| Australia | Branch |
| Czech Republic | Branch |
| Poland | Branch |
| The Bahamas | Branch |
| Italy | Branch |

STL conducts most of its business in the UK and Australia.

There have not been any significant business or other events that have occurred over the reporting period that have had a material impact on STL.

## A.2 Underwriting Performance

The following statements summarise STL's income and expenditure in aggregate, in the UK and in Australia for the year ended 31 December 2017. Figures are in £'000s.

| Aggregate | 2017 |
|---|---|
| Insurance premiums | 19,760 |
| Reinsurance premiums | (2,638) |
| Other income | 70 |
| **Total income** | **17,192** |
| Claims | 4,787 |
| Expenses | 10,379 |
| Taxation | 647 |
| **Total expenditure** | **15,813** |
| **Underwriting profits** | **1,379** |

STL significantly increased its UK premium income in 2017. This led to an increase in expenses, including commission. Gross premiums written for the year increased by 30% in the Australian branch and also increased by 2,150% in the Bahamas branch which was the result of a single large policy. Although the market remains competitive, the need for title indemnity insurance continues as the lending industry realises the benefits that title insurance can bring to the market in terms of increased speed, efficiency and productivity. Claims expense increased during 2017 primarily due to an increase in reserves as a result of the actuarial assessment for the year. This increase was for prior periods and brings the reserves to an appropriate level supported by the actuarial assessment.

## A.3 Investment Performance

The following statements summarise STL's investment performance for the year ended 31 December 2017 for the following asset classes: total, property, fixed interest and cash deposits. Figures are in £'000s.

| Total | 2017 |
|---|---|
| Investment income | 486 |
| Realised gains/losses | (16) |
| Unrealised gains/losses | (221) |
| **Total investment return** | **249** |
| **Investment expenses** | **22** |

The investment portfolio remained relatively stable during 2017 considering the referendum vote. Charles Stanley has been the company's investment manager for several years and has performed well, within the constraints of the conservative Investment Policy to which STL adheres.

## A.4 Performance of Other Activities

There were no other material income and expenses incurred over the year ended 31 December 2017.

## A.5 Any Other Information

None.

## B. System of Governance

### B.1 General Governance Structure

Overview of STL's System of Governance

STL's approach to Corporate Governance is set out in its Corporate Governance Policy which covers the principal functions of the Board including items such as:

- The composition of the Board. STL seeks to achieve a balanced Board by having appointed 2 Executive Directors, 2 Non-Executive Directors and 2 Independent Directors
- having an appropriate mechanism in place for appointing suitable experienced Board members
- setting the strategy for STL articulated in the form of a 3-year rolling Business Plan supported by financial projections
- Board Committees with appropriate remits and delegated authorities have been established to deal with Audit, Liquidity Management & Investment and a Management Committee. Oversight of the Management of Risk has been delegated to the Audit Committee. As required, working groups/sub committees are formed to deal with one-off issues
- the Board meets at appropriate intervals to consider:
    - business & financial performance
    - the maintenance of Solvency & Capital requirements and minimum capital requirements
    - new initiatives
    - reports/minutes from Board Committees and any Working Groups
    - reviews of Committee remits, Policies and other such Documents
    - any reported breaches of Compliance, internal controls and complaints
    - Shareholder relations

STL's Governance Map sets out the individual responsibilities of Board members and Senior Managers.

There have been no changes to the System of Governance during the reporting period.

Remuneration Policy

As well as contractual salaries, employees enjoy a range of benefits including contributions paid into an outsourced pension scheme provider. STL has no responsibility or liability for the performance of that pension scheme.

STL does not provide performance-based bonuses or incentives thus managing the remuneration risk. Depending on the performance of STL in any given year, a discretionary bonus may be paid to all staff.

Under the Senior Insurance Managers Regime which came in to force on 7 March 2017, responsibility for oversight of Remuneration Policy passed to an Independent Director. This Policy was reviewed during the reporting period by the Independent Director and was then considered and approved by the Board.

Material Transactions

There have been no material transactions during the reporting period.

## B.2 Fit and Proper Policy

Specific requirements of skills

STL has a Fit and Proper Policy which applies to all controlled functions undertaken by approved persons within STL where significant influence can be exercised. In determining whether an approved person performing a controlled function is fit and proper, STL will consider and assess if the following attributes are satisfied:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

Process for assessing fitness and propriety

The CEO is delegated with responsibility to determine whether or not an approved person or a prospective approved person is fit and proper. In making this determination, the CEO will review the person's CV which will include their education and experience, business references both personal and professional, an in-depth interview, and background checks as to criminal convictions, disciplinary proceedings, and solvency.

## B.3 Risk Management System

Description

STL has a risk management framework which includes a Risk Management Strategy which documents the risks faced by STL in its operations and the treatments and controls put into place in order to limit the likelihood of these risks occurring and their impact if they were to occur. The Strategy provides assurance that STL's risks are being prudently and soundly managed having regard to factors such as the size, business mix, and complexity of Stewart's operations.

How implemented

In implementing a risk management framework, the initial task was to prepare a detailed list of risks applicable to the insurer by means of a Risk Register. These risks were then classified and rated according to their likelihood and potential consequences if realized in order to determine the most significant risks. This created a risk matrix with risks categorized from Extreme, High, Moderate to Low.

The risks were then considered in accordance with STL's risk appetite and tolerance. Where a risk was determined to be above STL's risk tolerance, namely Moderate or Low, additional control measures were prepared and incorporated into STL's operations to ensure that the residual risk remained acceptable and that there were no Extreme risks. Risk assessed as having a residual risk rating of High are regularly reported to the Board for ongoing discussion, monitoring, and action. All other risks are monitored on an ongoing basis by senior management and appropriate action is taken if a change in risk is identified.

Own Risk and Solvency Assessment

Process and how integrated into the organisation structure

STL has an ORSA process. Once a year an ORSA document is produced that captures the key outputs from this process in a single document. If there was a material change to STL's risk profile then an ad hoc report would be completed.

The process for the ORSA follows these main steps:

- Early in the process the Executive and key staff review the existing risks identified by the Senior Management Team to ensure they are accurate, complete and relevant. Consideration is also given to emerging risks.

- There is consideration of strategy and revised business plan by the Board and any impact on the ORSA process is documented.

- At the Board meeting following the availability of the regulatory valuation results, the numbers are considered and in particular the impact on risk tolerances. This discussion will also look at the stress tests that should be done.

- At any point in the year an ad-hoc ORSA will be done if anything significant has triggered this need.

- Once the draft ORSA is available it will be reviewed by the Senior Management Team alongside the ORSA policy and ORSA record. Once approved, the ORSA will go to the next Board meeting for approval, following which it will be submitted to the Regulator.

Frequency of review

An ORSA will be produced at least annually but may be more frequent if circumstances require.

How capital needs are determined

As Stewart Title Limited is a well capitalized company for its size, access to funds is not a current issue for the organization. When new opportunities are presented, the Board considers the proposal in light of all demands on capital.

First and foremost, the commitment to a SCR of 200% is noted. It is and has always been the Board's practice to enter into all new areas and products cautiously. Specifically, when first considering a new area, due diligence is completed to determine the requirements and opportunities in that market. Once due diligence is completed, limited funds, usually about £100,000, are allocated to exploration of the market. Once a viable market is determined, a business plan including financial projections is prepared for the Board to consider.

## B.4 Internal Control System

Internal Control System

STL has an Internal Control Policy which ensures that there is a system of checks and balances such that employees follow approved and documented policies and procedures which enable the Board to adequately monitor the business. In addition, these systems are periodically audited by internal auditors.

Compliance Function

The compliance function holder is a director of the company. He is responsible for ensuring that STL remains compliant with all applicable laws and regulations and all internal policies.

## B.5 Internal Audit Function

How internal audit is implemented

The internal audit function is outsourced by the parent organization. Internal audits are conducted every other year so far as the last audit has produced no findings indicating follow up required. As they are done every other year, the internal audit scope is considered full scope and reports on STL's main functions including Corporate Governance, key operational areas, information systems, compliance with laws & regulations and risks.

The scope of the internal audit is reviewed and agreed by the STL Audit committee prior to commencement. The Audit Committee in terms of its remit is responsible for ensuring that:

- satisfactory arrangements are in place for internal audit
- the role and effectiveness of internal audit is reviewed
- internal audit reports are reviewed and then reported upon to the Board.

Such an audit was carried out during 2016 and was satisfactory. A copy of the internal report is also provided to STL's external auditors.

How internal audit maintains independence

As the internal audit function is outsourced, the independence of the internal audit group is maintained.

## B.6 Actuarial Function

The Actuarial Function is outsourced to OAC plc. STL has an Agreement with OAC plc confirming the specific activities the function is required to perform.

OAC plc is entirely independent from STL.

The main activities that are carried out are:

- To provide reports and information to the Board or any Committee in a timely manner and in accordance with any agreed schedule of delivery

- To advise the STL's Board on the risks the firm runs in so far as they may have a material impact on the firm's ability to meet liabilities to policyholders and on the capital needed to support the business, including regulatory capital requirements.

- To monitor those risks and inform the STL's Board if they have any material concerns.

- To advise STL's Board on the Methods and Assumptions to be used for the investigations when carrying out the annual solvency assessment. To report to the Board on the results of those investigations.

- To advise STL's Board on stress and scenario testing, on-going financial conditions, financial projections for business planning, investment strategy and asset liability matching, individual capital assessment, pricing of business, variation of any charges for benefits or expenses.

## B.7 Outsourcing Policy

To ensure the effective control over risk assessment related to outsourcing of business functions, STL has established an Outsourcing Policy. Outsourcing is a process in which a company enters into a contract with a service provider whereby the service provider performs a business activity or function that is, or could be, performed by the company internally.

STL does not outsource functions that can be performed internally except where it is impractical to perform internally and outsourcing is a more effective and efficient alternative or where there is a function that STL does not have the technology or expertise to perform internally.

## B.8 Other Material Information

Adequacy of the System of Governance

External Audit and the outsourced Internal Audit reports provide independent evaluation for the Board of STL's System of Governance.

STL's Corporate Governance Policy is reviewed annually taking into account relevant industry advice and guidance such as the UK Financial Reporting Council's Corporate Governance Code.

STL considers that its System of Corporate Governance is appropriate to the size, nature and complexity of the business and provides for the sound and prudent management of the business.

## C. Risk Profile

The primary risk facing STL is that of underwriting. Other risks are minimised to the extent that it is reasonable to do so.

The following table quantifies the Solvency Capital Requirement for STL for the year ending 2017 across each of STL's risk modules. Figures are shown net of management actions.

| Risk module | Solvency Capital Requirement |
|---|---|
| | Net |
| Market risk | 3,822 |
| Counterparty default risk | 842 |
| Life underwriting risk | - |
| Health underwriting risk | - |
| Non-life underwriting risk | **9,172** |
| Diversification | (2,597) |
| Basic Solvency Capital Requirement | **11,238** |
| Operational risk | 695 |
| Solvency Capital Requirement | **11,933** |
| Minimum Capital Requirement | **3,261** |

STL uses the Standard Formula to quantify the risk inherent in its business.

There have not been any material changes in the nature of the risks inherent in STL over the year ending 31 December 2017. The premium income, though, has grown significantly when compared with previous years.

The principal risk facing STL is that of non-life underwriting risk.

### C.1 Underwriting risk

Underwriting risk can be divided into 4 subsets:

- Underwriting (at policy inception).
- Claims management and reserving risk.
- Reinsurance risk.
- Special Purpose Vehicles.

Underwriting (at policy inception)

With respect to underwriting and reserving risk, STL issues various classes of policies in the UK, Europe and Australia which include, but are not necessarily limited to:

- Full Title Insurance
- Various Conveyancing Search Indemnities

- Cover for Personal Search Agents
- Defective Title and Restrictive Covenant Policies
- Single Risk Indemnity Policies
- Gap Mortgage Registration Policies

Underwriting issues are monitored on a regular basis which include, but may not necessarily be limited to:

- Monthly meetings involving members of senior management where amongst other things underwriting results and claims management issues are discussed.
- Quarterly meeting of underwriting staff to discuss underwriting and claims issues.
- Quarterly meeting of administration staff to discuss and ensure that all procedures are operating effectively.
- Half yearly meetings of all staff.
- Board review of reports and financial reports from senior management which occur during each Board meeting.
- Internal audit reviews of all aspects of the operations of the Company by auditors employed by the parent company.
- Annual external audit reviews by the External Auditor.

As a result of the safeguards put in place to monitor underwriting issues as they arise, the manuals in place detailing procedures to be followed and the breadth of knowledge of the underwriting team, the residual risk associated with underwriting residential and commercial transactions is noted as being low.

<u>Claims Management and Reserving Risk</u>

Claims risks are managed through the underwriting department. Claims risk may arise as a consequence of failures of operational procedures and underwriting policies and undiscoverable risks.

Reserving (or insurance) risk relates to the variability in technical provisions arising from uncertainty over future claims outcomes and the possibility that the true value of insurance liabilities may be greater than the estimated value of the liabilities. The risk relates to the model assumptions chosen for estimating liabilities not accurately reflecting the actual future liabilities when they arise. STL's exposure to claims risk is considered low given the rigorous underwriting standards applied when assessing whether a transaction should be title insured coupled with the favourable claims history experienced by STL which allows for projections and prognostications with respect to the residual risk posed in this area.

<u>Reinsurance risk</u>

The primary objective of undertaking a reinsurance contract is to manage the risk borne by the insurer. The selection of reinsurers is based on the following criteria:

- Reinsurers must have a sufficiently high grade of creditworthiness rating, comparable with their peers.
- Required to have a strong reputation within the business community and in particular the Title Insurance industry.
- Required to have a history of growth in reserves and surplus.

Throughout the UK, Europe and Australia reinsurance is required if the policy amount exceeds a certain threshold. 100 % Quota Share insurance is used to support business written in the Bahamas. Given the agreements in place and the financial strength and reputation of the reinsurer selected, the residual risk in this area is considered to be low.

Use of special purpose vehicles

STL does not use any special purpose vehicles.

## C.2 Market risk

Market risk includes the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates.

The Board of Directors oversees the Company's investment policy. The investment risk strategy provides a high-level description of the risk management framework for managing investment risks.

When determining their investment portfolio, STL will have consideration not only to regulatory requirements, but also a number of additional factors which include:

- STL's business plan.
- Investment of technical provisions and shareholders' funds.
- Matching of assets and liabilities.
- The use of currency hedging strategies.
- Sensitivity analyses.

Periodically, the asset allocation is reviewed with consideration given to actual results compared to expected results, economic conditions and the overall strategy.

Performance monitoring is undertaken by the Board to determine the actual results and to enable corrective action to be taken, if needed. There is monthly reporting to representatives of STG of the performance of invested assets. This includes performance against any relevant budgets or benchmarks.

Compliance with mandates, and/or any breaches, are included in a semi-annual compliance report to the Board but are raised with Senior Management as soon as they are identified.

Based upon the above, the risk involved in the investment of STL's capital is considered minimal and in the low tolerance threshold.

Over the year ending 31 December 2017, assets have primarily been invested in cash deposits and government backed fixed interest securities. There is limited investment in direct property and corporate fixed interest assets.

STL confirms that the risks of all its investments can be properly identified, measured, monitored, managed, controlled and reported, and appropriately taken into account in the assessment of its overall solvency needs.

The investments are such as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

The assets are invested in a manner appropriate to the nature and duration of the liabilities.

No derivative instruments have been used.

There are no assets which are not admitted to trading on a regulated financial market.

Assets are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.

There are no investments in assets issued by the same issuer, or by issuers belonging to the same group, resulting in an excessive risk concentration.

## C.3 Credit risk

Credit risk refers to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

Credit quality is a measurement of the creditworthiness of a debtor, i.e. it is a measurement of the debtor's financial strength and its ability to meet its actual or potential obligations as and when they fall due.

As most of STL's business requires payment in advance prior to policies of title insurance being issued, there is no credit quality risk for STL. STL will enter into some business arrangements which may entail the provision of limited credit facilities. Prior to entering into arrangements with any company, where STL might experience a credit risk, appropriate due diligence is conducted to assess the creditworthiness of such a company.

In addition to credit risk from external sources, STL has entered into limited intra-group transactions with members of the Stewart group of companies, which on a stand-alone basis give rise to credit risk.

Based upon the monitoring of the financial records of all companies in the Stewart group of companies, this risk is considered low.

## C.4 Liquidity risk

Liquidity is the ability to meet expected and unexpected demands for cash.

The Company's liquidity position is derived from operating cash flows, investment portfolios and access to outside sources of liquidity such as cash funding from the Stewart Title Guaranty Company.

Specific characteristics that can contribute to liquidity risk exposure include:

- Insufficient ability to access funds quickly through bank lines of credit, commercial paper, etc.

- Lack of diversity in the asset portfolio particularly if there is a concentration of relatively illiquid assets.

The management of liquidity risk for the Company is managed by Senior Management as outlined below:

- Day-to-day cash management involving control of day-to-day cash flow variability.
- Medium to long term cash flow management.
- Liquidity risk management involving the ability of the insurer to meet a large demand for cash from policyholders or other sources over a short period.
- CFO weekly monitoring of bank account. Any issues that require input are brought to the attention of the CEO and/or Board Liaison.

STL does not take credit for any expected profits in future premiums.

Having regard to the above, the Company's exposure to liquidity risk is considered low.

## C.5 Operational risk

Operational risk is the risk of financial loss occurring through the failure of people, processes or systems to perform as required, resulting from the breakdown of controls and internal governance processes.

The Company recognises that there are certain staffing risks. However, by documenting all procedures, the goal is to reduce such risk to acceptable levels.

Operational risks are measured in terms of impact on business objectives and likelihood of occurrence. What is currently an acceptable level of operational risk is a matter for the judgment of senior managers, but will always be measured in terms of the probabilities and impacts of adverse events that have been assessed using the operational risk management process.

Based on a review of the risks associated with operations, the residual risk in this area is noted as being low.

## C.6 Other material risks

There are no other material risks.

## C.7 Any other information

STL identified key scenarios that were likely to test the sensitivity of its capital resources. The following stresses were, in aggregate, considered:

- Continued low interest rates with higher inflation
- Adverse loss ratio
- Multiple large losses including unexpected concentration of risks
- Mis-estimation of policy liabilities
- Failure of counterparty
- Reduction in premium income.

The impact of this series of co-incidental events would, in aggregate, reduce STL's capital by an estimated £5m.

Additional reverse stress tests were undertaken examining:

- Reinsurance – failure/withdrawal of reinsurer
- Reputational – adverse publicity
- Ratings – reduction in credit ratings of parent
- Corporate Governance – failure to oversee business; regulator withdraws authorization
- Branch/Subsidiary – unauthorized activity of branch or subsidiary
- Underwriting and Market – poor underwriting decisions; competitive risk of losing business
- Investments – failure of government to honour debt obligations
- Legislation – changes in legislation reducing the need for title insurance

Only very extreme events eg failure of government to honour debt obligations and changes in legislation reducing the need for title insurance were considered to be situations that may cause the STL's business plan to fail.

# D. Valuation for Solvency Purposes

## D.1 Assets

The value of the assets for the year ending 31 December 2017 as valued on a Solvency II basis as well as how they are presented in STL's financial statements is shown in the following table.

| £'000s | Financial year ending 31 December 2017 | |
|---|---|---|
| | Solvency II | Financial statements |
| Property, plant & equipment held for own use | - | 254 |
| Other property | 2,100 | 2,100 |
| Bonds – Government | 16,027 | 15,939 |
| Bonds – Corporate | 2,226 | 2,208 |
| Insurance and intermediaries receivables | 695 | 695 |
| Reinsurance Recoveries | 651 | - |
| Reinsurance receivables | 466 | 466 |
| Receivables (trade, not insurance) | 465 | 465 |
| Cash and cash equivalents | 21,447 | 21,425 |
| Any other assets not elsewhere shown | 801 | 1,346 |
| Total | 44,878 | 44,898 |

<u>Property, Plant & equipment held for own use</u>

For UK GAAP, the tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful economic lives. Since a reasonable fair value cannot be determined, the assets have been written down to zero for Solvency II.

<u>Property (Other than for own use)</u>

Other property consists of land and buildings shown at market value for UK GAAP and Solvency II. The properties are valued professionally by an independent valuer based on the observed market values of similar properties.

<u>Investments</u>

Investments are made up of debt securities and other fixed income securities consisting of UK Government Treasury stocks and high grade corporate bonds which are all designated at fair value. Fair value for those securities quoted in active markets is the bid price exclusive of transaction costs. For Solvency II the accrued interest has been re-classed to the underlying stock or bond.

Receivables

Receivables consist of insurance and intermediaries, reinsurance, and trade not related to insurance which have already been billed. Receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within one year. The values used for solvency II are the same as for the financial statements.

Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash. For UK GAAP, deposits held with credit institutions are liquid and callable on demand and therefore have been included in cash and cash equivalents. For Solvency II purposes, the accrued interest on these deposits is reclassified to cash and cash equivalents.

Any other assets not shown elsewhere

For UK GAAP this consists of prepayments, accrued interest and a Bahamas deposit held in trust. The Bahamas deposit held in trust is actual cash and therefore there is no difference in the valuation for Solvency II purposes. Accrued interest on bonds has been reclassified to investments and accrued interest on short term deposits has been reclassified to cash and cash equivalents.

STL has no leasing arrangements or material deferred tax assets.

STL has no related undertakings.

There have been no changes to the approach to valuation and no significant exercise of judgement in arriving at the values shown.

## D.2 Technical provisions

Technical provisions represent the current cost of insurance liabilities at the balance sheet date. They are calculated on a discounted cash flow basis and include the following high-level components to be calculated separately:

- Best estimate of claims provisions being claims incurred at the balance sheet date
- Risk Margin representing the amount a third party would require in addition to the best estimates to assume the liability, calculated on a cost of capital basis.

The following table summarises STL's technical provisions and total liabilities at the relevant valuation date.

| £'000s | Financial year ending 31 December 2017 | |
|---|---|---|
| | Solvency II | Financial statements |
| Best estimate liabilities | 10,573 | 10,703 |
| Risk margin | 2,943 | - |
| **Technical provisions** | **13,516** | **10,703** |
| Current liabilities | 3,707 | 3,707 |
| **Total liabilities** | **17,223** | **14,410** |

The main difference between the value of liabilities reported in STL's financial statements and those under Solvency II is the inclusion of £2.943m in respect of the risk margin:

All STL's liabilities relate to non-life business. The following table separates the estimate of STL's technical provisions by line of business:

| £'000s | Legal expenses | Miscellaneous financial loss | Total |
|---|---|---|---|
| Claims provision | 4,229 | 6,344 | 10,573 |
| Risk margin | 1,177 | 1,766 | 2,943 |
| Technical provisions | 5,406 | 8,109 | 13,516 |

Valuation methods

Liabilities have been determined based on the discounted value of expected future claims by geographic location. The run-off of claims has been determined as set out below.

The value of overseas claims has been converted into GBP using relevant US dollar, Euro and Australian dollar exchange rates as at 31 December 2017.

The rate used to discount future claims is based on relevant risk-free yield curves of the country to which the claims relate.

The valuation methodology determines the expected claims cashflows that are expected to arise in respect of all reported and unreported claims in respect of business written to the date of valuation. The method used is known as the chain ladder method. Under this method the amount of claims paid to date are arranged by year of development (the period from policy inception to claim) and policy year. The pattern of claims development revealed by this claims triangle is determined and then applied to estimate claim amounts in the later years of development.

Separate analyses are carried out for the European business and the Australian business as the two territories exhibit different underlying claim characteristics.

The best estimate reserve is then calculated as the present value of the future projected claims cashflows allowing for the discount rates specified.

The chain ladder method is not appropriate where there is sparsity of data. This applies for the larger claims that only occur infrequently and for the extreme points of the development triangle (oldest and most recent years). For these claims the reserve is based or adjusted using a subjective assessment of the expected claims cost. Within the existing calculation of STL's technical provisions, allowance is made for receiving 2 additional claims each of £250,000 ie reserves are uplifted by £500,000. These amounts are in addition to the amount that STL considers are reasonably foreseeable.

Solvency Capital Requirement

The solvency capital requirement has been calculated in accordance with the Standard Formula.

The principle behind these computations is that a list of specific risks are identified to which the business may be exposed. Then, for each risk a stress is applied to the assets and liabilities with the capital requirement equal to the change in the business's "net asset value" ie the change in total assets less the value of the insurance liabilities.

This determines a capital requirement for each risk. These are then aggregated through a series of specified "correlation matrices" which allows for the fact that not all risks may occur at the same time. This is sometimes referred to as the diversification benefit.

The risks relevant to STL's business are as follows:

- Market risk
  - Interest rate risk - this affects both the value of STL's fixed and variable interest assets as well as the value of its insurance liabilities.
  - Property fall risk - this affects the value of STL's property valuation only.
  - Spread risk - this is the risk that yields on corporate bonds widen and affects the value of STL's corporate bond assets only.
  - Concentration risk - this is the risk that STL has too large an exposure to an asset that falls in value and affects the value of STL's assets only.
  - Currency risk - the risk that the value of assets moves out of line with the value of liabilities in the event of a shock in exchange rates. This affects both the value of assets and liabilities.
- Default risk (SCRdef)
  - This is the risk that STL's deposit based and reinsurance counterparties default.
- Insurance risk
  - Premium and reserving risk - the risk that STL's expense and claims experience are worse than expected. This is assessed by geographic location.
  - Catastrophe risk - the risk that a catastrophic event leads to multiple and/or large claims.
- Operational risk
  - The risk that STL's operations lead to some business failure.

Risk margin

The risk margin is defined to be the additional amount over and above the value of the best estimate liabilities that a third party would need in order to take over and meet the insurance firm's obligations. Effectively it is the "opportunity cost" of holding capital to support the insurance firm's operations.

The Solvency II specification requires that the cost is equal to a charge of 6% a year of the expected SCR in respect of non-hedgeable risks, run-off over the remaining lifetime of the in-force business (allowing for the run-off of claims). The SCR is assumed to run-off in line with the square root of the change in STL's projected insurance liabilities.

The risk margin is calculated to be £2.943m as at 31 December 2017.

The calculation is based on the calculated SCR as at 31 December 2017 of £11.933m.

Discount rate

Risk free rates (as prescribed by EIOPA) have been used to discount the projected claims cashflows. Example spot rates are shown in the following table:

| | Projection Term (years) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| UK | 0.555% | 0.684% | 0.788% | 0.866% | 0.937% | 0.997% | 1.05% | 1.098% | 1.144% | 1.188% |
| Euro | -0.358% | -0.250% | -0.088% | 0.069% | 0.209% | 0.347% | 0.469% | 0.585% | 0695% | 0.802% |
| AUS | 1.828% | 1.992% | 2.129% | 2.229% | 2.315% | 2.397% | 2.461% | 2.527% | 2.583% | 2.639% |

Exchange rates

The following exchange rates were used (to GBP):

| | Financial year ending |
|---|---|
| | 31 December 2017 |
| US dollar | 1.3510 |
| Euro | 1.1270 |
| Australian dollar | 1.7276 |

Areas of uncertainty

With any modelling exercise there will be an underlying level of uncertainty present. Uncertainty arises primarily from the data being used, the choice of assumptions, and from the choice of model.

The data used is checked to mitigate the risk that errors may materially affect the valuation result. Data is also reviewed over time to check for consistency between different time periods.

Assumptions may be event driven or economic and are set using historical experience and the current market environment and expectations. Actual and emerging experience is reviewed against expectations at least annually and more frequently if necessary. The results of these analyses are fed into the assumption setting process for the valuation. Results are assessed for their sensitivity to key assumptions.

Reinsurance

STL has in place a reinsurance treaty with its parent providing excess loss cover in respect of large claims. It also reinsures the whole of its business in the Bahamas. With the exception of one large risk, this is also reinsured with the parent. The large risk is reinsured with the parent and three other reinsurers. All of the reinsurance is included in the balance sheet as both an asset and a liability. The net effect is close to zero. In addition, allowance is made within the SCR counterparty default module for the risk of default by any of the reinsurance partners.

Other information

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

No use has been made of the transitional provisions for risk-free interest rates.

No use has been made of transitional deductions from technical provisions.

D.3 Other Liabilities

| £'000 | Solvency II | UK GAAP | Difference |
|---|---|---|---|
| Tax liabilities | 1,645 | 1,645 | - |
| Insurance and intermediaries payables | 96 | 96 | - |
| Reinsurance payables | 465 | 465 | - |
| Payables (trade, not insurance) | **671** | **671** | - |
| Any other liabilities not elsewhere shown | **829** | **829** | - |
| Total other liabilities | **3,707** | **3,707** | - |

No adjustment under SII was made given the valuation under UK GAAP of the non-technical liabilities is deemed a fair approximation of the market value and, in case, any discounting effect driven by items with duration longer than 12 month has been assessed not material.

There are no "other liabilities" subject to specific valuation treatment for solvency purposes beyond those listed below.

D.4 Valuation Method

STL has used a market valuation to value its properties. The properties are located in active markets with multiple similar properties in the area which provides for a reliable valuation. The underlying assumptions relate to the nature of the properties and their similarity to others in the area. Management believes the valuation uncertainty is minimal, within 5%, and, in their experience is near accurate.

D.5 No other material information is relevant

# E. Capital Management

## E.1 Own funds

The following table shows the amount of own funds at the latest and previous valuation dates.

| £'000 | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Assets (including reinsurance) | 44,878 | 37,644 |
| Best estimate liabilities | 10,573 | 7,858 |
| Risk margin | 2,943 | 3,149 |
| Current liabilities | 3,707 | 2,287 |
| **Own funds** | **27,656** | **24,350** |

STL reviews, as part of its regular ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened over the three year time horizon of its business plan. In the event that STL's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement, then STL will draw up appropriate plans to rectify that position. These plans will be appropriate to STL's circumstances at the time but might include:

- Reviewing and refocusing its strategic objectives and priorities.
- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a capital injection from its parent.

STL has a single fund and all capital is Tier 1. The following table details the composition of own funds at the valuation date.

| £'000s | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Ordinary share capital | 330 | 330 |
| Share premium account related to ordinary share capital | 8,101 | 8,101 |
| Reconciliation reserve | 19,225 | 16,715 |
| **Own funds** | **27,656** | **25,146** |

The amount of Tier 1 own funds at the reporting date is as set out in the table above. The following table reconciles the Reconciliation reserve above to STL's P&L Account as reported in its financial statements. Figures are in £'000s.

| | |
|---|---|
| P&L account in financial statements | 22,057 |
| Asset valuation differences | -20 |
| Liability valuation differences | (2,812) |
| Solvency II reconciliation reserve | 19,225 |

There are no restrictions on the use of own funds other than AUS5m which must be held in Australia in support of STL's Australian insurance branch. The amount of Own funds is available to cover the SCR and the MCR.

There have been no significant changes in own funds over the reporting period.

There are no material differences between the equity in STL's financial statements and the free capital for solvency purposes.

There are no items subject to a transitional arrangement.

There are no items of ancillary own funds.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

STL uses the standard formula as the basis for determining its capital requirements. The Solvency Capital Requirement at 31 December 2017 was £11,933m and the Minimum Capital Requirement was £3.261m.

The SCR split by risk module is shown in the following table. Figures are as at 31 December 2017 are in £'000s.

| Risk module | Solvency Capital Requirement |
|---|---|
| Market risk | 3,822 |
| Counterparty default risk | 842 |
| Life underwriting risk | - |
| Health underwriting risk | - |
| Non-life underwriting risk | 9,172 |
| Diversification | (2,597) |
| Basic Solvency Capital Requirement | 11,238 |
| Operational risk | 695 |
| Solvency Capital Requirement | 11,933 |
| Minimum Capital Requirement | 3,261 |

There are no simplifications applied to the SCR calculation.

There are no undertaking-specific parameters used in the SCR calculation.

The Solvency Capital Requirement has increased from £8.6 million to £11.9 million over the valuation period. The primary reason is the amount of business written in 2017.

The Minimum Capital Requirement has increased in the reporting period from £2.447million to £3.261 million. This is as a result of the increase in the SCR.

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

STL does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

STL does not use an internal model.

## E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

STL has complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout the reporting period.

## E.6 Any other information

There is no additional information.

## F. Approval by the Administrative, Management or Supervisory Body of the SFCR and Reporting Templates

F.1 We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and Solvency II Regulations.

F.2 We are satisfied that:

(A) Throughout the financial year in question, STL has complied in all material respects with the requirements of the PRA Rules and Solvency II Regulations as applicable; and

(B) It is reasonable to believe that, at the date of publication of the SFCR, STL has continued so to comply, and will continue so to comply in future.

Larry P Thompson
Director
For and on behalf of the Board of Directors
01 May 2018

**Report of the external independent auditor to the Directors of Stewart Title Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms**

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

### Opinion

Except as stated below, we have audited the following documents prepared by Stewart Title Limited as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Stewart Title Limited as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit**').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Stewart Title Limited is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – special purpose basis of accounting

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

### Conclusions relating to going concern

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

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

### Other Information

The Directors are responsible for the Other Information.

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

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Relevant Elements of the Solvency and Financial Condition Report.

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

**Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Stewart Title Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Peter Lomax

*Peter Lomax for and on behalf of KPMG LLP*
*15 Canada Square*
*London*
*E14 5GL*
*02 May 2018*

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

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

### Solo standard formula

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

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

# Stewart Title Limited

## Solvency and Financial Condition Report

## Disclosures

31 December

2017

(Monetary amounts in GBP thousands)

## General information

| | |
|---|---|
| Undertaking name | Stewart Title Limited |
| Undertaking identification code | 213800A6WMMTW3QZJI14 |
| Type of code of undertaking | LEI |
| Type of undertaking | Non-life undertakings |
| Country of authorisation | GB |
| Language of reporting | en |
| Reporting reference date | 31 December 2017 |
| Currency used for reporting | GBP |
| 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.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Assets** | C0010 |
| R0030 | Intangible assets | |
| R0040 | Deferred tax assets | |
| R0050 | Pension benefit surplus | |
| R0060 | Property, plant & equipment held for own use | 0 |
| R0070 | Investments (other than assets held for index-linked and unit-linked contracts) | 20,352 |
| R0080 | *Property (other than for own use)* | 2,100 |
| R0090 | *Holdings in related undertakings, including participations* | 0 |
| R0100 | *Equities* | 0 |
| R0110 | *Equities - listed* | |
| R0120 | *Equities - unlisted* | |
| R0130 | *Bonds* | 18,252 |
| R0140 | *Government Bonds* | 16,027 |
| R0150 | *Corporate Bonds* | 2,226 |
| R0160 | *Structured notes* | 0 |
| R0170 | *Collateralised securities* | 0 |
| R0180 | *Collective Investments Undertakings* | 0 |
| R0190 | *Derivatives* | |
| R0200 | *Deposits other than cash equivalents* | 0 |
| R0210 | *Other investments* | 0 |
| R0220 | Assets held for index-linked and unit-linked contracts | |
| R0230 | Loans and mortgages | 0 |
| R0240 | *Loans on policies* | 0 |
| R0250 | *Loans and mortgages to individuals* | |
| R0260 | *Other loans and mortgages* | |
| R0270 | Reinsurance recoverables from: | 652 |
| R0280 | *Non-life and health similar to non-life* | 652 |
| R0290 | *Non-life excluding health* | 652 |
| R0300 | *Health similar to non-life* | 0 |
| R0310 | *Life and health similar to life, excluding index-linked and unit-linked* | 0 |
| R0320 | *Health similar to life* | |
| R0330 | *Life excluding health and index-linked and unit-linked* | |
| R0340 | *Life index-linked and unit-linked* | |
| R0350 | Deposits to cedants | 0 |
| R0360 | Insurance and intermediaries receivables | 696 |
| R0370 | Reinsurance receivables | 466 |
| R0380 | Receivables (trade, not insurance) | 465 |
| R0390 | Own shares (held directly) | 0 |
| 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 | 21,447 |
| R0420 | Any other assets, not elsewhere shown | 801 |
| R0500 | **Total assets** | 44,878 |

**S.02.01.02**

## Balance sheet

| | | Solvency II value |
|---|---|---|
| | **Liabilities** | C0010 |
| R0510 | Technical provisions - non-life | 13,516 |
| R0520 | *Technical provisions - non-life (excluding health)* | 13,516 |
| R0530 | *TP calculated as a whole* | 0 |
| R0540 | *Best Estimate* | 10,573 |
| R0550 | *Risk margin* | 2,943 |
| R0560 | *Technical provisions - health (similar to non-life)* | 0 |
| R0570 | *TP calculated as a whole* | 0 |
| R0580 | *Best Estimate* | 0 |
| R0590 | *Risk margin* | 0 |
| R0600 | Technical provisions - life (excluding index-linked and unit-linked) | 0 |
| R0610 | *Technical provisions - health (similar to life)* | 0 |
| R0620 | *TP calculated as a whole* | |
| R0630 | *Best Estimate* | |
| R0640 | *Risk margin* | |
| R0650 | *Technical provisions - life (excluding health and index-linked and unit-linked)* | 0 |
| R0660 | *TP calculated as a whole* | |
| R0670 | *Best Estimate* | |
| R0680 | *Risk margin* | |
| R0690 | Technical provisions - index-linked and unit-linked | 0 |
| R0700 | *TP calculated as a whole* | |
| R0710 | *Best Estimate* | |
| R0720 | *Risk margin* | |
| R0740 | Contingent liabilities | |
| R0750 | Provisions other than technical provisions | |
| R0760 | Pension benefit obligations | |
| R0770 | Deposits from reinsurers | |
| R0780 | Deferred tax liabilities | 1,645 |
| R0790 | Derivatives | |
| R0800 | Debts owed to credit institutions | |
| R0810 | Financial liabilities other than debts owed to credit institutions | |
| R0820 | Insurance & intermediaries payables | 96 |
| R0830 | Reinsurance payables | 465 |
| R0840 | Payables (trade, not insurance) | 671 |
| R0850 | Subordinated liabilities | 0 |
| R0860 | *Subordinated liabilities not in BOF* | |
| R0870 | *Subordinated liabilities in BOF* | 0 |
| R0880 | Any other liabilities, not elsewhere shown | 829 |
| R0900 | **Total liabilities** | 17,223 |
| | | |
| R1000 | **Excess of assets over liabilities** | 27,656 |

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

| | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | | | | Line of business for: accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Misc. financial loss | Health | Casualty | Marine, aviation and transport | Property | Total |
| | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | | | | | | | | | |
| R0110 Gross - Direct Business | | | | | | | | | | 7,904 | | 11,856 | | | | | 19,760 |
| R0120 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0130 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0140 Reinsurers' share | | | | | | | | | | 1,055 | | 1,583 | | | | | 2,638 |
| R0200 Net | | | | | | | | | | 6,849 | | 10,273 | | | | | 17,122 |
| **Premiums earned** | | | | | | | | | | | | | | | | | |
| R0210 Gross - Direct Business | | | | | | | | | | 7,904 | | 11,856 | | | | | 19,760 |
| R0220 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0230 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0240 Reinsurers' share | | | | | | | | | | 1,055 | | 1,583 | | | | | 2,638 |
| R0300 Net | | | | | | | | | | 6,849 | | 10,273 | | | | | 17,122 |
| **Claims incurred** | | | | | | | | | | | | | | | | | |
| R0310 Gross - Direct Business | | | | | | | | | | 1,839 | | 2,759 | | | | | 4,598 |
| R0320 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0330 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0340 Reinsurers' share | | | | | | | | | | 11 | | 16 | | | | | 27 |
| R0400 Net | | | | | | | | | | 1,829 | | 2,743 | | | | | 4,571 |
| **Changes in other technical provisions** | | | | | | | | | | | | | | | | | |
| R0410 Gross - Direct Business | | | | | | | | | | | | | | | | | 0 |
| R0420 Gross - Proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0430 Gross - Non-proportional reinsurance accepted | | | | | | | | | | | | | | | | | 0 |
| R0440 Reinsurers' share | | | | | | | | | | | | | | | | | 0 |
| R0500 Net | | | | | | | | | | 0 | | 0 | | | | | 0 |
| R0550 **Expenses incurred** | | | | | | | | | | 4,152 | | 6,227 | | | | | 10,379 |
| R1200 **Other expenses** | | | | | | | | | | | | | | | | | |
| R1300 **Total expenses** | | | | | | | | | | | | | | | | | 10,379 |

**S.05.02.01**

**Premiums, claims and expenses by country**

**Non-life**

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
|---|---|---|---|---|---|---|---|---|
| | | **Home Country** | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | | **Top 5 countries (by amount of gross premiums written) - non-life obligations** | | **Total Top 5 and home country** |
| R0010 | | | **AU** | **BS** | **PL** | | | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| | **Premiums written** | | | | | | | |
| R0110 | Gross - Direct Business | 6,542 | 5,727 | 4,461 | 1,732 | | | 18,463 |
| R0120 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0130 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0140 | Reinsurers' share | 737 | 213 | 978 | 558 | | | 2,487 |
| R0200 | Net | 5,805 | 5,514 | 3,483 | 1,174 | 0 | 0 | 15,976 |
| | **Premiums earned** | | | | | | | |
| R0210 | Gross - Direct Business | 6,542 | 5,727 | 4,461 | 1,732 | | | 18,463 |
| R0220 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0230 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0240 | Reinsurers' share | 737 | 213 | 978 | 558 | | | 2,487 |
| R0300 | Net | 5,805 | 5,514 | 3,483 | 1,174 | 0 | 0 | 15,976 |
| | **Claims incurred** | | | | | | | |
| R0310 | Gross - Direct Business | 1,568 | 2,971 | 23 | 106 | | | 4,668 |
| R0320 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0330 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0340 | Reinsurers' share | 27 | | | | | | 27 |
| R0400 | Net | 1,541 | 2,971 | 23 | 106 | 0 | 0 | 4,641 |
| | **Changes in other technical provisions** | | | | | | | |
| R0410 | Gross - Direct Business | | | | | | | 0 |
| R0420 | Gross - Proportional reinsurance accepted | | | | | | | 0 |
| R0430 | Gross - Non-proportional reinsurance accepted | | | | | | | 0 |
| R0440 | Reinsurers' share | | | | | | | 0 |
| R0500 | Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R0550 | **Expenses incurred** | 5,264 | 2,971 | 573 | 656 | | | 9,463 |
| R1200 | **Other expenses** | | | | | | | |
| R1300 | **Total expenses** | | | | | | | 9,463 |

S.17.01.02
## Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Medical expense insurance** | **Income protection insurance** | **Workers' compensation insurance** | **Motor vehicle liability insurance** | **Other motor insurance** | **Marine, aviation and transport insurance** | **Fire and other damage to property insurance** | **General liability insurance** | **Credit and suretyship insurance** | **Legal expenses insurance** | **Assistance** | **Miscellaneous financial loss** | **Non-proportional health reinsurance** | **Non-proportional casualty reinsurance** | **Non-proportional marine, aviation and transport reinsurance** | **Non-proportional property reinsurance** | **Total Non-Life obligation** |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| R0010 | **Technical provisions calculated as a whole** | | | | | | | | | | 0 | | 0 | | | | | 0 |
| R0050 | Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| | **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| | **Best estimate** | | | | | | | | | | | | | | | | | |
| | **Premium provisions** | | | | | | | | | | | | | | | | | |
| R0060 | Gross | | | | | | | | | | 0 | | 0 | | | | | 0 |
| R0140 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | | | | | | | | | | 0 |
| R0150 | **Net Best Estimate of Premium Provisions** | | | | | | | | | | 0 | | 0 | | | | | 0 |
| | **Claims provisions** | | | | | | | | | | | | | | | | | |
| R0160 | Gross | | | | | | | | | | 4,229 | | 6,344 | | | | | 10,573 |
| R0240 | Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | | | | | | | | | | 261 | | 391 | | | | | 652 |
| R0250 | **Net Best Estimate of Claims Provisions** | | | | | | | | | | 3,968 | | 5,953 | | | | | 9,921 |
| R0260 | **Total best estimate - gross** | | | | | | | | | | 4,229 | | 6,344 | | | | | 10,573 |
| R0270 | **Total best estimate - net** | | | | | | | | | | 3,968 | | 5,953 | | | | | 9,921 |
| R0280 | **Risk margin** | | | | | | | | | | 1,177 | | 1,766 | | | | | 2,943 |
| | **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| R0290 | Technical Provisions calculated as a whole | | | | | | | | | | | | | | | | | 0 |
| R0300 | Best estimate | | | | | | | | | | | | | | | | | 0 |
| R0310 | Risk margin | | | | | | | | | | | | | | | | | 0 |
| R0320 | **Technical provisions - total** | | | | | | | | | | 5,406 | | 8,109 | | | | | 13,516 |
| R0330 | **Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total** | | | | | | | | | | 261 | | 391 | | | | | 652 |
| R0340 | **Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total** | | | | | | | | | | 5,146 | | 7,718 | | | | | 12,864 |

**S.19.01.21**
**Non-Life insurance claims**

**Total Non-life business**

Z0020 **Accident year / underwriting year** Accident Year

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

| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | Development year | | | | | | | | | | | **In Current year** | **Sum of years (cumulative)** |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| R0100 | **Prior** | | | | | | | | | | | 152 | 152 | 152 |
| R0160 | 2008 | 2 | 49 | 394 | 129 | 672 | 118 | 6 | 109 | 15 | 7 | | 7 | 1,499 |
| R0170 | 2009 | 12 | 111 | 76 | 70 | 46 | 17 | 90 | 8 | 11 | | | 11 | 441 |
| R0180 | 2010 | 13 | 131 | 111 | 77 | 428 | 19 | 20 | 156 | | | | 156 | 956 |
| R0190 | 2011 | 55 | 139 | 279 | 160 | 72 | 183 | 19 | | | | | 19 | 908 |
| R0200 | 2012 | 39 | 363 | 158 | 212 | 50 | 145 | | | | | | 145 | 967 |
| R0210 | 2013 | 73 | 212 | 500 | 606 | 332 | | | | | | | 332 | 1,725 |
| R0220 | 2014 | 143 | 459 | 621 | 394 | | | | | | | | 394 | 1,617 |
| R0230 | 2015 | 126 | 1,283 | 275 | | | | | | | | | 275 | 1,684 |
| R0240 | 2016 | 66 | 791 | | | | | | | | | | 791 | 857 |
| R0250 | 2017 | 180 | | | | | | | | | | | 180 | 180 |
| R0260 | | | | | | | | | | | | **Total** | 2,462 | 10,986 |

**Gross Undiscounted Best Estimate Claims Provisions**
(absolute amount)

| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | Development year | | | | | | | | | | | **Year end (discounted data)** |
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | |
| R0100 | **Prior** | | | | | | | | | | | 55 | 55 |
| R0160 | 2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 108 | | 108 |
| R0170 | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51 | | | 50 |
| R0180 | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 182 | | | | 179 |
| R0190 | 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 100 | | | | | 98 |
| R0200 | 2012 | 0 | 0 | 0 | 0 | 0 | 303 | | | | | | 295 |
| R0210 | 2013 | 0 | 0 | 0 | 0 | 618 | | | | | | | 602 |
| R0220 | 2014 | 0 | 0 | 0 | 1,881 | | | | | | | | 1,833 |
| R0230 | 2015 | 0 | 0 | 1,609 | | | | | | | | | 1,546 |
| R0240 | 2016 | 0 | 2,068 | | | | | | | | | | 1,980 |
| R0250 | 2017 | 3,330 | | | | | | | | | | | 3,171 |
| R0260 | | | | | | | | | | | | **Total** | 9,918 |

**S.23.01.01**
**Own Funds**

| | | Total | Tier 1 unrestricted | Tier 1 restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| | **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) | 330 | 330 | | 0 | |
| R0030 | Share premium account related to ordinary share capital | 8,101 | 8,101 | | 0 | |
| R0040 | Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | 0 | 0 | | 0 | |
| R0050 | Subordinated mutual member accounts | 0 | | 0 | 0 | 0 |
| R0070 | Surplus funds | 0 | 0 | | | |
| R0090 | Preference shares | 0 | | 0 | 0 | 0 |
| R0110 | Share premium account related to preference shares | 0 | | 0 | 0 | 0 |
| R0130 | Reconciliation reserve | 19,225 | 19,225 | | | |
| R0140 | Subordinated liabilities | 0 | | 0 | 0 | 0 |
| R0160 | An amount equal to the value of net deferred tax assets | 0 | | | | 0 |
| R0180 | Other own fund items approved by the supervisory authority as basic own funds not specified above | 0 | 0 | 0 | 0 | 0 |
| R0220 | **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | 0 | | | | |
| R0230 | **Deductions for participations in financial and credit institutions** | 0 | 0 | 0 | 0 | |
| R0290 | **Total basic own funds after deductions** | 27,656 | 27,656 | 0 | 0 | 0 |
| | **Ancillary own funds** | | | | | |
| R0300 | Unpaid and uncalled ordinary share capital callable on demand | 0 | | | | |
| R0310 | Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | 0 | | | | |
| R0320 | Unpaid and uncalled preference shares callable on demand | 0 | | | | |
| R0330 | A legally binding commitment to subscribe and pay for subordinated liabilities on demand | 0 | | | | |
| R0340 | Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0350 | Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | 0 | | | | |
| R0360 | Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0370 | Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | 0 | | | | |
| R0390 | Other ancillary own funds | 0 | | | | |
| R0400 | **Total ancillary own funds** | 0 | | | 0 | 0 |
| | **Available and eligible own funds** | | | | | |
| R0500 | Total available own funds to meet the SCR | 27,656 | 27,656 | 0 | 0 | 0 |
| R0510 | Total available own funds to meet the MCR | 27,656 | 27,656 | 0 | 0 | |
| R0540 | Total eligible own funds to meet the SCR | 27,656 | 27,656 | 0 | 0 | 0 |
| R0550 | Total eligible own funds to meet the MCR | 27,656 | 27,656 | 0 | 0 | |
| R0580 | **SCR** | 11,933 | | | | |
| R0600 | **MCR** | 3,261 | | | | |
| R0620 | **Ratio of Eligible own funds to SCR** | 231.76% | | | | |
| R0640 | **Ratio of Eligible own funds to MCR** | 848.08% | | | | |
| | **Reconciliation reserve** | C0060 | | | | |
| R0700 | Excess of assets over liabilities | 27,656 | | | | |
| R0710 | Own shares (held directly and indirectly) | 0 | | | | |
| R0720 | Foreseeable dividends, distributions and charges | | | | | |
| R0730 | Other basic own fund items | 8,431 | | | | |
| R0740 | Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | 0 | | | | |
| R0760 | **Reconciliation reserve** | 19,225 | | | | |
| | **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)** | 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 | 3,822 | | |
| R0020 | Counterparty default risk | 842 | | |
| R0030 | Life underwriting risk | 0 | 9 | |
| R0040 | Health underwriting risk | 0 | 9 | |
| R0050 | Non-life underwriting risk | 9,172 | 9 | |
| R0060 | Diversification | -2,597 | | |
| R0070 | Intangible asset risk | 0 | | |
| R0100 | **Basic Solvency Capital Requirement** | 11,238 | | |

| | **Calculation of Solvency Capital Requirement** | C0100 |
|---|---|---|
| R0130 | Operational risk | 695 |
| 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** | 11,933 |
| R0210 | Capital add-ons already set | 0 |
| R0220 | **Solvency capital requirement** | 11,933 |

| | **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 |

S.28.01.01

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

| | **Linear formula component for non-life insurance and reinsurance obligations** | C0010 |
|---|---|---|
| R0010 | $MCR_{NL}$ Result | 3,261 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| R0020 | Medical expense insurance and proportional reinsurance | 0 | |
| R0030 | Income protection insurance and proportional reinsurance | 0 | |
| R0040 | Workers' compensation insurance and proportional reinsurance | 0 | |
| R0050 | Motor vehicle liability insurance and proportional reinsurance | 0 | |
| R0060 | Other motor insurance and proportional reinsurance | 0 | |
| R0070 | Marine, aviation and transport insurance and proportional reinsurance | 0 | |
| R0080 | Fire and other damage to property insurance and proportional reinsurance | 0 | |
| R0090 | General liability insurance and proportional reinsurance | 0 | |
| R0100 | Credit and suretyship insurance and proportional reinsurance | 0 | |
| R0110 | Legal expenses insurance and proportional reinsurance | 3,968 | 6,849 |
| R0120 | Assistance and proportional reinsurance | 0 | |
| R0130 | Miscellaneous financial loss insurance and proportional reinsurance | 5,953 | 10,273 |
| R0140 | Non-proportional health reinsurance | 0 | |
| R0150 | Non-proportional casualty reinsurance | 0 | |
| R0160 | Non-proportional marine, aviation and transport reinsurance | 0 | |
| R0170 | Non-proportional property reinsurance | 0 | |

| | **Linear formula component for life insurance and reinsurance obligations** | C0040 |
|---|---|---|
| R0200 | $MCR_L$ Result | 0 |

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

| | **Overall MCR calculation** | C0070 |
|---|---|---|
| R0300 | Linear MCR | 3,261 |
| R0310 | SCR | 11,933 |
| R0320 | MCR cap | 5,370 |
| R0330 | MCR floor | 2,983 |
| R0340 | Combined MCR | 3,261 |
| R0350 | Absolute floor of the MCR | 2,196 |
| R0400 | **Minimum Capital Requirement** | 3,261 |