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 2018.

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
- Complying with the Senior Managers and Certification Regime

The results demonstrate that STL has a strong balance sheet with a solvency ratio as at 31 December 2018 of 222%.

A. Business and Performance

Business

A.1. 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
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 completes transactions and issues title policies on residential, 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 completion process by insuring risks related to the real estate 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	Representative Office
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.

Underwriting Performance

A.2. The following statements summarise STL's income and expenditure in aggregate, in the UK and in Australia for the year ending 31 December 2018. Figures are in £'000s.

Aggregate	2018
Insurance premiums	19,069
Reinsurance premiums	(2,223)
Other income	48
Total income	**16,894**
Claims	3,021
Expenses	11,111
Taxation	251
Total expenditure	**14,383**
Underwriting profits	**2,511**

Gross premiums fell by 4% compared to the prior year primarily due to a large single policy written in the Bahamas during 2017. Although the market remains competitive, the need for title indemnity insurance continues as the lending industry realise the benefits that title insurance can bring to the market in terms of increased speed, efficiency and productivity to real estate transactions. Claims expense reduced year over year primarily due to an increase in reserves in 2017. The 2017 increase was for prior periods and brought the reserves to an appropriate level supported by the actuarial assessment.

Investment Performance

A.3. The following statements summarise STL's investment performance for the year ended 31 December 2018 for the following asset classes: total, property, fixed interest and cash deposits. Figures are in £'000s.

Total	2018
Investment income	476
Realised gains/losses	(6)
Unrealised gains/losses	(33)
Total investment return	**437**
Investment expenses	**42**

The investment portfolio remained relatively stable during 2018 considering the uncertainties of Brexit. 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.

Performance of Other Activities

A.4. There were no other material income and expenses incurred over the year ended 31 December 2018.

Any Other Information

A.5. 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 Management Responsibilities Map sets out the individual responsibilities of Board members and Senior Managers.

There have been no material changes to the system of governance during the reporting period. STL continues to operate at an overall low risk level and retains in place systems and operations to maintain this.

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 the Whistleblowing Policy and the Remuneration Policy passed to an Independent Director. Both policies were reviewed during the reporting period by the Independent Director and were 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 Risk

Management 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 STL's operations.

How it is implemented

In implementing a risk management framework, the initial task was to prepare a detailed list of risks applicable to STL 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 (ORSA) Process and how it is 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.

- The Board considers the strategy and revised business plan, and any impact on the ORSA process is then 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 is 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 STL 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 solvency capital requirement of 150% 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 are 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 and external auditors.

Compliance Function

The compliance function is currently held by 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 STGC. 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 2018 and identified areas for improvement. 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 STL's Board on the risks STL runs in so far as they may have a material impact on STL'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 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 those functions 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.9 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 2018 across each of STL's risk modules. Figures are shown both gross and net of management actions.

Risk module	Solvency Capital Requirement	
	Net	Gross
Market risk	5,220	5,220
Counterparty default risk	1,356	1,356
Life underwriting risk		
Health underwriting risk		
Non-life underwriting risk	10,199	10,199
Diversification	(3,467)	
Basic Solvency Capital Requirement	13,308	
Operational risk	572	
Solvency Capital Requirement	13,880	
Minimum Capital Requirement	3,470	

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 2018.

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
- Rights to light

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 STL by auditors employed by STGC
- 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.

Claims Management and Reserving Risk

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.

Reinsurance risk

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 STL'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 quarterly 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 2018, 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.

STL's liquidity position is derived from operating cash flows, investment portfolios and access to outside sources of liquidity such as cash funding from STGC.

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 STL 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, STL'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.

STL 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

STL identified key scenarios that were likely to test to 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 £8m.

Additional reverse stress tests were undertaken examining:

- Reinsurance – failure/withdrawal of reinsurer
- Reputational – adverse publicity
- Ratings – reduction in credit ratings of STGC
- 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 e.g. 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 STL's business plan to fail.

C.7 Any other information

There is no other material information regarding the risk profile of STL.

D. Valuation for Solvency Purposes

D.1 Assets

The value of the assets for the year ending 31 December 2018 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 2018	
	Solvency II	Financial statements
Property, plant & equipment held for own use	-	444
Other property	2,100	2,100
Bonds – Government	15,981	15,895
Bonds – Corporate	2,169	2,151
Insurance and intermediaries receivables	0	1,079
Reinsurance Recoveries	643	
Reinsurance receivables	0	466
Receivables (trade, not insurance)	0	76
Cash and cash equivalents	23,113	23,041
Any other assets not elsewhere shown	2,418	780
Total	46,423	46,476

Property, Plant & equipment held for own use

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.

Property (Other than for own use)

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 value based on the observed market values of similar properties.

Investments

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 is 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 intertest 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 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 2018	
	Solvency II	Financial statements
Best estimate liabilities	10,852	11,247
Risk margin	3,019	
Technical provisions	13,871	11,247
Current liabilities	1,797	1,797
Total liabilities	**15,668**	**13,044**

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	4,341	6,511	10,852
Risk margin	1,208	1,811	3,019
Technical provisions	5,548	8,323	13,871

<u>Valuation methods</u>

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 2018.

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 cash flows 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 UK and 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 cash flows 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' "net asset value" i.e. 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 £3.019m as at 31 December 2018.

The calculation is based on the calculated SCR as at 31 December 2018 of £13.880m.

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	0.981%	1.062%	1.124%	1.170%	1.204%	1.236%	1.262%	1.288%	1.315%	1.342%
Euro	-0.333%	-0.275%	-0.177%	-0.046%	0.099%	0.238%	0.372%	0.499%	0.618%	0.726%
AUS	1.830%	1.787%	1.784%	1.843%	1.929%	2.017%	2.099%	2.169%	2.234%	2.294%

Exchange rates

The following exchange rates were used (to GBP):

	Financial year ending 31 December 2018
US dollar	1.2769
Euro	1.1149
Australian dollar	1.8092

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 STGC providing excess loss cover in respect of large claims. It also reinsures most of its business in the Bahamas. With the exception of one large risk, this is also reinsured with STGC. The large risk is reinsured with STGC 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.

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

D.3 Other Liabilities

£'000	Solvency II	UK GAAP	Difference
Tax liabilities	407	407	
Insurance and intermediaries payables	-	-1	
Risk margin	3,019		3,019
Reinsurance payables	0	200	
Payables (trade, not insurance)	229	229	
Any other liabilities not elsewhere shown	1,161	962	
Total other liabilities	4,816	1,797	3,019

Liabilities in the above table (other than the risk margin) are shown at face value for both UKGAAP and Solvency II as these liabilities are due within twelve months of the valuation date.

D.4 Alternative valuation methods have been employed.

The majority of the STL's assets and other liabilities are valued using quoted market information or face value for short term assets and liabilities. Property (not for own use) is recognised at its fair value as assessed by qualified external valuers using standard valuation techniques. These techniques use a market approach, which uses prices and other relevant information generated by market transactions involving similar properties. Clearly, properties are not listed and so there can be no market value quoted on an exchange and so an alternative method is necessary. Professional valuers have vast experience and data on the factors inherent to the properties being valued that influence prices and also on the amount of supply and demand in the market to enable them to make reliable adjustments to observed values. The results of these valuations will be reliable at the valuation point but will have a degree of uncertainty over their future values if supply and demand moves out of balance with the position at the end of the year.

D.5 There is no other material information relevant for disclosure

E. Capital Management

E.1 Own funds

The following table shows the amount of own funds at the valuation date.

£'000	31 December 2018
Assets (including reinsurance)	46,423
Best estimate liabilities	10,852
Risk margin	3,019
Current liabilities	1,797
Own funds	30,756

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 covers 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 STGC.

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 2018
Ordinary share capital	330
Share premium account related to ordinary share capital	8,101
Reconciliation reserve	22,325
Own funds	30,756

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	25,001
Asset valuation differences	-52
Liability valuation differences	(2,624)
Solvency II reconciliation reserve	22,325

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 2018 was £13.880m and the Minimum Capital Requirement was £3.470m.

The SCR split by risk module is shown in the following table. Figures are as at 31 December 2018 are in £'000s.

Risk module	Solvency Capital Requirement
Market risk	5,220
Counterparty default risk	1,356
Life underwriting risk	-
Health underwriting risk	-
Non-life underwriting risk	10,200
Diversification	(3,467)
Basic Solvency Capital Requirement	13,308
Operational risk	572
Solvency Capital Requirement	13,880
Minimum Capital Requirement	3,470

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 £11.9 million to £13.9 million over the valuation period. The primary reason is the amount of business planned to be written in 2019.

The Minimum Capital Requirement has increased in the reporting period from £3.261 million to £3.470 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.

By order of the Board

D W P Chalmers

D W P Chalmers
Director

3rd Floor
11 Haymarket
London
SW1Y 4BP

15 April 2019

Stewart Title Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(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 2018
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)	20,250
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*	18,150
R0140	*Government Bonds*	15,981
R0150	*Corporate Bonds*	2,169
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:	643
R0280	*Non-life and health similar to non-life*	643
R0290	*Non-life excluding health*	643
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	
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	23,113
R0420	Any other assets, not elsewhere shown	2,418
R0500	**Total assets**	46,423

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	13,871
R0520	*Technical provisions - non-life (excluding health)*	13,871
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	10,852
R0550	*Risk margin*	3,019
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	408
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	229
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,161
R0900	**Total liabilities**	15,668
R1000	**Excess of assets over liabilities**	30,756

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				Total
		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	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business										7,628		11,442					19,069
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share										889		1,334					2,223
R0200	Net										6,738		10,108					16,846
	Premiums earned																	
R0210	Gross - Direct Business										7,628		11,442					19,069
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share										889		1,334					2,223
R0300	Net										6,738		10,108					16,846
	Claims incurred																	
R0310	Gross - Direct Business										1,021		1,531					2,551
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share										0		11					11
R0400	Net										1,020		1,520					2,540
	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**										4,444		6,666					11,111
R1200	**Other expenses**																	
R1300	**Total expenses**																	11,111

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	RO		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	6,761	6,136	1,585	2,316	1,622		18,420
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	755	228	251	650	322		2,207
R0200	Net	6,006	5,909	1,333	1,665	1,300	0	16,213
	Premiums earned							
R0210	Gross - Direct Business	6,761	6,136	1,585	2,316	1,622		18,420
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	755	228	251	650	322		2,207
R0300	Net	6,006	5,909	1,333	1,665	1,300	0	16,213
	Claims incurred							
R0310	Gross - Direct Business	63	2,001	171	163	114		2,512
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	-63	-2	82	0	0		17
R0400	Net	126	2,003	90	163	114	0	2,495
	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**	5,759	2,880	771	720	291		10,421
R1200	**Other expenses**							
R1300	**Total expenses**							10,421

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										4,341		6,511					10,852
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										257		386					643
R0250	**Net Best Estimate of Claims Provisions**										4,084		6,125					10,209
R0260	**Total best estimate - gross**										4,341		6,511					10,852
R0270	**Total best estimate - net**										4,084		6,125					10,209
R0280	**Risk margin**										1,208		1,812					3,019
	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**										5,548		8,323					13,871
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**										257		386					643
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**										5,291		7,937					13,228

S.19.01.21

Non-Life insurance claims

Total Non-life business

	Accident year / underwriting year	Accident Year
Z0020		

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											226	226	226
R0160	2009	11	106	73	67	43	17	90	8	11	16		16	443
R0170	2010	12	124	106	75	427	19	19	151	35			35	969
R0180	2011	53	131	264	152	68	173	19	22				22	882
R0190	2012	37	351	149	201	48	137	33					33	956
R0200	2013	71	203	478	601	316	152						152	1,822
R0210	2014	141	440	603	375	321							321	1,880
R0220	2015	119	1,251	260	315								315	1,945
R0230	2016	62	733	346									346	1,142
R0240	2017	170	734										734	904
R0250	2018	131											131	131
R0260												Total	2,331	11,298

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											7	7
R0160	2009	0	0	0	0	0	0	0	0	0	20		20
R0170	2010	0	0	0	0	0	0	0	0	89			88
R0180	2011	0	0	0	0	0	0	0	29				29
R0190	2012	0	0	0	0	0	0	130					128
R0200	2013	0	0	0	0	0	373						367
R0210	2014	0	0	0	0	1,185							1,163
R0220	2015	0	0	0	945								920
R0230	2016	0	0	2,058									2,000
R0240	2017	0	2,667										2,579
R0250	2018	3,687											3,550
R0260												Total	10,852

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	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
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	22,325	22,325			
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**	30,756	30,756	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	30,756	30,756	0	0	0
R0510	Total available own funds to meet the MCR	30,756	30,756	0	0	
R0540	Total eligible own funds to meet the SCR	30,756	30,756	0	0	0
R0550	Total eligible own funds to meet the MCR	30,756	30,756	0	0	
R0580	**SCR**	13,881				
R0600	**MCR**	3,470				
R0620	**Ratio of Eligible own funds to SCR**	221.57%				
R0640	**Ratio of Eligible own funds to MCR**	886.29%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	30,756
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**	22,325
	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	5,220		
R0020	Counterparty default risk	1,356		
R0030	Life underwriting risk	0	9	
R0040	Health underwriting risk	0	9	
R0050	Non-life underwriting risk	10,200	9	
R0060	Diversification	-3,467		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	13,309		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	572
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**	13,881
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	13,881
	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

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	C0010
R0010	MCR_{NL} Result	3,279

		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	4,084	6,738
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	6,125	10,108
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	3,279
R0310	SCR	13,881
R0320	MCR cap	6,246
R0330	MCR floor	3,470
R0340	Combined MCR	3,470
R0350	Absolute floor of the MCR	2,222
R0400	**Minimum Capital Requirement**	3,470