AXIS Specialty Europe SE

Solvency and Financial Condition Report

Year Ended 31 December 2016

CONTENTS

As used in this report, references to "we", "us", "our" or "Company" refers to AXIS Specialty Europe SE. The Solvency and Financial Condition report is presented in thousands of US Dollars (USD'000) unless otherwise stated. Amounts in tables may not reconcile due to rounding differences.

On 4 November 2015, Ireland transposed the Solvency II Directive (Directive 2009/138/EC) as amended by the Omnibus II Directive (2014/51/EC) (together “the Solvency II Directive”) into Irish Law effective 1 January 2016. This transposition took the form of secondary Irish legislation in the form of a Statutory Instrument, the European Union (Insurance and Reinsurance) Regulations 2015, which together with the Solvency II Directive are collectively referred to as “Solvency II” in this report.

This Solvency and Financial Condition Report ("SFCR") for AXIS Specialty Europe SE is for year ended 31 December 2016.

The SFCR is produced as part of the Solvency II reporting requirements under Solvency II. It covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Business and Performance

The Company operates from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2. The Company has an underwriting branch in the United Kingdom.

The Company is a part of the AXIS Capital Holdings Limited ("AXIS Capital") group. AXIS Capital is a Bermuda-based holding company. At 31 December 2016, it had common shareholders' equity of USD 5.1 billion, total capital of USD 7.3 billion and total assets of USD 20.8 billion.

The principal activity of the Company is the transaction of insurance business and facultative reinsurance business in respect of the risks of third parties, primarily in the marine, energy, property, credit, liability and accident and health classes of business.

In 2015, as part of profitability enhancement initiatives, the Company decided to wind-down all of its retail insurance operations in Australia and ceased writing new and renewal business. Effective 27 March 2017, the Australian Prudential Regulation Authority ("APRA") revoked the Australia branch's authorisation to carry on insurance business in Australia.

In 2016, the Company reported a profit of USD 1.8 million compared to a USD 16.5million loss in 2015. Gross premiums written in 2016 of USD 512.7 million decreased from USD 551.7 million in 2015, mainly driven by the run off of the Australia branch. The Company's investment portfolio of USD 371.2 million generated returns of USD 8.6 million in 2016 (2015: USD 6.3 million). The Directors are satisfied with the performance of the Company in 2016, given the current market conditions and the continued impact of the wind-down of retail insurance operations in Australia.

Refer to Section A for further detail relating to business and performance.

System of Governance

The Company adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders through the diligent oversight of policies, processes and decision making. The Board of Directors are ultimately responsible for the good governance, performance and strategy of the Company.

The Company ensures that all persons, who effectively run the Company or have other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

Risk governance is executed through our three lines of defence model, as described below:

First Line of Defence Business Units	Second Line of Defence Risk Management	Third Line of Defence Internal Audit
• Management is responsible for the design and implementation of risk policies, processes and controls to manage risk	• Provide oversight and guidance of the management of risk across the business by supporting and challenging risk owners in their identification, assessment, and mitigation and reporting of risk.	• Perform risk audits of execution against the risk standards, practices, processes and controls.

Refer to Section B for further detail on the Company's system of governance.

Risk Profile

The Company's risk landscape comprises underwriting, market, credit, liquidity, operational and other risks that arise as a result of doing business. Across these risk categories, emerging threats and opportunities are identified and evaluated through a framework that includes the assessment of potential surprise factors that could affect known loss potentials.

Underwriting risk is managed through rigorous protocols, including peer review and underwriting guidelines, which provide a framework for consistent pricing and risk analysis while ensuring alignment to risk appetite. The Company seeks to mitigate reserving risk by, among other things, diligently monitoring claims and maintaining a structured process and control framework for determining carried reserves.

The management of market and credit risk comprises the identification, assessment and controlling of the risks inherent in the financial and credit markets and includes monitoring of compliance with the Company's risk management standards, including various risk tolerance limits. The Company seeks to mitigate investment risk by, among other things, closely managing its investment managers through investment policies and guidelines which place limits on asset class and individual security exposures.

The Company aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. The Company manages liquidity through risk limits which define the minimum percentage of the Company's cash and investments to mature within a defined timeframe.

The Company manages operational risk through the application of strong process controls, via operational risk standards set out in the Operational Risk Policy and through ongoing risk assessment and monitoring processes.

Refer to Section C for further detail on the Company's risk profile.

Valuation for Solvency Purposes

The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. As used in this report, references to "GAAP" refer to the accounting standards and regulations under which the financial statements have been prepared.

The Solvency II balance sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

The valuation of assets and liabilities for GAAP is the same as Solvency II except for:

- differences in the valuation of technical provisions and associated reinsurance recoverables,
- the financial statements include property, plant and equipment at cost, which are valued at fair value under Solvency II; and
- additional deferred tax valued on the expected tax impact once the valuation adjustments from GAAP to Solvency II unwind.

Refer to Section D for further detail on valuation for Solvency purposes.

Capital Management
The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements.

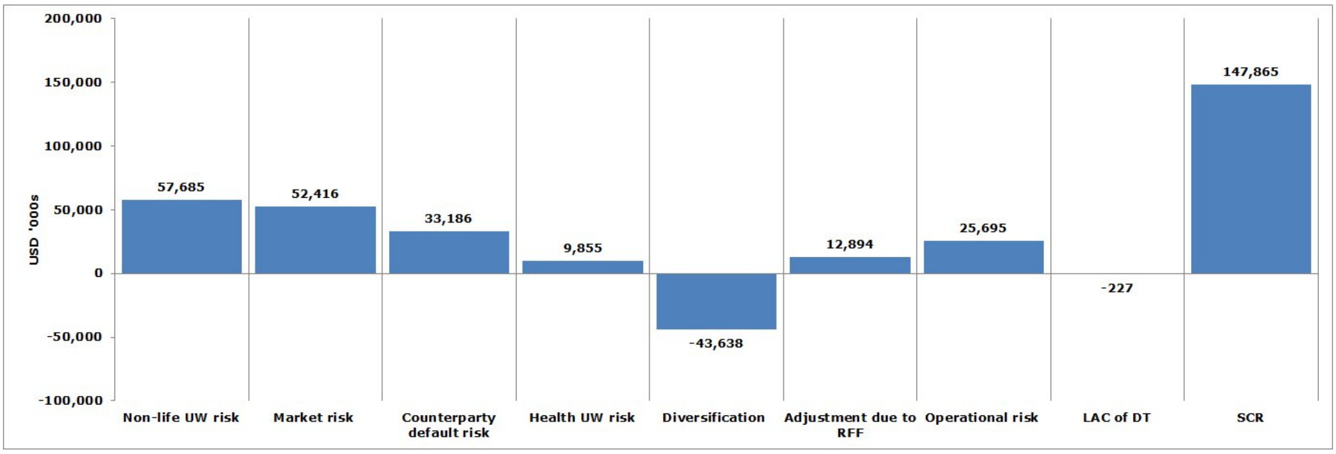
For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 98.0% of the Company's own funds are classified as Tier 1.

		2016
		USD'000
Solvency II own funds		259,930
Less restricted own fund items		
	Restricted asset	1,460
	Ring fenced fund restriction	35,521
Eligible Own Funds		**222,949**

The adjustment for restricted own fund items relates to restricted cash balances and restriction to the Company's own funds in respect of the Company's Australian branch, as the Company was not permitted to remove any assets from Australia without prior written approval from APRA. This restriction was removed in March 2017, on the revocation of the Australian license by APRA.

The Company applies the Standard Formula approach in calculating the Solvency II Capital Requirement ("SCR").

The SCR at 31 December 2016 was USD 147.9 million with a coverage ratio of 150.8%.



LAC of DT (Loss absorbing capacity of Deferred Tax)

The Minimum Capital Requirement ("MCR") at 31 December 2016 was USD 37.0 million with a coverage ratio of 591.0%.

The final SCR and MCR amounts remain subject to supervisory assessment. The Company was compliant with Solvency II capital requirements throughout the year.

Refer to Section E for further detail on Capital Management.

A. BUSINESS AND PERFORMANCE

A. 1 Business

Company Profile

AXIS Specialty Europe SE was incorporated in Ireland on 18 February 2002 as a limited liability company. On 10 September 2012, the Company re-registered as a Societas Europaea ("SE") having received Irish High Court approval.

The Company is 100% owned by AXIS Specialty Holdings Ireland Limited ("ASHIL"), an Irish registered company which is 100% owned by AXIS Capital, a company incorporated in Bermuda. The Bermuda Monetary Authority acts as the group supervisor of AXIS Capital.

At 31 December 2016, AXIS Capital had common shareholders' equity of USD 5.1 billion, total capital of USD 7.3 billion and total assets of USD 20.8 billion.

Simplified Group Structure

Refer to Appendix I for the AXIS Capital group structure including the Company and its related undertakings.

The Company has an underwriting branch in the United Kingdom. Effective 27 March 2017, APRA revoked the Australia branch's authorisation to carry on insurance business in Australia.

The United Kingdom branch trades as "AXIS Specialty London" with a registered address at 4th Floor, Plantation Place South, 60 Great Tower Street, London EC3R 5AZ, United Kingdom.

The Australia branch, "AXIS Specialty Australia", has a registered address at Level 10, 20 Martin Place, Sydney, NSW 2000, Australia. In 2015, as part of profitability enhancement initiatives, the Company decided to wind-down all of its retail insurance operations in Australia and ceased writing new and renewal business from 8 October 2015. In April 2016, the Company entered into a 100% quota share and adverse development cover reinsurance agreement, which provided economic finality over the Australia branch. Effective 13 February 2017, pursuant to an Australian Federal Court approved Scheme of Transfer; all of the insurance business of AXIS Specialty Australia was transferred to a third party reinsurer.

The Company is listed on the National Association of Insurance Commissioners quarterly listing of Alien Insurers in the United States. The Company is currently eligible to write surplus lines business in 50 US States, the District of Columbia and Puerto Rico.

Shared Services within the AXIS Group

The AXIS Group ("Group") operates a global business providing a range of specialty (re)insurance products and services. Business segments and legal entities within the Group rely on the breadth of support functions offered by the Group. The Group operates a federated structure so that the business segments have access to many of their own vital support functions, such as Finance, Actuarial, Human Resources ("HR") and Information Technology ("IT"), and these are overlaid with further functions and support at Group level, such as Corporate Finance, Treasury & Investments, Corporate Risk and Ceded Reinsurance. Certain functions have centralised support, such as HR and IT, with a dedicated representative within the business segment. This also applies to the legal entities where many of the business and support function leaders have a shared responsibility, with some of those having obligations at both business segment and legal entity level.

Supervision and External Audit
The Company is regulated by the Central Bank of Ireland ("CBI"), PO Box 559, Dame Street, Dublin 2, D02 P656, Ireland.

AXIS Specialty London is regulated by the Central Bank of Ireland and regulated by the Prudential Regulation Authority and Financial Conduct Authority in respect of the conduct of the United Kingdom business.

The activities of the Australia branch were regulated in Australia by APRA until 27 March 2017.

The Company's external auditor is Deloitte, Chartered Accountants and Statutory Audit Firm, whose address is 29 Earlsfort Terrace, Dublin 2, Ireland.

Performance
On a GAAP basis, the profit for the year was USD 1.8 million (2015 : USD 16.5 million loss).

	2016	2015
	USD'000	USD'000
Gross premiums written	512,693	551,683
Technical result	(5,746)	(23,814)
Net investment income	8,566	6,309
Foreign exchange losses	(258)	(1,645)
Profit/(loss) on ordinary activities before taxation	2,562	(19,150)
Taxation on profit/(loss) on ordinary activities	(795)	2,691
Profit/(loss) on ordinary activities after taxation	**1,767**	**(16,459)**

The Company writes business world-wide primarily across marine, energy, property, credit, liability and accident and health classes of business. Accident and health business includes income protection and miscellaneous financial loss lines of business.

In 2016, the technical result improved as the losses and one-off restructuring expenses incurred in 2015 relating to the Australia branch decreased in 2016. This was offset by a decrease in gross premiums written by USD 39.0 million driven by the placement of the Australia branch in run-off.

The Directors are satisfied with the performance of the Company, given current market conditions. The trading environment is expected to remain competitive and the Company plans to continue to focus on diversification and pursuit of opportunities to expand those lines of business which provide the best return on capital, while remaining committed to taking the underwriting actions necessary to achieve a stable return. A prudent underwriting approach together with protection from its reinsurance program enables the Company to continue to maintain its current financial strength.

A.2 Performance from Underwriting

	2016	2015
	USD'000	USD'000
Gross premiums written	512,693	551,683
Net premiums written	71,826	96,694
Gross premiums earned	512,404	578,400
Net premiums earned	79,334	107,873
Other technical income (net)	201	241
Net losses and loss expenses	(56,807)	(90,687)
Net operating expenses	(28,474)	(41,241)
Technical result	(5,746)	(23,814)

Gross premium written in 2016 decreased to USD 512.7 million, representing a decrease of 7.1% driven by the decision to cease writing new and renewal business in the Australia branch in 2015. The Company's gross premium written excluding the Australia branch was USD 515.5 million (2015: USD 513.1 million).

During 2016 the Company's net combined ratio was 107.5% compared to 122.3% in 2015. Consistent with 2015, the run-off of the Australia branch continued to adversely impact the profitability of the Company in 2016. The net combined ratio of the Company, excluding AXIS Specialty Australia was 89.1% (2015: 103.8%).

Premiums
The following table provides premium written and net premium earned by line of business:

	Gross premiums written 2016 USD'000	Gross premiums written 2015 USD'000	Net premiums earned 2016 USD'000	Net premiums earned 2015 USD'000
Direct business and accepted proportional reinsurance				
Income protection	26,410	29,043	6,150	7,148
Marine, aviation and transport	105,902	120,813	16,200	19,812
Fire and other damage to property	144,318	129,165	17,449	22,450
General liability	156,820	188,383	24,435	44,752
Credit and suretyship	29,304	32,794	4,206	5,233
Assistance	—	—	—	13
Miscellaneous financial loss	50,010	51,234	10,866	8,386
Accepted non-proportional reinsurance				
Health	(71)	251	28	79
Total	**512,693**	**551,683**	**79,334**	**107,873**

Analysis of gross premiums written by geographic location of insured

	2016 USD'000	2015 USD'000
Europe	330,527	335,521
North America	103,389	105,644
Asia	39,328	34,457
Africa	17,426	15,442
Oceania	11,568	47,504
Central & South America	10,454	13,115
	512,693	**551,683**

Refer to Appendix II S.05.02.01 for further detail on the top five countries by gross premiums written.

In 2016, there was an increase across property lines of business driven by an increase in London MGA business. This was offset by the decrease in general liability business as a result of the run-off of the Australian branch and a reduction across other lines such as marine, aviation and transport due to business migrating to AXIS Syndicate 1686. Commencing in 2014, AXIS Syndicate 1686 and the Company entered into a co-insurance agreement where any risk presented to either one of them for certain classes of business are co-insured. The co-insurance is based on a predefined division by class of business up to the maximum AXIS Syndicate 1686 gross line and is subject to a number of exemptions set out in the agreement. The use of default split lines is expected to be predominantly discontinued from 2017.

The Company purchases both proportional and non-proportional reinsurance to reduce the risk of exposure to loss from both third parties and related group companies. Ceded premiums written decreased from USD 454.9 million in prior year to USD 440.9 million in 2016 in line with the decrease in gross written premium. The decrease was driven by the non-renewal of the income protection captive reinsurance program, changes in the reinsurance structure of renewable energy business and run-off of the Australia branch. These were partially offset by increases in quota share reinsurance on general liability and credit risk business.

Other technical income (net)

In consideration for the Company's appointment of certain intermediaries as reinsurance intermediary/broker for the placement and servicing of treaty reinsurance purchased or renewed by the Company on or after 1 April 2009, and in consideration of the Company's performance of various administrative services to assist the reinsurance intermediary/broker, the intermediaries agree to share the received brokerage revenue derived from the business written on behalf of the Company.

During 2016, the Company received USD 0.8 million (2015: USD 0.8 million) for the performance of those administrative services. Other technical income recognised in 2016 net of reinsurance was USD 0.2 million (2015: USD 0.2m).

Net losses and loss expenses

	Net losses and loss expenses 2016 USD'000	Net loss ratio 2016 %	Net losses and loss expenses 2015 USD'000	Net loss ratio 2015 %
Direct business and accepted proportional reinsurance				
Income protection	4,581	74.5 %	4,773	66.8%
Marine, aviation and transport	10,485	64.7 %	17,673	89.2%
Fire and other damage to property	9,331	53.5 %	14,704	65.5%
General liability	26,238	107.4 %	44,087	98.5%
Credit and suretyship	(2,709)	(64.4)%	3,430	65.5%
Assistance	54	— %	7	54.5%
Miscellaneous financial loss	8,839	81.3 %	6,006	71.6%
Accepted non-proportional reinsurance				
Health	(12)	(42.2)%	7	8.3%
Total	**56,807**	**71.6 %**	**90,687**	**84.1%**

The net loss ratio has decreased from 84.1% in 2015 to 71.6% in 2016. The improvement reflects the lack of large loss events in the current accident year along with net favourable prior year development across property, marine and credit and suretyship lines of business. Losses relating to general liability business decreased due to the impact of the Australia branch being placed in run-off in late 2015.

Net operating expenses

Net operating expenses include net acquisition costs and net general and administrative costs incurred during the year.

	Net operating expenses 2016 USD'000	Net operating expenses 2015 USD'000
Direct business and accepted proportional reinsurance		
Medical Expense	—	45
Income protection	2,497	3,228
Marine, aviation and transport	6,006	7,361
Fire and other damage to property	5,668	8,253
General liability	9,124	17,641
Credit and suretyship	1,691	1,481
Assistance	—	2
Miscellaneous financial loss	3,478	3,183
Accepted non-proportional reinsurance		
Health	10	47
Total	**28,474**	**41,241**

	2016	**2015**
Net operating expense ratio	36.8%	38.2%

The Company's net acquisition cost ratio was relatively stable compared to prior year. Net general and administrative expense ratio decrease driven by one-off restructuring costs incurred in 2015.

A. 3 Performance from investment activities

	Dividends 2016 USD'000	Interest 2016 USD'000	Realised gains/(losses) 2016 USD'000	Unrealised gains/(losses) 2016 USD'000	Total 2016 USD'000
Government Bonds	—	3,358	1,447	(940)	3,865
Corporate Bonds	—	2,829	(95)	(364)	2,370
Equity instruments	877	—	1,204	(132)	1,949
Collateralised securities	—	1,572	51	(512)	1,111
Cash and deposits	—	121	—	—	121
Other investments	—	—	—	(132)	(132)
Collective investments undertakings	176	—	—	—	176
	1,053	**7,880**	**2,607**	**(2,080)**	**9,460**

	Dividends 2015 USD'000	Interest 2015 USD'000	Realised gains/(losses) 2015 USD'000	Unrealised gains/(losses) 2015 USD'000	Total 2015 USD'000
Government Bonds	—	5,312	121	(864)	4,569
Corporate Bonds	—	2,544	(1,028)	(268)	1,248
Equity instruments	190		(169)	(340)	(319)
Collateralised securities	—	2,002	271	(1,135)	1,138
Cash and deposits	—	167	—	—	167
Other investments	—	—	—	566	566
	190	**10,025**	**(805)**	**(2,041)**	**7,369**

The Company's investment portfolio comprises debt, equity, cash and cash equivalents, hedge funds and derivatives (used only for hedging foreign currency exposure). The portfolio includes investments in securitisations of USD 18.2million (2015: USD 27.7 million).

Investment Performance
The Company recognised an investment gain of USD 9.5 million in 2016 (2015: USD 7.4 million). The increase in the unrealised gains in 2016 was primarily driven by sales of government and agency securities and equities. The unrealized losses on investments of USD 2.0 million were largely driven by the increase in US treasury rates following the US election results.

	2016	2015
	USD'000	USD'000
Investment expenses and charges	895	1,062

Investment expenses and charges relate to costs associated with the management of the investment portfolio including custodian fees and third party investment manager fees. It is not practicable to allocate investment management costs between the different investment classes.

A.4 Performance of other activities

In the normal course of its operations, the Company has entered into a "Central Services Agreement" within the AXIS group and performs services on behalf of other AXIS companies. There have been no other significant activities undertaken by the Company.

Lease arrangements
The Company leases office space in a number of locations. Charges relating to lease obligations of USD 3.1 million (2015: USD 5.7 million) are included in net general and administrative expenses.

The Company rents two floors of an office building for its branch in London. These leases both expire on 28 August 2017 however the Company has the option to extend the leases at that time for an additional five year period. During 2016, the Company formally gave notice that it would not be extending one of the leases. The Company does however expect to renew the second lease for the additional five year period commencing in August 2017.

During 2016 two new lease agreements were negotiated for the branch in London. The first lease is effective 25 March 2017 and runs for two years, but has an option to terminate at 28 September 2018. The second lease is effective 1 December 2017 and expires on 30 June 2035, with no option to terminate during the lease term.

The Company has one active lease agreement for its Australia Branch in Sydney. This agreement ends on the 31 July 2017.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	USD '000
Lease commitments expiring:	
Within 1 year	1,070
Within 2 to 5 years	2,845
After 5 years	49,672
	53,587

The Company is not party to any finance leases as at 31 December 2016.

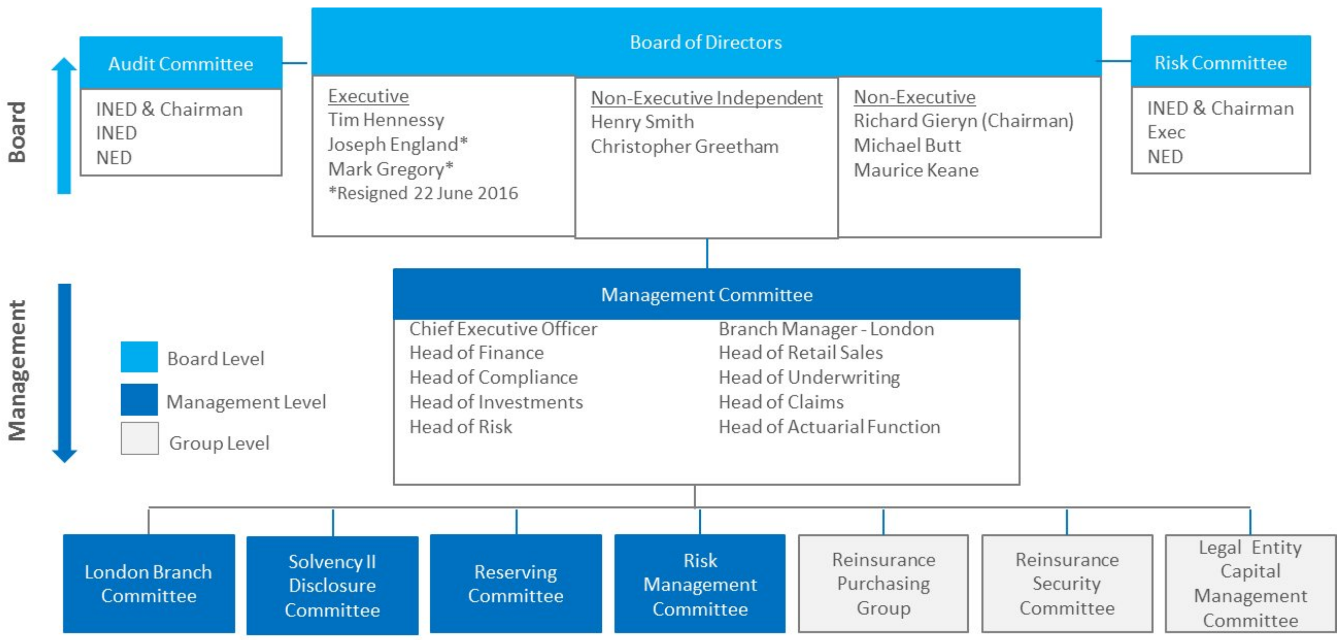
A.5 Any other information

All material information regarding business and performance is disclosed in section A.1 - A.4.

B. SYSTEM OF GOVERNANCE

B.1 General governance arrangements

AXIS Specialty Europe SE adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders; through long term diligence in oversight of policy, process and decisions. There were no changes in the system of governance over the reporting period.



Board of Directors

The Company has established a Board of Directors comprising a minimum of five directors including at least two non-executive directors.

The Board of Directors is responsible for the following:

- setting the business strategy for the Company,
- monitoring and oversight of the business activities of the Company,
- corporate, regulatory and compliance governance,
- compliance with all legal and regulatory requirements,
- effective, prudent and ethical oversight of the Company,
- oversight of Board of Directors Committees,
- ensuring key control functions including, risk, internal audit and compliance are properly managed, are independent of business units and have adequate resources and authority to operate effectively,
- appointment, monitoring and removal of persons performing Controlled Functions or Pre-approval Controlled functions on behalf of the Company,
- defining and documenting the responsibilities of Directors, Board of Directors Committees and senior management to ensure that no single person has unfettered control of the business,
- succession planning for the Board of Directors and senior management; and
- monitoring the performance of outsourced providers.

The Board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the Company's activities. The Board will meet at least quarterly.

The Board is responsible for ensuring that the system of governance is internally reviewed on a regular basis and should determine the appropriate scope and frequency of the reviews, taking into account the nature, scale and complexity of the business. The Board is also responsible for determining who within the Company should conduct the review and should ensure that they are suitably independent.

The Board of Directors has established Committees as required by law or regulation and as it deems appropriate given the nature, scale and complexity of the Company. The roles and responsibilities of the Committees are further described in this section.

Audit Committee
The Audit Committee is a sub-committee of the Board and its purpose is to assist the Board of Directors in its oversight of:
- the integrity of the Company's financial statements,
- the Company's compliance with legal and regulatory requirements,
- the independent auditors' qualifications, independence and effectiveness; and
- the effectiveness, adequacy and performance of the Company's internal audit, internal controls and IT systems.

The Audit Committee also reviews external reports and disclosures pursuant to the rules promulgated by the CBI and otherwise. In fulfilling its purpose, the committee maintains free and open communication with the Company's independent auditors, internal auditors and management.

The Audit Committee comprises non-executive directors, the majority being independent, and neither the Chairman of the Board nor the Chief Executive Officer are members.

The Committee consists of no fewer than three directors, as determined by the Board of Directors. Committee members shall be appointed annually by a majority vote of the Board of Directors. The Committee chairman is an independent non-executive director appointed by a majority vote of the Board of Directors.

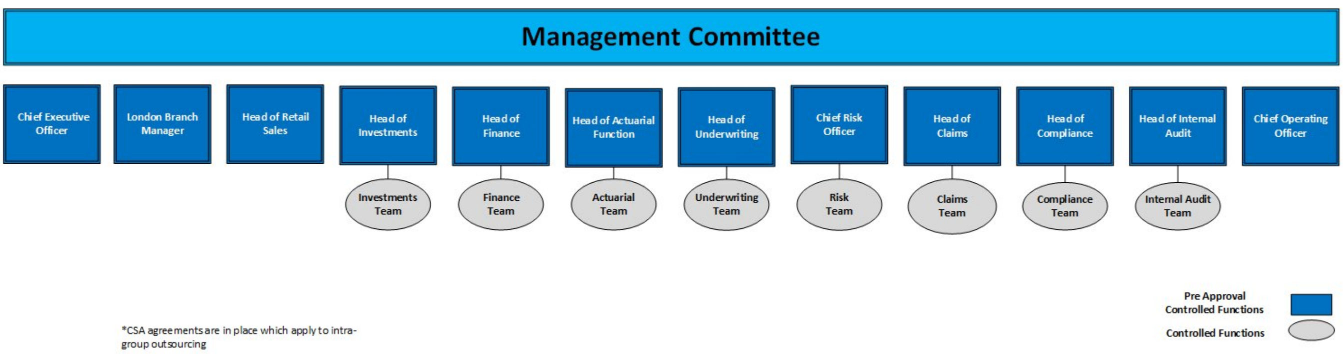
Risk Committee
The purpose of the Risk Committee is to assist the Board of Directors in overseeing the integrity and effectiveness of the Company's enterprise risk management framework, and ensuring that the Company's risk assumption and risk mitigation activities are consistent with that framework.

In furtherance of its purpose, the Risk Committee has the following duties and responsibilities:
- review and approve the Company's Enterprise Risk Management Framework, and monitor management's effective implementation of this framework,
- review and approve annually the Company's Risk Management Strategy and Reinsurance Management Strategy documents,
- review and approve any changes to the Company's Solvency Standard and Risk Limits,
- review and approve the Company's annual Own Risk and Solvency Assessment ("ORSA") policy and ORSA report,
- before a decision to proceed is taken by the Board, review the inherent risks associated with any proposed strategic transactions, focusing in particular on risk aspects and implications on the Company's Solvency Standard and Risk Limits,
- meet on a regular basis with the Chief Risk Officer in a separate executive session,
- to review and recommend for approval to the Board, the Company's three-year business plan, focusing in particular on risk aspects and implications for the Company's Solvency Standard and Risk Limits.

The Risk Committee shall consist of no fewer than three directors, as determined by the Board of Directors. The Committee shall include a chairman who shall be a non-executive director.

Management Committee
The Committee was established as a functional Committee used to assist the Chief Executive Officer and senior management to discuss matters of strategy or of significant importance to the Company.

The Management Committee includes the Company Executive's holding Pre-approval controlled function ("PCF") positions:



The Management Committee has established a number of functional internal Committees to support the management and governance of the Company's activities. It is also supported by various AXIS Group committees including the Risk Management Committee, the Reinsurance Purchasing Group, the Reinsurance Security Committee and the Legal Entity Capital Committee.

London Branch Management Committee
The London Branch has a functional committee whose responsibilities include:
- effective, prudent and ethical oversight of the London Branch, including managing the business activities and back office function of the London Branch,
- implementing and monitoring the annual business plan of the London Branch as approved by the Board of Directors,
- approve the London Branch Underwriting guidelines; and
- managing the interaction and relationship with other management and AXIS Group committees.

The London Branch Management Committee includes London Branch executives holding senior control function positions. The management committee may co-opt other positions onto the committee.

Reserving Committee
The purpose of the Reserving Committee is to determine Management's Best Estimate ("MBE") of the Reserves for Loss and Loss Expenses to be recorded in the financial statements.

Core responsibilities of the Reserving Committee include:
- determining management's best estimate for Reserves for Loss and Loss Expenses to be recorded in the company financial statements in line with reserving policy as approved by the Company's Board of Directors,
- review of the management best estimate recommendations of the Company's Head of Actuarial Function and the sensitivities identified by the Segment Reserve Committees,
- critically evaluate the group and business segment analysis performed by the internal and external actuaries,
- review the sensitivities and make final decisions for the reserve estimates,
- discuss the process and methods used by the internal and external actuaries, including how the reserve calculations changed quarter over quarter; and
- review the catastrophic loss events and market share analysis to determine an appropriate reserve for events.

The Reserving Committee includes the Chief Executive Officer, Head of Finance, Head of Actuarial Function, Chief Risk Officer and Segment Chief Actuaries.

Risk Management Committee
The purpose of the Risk Management Committee is a functional Committee whose main purpose is to oversee the the integrity and effectiveness of the Company's enterprise risk management framework, and to ensure that the Company's risk assumption and risk mitigation activities are consistent with that framework.

The Risk Management Committee comprises the Chief Risk Officer, Chief Executive Officer, Head of Underwriting, Head of Finance and Head of Actuarial Function.

Solvency II Disclosure Committee
The purpose of the Solvency II Disclosure Committee is to provide a forum that ensures that Solvency II Reporting and Disclosures are accurate, complete and present fairly in all material respects the financial condition and results of operations of the Company and are made in a timely manner in accordance with applicable laws, rules and regulations. The Committee reviews annual Solvency II reporting and recommends board approval. On a quarterly basis, the Board of Directors has delegated authority to the Solvency II Disclosure Committee to approve the quarterly reporting.

The Solvency II Disclosure Committee comprises the Head of Finance, Chief Executive Officer, Head of Investments, Chief Risk Officer, Head of Compliance and Head of Actuarial Function.

Key Functions
Under Solvency II, the following are considered key functions:
- Risk-management function,
- Compliance function,
- Internal audit function; and
- Actuarial function.

The Company ensures that key functions have the necessary authority, resources and operational independence to carry out their tasks and fulfil their obligations. All key functions present regular updates to the Board of Directors on a quarterly basis. The roles and responsibilities of each function are further described later in this section.

Conflicts of interest
Conflicts of interests, and the appearance of conflicts, are prohibited under the AXIS Code of Business Conduct. Each employee, officer and director of the Company is required to conduct business with integrity and to comply with all applicable laws.

B.1.2 Remuneration
An AXIS Europe Remuneration Policy has been established to cover AXIS Specialty Europe SE and its sister company, AXIS Re SE.

The remuneration policy and practices incorporate the following principles and shall:
- be in line with AXIS Europe's business and risk management strategy plan, its risk profile, objectives, risk management practices, its long-term interests and performance as a whole,
- ensure that conflicts of interest are avoided,
- promote sound and effective risk management and shall not encourage risk taking that exceeds AXIS Europe's risk appetite and risk tolerance limits,
- incorporate non-financial performance metrics as part of the annual performance management process,
- reward employees who demonstrate a significant contribution to the success of the business,
- remain competitive to attract, retain and motivate high performing staff with appropriate experience, qualifications and talent; and
- be non-discriminatory.

AXIS Europe's remuneration structure includes both fixed and variable components.

Fixed:
- The fixed component of the remuneration structure shall be of a sufficiently high proportion of total remuneration to the effect that employees are not dependent on the variable remuneration component.

Variable:
- variable remuneration payments shall be fully flexible and fully discretionary,
- the variable component of remuneration shall be determined by a combination of individual performance and the performance of the AXIS Capital Group,
- employee's performance shall be evaluated based on achievement of both financial goals related to business targets and non-financial goals,
- metrics used to measure AXIS performance in determining the variable component of the remuneration shall allow for a downwards adjustment for exposure to current and future risks; and
- a portion of the variable remuneration applicable to employees at senior vice president level and above shall be deferred over a period of not less than three years.

The variable component of remuneration of employees engaged in risk, compliance, internal audit and actuarial functions shall be independent from the performance of the individual operational units they monitor and/or test.

Other Remuneration
Termination or severance payments shall be related to performance achieved over the employees entire period of activity and shall be designed not to reward failure.

Employees subject to this policy are prohibited from hedging the economic risk of owning AXIS Capital stock or pledging AXIS Capital stock for loans or other obligations in accordance with the AXIS Insider Trading Policy.

B.1.3 Material transactions with shareholders and the Board of Directors
There have been no material transactions during the reporting period with the company's sole shareholder ASHIL outside the normal course of business. There were no contracts or arrangements of any significance in relation to the business of the Company in which the Directors had a material interest, as defined by the Companies Act 2014, at any time during the reporting period.

Director emoluments include all payments made by the company to the Board of Directors. Fees paid by the Company to non-executive Directors are included in 'Aggregate emoluments in respect of qualifying services'.

	2016	**2015**
	USD'000	**USD'000**
Aggregate emoluments in respect of qualifying services	2,217	2,346
Aggregate emoluments receivable under long-term incentive schemes	1,521	1,524
Company contributions in respect of qualifying services to Pension Scheme Fund, a defined contribution retirement benefit scheme	165	211
Compensation paid or payable , in respect of loss of office or other termination payments to Directors of the company in the financial year	1,912	—
	5,815	**4,081**

B.2 Fit and proper requirements

The Company has a Fitness and Probity ("F&P") policy which complies with Part 3 of the Central Bank Act, 2010 covering control functions ("CF") and PCFs. The policy also covers the CBI's SI No 437 of 2011 on 1 September 2011, SI No 615 of 2011 on 30 November 2011, SI No 394 of 2014 and SI No 485 of 2015.

F&P imposes a requirement on persons performing a CF or a PCF on behalf of the Company to comply with certain standards of competence, capability, honesty, integrity and financial prudence ("F&P Standards"). The policy sets out the approach to assessing the fitness & probity of existing staff and new hires.

In order to meet the F&P requirements, the Company applies the below criteria for CFs and PCFs and must satisfy itself on reasonable grounds that the person complies with the F&P Standards:

- an assessment of whether an individual's Conduct is deemed Competent and Capable,
- an assessment of whether an individual's Conduct is deemed Honest, Ethical and Acting with Integrity; and
- an assessment of an individual's Financial Soundness.

CFs and PCFs are requested annually to attest to continuing compliance with F&P Standards.

B.3 Risk management system including the Own Risk and Solvency Assessment ("ORSA")

B.3.1 Overview of the Risk Management Framework

AXIS has established a Group-Wide Enterprise Risk Management ("ERM") framework which provides a structured and consistent approach to ensuring that risks are appropriately identified, monitored and controlled with clear ownership and appropriate levels of oversight. This framework is implemented in a consistent manner across the AXIS Group, including the Company.

The mission of ERM is to promptly identify, measure, manage, monitor and report risks that affect the achievement of strategic, operational and financial objectives. The key objective of the risk management framework are to:

- protect the capital base and earnings by monitoring risks are against the Company's stated risk appetite and limits,
- promote a sound risk management culture through disciplined and informed risk taking,
- achieve legal and regulatory risk obligations,
- support external credit rating assessments; and
- safeguard AXIS' reputation.

Risk Management Strategy ("RMS")

The RMS is led by the Board of Directors and embedded in the Company's business systems, strategy and policy setting processes and the normal working routines and activities of the Company. Consequently, risk management is an intrinsic part of the way business is conducted and allows the Company to respond quickly to evolving risks, which may arise internally or externally.

Various governance and control bodies coordinate to help to ensure that objectives are being achieved, risks are identified and appropriately managed and internal controls are in place and operating effectively.

Governance framework

At the heart of the risk management framework is a governance process with responsibilities for taking, managing, monitoring and reporting risks. The roles and responsibilities of risk management are communicated throughout the organization, from the Company Board of Directors and the Chief Executive Officer to business and functional areas, thus embedding risk management throughout the business.

The key elements of the Company's governance framework, as it relates specifically to risk management, are described below.

Board of Directors' Level

The Risk Committee of the Board ("Risk Committee") assists the Board of Directors in overseeing the integrity and effectiveness of the ERM framework, and ensuring that risk assumptions and risk mitigation activities are consistent with that framework. The Risk Committee reviews, approves and monitors the overall Risk Management Strategy, risk appetite limits and receives regular reports from the Risk Management function to ensure any significant risk issues are being addressed by management. The Risk Committee further reviews, with management and Internal Audit, the Company's general policies and procedures and satisfies itself that effective systems of risk management and controls are established and maintained. Among its other responsibilities, the Risk Committee also reviews and approves the annual ORSA report (see below). The Risk Committee receives regular reporting from the Chief Risk Officer on the operation of the ERM framework, emerging risks and other developments.

Executive Management Level
The Executive Management Committee is responsible for the implementation of the Company’s enterprise risk management framework, and is supported in this role by the Risk Management Committee (“RMC”). The RMC formulates any recommendations relating to the risk framework prior to presentation to the Board Risk Committee for final approval. The Chief Risk Officer and Chief Executive Officer are both members of the Executive Management Committee and RMC as well as the Group RMC. This facilitates information exchange and helps to ensure that the Company's risk framework is consistent and aligned with the AXIS Group. The Risk Management Function for the Company is outsourced to the Group Risk Management function, which is responsible for legal entity risk management across the AXIS Group.

Risk management organisation
As a general principle, management in each of the business units is responsible in the first instance for both the risks and returns of its decisions. Management is the ‘owner’ of risk management processes and is responsible for managing the business within defined risk limits. The Risk Management function is a “second line of defence” and responsible for oversight and implementation of the Group's ERM framework in each of the AXIS companies as well as providing guidance and support for risk management practices. The Risk Management function is responsible for developing methods and processes for identifying, measuring, managing and reporting risk as well as developing the risk management framework and overseeing the adherence to this framework.

The risk governance structure is further complemented by the Legal Department which seeks to mitigate legal and regulatory compliance risks with support from other departments. This includes ensuring that significant developments in law and regulations are observed and that impending legislative and regulatory changes and applicable court rulings are appropriately managed.

Risk policy framework
Documented policies and guidelines support the governance process. Risk Policies are a formal set of standards used to specify principles, risk appetite and tolerances for managing individual and aggregate risks. There are procedures in place to approve exceptions and procedures for referring risk issues to senior management and the Board of Directors. The qualitative and quantitative risk reporting framework provides transparency and early warning indicators to senior management with regard to the overall risk profile, adherence to risk limits and any improvement actions required.

Risk appetite and limit framework
The integrated risk management framework considers material risks in the business either from investments, underwriting or operations. Large risks that might accumulate and have the potential to produce substantial losses are subject to the risk appetite and limit framework. The Company's risk appetite, as authorized by the Board of Directors, represents the acceptable amount of risk within the constraints imposed by capital resources as well as the expectations of stakeholders as to the type of risk held within the business. At an annual aggregated level, the potential financial loss from the accumulation of risk exposure in any one year is managed and monitored.

Specific risk limits are defined and translated into a consistent framework across the identified risk categories and are intended to limit the impact of individual risk types or accumulations of risk. Individual limits are established through an iterative process to ensure that the overall framework complies with the Company’s requirements on capital adequacy and risk accumulation.

Risk is monitored, through, for example, risk dashboards and limit consumption reports. These are intended to allow detection of potential deviations from internal risk limits at an early stage. A quarterly risk dashboard is presented to the Company's RMC and Board Risk Committee comparing current risk exposures and trends against Board-approved risk limits. Any breaches of risk limits are identified and remedial actions agreed.

Risk universe and register
In terms of risk identification, the Company’s “Risk Universe” describes the risk landscape to which the Company is exposed. It encompasses risks common across the industry, namely, strategic risks, assumed risks (i.e. the underwriting and market risks that the Company is paid to assume), financial risks and operational risks inherent in running the business. The Risk Universe is updated annually (or as required) for example by analysing the evolution of emerging risks and is approved each year by the Risk Committee of the Board.

All material risks facing the Company are identified and included in the risk register, which provides management’s documentation and assessment of the governance, processes and controls to manage risk (collectively referred to as the "control environment"). Each risk in the risk universe has an individual Risk Owner, usually a Head of Function role. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks.

The effectiveness of risk mitigation is monitored and assessed quarterly by reviewing the Risk Register, loss events data and other key risk indicators throughout the year. Risk Owners certify quarterly that their control environment is adequately designed and operating effectively and as intended. Based on their control assessments, Risk Owners also provide an overall assessment of each risk and any deficiencies and remedial plans in place. The Risk Register is reported each quarter to the Company's RMC and the Board Risk Committee.

AXIS Internal Controls are stored and maintained in the AXIS risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

Emerging risk management
An emerging risk management framework is in place to ensure that emerging risks are identified, assessed and managed in an appropriate and timely manner. The Group Emerging Risk Committee ("ERC") is responsible for the oversight of the framework and acts as a focal point for coordinating AXIS' response to identified emerging risks. The ERC provides a forum in which emerging risks throughout the Group can be raised and discussed. Business segment emerging risk committees and forums are also in place to support the Group Emerging Risk Committee in the identification and assessment of emerging risks.

An Emerging Risk Register is maintained by Group Risk and reviewed by the ERC on a quarterly basis. The Register identifies and categorizes emerging risks according to their potential impact and the time frame in which the emerging risk is likely to develop, from a Group and legal entity perspective. The ERC reports at least annually to the Board Risk Committee of the Company.

Internal capital model
An important aspect to the risk management framework is the internal capital model. Utilizing this modelling framework provides a holistic view of the capital at risk in any year by allowing us to understand the relative interaction among the risks impacting us. This integrated approach recognizes that a single risk factor can affect different sub-portfolios and that different risk factors can have different mutual dependencies. The model and its parameters are continuously reviewed and updated as the risk landscape and external environment continue to evolve.

Other material risks
For risks that cannot be fully or explicitly quantified across the Company, using the internal capital model or the standard formula SCR, a systemic approach with respect to identification, analysis, assessment and monitoring is used. The most important of these other risks include strategic, liquidity and reputational risk which are discussed in the 'Risk Profile' section.

B.3.2 Own Risk and Solvency Assessment
The ORSA is the framework of overarching processes and reporting employed by management to:
- identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face (risk assessment),
- determine the own funds necessary (capital requirements) to ensure that the Company's overall solvency needs are met at all times (solvency assessment); and
- document the outcome of the risk assessment and calculation of capital requirements (ORSA reporting).

The main objectives of the ORSA are to support decision making by ensuring that key day-to-day decisions are consistent with the Company's risk framework; inform short-term and longer-term strategic management; and ensure the Company has sufficient capital at all times.

A core component of the ORSA process is the forward looking assessment, whereby the impact of new business plans on the risk profile and capital needs of the Company is assessed. As part of this, the outputs from the internal risk model are reviewed to analyse changes in risk composition, prospective risk exposures (relative to risk limits) and overall risk capital requirements. The ORSA process also includes various forms of stress tests and scenario analysis whereby the resilience of the Company's solvency ratios to adverse stress scenarios is assessed.

The Board of Directors is responsible for overseeing the Company's ORSA, with the Risk Committee serving as the focal point for that oversight.

The Risk Committee governs the ORSA in a number of ways, including:
- annual business plan review, including the SCR standard formula projections, prospective risk exposures and internal model outputs (e.g. risk composition changes),
- annual review and approval of ORSA report,
- quarterly review of net risk exposures relative to internal risk limits,
- quarterly review of the risk and control assessments (via the Risk Register); and
- quarterly review of SCR projections, including internal model updates.

The ORSA operates continuously throughout the year to ensure that the objectives set out above are met at all times. The processes for identifying, assessing and reporting the risks faced by the Company are part of the day to day risk management undertaken by the underwriting and business functions. This includes insurance risk monitoring processes (e.g. quarterly reserving), market risk monitoring (e.g. investment management) and operational risk monitoring (e.g. quarterly internal control assessment, loss event monitoring).

The Executive Management Committee meets quarterly, with business updates provided from the heads of underwriting, risk, actuarial, finance, investments, compliance, internal audit and claims. The underwriting update includes a review of actual versus planned premium, large loss activity in the quarter, a review of market conditions, and any new business initiatives.

The RMC meets quarterly and reviews the Company's latest risk and capital positions relative to its Solvency Standard and Risk Limits. The RMC also reviews the updated SCR risk composition and assesses consistency in risk profile with any changes in the Company's business plan and risk environment. The RMC also reviews the continued appropriateness of the Company's risk limits in light of any changes in its risk profile and exposures. In relation to capital, the Board of Directors has established a target SCR Solvency Ratio range which is reviewed at least annually to ensure it remains appropriate.

B.4 Internal control system

Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels.

The AXIS internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992, and updated in 2013.

The AXIS internal controls are documented and maintained in 'MyGRC', the AXIS risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

The internal control framework includes the following five interrelated components:

- Control Environment: The primary responsibility of the Board of Directors is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to help broaden the perspective of executive management. The Board has established the Audit Committee to facilitate and assist in the execution of its responsibilities. In terms of internal control oversight, it is the responsibility of the Audit Committee to review and periodically discuss with the Board the adequacy and effectiveness of the Company's internal control structure. There are several oversight committees such as the RMC which help set the management tone in terms of the control environment. AXIS operates with a three lines of defence model.
- Risk Assessment: The Internal Controls policy lists the risks ('Risk universe') to which the Company is exposed which the Risk Committee of the Board and Risk Management Committee annually evaluate. For each risk in the universe, there is a separate risk policy which affirms AXIS's group-wide approach, appetite and risk mitigation/control philosophy for managing each risk.
- Control Activities: Each risk policy identifies an individual Risk Owner, normally a member of the AXIS Group Executive Committee, having appropriate experience and knowledge of the risk. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. Activities include, but are not limited to, reconciliation's, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.
- Information and Communication: In terms of communication, AXIS has clear reporting and communication lines in place. Role profiles make clear each individual's role, their reporting lines and functional terms of reference set out responsibilities by function. Clear organizational and structure charts are also maintained. There is an escalation policy in place to ensure matters are reported upwards as required by employees. The AXIS Whistle-blower Policy also provides various lines of communication for reporting violations and concerns.
- Monitoring: The effectiveness of the internal control framework is independently validated via regular internal audit reviews which are conducted on a rotational basis with findings reported to the Audit Committee. There are also Management Initiated Audits ("MIAs") done on claims and underwriting transactions which are reported to the Management Audit Committee. There are various monitoring activities performed by the second line of defence Group Risk and Legal/Compliance.

The internal control framework is regularly reviewed and updated and annually assessed by the external auditors. The Internal Audit department also validate that the COSO 2013 framework is present and functioning as part of its annual internal audit plan.

Internal Compliance Function
The Company has a Compliance Function which is part of the Group Legal Department, predominantly staffed by lawyers and compliance experts.

The Board has appointed a Compliance Officer of the Company. The Compliance Officer is primarily responsible for ensuring the activities of the Company are conducted in compliance with the Regulations, and reporting to the Board and to the CBI and other Regulatory Authorities as applicable.

The Compliance Officer oversees the Compliance Function and ensures it is appropriately resourced and meets all material service level requirements. The Compliance Function has access to specialist external expertise to assist on particular matters or jurisdictions.

Principal responsibilities of the Compliance Officer include:

- obtaining the approval of the CEO and the Board for a Policy statement on compliance with the insurance acts and regulations, with guidelines issued by the CBI and with other applicable legislation,
- monitoring the implementation of compliance and reporting periodically, through the Compliance Function to the CEO and the Audit Committee,
- reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and taking the necessary steps to ensure compliance; and
- reviewing staff training processes to ensure appropriate compliance capabilities.

In addition, the duties of the Compliance Function include assessing the adequacy of the measures adopted by the Company to prevent non-compliance.

In line with Article 279 of the Delegated Regulation and Article 46 of the Solvency II Directive, the Compliance Function maintains a Compliance Manual and Policy to track applicable law, regulation and corporate requirements.

The Compliance Officer reports administratively to the Chief Executive Officer and functionally to the Audit Committee.

In line with Article 270 of the Delegated Regulation, the board reviews the Company Compliance Policy at least annually and ensures that recommendations for improvements are adequately incorporated and approve proposals for Policy amendment.

B.5 Internal audit function

Internal Audit assists the Board and management in accomplishing its objectives by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control. In addition to the responsibilities of the management and risk teams as the first two lines of defence within the Company, Internal Audit is the third and last line of defence. Members of the AXIS Group Internal Audit department perform assurance testing of the adequacy and effectiveness of the internal controls and system of governance within the Company. In addition to existing resources, staffing support will be provided locally by the department’s co-source partner KPMG. Members of the Internal Audit department are independent of management and do not assume responsibility for any other functions within the Company.

Internal audits are performed across the Company’s audit universe, which encompasses all areas of the business and the Company, within a three-year cycle. Areas of higher risk will be audited more frequently than every third year. Audits selected for the annual plan are submitted for approval to the Company’s Audit Committee and Board. Over the course of each year, auditors meet with key personnel to monitor performance, changes in the business, and emerging risks within the Company. Resulting mid-term changes to the audit plan will be recommended and submitted to the Audit Committee for approval. Internal audit efforts will be conducted in accordance with the International Standards for the Practice of Internal Auditing (the IIA Standards).

The scope of each audit is determined using a risk based approach. At the conclusion of each audit, an audit report containing any issues requiring corrective action by management is published. Management is responsible for implementing these agreed upon action plans. Internal Audit is responsible for monitoring implementation of these action plans and verifying satisfactorily performance. The Audit Committee is briefed quarterly on the status of internal audits in progress, completed audits, open corrective action plans, and any other important matters concerning the Company. Evidence supporting Internal Audit’s conclusions is maintained in the “MyGRC” Governance, Risk and Compliance management tool.

B.6 Actuarial function

The main purpose of the Actuarial function is to effectively support the Company reserving framework and governance, including principles, policies, standards of practice, processes and controls and reporting.

The Actuarial function has the following duties and responsibilities:
- calculation and recommendation of the technical provisions,
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions,
- peer reviewing and signing off on work product and recommendations that relate to governance and control function responsibilities. This includes the peer reviewing of pricing and planning loss ratios as necessary,
- ensuring the sufficiency and quality of the data used in the calculation of technical provisions,
- informing the Board of Directors of the reliability and adequacy of the calculation of technical provisions,
- ensuring the sufficiency of processes and controls supporting the AXIS reserving framework and maintaining comprehensive documentation for all aspects of this framework,
- expressing an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements,
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements,
- establishing and maintaining a reserving platform, infrastructure and reporting capabilities to support US GAAP, local statutory and management needs; and
- ensuring that the reserving framework is applied effectively in the Company.

The Head of Actuarial function provides a written report to the Board presenting the tasks undertaken by the Actuarial function and their results, as well as any deficiencies identified and recommendations on how such deficiencies should be remedied. A full Actuarial report is provided at least annually, with updates addressing specific aspects of the work of the Actuarial function provided on a more regular basis.

B.7 Outsourcing

Outsourcing is an arrangement of any kind between the Company and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the Company itself. Where appropriate, the Company uses service providers when it is more efficient and more cost effective than utilising its own resources.

AXIS Specialty Europe SE is subject to the AXIS European Group outsourcing policy which is derived from Directive 2009/138/EC (the “Solvency II Directive”), Commission Delegated Regulation (EU) 2015/35 (the “Delegated Regulation”), the EIOPA Guidelines on System of Governance and the Central Bank of Ireland Guidelines on Preparing for Solvency II – System of Governance.

The Company determines whether an outsourced function or activity is ‘critical or important’, giving primary consideration to the protection of policyholders. Where policyholders are sufficiently removed from an outsourced function so as not to be affected should a breakdown in the process occur, the function or activity is not classified as one of critical importance.

The Board of Directors is ultimately responsible for ensuring that there is adequate oversight and governance in relation to outsourcing. The outsourcing of a 'critical or important' activity must be approved by a PCF holder (“Business Leader”) prior to the commencement of an outsourcing arrangement. Business leaders responsible for initiating a new outsourcing arrangement are responsible for ensuring appropriate due diligence for new arrangements.

The Company has access to the AXIS Vendor Management Office ("VMO"), a Group function that oversees procurement activities (excluding underwriting and claims activities which are monitored directly by the business leader allocated to that service). Outsourcing arrangements are managed effectively through Service Level Agreements ("SLAs") which are reported to and monitored by the VMO reporting relevant issues to the business leader. The VMO ensures that all relevant aspects of a service providers risk management, financial resources and internal control systems are adequate and robust, in addition to ensuring that the outsourcing activities do not impact AXIS governance or operational risk.

The table below outlines outsourced 'critical or important' activities and the jurisdiction of where the service provider is located:

Function	Description of Service Provided	Jurisdiction
Internal		
Cross function	The Company benefits from the support services offered by the AXIS group. Group shared services provide access to necessary skills and resources enabling the Company to operate effectively to meet regulatory and business requirements. Shared services include Underwriting management, Reinsurance, Claims, Exposure management, Risk management, Actuarial, Compliance & legal, Internal Audit, Finance, Investment management, Operations & IT.	Multi-jurisdictional
External		
Finance	Finance Outsourcing include provision of accounting and reconciliation services	Multi-jurisdictional
Internal Audit	Internal audit support	Multi-jurisdictional
Investments	Investment service outsourcing includes investment management of assets, custodian and trustee services, accounting and risk solutions.	Multi-jurisdictional
IT	IT service outsourcing includes provision of data storage and IT application development and maintenance	Multi-jurisdictional
Underwriting	Underwriting outsourcing include authority to write business and policy administration	Multi-jurisdictional
Claims	Claims outsourcing include claims business process, compliance and modelling support, claims handling and advice.	Multi-jurisdictional

B.8 Assessment of governance

The Board of Directors is responsible for ensuring sound governance, that the operational effectiveness of the risk management and control environment is maintained and that effective risk management policies are adhered to within the risk management framework. Risk assessment and evaluation takes place as an integral part of the annual planning and budgeting process, the results of which are reviewed by senior management and the Board of Directors. There is also an ongoing program of operational reviews and audits and annual self assessment of financial controls. The results of these reviews are reported to the Audit Committee, whose purpose is to assist the Board of Directors in the oversight of the effectiveness, adequacy and performance of the Company's internal controls.

B.9 Any other information

All material information regarding system of governance is disclosed in sections B.1 - B.8.

C. RISK PROFILE

The integrated risk management framework considers all material risks which the businesses faces across an agreed set of risks. Definitions of these risk categories are provided in the following sections as well as the related risk management activities. Across these risk categories, emerging threats and opportunities are identified and evaluated through a framework that includes the assessment of potential surprise factors that could affect known loss potentials.

C.1 Underwriting Risk

The underwriting risk category encompasses the underwriting risks in the marine, energy, property, credit, liability and accident and health classes of insurance and facultative reinsurance business. Underwriting risk is defined as the risk of insured losses being higher than expectations. Premium and reserve risks are the most significant components of underwriting risk. Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred being higher than expected. Reserve risk is the risk of net loss reserves established to cover losses that have already been incurred being insufficient.

Premium risk

Premium risk is managed through the Company's underwriting risk governance framework. A key component of this is the peer review process which allows for a collaborative review of risk and pricing by management, and ensures underwriting is within established protocol and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis. Limits are set on underwriting capacity, and cascade underwriting authority to individuals based on their specific roles and expertise.

There is also audit coverage across business units, including MIAs. MIAs are audits of underwriting and claims files performed by teams independent of those who originated the transactions, the purpose of which is to test the robustness of underwriting, claims and operating processes and to recognize any early indicators of future trends in operational risk. Segment Management Audit Committees ("MACs") help to ensure that the peer review process and underwriting guidelines are being properly implemented.

Natural catastrophe risk

Natural catastrophes such as earthquakes, storms and floods represent a challenge for risk management due to their accumulation potential and volatility. In managing natural catastrophe risk, the internal risk tolerance framework for the Company aims to limit the impact to the Company's Solvency II SCR coverage ratio from an aggregation of natural peril catastrophe events. The Board-approved Risk Limit for natural catastrophes sets out the maximum acceptable losses for the Company calibrated to a 1% annual probability (1 in 100 year event). There have been no breaches of the Company's natural catastrophe risk limit during the year.

Man-made catastrophe risk

Similar to the management of natural peril catastrophe exposures, an analytical approach is taken for the management of man-made catastrophes. Man-made catastrophes include such risks as train collisions, aeroplane crashes, terrorism and/or cyber-attacks (see separate Cyber risk section). For these risks, bespoke models developed internally by the risk and actuarial teams are used. These are supplemented with underwriting judgement, expertise and external vendor models (where available).

Ceded reinsurance risk

Reinsurance risk to the Company arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated resulting in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased.

The Company aims to establish appropriate retention levels and limits of protection that are consistent with keeping within the Board's risk limits. The efficacy of protection sought is assessed against the cost of reinsurance, taking into consideration current and expected market conditions.

Reinsurance purchasing

A key component of the mitigation of insurance risk is the purchase of reinsurance on both a treaty (covering a portfolio of risks) and facultative (single risk) basis. The AXIS Group has a centralized Ceded Reinsurance department which acts for the Company by coordinating external treaty reinsurance purchasing across the Group and is overseen by the Reinsurance Purchasing Group ("RPG"), in conjunction with the Reinsurance Security Committee . The RPG, which includes among others, the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk and Actuarial Officer and business unit leadership, approves each treaty placement, and aims to ensure that appropriate diversification exists within the counterparty panels. Under the reinsurance security policy, the Company predominantly cedes business with reinsurers rated A- or better by Standard & Poor's ("S&P") and/or AM Best. The Company also benefits from an internal quota share and an internal stop loss agreement with AXIS Specialty Limited ("ASL").

The effectiveness of the reinsurance and risk mitigation strategy is assessed and monitored by compliance with the risk limits (on a net basis). These risk limits are monitored, documented and reported in the Risk Dashboard reports which are presented quarterly to the Company RMC and Risk Committee.

Reserving risk
The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

The reserves for losses and claims settlement costs are calculated in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of the Group-wide reserving policy and standards of practice ensures a substantially reliable and consistent procedure.

Sensitivity analysis of the reserves for unpaid losses and loss expenses
Expected loss ratios are a key assumption in the estimate of ultimate losses for business at an early stage of development. All else remaining equal, a higher expected loss ratio would result in a higher ultimate loss estimate, and vice versa. Assumed loss development patterns are another significant assumption in estimating the loss reserves. The uncertainty in the timing of the emergence of claims (i.e. the length of the development pattern) is generally greater for a company with a limited operating history which, therefore, must rely on industry benchmarks to a certain extent when establishing loss reserve estimates.

The following tables show the effect on the estimate of gross and net loss reserves of reasonably likely changes in the two key assumptions used to estimate our gross and net loss reserves at 31 December 2016 and 31 December 2015. When projecting the estimated effect on reserves of changes in expected loss ratios, we have increased and decreased our aviation, credit and political risk, marine and property and other class expected loss ratios by +5% and -5% respectively, and our credit and surety, liability, motor and professional lines class loss ratios by +10% and -10% respectively. When projecting the estimated effect on reserves of changes in the loss development patterns, we have increased (i.e., moved to a slower pattern) and decreased (i.e., moved to a faster pattern) our aviation, credit and political risk, marine and property and other class assumed loss development by three months in each direction, and our credit and surety, liability, motor and professional lines class assumed loss development by six months in each direction.

31 December 2016	**Estimated Effect on Gross Reserves**	**Estimated Effect on Net Reserves**
Reserve Sensitivity Scenario	**USD'000**	**USD'000**
Higher expected loss ratios with no change in loss development factors	75,693	13,095
Higher expected loss ratios with lower loss development factors (i.e., faster pattern)	13,347	2,309
Higher expected loss ratios with higher loss development factors (i.e., slower pattern)	141,193	24,426
No change in expected loss ratios with lower development factors (i.e., faster pattern)	(57,845)	(10,007)
No change in expected loss ratios with higher development factors (i.e., slower pattern)	60,678	10,497
Lower expected loss ratios with no change in loss development factors	(75,693)	(13,095)
Lower expected loss ratios with lower loss development factors (i.e., faster pattern)	(129,037)	(22,323)
Lower expected loss ratios with higher loss development factors (i.e., slower pattern)	(19,837)	(3,432)

31 December 2015 Reserve Sensitivity Scenario	Estimated Effect on Gross Reserves USD'000	Estimated Effect on Net Reserves USD'000
Higher expected loss ratios with no change in loss development factors	94,040	25,677
Higher expected loss ratios with lower loss development factors (i.e., faster pattern)	63,318	18,197
Higher expected loss ratios with higher loss development factors (i.e., slower pattern)	141,704	37,212
No change in expected loss ratios with lower development factors (i.e., faster pattern)	(28,779)	(6,990)
No change in expected loss ratios with higher development factors (i.e., slower pattern)	44,669	10,784
Lower expected loss ratios with no change in loss development factors	(94,040)	(25,677)
Lower expected loss ratios with lower loss development factors (i.e., faster pattern)	(120,877)	(32,178)
Lower expected loss ratios with higher loss development factors (i.e., slower pattern)	(52,365)	(15,643)

C.2 Market Risk

Market risk is the risk that financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign exchange rates. Fluctuations in market rates primarily affect the investment portfolio. The Company manages these risks through stressing diversification and conservation of principal and liquidity in the investment guidelines.

Assets are invested in accordance with the Company's investment policy which states the Company's desire and intent to assure the prudent investment of capital, surplus, and cash flow from underwriting. Liquidity needs arising from potential claims are of primary importance and are considered in asset class participation and the asset allocation process. The investment portfolio is subject to a variety of market risks, including risks related to general economic conditions, interest rate fluctuations, equity price risk, foreign currency movements, pre-payment or reinvestment risk, liquidity risk and credit risk.

Through asset and liability management, the Company aims to ensure that market risks influence the economic value of investments and that of loss reserves and other liabilities in the same way, thus mitigating the effect of market fluctuations. For example, important features of liabilities are reflected, such as maturity patterns and currency structures, on the asset side of the balance sheet by acquiring investments with similar characteristics.

The Company supplements the asset-liability management with various internal policies and limits to properly diversify the assets so as to avoid excessive reliance on any particular asset, issuer or group to mitigate accumulations of risk in the portfolio as a whole. The Company has limits on the concentration of investments by single issuers and certain asset classes, and limits the level of illiquid investments. Additionally, the Company centralizes the management of asset classes to control aggregation of risk, and provide a consistent approach to constructing, managing, monitoring, and reporting on the portfolios. The Company mitigates foreign currency risk by seeking to match the estimated liabilities payable in foreign currencies with assets, including cash and investments denominated in such currencies. The Company uses derivative financial instruments for economic hedging purposes only.

Investment portfolios are stress tested using historical and hypothetical scenarios to analyse the impact of unusual market conditions and to ensure potential investment losses remain within risk appetite.

The Balance Sheet includes a substantial amount of assets whose fair values are subject to market risks. The Company does not currently anticipate significant changes in primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Equity price risk

The portfolio of equity securities, excluding the foreign bond mutual funds, has exposure to equity price risk. This risk is defined as the potential loss in fair value resulting from adverse changes in stock prices. The global equity portfolio is managed to a benchmark composite index, which consists of a blend of the S&P500 and MSCI World Indices. Changes in the underlying indices have a corresponding impact on the overall portfolio.

The fair value of equity securities at 31 December 2016 was 34.0 million (2015: USD 32.9 million). At 31 December 2016, the impact of a 20% increase or decrease in the overall market prices of equity exposures would be a USD 6.8 million (2015:USD 6.6 million) increase or decrease, on a pre-tax basis.

Investments in hedge funds have significant exposure to equity strategies with net long positions. At 31 December 2016, the impact of an instantaneous 15% increase or decrease in the fair value of the investment in hedge funds would be USD Nil (2015: USD 3.4 million) increase or decrease, on a pre-tax basis.

Interest rate and credit spread risk
Interest rate risk includes fluctuations in interest rates and credit spreads that have a direct impact on the fair value of fixed term maturities. As interest rates rise and credit spreads widen, the fair value of fixed term maturities falls, and the converse is also true.

Sensitivity to interest rate changes and credit spread changes is monitored by revaluing fixed maturities using a variety of different interest rates (inclusive of credit spreads). Duration and convexity is used at the security level to estimate the change in fair value that would result from a change in each security's yield. Duration measures the price sensitivity of an asset to changes in yield rates. Convexity measures how the duration of the security changes with interest rates. The duration and convexity analysis takes into account changes in prepayment expectations for MBS and ABS securities. Risk assessments are updated on a quarterly basis with all risk owners.

The following table presents the estimated pre-tax impact on the fair value of fixed maturities at 31 December 2016 due to an instantaneous increase or decrease in the U.S. yield curve of 100 basis points and an additional 100 basis point credit spread widening or narrowing for corporate debt, non-agency residential and commercial MBS, ABS and municipal bond securities. There is no impact on other comprehensive income.

		Potential Change in Fair Value			
	Fair Value	**Increase in Interest rate by 100 basis points**	**Decrease in Interest rate by 100 basis points**	**Widening of Credit Spreads by 100 basis points**	**Narrowing of Credit Spreads by 100 basis points**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
As at 31 December 2016					
U.S. government and agency	64,092	(2,760)	2,760	—	—
Non U.S. government	68,710	(941)	941	—	—
Agency MBS	44,184	(2,127)	2,127	—	—
Securities exposed to credit spreads:					
Corporates	103,845	(3,675)	3,675	(3,791)	3,791
Non Agency CMBS	7,184	(30)	30	(30)	30
Non Agency RMBS	162	—	—	(1)	1
U.S. state and municipals	1,099	(50)	50	(49)	49
	289,276	**(9,583)**	**9,583**	**(3,871)**	**3,871**

	Fair Value	Potential Change in Fair Value: Increase in Interest rate by 100 basis points	Decrease in Interest rate by 100 basis points	Widening of Credit Spreads by 100 basis points	Narrowing of Credit Spreads by 100 basis points
	USD '000	USD '000	USD '000	USD '000	USD '000
As at 31 December 2015					
U.S. government and agency	76,019	(3,574)	3,574	—	—
Non U.S. government	152,637	(4,246)	4,246	—	—
Agency MBS	51,722	(2,050)	2,050	—	—
Securities exposed to credit spreads:					
Corporates	83,747	(2,217)	2,217	(2,343)	2,343
Non Agency CMBS	14,024	(158)	158	(160)	160
Non Agency RMBS	1,516	—	—	(14)	14
Asset-backed securities	3	—	—	—	—
U.S. state and municipals	1,459	(82)	82	(81)	81
	381,127	**(12,327)**	**12,327**	**(2,598)**	**2,598**

Currency risk
Currency risk is the risk that the fair value of future cash flows, assets and liabilities will fluctuate because of changes in foreign exchange rates. Foreign currency risk is managed by seeking to match the estimated insurance liabilities payable in foreign currencies with assets, including cash and investments that are also denominated in such currencies.

The table below provides an analysis of the Company's exposure to foreign currencies:

As at 31 December 2016	**EUR**	**GBP**	**AUD**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	4,924	8,846	80,811	7,422	102,003
Other net assets/(liabilities)	2,218	(55,042)	(222)	(2,915)	(55,961)
Total Foreign Currency Exposure	**7,142**	**(46,196)**	**80,589**	**4,507**	**46,042**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	714	(4,620)	8,059	451	4,604

As at 31 December 2015	**EUR**	**GBP**	**AUD**	**Other**	
	USD'000	**USD'000**	**USD'000**	**USD'000**	**Total**
Invested assets	2,282	13,779	168,690	7,445	192,196
Other net assets/(liabilities)	7,444	(50,088)	(87,441)	(2,959)	(133,044)
Total Foreign Currency Exposure	**9,726**	**(36,309)**	**81,249**	**4,486**	**59,152**
Impact of net foreign currency exposure on income before tax given a hypothetical 10% rate movement	973	(3,631)	8,125	449	5,916

The Company mitigates foreign currency risk by seeking to match the estimated liabilities payable in foreign currencies with assets, including cash and investments denominated in such currencies.

C.3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance program, amounts due from policyholders and intermediaries, and credit risk assumed through reinsurance contracts such as surety and trade credit business.

A credit risk exposure database is used to monitor and control the Company's credit risk accumulations consistent with the Company's risk limit framework. The various types of credit risk that the company is exposed to is also monitored through the Company Risk Register, which details the effectiveness of the controls, processes, governance and any issues and enhancements required.

The following sections discuss specific components of credit risk.

Investment portfolio

The fixed term maturity investment portfolio at 31 December 2016 represents approximately USD 289.3 million or 16.5% of the Company's total assets (2015: USD 381.2 million or 21.1% of its total assets). The Company is exposed to potential losses arising from the diminished creditworthiness of issuers of bonds as well as third party counterparties such as custodians. Exposure to such credit risk is limited through diversification, issuer exposure limitation and, with respect to custodians, through contractual and other legal remedies. The maximum nominal credit exposure to an external company or group of companies, excluding ASL, is no more than 2% of invested assets which is approximately USD 8.0 million. Additionally, individual fixed maturity issurers rated BBB and below can be no greater than 1% of invested assets.

The credit ratings of fixed term maturities are shown below. The methodology for assigning credit ratings to fixed term maturities is in line with the methodology used for the Barclays U.S Aggregate Bond Index. This methodology uses the middle of S&P, Moody's and Fitch ratings. When ratings from only two of these agencies are available, the lower rating is used. When a rating from only one agency is available, it is used.

	2016	2015
	USD '000	USD '000
Rating		
AAA	181,681	232,489
AA	12,404	63,543
A	40,292	39,111
BBB	34,660	26,599
Below BBB	20,239	19,475
	289,276	**381,217**

The Company also has credit risk relating to cash and cash equivalents. In order to mitigate concentration and operational risks related to cash and cash equivalents, the maximum amount of cash that can be deposited with a single counterparty is limited and the Company invests in acceptable counterparties based on current rating, outlook and other relevant factors.

		2016	2015
		USD '000	USD '000
Rating	**Rating Agency**		
AAAm	S&P	44,521	26,731
F1	Fitch	—	354
P-1	Moody's	18,080	16,051
		62,601	**43,136**

Cash and cash equivalents comprise cash at bank and investment in money market funds.

Reinsurance recoverable assets

Within the reinsurance purchasing activities the Company is exposed to the credit risk of a reinsurer failing to meet its obligations under the reinsurance contracts. To help mitigate this, all reinsurance purchasing is subject to financial security requirements specified by the Reinsurance Security Committee. The Reinsurance Security Committee maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty tolerance levels for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors.

Counterparty credit quality and exposures are monitored, with special monitoring of those cases that merit close attention.

	2016	2015
	USD '000	USD '000
Rating		
A++	18,158	24,295
A+	862,044	794,511
A	161,907	216,992
A-	3,063	949
Not rated	4,368	11,714
	1,049,540	**1,048,461**

The A+ balance includes USD 552.9 million (2015: USD 668.3 million) recoverable from ASL, a related party.

Premium receivables

The largest credit risk exposure to receivables is from brokers and other intermediaries; the risk arises where they collect premiums from customers or pay claims to customers on behalf of the Company. There are policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

Underwriting portfolio

The Company provides Credit and Political Risk insurance products for banks and major corporations. Credit Insurance coverage is primarily for lenders seeking to mitigate the risk of non-payment from their borrowers in emerging markets. Political Risk coverage provides protection against government actions that result in the impairment of cross-border investments for banks and corporations. The underlying risk associated with the Company's credit related business is governed through the underwriting risk management framework.

C.4 Prudent person principle and investments

The Company is required to invest in assets in accordance with the 'prudent person principle'.

As part of its prudent person approach, when the Company invests its assets it considers the following:
(a) takes into account the type of business carried on by the undertaking, in particular the nature, the amount and the duration of the expected claims payments, in such a way as to secure sufficiency, liquidity, security, quality, profitability and matching of the undertaking's investments,
(b) diversification and adequate spread of assets so as to enable appropriate response to changing economic circumstances, in particular developments in the financial markets and real estate markets or large impact catastrophic events,
(c) keep to a prudent level of investments in assets that are not traded on a regulated financial market,
(d) proper diversification of the assets so as to avoid excessive reliance on any particular asset, issuer or group of undertakings and accumulations of risk in the portfolio as a whole,
(e) not invest in assets issued by the same issuer, or by issuers belonging to the same group, in such a way as to expose the undertaking to excessive risk concentration; and
(f) assess the impact of irregular market circumstances on its assets and diversify those assets to ensure that that impact is reduced.

The Company may invest in derivative instruments to the extent that they help to reduce investment risks or facilitate efficient portfolio management. However, the Company shall value those investments on a prudent basis, taking into account the underlying assets and must include a valuation of the relevant institution's assets. The Company will also avoid excessive risk exposure to a single counterparty and to other derivative operations.

The requirements specified in paragraph (d) and (e) above do not apply to investment in government bonds.

C.5 Liquidity Risk

Liquidity risk is the risk that there would not be sufficient liquid financial resources to meet obligations when they fall due, or would have to incur excessive costs to do so. As an insurer, the core business generates liquidity primarily through premium and investment income. Exposure to liquidity risk stems mainly from the need to cover potential extreme loss events.

To manage this risk, a range of liquidity policies and measures are in place including maintaining cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows, as well as those that could result from a range of potential stress events. There are set internal limits on the minimum percentage of the investment portfolio to mature within a defined timeframe. Forecasts are prepared regularly to predict required liquidity levels over both the short- and medium- term.

The effectiveness of liquidity management methods is monitored by comparing liquidity metrics for the Company against Board approved Risk Limits each quarter.

Expected profit in future premium
The expected profit included in future premiums is calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

At 31 December 2016, the expected profit in future premiums is USD 9.8 million.

C.6 Operational Risk

Operational risk represents the risk of loss due to inadequate or failed processes, people and systems, or from external events. The Company manages operational risk through a broad range of systems, procedures, process controls and governance structures (including the RMC). In addition there are various assurance processes including control certification, risk management oversight and Internal Audit reviews. The key principles for operational risk management are as follows:

- to design appropriate governance, processes and controls to ensure that operational risk is mitigated to acceptable levels, given cost/benefit considerations,
- to maintain an internal control framework consistent with the principles of the COSO framework, including the maintenance of appropriate process and control documentation,
- to assign ownership for processes and controls, with those individuals providing a quarterly self-assessment (certification) that those processes and controls are designed and operating effectively,
- to maintain an operational risk register, updated quarterly, providing a self-assessment by each Risk Owner of residual operational risk for each risk in the AXIS risk universe,
- to maintain a loss event database outlining the operational risk losses and incidents (near-misses) to assist in risk management and risk learning,
- to develop appropriate key risk indicators and other metrics to help monitor the Company’s operational risk profile; and
- to ensure there is appropriate governance and monitoring with respect to any operational risk associated with major new or change initiatives within the Company.

Cyber risk
The Company is highly dependent upon electronic communications and electronic data storage, and there is an increasing risk of data theft, and malicious data and service disruption within the industry. Hackers and organized criminal groups have been constantly developing and improving techniques to circumvent information security controls and safeguards in order to commit fraud, financial theft and other cyber crimes with advanced capabilities to execute persistent and targeted attacks. The emergence of “Cyber terrorism” has resulted in Cyber Risk being categorized as an “emerged risk” and is now monitored and reported to the Board of Directors on a quarterly basis as part of the Risk Register.

Some of the key risks associated with a cybersecurity attack are:
- damage to the AXIS brand,
- disruption to critical infrastructure including damage to service provision,
- misappropriation of assets and theft of data and corporate intellectual property; and
- cost of responding to a breach - clean-up, legal fees, potential lawsuits, forensics and potential fines.

A full time Information Risk Management ("IRM") team is employed by the Group that is responsible for IT security in the Company. The Head of IRM reports to the AXIS Group Chief Information Officer and to the Company’s Board on the cybersecurity methodologies in place as necessary.

Cybersecurity comprises the technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access. The following are the core elements of cyber security at AXIS:

- application security,
- information and data security
- network security
- business continuity planning; and
- end user education.

The AXIS Group and the Company takes IT security seriously and many mitigating measures are in place as summarised in the Risk Register, together with a fully documented and robustly tested Business Recovery Plan.

C.7 Other material risks

Strategic risk
Strategic risk is the risk of an unexpected negative change in the company value arising from the adverse effect of management decisions regarding business strategies and their implementation. This includes the risk that business strategy is not adapted to changes in the internal and external environment.

To ensure proper implementation of strategic goals in the current business plan, management monitors market and competitive conditions, regulatory conditions, etc. to decide whether to make strategic adjustments. Output from the AXIS Group ERC is also incorporated into strategic planning processes

Group contagion risk
Group contagion risk is the risk of financial or non-financial loss in the Company due to linkages or interdependencies with other parts of the AXIS Group. Potential Group contagion risk is managed at a Group level by ensuring each operating entity operates within its defined solvency standard and risk limits, and as part of the ORSA processes also consider various stress and scenario analysis at an entity level. There is also a Legal Entity Capital Management Committee in place that meets at least quarterly to review capital management matters for the entities. There is a separate Working Group Committee for U.S/Canada, Europe and Bermuda/Singapore, which reports up to the Capital Committee. The legal entity capital committees review and assess potential capital management strategies impacting the entities (e.g. restructures, new capital instruments), and review inter-company dividend/financing arrangements. The Investment & Finance Committee ("IFC") and RMC also oversee legal entity capital adequacy/ management.

Reputational risk
Group contagion risk could potentially manifest in other forms, for example reputational risk as this is not confided to a particular part of the business and reputational issues in one part of the business can affect other parts of the AXIS Group (see also contagion risk above).

Every risk type has potential consequences on the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to reputation. The Group Risk Register impact assessment undertaken across all risks considers reputational impacts to the Company. Additionally, the Company and AXIS Group endeavours to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles in the AXIS Code of Conduct, which includes integrity and good business practices. Mitigation of legal or regulatory breach is undertaken by the skilled and qualified compliance team, by ongoing monitoring of the regulatory landscape, through business conduct standards and policies, implementation of background and compliance checks and staff training. Effectiveness of the processes and governance to mitigate legal and compliance risk is monitored each quarter in the Company Risk Register. The AXIS Group centrally manages certain aspects of reputation risk, for example, communications, through dedicated functions with appropriate expertise.

C.8 Any other information

All material information regarding the Company's risk profile is disclosed in sections C.1 - C.7.

D. VALUATION FOR SOLVENCY PURPOSES

The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The Solvency II balance sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

D.1 Assets

	Solvency II	GAAP	Difference	
	2016	2016	2016	
	USD'000	USD'000	USD'000	Adjustment Type
Deferred acquisition costs	—	2,244	(2,244)	Valuation
Net deferred tax asset	4,467	3,150	1,317	Valuation
Property, plant & equipment held for own use	5,559	17,134	(11,575)	Valuation
Government Bonds	135,642	136,519	(877)	Reclassification
Corporate Bonds	115,099	103,845	11,254	Reclassification
Collateralised securities	51,698	51,530	168	Reclassification
Collective Investments Undertakings	65,562	78,530	(12,968)	Reclassification
Deposits other than cash equivalents	1,460	—	1,460	Reclassification
Other investments	9,534	869	8,665	Reclassification
Other loans and mortgages	1,081	—	1,081	Reclassification
Investments	380,076	371,293	8,783	
Insurance and intermediaries receivables	35,631	196,860	(161,229)	Valuation
Reinsurance receivables	16,750	16,750	—	
Cash and cash equivalents	20,973	27,019	(6,046)	Reclassification
Any other assets, not elsewhere shown	35,000	37,737	(2,737)	Reclassification
	498,456	**672,187**	**(173,731)**	

Reclassification for solvency purposes are differences in classifications of balances between GAAP and Solvency II balance sheet line items. Valuation adjustments are valuation differences between GAAP and Solvency II.

D.1.1 Deferred acquisition costs

Acquisition costs vary with and are directly related to the acquisition of reinsurance contracts and consist primarily of fees and commissions paid to brokers and premium taxes.

Under Solvency II, cash flow projections used in the calculation of Solvency II Technical Provisions include acquisition costs associated with reinsurance contracts. Deferred acquisition costs are valued at nil in order to avoid double counting as acquisition costs are considered in the Solvency II Technical Provision calculations.

Under GAAP, acquisition costs are deferred over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi year contracts.

D.1.2 Deferred tax

The balance sheet is restated from GAAP to a Solvency II valuation for all assets and liabilities. The restated assets and liabilities are analysed for permanent differences arising between Solvency II restated accounts and tax accounts. All material differences are considered and deferred tax is provided on any temporary differences arising. Current tax legislation and rates are applied to calculate the deferred tax.

Under GAAP, deferred taxation is calculated on the differences between the Company's taxable profits and the results as stated in the financial statements. These differences arise as a result of timing differences on restricted stock units and capital allowances.

D.1.3 Property, plant and equipment

Property, plant and equipment includes the office premises in Dublin, software & computer equipment, fixtures & fittings, leaseholds improvements.

Under Solvency II, the IAS 16 revaluation model is applied when valuing property, plant and equipment. In accordance with IAS 16, the office premises are revalued every three to five years unless there are material changes to the fair value. The office premises are currently valued at USD 5.5 million. Plant and equipment are valued at nil on the SII economic balance sheet as an active secondary market does not exist to provide appropriate fair value estimations.

Under GAAP, property, plant and equipment is measured at cost less depreciation. The Company provides depreciation at cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets.

D.1.4 Investments

The Company's investments comprise debt, equity and other investments.

Under Solvency II, investments are measured in accordance with IAS 39 at fair value through profit & loss. Fair value measurement is consistent with GAAP except for the recognition of accrued interest. Under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised separately in 'Any other assets'.

Fair Value Measurement

Under GAAP, investments are measured in accordance with FRS 102 section 11 and section 12. The Company determines the classification of its investments at initial recognition and re-evaluates this at each reporting date. The Company classifies its investments on a portfolio by portfolio basis and has designated all investment portfolios as at fair value through profit and loss. These portfolios are managed and their performance evaluated on a fair value basis. Short-term investments comprise debt securities that, at purchase, have a maturity greater than three months but less than one year. Due to the short-term nature of these investments amortized cost is used to approximate fair value. All purchases and sales of investments are recorded on the trade date, which is the date that the Company commits to purchase or sell the assets. The fair values of listed investments are based on closing bid prices. For investments not traded on an active market, the Company establishes fair value based on quoted market prices of similar instruments or on other valuation techniques.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. The fair value hierarchy used gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level A - The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.
- Level B - When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level C - If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Classification
Under GAAP, classification of investments is in accordance with FRS 102 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. Under Solvency II, certain investments have been reclassified where necessary in order to conform to Solvency II asset categories.

D.1.5 Insurance and intermediaries receivables
Under Solvency II, premium and commission receivable balances past due are recognised at fair value. Balances past due greater than one year are discounted using the risk free interest rate curve. Under Solvency II, technical provisions are calculated on a cash-flow basis. Premiums and commission receivable balances not yet due are included in technical provision best estimate calculations and eliminated from the GAAP Insurance and intermediaries receivable balance. A balance is deemed not yet due at the balance sheet date, if the receivable is not aged (overdue) and will become due for payment by the client sometime after the balance sheet date.

Under GAAP, premium and commission receivable balances arising under insurance contracts are recognised when due and measured at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.1.6 Reinsurance receivables
Under GAAP, ceded premium advances and losses paid recoverable are recognised at cost with a provision for impairment if identified.

Under Solvency II, similar to Insurance and intermediaries receivables, balances deemed not yet due are included in best estimate calculation in technical provisions and removed from the GAAP reinsurance receivable balance.

D.1.7 Cash and Cash Equivalents
Cash and cash equivalents are carried at face value and include fixed income securities that, at purchase have a maturity 3 months or less.

Under Solvency II, certain cash deposits have been reclassified to investments where necessary in order to conform to Solvency II asset categories. As noted in 'Investments' under Solvency II, accrued interest is included in the valuation of cash and cash equivalents. Under GAAP, accrued interest is recognised separately in 'Any Other Assets'.

D.1.8 Any other assets
Any other assets includes amounts such as amounts due from group companies, prepaid expenses, accrued interest and other taxes receivable in the GAAP balance sheet. The amounts are measured at a value for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. As noted above, under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised in 'Any Other Assets'.

D.2 Technical provisions

The valuation methodology for technical provisions in accordance with Solvency II differs significantly from the valuation in the financial statements.

	Solvency II			GAAP
Net technical provisions	**Best Estimate**	**Risk Margin**	**Total**	**Total**
	2016	**2016**	**2016**	**2016**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Direct business and accepted proportional reinsurance				
Income Protection	174	646	**820**	**6,011**
Marine, aviation and transport	28,362	3,943	**32,305**	**38,968**
Fire and other damage to property	19,733	2,296	**22,029**	**28,013**
General liability	80,003	11,013	**91,016**	**86,443**
Credit and suretyship	(2,430)	(45)	**(2,475)**	**16,377**
Assistance	62	10	**72**	**61**
Miscellaneous financial loss	4,568	535	**5,103**	**5,762**
Accepted non-proportional reinsurance				
Health	17	—	**17**	**1**
Total Non-Life obligation	**130,489**	**18,398**	**148,887**	**181,636**

D.2.1 GAAP technical provisions

Claims reserves
Claims Reserves represent an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for reinsureds events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ('case reserves') and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

Reserves for losses and loss expenses are reviewed on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds, reassureds and/or brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgement regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilised in this process, including the Expected Loss Ratio, Bornhuetter-Ferguson and Chain Ladder methods. The Company estimate is highly dependent on management's critical judgement as to which method(s) are most appropriate for a particular accident year and class of business. The Company's historical claims data is often supplemented with industry benchmarks when applying these methodologies.

Any adjustments to previous reserves for losses and loss expenses estimates are recognised in the period they are determined. While management believes that reserves for losses and loss expenses are adequate, this estimate requires significant judgement and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the balance sheet.

Unearned premium reserves
Insurance premiums written are recorded in accordance with the terms of the underlying policies. Insurance premiums are earned over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi year contracts. Insurance unearned premiums represent the portion of insurance premiums written which is applicable to the unexpired risks under contracts in force.

D.2.2 Solvency II technical provisions

Technical provisions on a Solvency II basis combine the data and results from the GAAP based reserving process with additional information and calculations.

The calculation of the Solvency II technical provisions is split into three parts:

i. **Provisions relating to earned business (‘Claims Provision’)**: The best estimate amount of earned, unpaid claims (i.e., reported outstanding claims and earned IBNR from the standard reserving process) and associated runoff expenses. Under Solvency II it is also necessary to ensure that the technical provisions include an allowance for ‘Events not in Data’ ("ENIDs"). The best estimate of ultimate claims under the traditional GAAP basis generally only reflects actual historic losses and development patterns. The Technical Provisions for Solvency II require that allowance is also made for events or circumstances that are not reasonably foreseeable (i.e., have low probabilities) and are at levels not contained in the historical data (i.e., have potentially large severities). This additional reserve amount is referred to as ‘Events not in Data’.
ii. **Provisions relating to unearned business (‘Premium Provision’):** Unearned business comprises unearned business already incepted, as well as business that is not yet incepted but has been already been bound before the valuation date. As with the earned provision, the claim amount is also loaded for ENIDs that could impact unearned business, includes associated runoff expenses and is offset by future premiums to be received.
iii. **Risk Margin:** A Risk Margin is then applied to reflect the premium that would be required by a third party assuming the business at the valuation date.

Both the earned and unearned provisions take account of the expected reinsurance recoveries to be received in respect of this business, reduced for reinsurance bad debt.

All elements of the provisions take account of the assumed cash flow pattern on a best estimate basis (i.e., excluding margins for prudence) and are discounted at the EIOPA provided discount rates. It is intended that the Best Estimate captures a probability-weighted average of all future outcomes, including the possibility of claim events that have not been seen in the Company’s history.

D.2.3 Differences between Solvency II and GAAP valuation bases

The main changes from the methodology used to derive the technical provisions on a GAAP basis are as follows:

i. Standard Solvency II classes of business are used for reporting in addition to the standard reserving classes and also at the original currency level, with all minor currencies being grouped into an 'Other' category.
ii. The reserves held for future claims are calculated on a best-estimate basis with an explicit risk margin added onto this best estimate. This is different from the GAAP basis where booked reserves may include some implicit margin for uncertainty.
iii. The technical provisions also contain an allowance for ENIDs representing low frequency/high severity events.
iv. Future premium income and claims outgoing are all discounted for the time value of money using the relevant risk free interest rate term structure.
v. Bound unincepted business is included in the analysis, with the expected claims offset by the future premium income for this business.
vi. Unearned claims are estimated rather than 100% unearned premium reserve being held.
vii. The expected cost of future claims is offset by the future premium income.
viii. All calculations are based on a cash flow basis. This means that any transactions that have taken place but where the cash has not yet been paid or received will be included as a future cash flow.
ix. Additional allowance for expenses is made on the basis that the provision includes the expected expense amount needed to service all existing policies throughout their lifetime.

D.2.4 Level of uncertainty

The level of the technical provisions on both a GAAP and on a Solvency II basis is heavily dependent on the reliability and accuracy of the underlying reserving process. In particular, future claims development is inherently uncertain and subject to future events that cannot be known accurately at the present time. The best estimate of ultimate claims, while considered to have been derived using a reasonable methodology and set of assumptions, may still differ, potentially significantly, from the eventual cost of ultimate claims.

D.2.5 Recoverables from reinsurance contracts

The Company purchases reinsurance to reduce the risk of exposure to loss. Four types of reinsurance cover are purchased; facultative, excess of loss, quota share and stop loss. Facultative covers are typically individual risk purchases. Excess of loss covers provide a contractually set amount of cover after an excess point has been reached. This excess point can be based on the size of an industry loss or a fixed monetary amount. Generally these covers are purchased on a package policy basis, and they may provide cover for a number of lines of business within one contract. Quota share covers provide a proportional amount of coverage from the first dollar of loss and stop loss cover protects the Company's net ultimate loss ratio.

All of these reinsurance covers provide for recovery of a portion of losses and loss reserves from reinsurers. Under its reinsurance security policy, the Company predominantly cedes business with reinsurers rated A- or better by Standard & Poors and/or AM Best Company. The Company remains liable to the extent that reinsurers do not meet their obligations under these agreements either due to solvency issues, contractual disputes or some other reason. Included within the Company's GAAP reinsurance recoverable as at 31 December 2016 were amounts of USD 361.0 million (2015: USD 478.0 million) recoverable from a group company.

D.2.6 Any other information

The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure of the transitional deduction in calculating Solvency II technical provisions.

D.3 Other Liabilities

	Solvency II	GAAP	Difference	Adjustment Type
	2016	**2016**	**2016**	**2016**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Insurance & intermediaries payables	3,499	17,055	(13,556)	Valuation
Reinsurance payables	32,382	139,388	(107,006)	Valuation
Derivatives	1,679	1,679	—	
Any other liabilities, not elsewhere shown	52,079	52,079	—	
	89,639	**210,201**	**(120,562)**	

D.3.1 Insurance & intermediaries payable
Under Solvency II, similar to insurance and intermediaries receivable, balances not yet due for payment are recognised in technical provisions and removed from insurance and intermediaries payable. A balance is deemed not yet due at the balance sheet date, if payment will become due after the balance sheet date.

Under GAAP, amounts payable to policyholders, insurers and other business linked to insurance such as commissions due to intermediaries but not yet paid are recognised at cost.

D.3.2 Reinsurance payables
Similar to 'Insurance and intermediaries payable', under Solvency II, balances not yet due for payment are removed and recognised in technical provisions.

Under GAAP, premium payables are recognised at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.3.3 Any Other Liabilities
Under Solvency II, any other liabilities are recognised at fair value. Cost is considered to approximate fair value on the basis that duration is less than one year and no discounting is required.

Under GAAP, 'Amounts payable to group companies', 'Net payable for investments purchased', 'Other taxes payable' and 'Accrued expenses' are recognised at cost and payable in less than one year.

D.4 Any other information

All material information regarding valuation is disclosed in sections D.1 - D.3.

E. CAPITAL MANAGEMENT

Capital management is a business process that links risk and return preferences with strategy setting and business planning. It requires cross functional collaboration, and involves a significant commitment from business segments, corporate functions, risk management and the Board of Directors.

The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements.

Business strategy, capital and risk are closely integrated within decision making, and embedded through the ORSA process which assess that the prospective risk profile is in line with the Company's risk appetite framework. The SCR projections performed as part of the ORSA process provide input into the Company's capital management strategy.

E.1 Own Funds

Eligible Own funds
For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 98.0% of the Company's own funds are classified as Tier 1.

	2016	2016	2016	2016
	USD'000	USD'000	USD'000	USD'000
	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	208,372	208,372	—	—
Net deferred tax asset	4,467	—	—	4,467
Eligible own funds	**222,949**	**218,482**	**—**	**4,467**

	2015	2015	2015	2015
	USD'000	USD'000	USD'000	USD'000
	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital	10,110	10,110	—	—
Reconciliation reserve	246,802	246,802	—	—
Eligible own funds	**256,912**	**256,912**	**—**	**—**

The reconciliation reserve includes the following:
- shareholders' equity on a GAAP basis as per the financial statements,
- revaluation reserve (adjustments from GAAP to Solvency II economic valuation basis); and
- deduction for restricted own fund items.

A reconciliation of shareholders' equity to eligible own funds is as follows:

	2016	2015
	USD'000	USD'000
Shareholders' equity	277,021	275,649
Revaluation reserve	(17,091)	10,220
Less restricted own fund items		
Restricted asset	1,460	—
Ring fenced fund restriction	35,521	28,957
Eligible own funds	**222,949**	**256,912**

Eligible own funds decreased in the year driven by the movement in the revaluation reserve. In 2015, revaluation adjustments had a positive impact on own funds whereas, in 2016, revaluation adjustments had a negative impact on own funds as Solvency II net assets were less than GAAP net assets.

The adjustment for restricted own fund items relates to restricted cash balances and restriction to the Company's own funds in respect of the Company's Australian branch, as the Company was not permitted to remove any assets from Australia without prior written approval from APRA. This restriction was removed in March 2017, on the revocation of the Australian license by APRA.

E.2 Solvency capital requirement and Minimum capital requirement

The 2016 and 2015 results presented are based on the 2016 Annual and Day 1 Solvency II returns submitted to the CBI respectively.

The SCR has been calculated using the standard formula.

Solvency Capital Requirement	**2016**	**2015**
	USD'000	**USD'000**
Market risk	52,416	54,432
Counterparty default risk	33,186	33,240
Health underwriting risk	9,855	10,050
Non-life underwriting risk	57,685	77,087
Diversification	(43,638)	(47,857)
Basic solvency capital requirement	**109,504**	**126,952**
Adjustment due to RFF	12,894	16,633
Operational risk	25,695	25,412
Loss-absorbing capacity of deferred taxes	(227)	(6,386)
Solvency capital requirement	**147,866**	**162,611**
Eligible own funds	**222,949**	**256,912**
Ratio of eligible own funds to SCR	**150.8%**	**158.0%**

Use of simplifications and undertaking specific parameters

Simplified calculation of the risk mitigating effect for reinsurance arrangements
The Company has applied a simplified calculation of the risk-mitigating effect for reinsurance, which computes the risk mitigating effect on underwriting risk of the reinsurance arrangements for all counterparties as the difference between the following capital requirements:

- the hypothetical capital requirement for underwriting risk of the Company if none of the reinsurance arrangements exist;
- the capital requirements for underwriting risk of the Company.

The risk mitigating effect on underwriting risk of a particular reinsurance arrangement is then calculated based on its share of the total best estimate amount recoverable from all counterparties. Applying the simplification approach has no material impact on the SCR.

Undertaking specific parameters
The Company does not use any undertaking specific parameters in the calculation of the SCR.

MCR

The MCR is calculated in accordance with Solvency II requirements using a factor-based formula calibrated using a Value-at-Risk measure with an 85% confidence level over a one-year period. The Company is required to maintain the higher of the minimum required capital (imposed by the regulations) of EUR 3.7 million or the MCR at all times during the year.

	2016 Total USD'000	2016 Tier 1 USD'000	2016 Tier 2 USD'000
Eligible own funds to meet the MCR	218,482	218,482	—
MCR	**36,966**		
Ratio of eligible own funds to MCR	**591.0%**		

	2015 Total USD'000	2015 Tier 1 USD'000	2015 Tier 2 USD'000
Eligible own funds to meet the MCR	256,912	256,912	—
MCR	**40,652**		
Ratio of eligible own funds to MCR	**632.0%**		

The inputs used to calculate the MCR of the Company are as follows:

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole 2016 USD'000	Net (of reinsurance) written premiums in the last 12 months 2016 USD'000
Direct business and accepted proportional reinsurance		
Income protection	174	5,728
Marine, aviation and transport	28,362	16,670
Fire and other damage to property	19,733	20,690
General liability	80,003	26,508
Credit and suretyship	—	4,622
Assistance	62	—
Miscellaneous financial loss	4,568	11,242
Accepted non-proportional reinsurance		
Health	17	—

E.3 Use of duration based equity risk sub module in the calculation of SCR

Duration based equity risk sub module was not used in the calculation of the SCR.

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

No internal or partial internal model was used for the calculation of the SCR.

E.5 Non Compliance with SCR and MCR

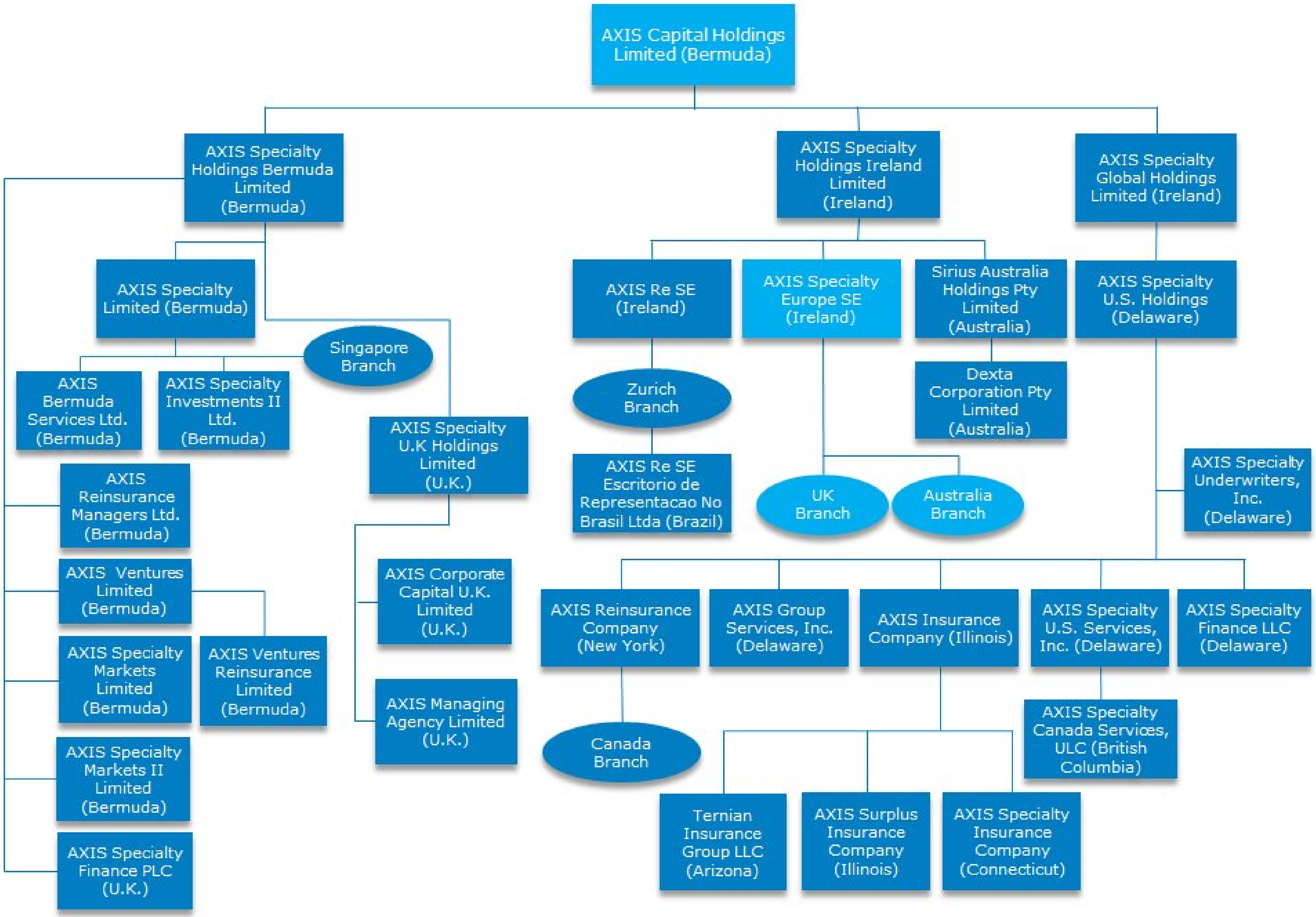
The Company has maintained capital sufficient to meet its SCR and MCR over the reporting period.

The final SCR and MCR amounts remain subject to supervisory assessment.

E.6 Any other information

All material information regarding capital management has been disclosed in Sections E.1 - E.5 above.

APPENDIX I - GROUP STRUCTURE



S.02.01.02 Balance Sheet (USD '000s)

		USD'000s
		Solvency II value
Assets		C0010
Goodwill	R0010	—
Deferred acquisition costs	R0020	—
Intangible assets	R0030	—
Deferred tax assets	R0040	88,364
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	5,559
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	379,276
Property (other than for own use)	R0080	—
Holdings in related undertakings, including participations	R0090	—
Equities	R0100	—
Equities - listed	R0110	—
Equities - unlisted	R0120	—
Bonds	R0130	302,439
Government Bonds	R0140	135,642
Corporate Bonds	R0150	115,099
Structured notes	R0160	—
Collateralised securities	R0170	51,698
Collective Investments Undertakings	R0180	65,562
Derivatives	R0190	281
Deposits other than cash equivalents	R0200	1,460
Other investments	R0210	9,534
Assets held for index-linked and unit-linked contracts	R0220	—
Loans and mortgages	R0230	1,081
Loans on policies	R0240	—
Loans and mortgages to individuals	R0250	—
Other loans and mortgages	R0260	1,081
Reinsurance recoverables from:	R0270	726,004
Non-life and health similar to non-life	R0280	726,004
Non-life excluding health	R0290	725,568
Health similar to non-life	R0300	436
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	—
Health similar to life	R0320	—
Life excluding health and index-linked and unit-linked	R0330	—
Life index-linked and unit-linked	R0340	—
Deposits to cedants	R0350	—
Insurance and intermediaries receivables	R0360	35,631
Reinsurance receivables	R0370	16,750
Receivables (trade, not insurance)	R0380	—
Own shares (held directly)	R0390	—
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	—
Cash and cash equivalents	R0410	20,973
Any other assets, not elsewhere shown	R0420	35,000
Total assets	R0500	**1,308,638**

Liabilities		
Technical provisions – non-life	R0510	874,891
Technical provisions – non-life (excluding health)	R0520	873,619
Technical Provisions calculated as a whole	R0530	—
Best Estimate	R0540	855,867
Risk margin	R0550	17,752
Technical provisions - health (similar to non-life)	R0560	1,272
Technical Provisions calculated as a whole	R0570	—
Best Estimate	R0580	626
Risk margin	R0590	646
Technical provisions - life (excluding index-linked and unit-linked)	R0600	—
Technical provisions - health (similar to life)	R0610	—
Technical Provisions calculated as a whole	R0620	—
Best Estimate	R0630	—
Risk margin	R0640	—
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	—
Technical Provisions calculated as a whole	R0660	—
Best Estimate	R0670	—
Risk margin	R0680	—
Technical provisions – index-linked and unit-linked	R0690	—
Technical Provisions calculated as a whole	R0700	—
Best Estimate	R0710	—
Risk margin	R0720	—
Other technical provisions	R0730	
Contingent liabilities	R0740	—
Provisions other than technical provisions	R0750	—
Pension benefit obligations	R0760	—
Deposits from reinsurers	R0770	—
Deferred tax liabilities	R0780	83,897
Derivatives	R0790	1,960
Debts owed to credit institutions	R0800	—
Insurance & intermediaries payables	R0820	3,499
Reinsurance payables	R0830	32,382
Payables (trade, not insurance)	R0840	—
Subordinated Liabilities	R0850	—
Subordinated liabilities not in Basic Own Funds	R0860	—
Subordinated liabilities in Basic Own Funds	R0870	—
Any other liabilities, not elsewhere shown	R0880	52,079
Total liabilities	R0900	**1,048,708**
Excess of assets over liabilities	R1000	**259,930**

S.05.01.02 - Premiums, claims and expenses by line of business (USD '000s)

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance	
		Income protection insurance	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Miscellaneous financial loss**	**Health**	**Total**
		C0020	C0060	C0070	C0080	C0090	C0120	C0130	C0200
Premiums written								—	
Gross - Direct Business	R0110	24,495	105,901	144,318	156,820	29,304	50,010	—	510,849
Gross - Proportional reinsurance accepted	R0120	1,914	—	—	—	—	—	—	1,914
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	—	—	—	(71)	(71)
Reinsurers' share	R0140	20,681	89,204	125,011	142,569	24,682	38,768	(49)	440,866
Net	R0200	5,728	16,697	19,307	14,251	4,622	11,242	(21)	71,827
Premiums earned								—	
Gross - Direct Business	R0210	25,033	106,242	141,189	164,867	21,012	50,870	—	509,212
Gross - Proportional reinsurance accepted	R0220	3,064	—	—	—	—	—	—	3,064
Gross - Non-proportional reinsurance accepted	R0230	—	—	—	—	—	—	127	127
Reinsurers' share	R0240	21,947	90,042	123,739	140,433	16,805	40,004	99	433,069
Net	R0300	6,150	16,200	17,449	24,435	4,206	10,866	28	79,335
Claims incurred								—	
Gross - Direct Business	R0310	17,033	48,118	49,480	115,395	(10,767)	37,189	—	256,449
Gross - Proportional reinsurance accepted	R0320	1,593	—	—	—	—	—	—	1,809
Gross - Non-proportional reinsurance accepted	R0330	—	—	—	—	—	—	(48)	(48)
Reinsurers' share	R0340	14,086	37,878	40,340	91,994	(8,053)	28,361	(36)	204,731
Net	R0400	4,541	10,241	9,141	23,400	(2,714)	8,828	(12)	53,479
Changes in other technical provisions								—	
Gross - Direct Business	R0410	—	—	—	—	—	—	—	—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—	—
Gross - Non- proportional reinsurance accepted	R0430	—	—	—	—	—	—	—	—
Reinsurers'share	R0440	—	—	—	—	—	—	—	—
Net	R0500	—	—	—	—	—	—	—	—
Expenses incurred	R0550	2,538	6,444	6,011	12,263	1,943	3,489	10	32,698
Other expenses	R1200								—
Total expenses	R1300								32,698

S.05.01.02 - Premiums, claims and expenses by country (USD'000s)

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			UNITED KINGDOM	UNITED STATES	GERMANY	NORWAY	SWEDEN	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross - Direct Business	R0110	19,017	189,245	86,205	24,522	12,528	11,911	343,428
Gross - Proportional reinsurance accepted	R0120	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0130	—	—	—	—	—	—	—
Reinsurers' share	R0140	16,604	163,534	78,756	22,175	10,773	10,572	302,414
Net	R0200	2,413	25,711	7,449	2,347	1,755	1,339	41,014
Premiums earned								
Gross - Direct Business	R0210	17,291	189,829	84,711	20,423	12,718	12,067	337,039
Gross - Proportional reinsurance accepted	R0220	—	—	—	5	—	—	5
Gross - Non-proportional reinsurance accepted	R0230	—	6	—	—	—	—	6
Reinsurers' share	R0240	14,639	161,432	72,949	17,352	10,749	10,330	287,451
Net	R0300	2,652	28,403	11,762	3,076	1,969	1,737	49,599
Claims incurred								
Gross - Direct Business	R0310	3,604	144,921	21,875	6,067	1,559	7,479	185,505
Gross - Proportional reinsurance accepted	R0320	—	—	—	1	—	—	1
Gross - Non-proportional reinsurance accepted	R0330	—	(2)	—	—	—	—	(2)
Reinsurers' share	R0340	2,676	114,998	14,690	4,802	1,231	5,952	144,349
Net	R0400	929	29,921	7,185	1,267	329	1,526	41,157
Changes in other technical provisions								
Gross - Direct Business	R0410	—	—	—	—	—	—	—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0430	—	—	—	—	—	—	—
Reinsurers' share	R0440	—	—	—	—	—	—	—
Net	R0500	—	—	—	—	—	—	—
Expenses incurred	R0550	1,353	12,758	5,003	1,350	823	940	22,227
Other expenses	R1200							—
Total expenses	R1300							22,227

S.17.01.02 Non-life Technical Provisions (USD'000s)

		Direct business and accepted proportional reinsurance							Accepted non-proportional reinsurance	Total Non-Life obligation
		Income Protection Insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	
		C0030	C0070	C0080	C0090	C0100	C0120	C0130	C0140	C0180
Technical provisions calculated as a whole	R0010	—	—	—	—	—	—	—	—	—
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	R0050	—	—	—	—	—	—	—	—	—
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross - Total	R0060	(16,245)	(15,632)	18,804	59,674	(10,955)	—	5,679	65	41,390
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(12,365)	(19,240)	13,484	48,811	(8,811)	—	4,469	48	26,396
Net Best Estimate of Premium Provisions	R0150	(3,880)	3,608	5,321	10,863	(2,144)	—	1,210	17	14,993
Claims provisions										
Gross - Total	R0160	16,807	132,095	93,472	559,627	(398)	247	13,254	—	815,103
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	12,753	107,341	79,059	490,487	(113)	185	9,896	—	699,608
Net Best Estimate of Claims Provisions	R0250	4,054	24,754	14,413	69,140	(285)	62	3,358	—	115,496
Total Best estimate - gross	R0260	562	116,464	112,276	619,301	(11,353)	247	18,933	65	856,493
Total Best estimate - net	R0270	174	28,362	19,733	80,003	(2,430)	62	4,568	17	130,489
Risk margin	R0280	646	3,943	2,296	11,013	(45)	10	535	—	18,398
Amount of the transitional on Technical Provisions										
TP as a whole	R0290	—	—	—	—	—	—	—	—	—
Best estimate	R0300	—	—	—	—	—	—	—	—	—
Risk margin	R0310	—	—	—	—	—	—	—	—	—
Technical provisions - total										
Technical provisions - total	R0320	1,207	120,407	114,572	630,315	(11,399)	256	19,468	65	874,891

		Direct business and accepted proportional reinsurance							Accepted non-proportional reinsurance	Total Non-Life obligation
		Income Protection Insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	
		C0030	C0070	C0080	C0090	C0100	C0120	C0130	C0140	C0180
Recoverable from reinsurance contract/ SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	388	88,101	92,543	539,298	(8,924)	185	14,365	48	726,004
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	820	32,305	22,029	91,016	(2,475)	72	5,103	17	148,887

S.19.01.21 Non-life insurance claims (USD'000s)

Accident year/ Underwriting year	Z0010	Accident Year														
Gross Claims Paid (non-cumulative)																
(absolute amount)		**Development Year**														
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											740,067		R0100	204	740,067
N-9	R0160	10,574	22,416	28,389	11,543	244	8,798	1,503	3,471	716	1,249			R0160	1,249	88,903
N-8	R0170	27,142	47,097	18,744	9,049	20,635	6,648	14,088	7,860	7,182				R0170	7,182	158,446
N-7	R0180	12,567	28,354	17,801	8,870	4,637	3,190	894	23,169					R0180	23,169	99,482
N-6	R0190	56,314	49,758	28,493	29,882	12,930	10,167	10,278						R0190	10,278	197,822
N-5	R0200	38,036	50,802	58,670	27,902	16,625	6,758							R0200	6,758	198,792
N-4	R0210	15,507	53,501	44,679	25,537	21,710								R0210	21,710	160,933
N-3	R0220	29,970	61,957	45,982	19,372									R0220	19,372	157,280
N-2	R0230	53,953	95,870	46,436										R0230	46,436	196,258
N-1	R0240	73,413	89,589											R0240	89,589	163,002
N	R0250	59,338												R0250	59,338	59,338
													Total	R0260	285,284	2,220,324

Gross undiscounted Best Estimate Claims Provisions																
(absolute amount)																
		Development Year														
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											3,938		R0100	3,938	3,938
N-9	R0160	—	—	—	—	—	—	—	—	—	1,223			R0160	1,223	1,223
N-8	R0170	—	—	—	—	—	—	—	—	17,861				R0170	17,861	17,861
N-7	R0180	—	—	—	—	—	—	—	18,538					R0180	18,538	18,538
N-6	R0190	—	—	—	—	—	—	37,440						R0190	37,440	37,440
N-5	R0200	—	—	—	—	—	42,919							R0200	42,919	42,919
N-4	R0210	—	—	—	—	83,155								R0210	83,155	83,155
N-3	R0220	—	—	—	92,069									R0220	92,069	92,069
N-2	R0230	—	—	120,727										R0230	120,727	120,727
N-1	R0240	—	204,081											R0240	204,081	204,081
N	R0250	236,720												R0250	236,720	236,720
													Total	R0260	858,672	858,672

S.23.01.01 Own Funds (USD'000s)

		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						
Ordinary share capital (gross of own shares)	R0010	10,110	10,110		—	—
Share premium account related to ordinary share capital	R0030	—	—		—	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—	—		—	
Subordinated mutual member accounts	R0050	—		—	—	—
Surplus funds	R0070	—	—			
Preference shares	R0090	—		—	—	—
Share premium account related to preference shares	R0110	—		—	—	—
Reconciliation reserve	R0130	208,372	208,372		—	—
Subordinated liabilities	R0140	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	4,467				4,467
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
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						
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	R0220	—				
Deductions						
Deductions for participations in financial and credit institutions	R0230	—	—	—	—	
Total basic own funds after deductions	R0290	222,949	218,482	—	—	4,467
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—			—	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—			—	
Unpaid and uncalled preference shares callable on demand	R0320	—			—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—			—	—
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—			—	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—			—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—			—	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—			—	—
Other ancillary own funds	R0390	—			—	—

Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	222,949	218,482	—	—	4,467
Total available own funds to meet the MCR	R0510	218,482	218,482	—	—	
Total eligible own funds to meet the SCR	R0540	222,949	218,482	—	—	4,467
Total eligible own funds to meet the MCR	R0550	218,482	218,482	—	—	
SCR	R0580	147,865				
MCR	R0600	36,966				
Ratio of Eligible own funds to SCR	R0620	151%				
Ratio of Eligible own funds to MCR	R0640	591%				
Reconciliation reserve						
Excess of assets over liabilities	R0700	259,930				
Own shares (held directly and indirectly)	R0710	—				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	14,577				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	36,981				
Reconciliation reserve	R0760	208,372				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	—				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	9,761				
Total Expected profits included in future premiums (EPIFP)	R0790	9,761				

S.25.01.21 Solvency Capital Requirement for undertakings on Standard Formula (USD'000s)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	52,416		—
Counterparty default risk	R0020	33,186		
Life underwriting risk	R0030	—	—	—
Health underwriting risk	R0040	9,855	—	—
Non-life underwriting risk	R0050	57,685	—	—
Diversification	R0060	(43,638)		
Intangible asset risk	R0070	—		
Basic Solvency Capital Requirement	R0100	109,504		
Calculation of Solvency Capital Requirement				
Adjustment due to RFF/MAP nSCR aggregation	R0120	12,894		
Operational risk	R0130	25,695		
Loss-absorbing capacity of technical provisions	R0140	—		
Loss-absorbing capacity of deferred taxes	R0150	(227)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency Capital Requirement excluding capital add-on	R0200	147,865		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	147,865		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	120,138		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	27,727		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	—		
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—		

S.28.01.01 Minimum Capital Requirement - Only life or non-life insurance or reinsurance activity (USD'000s)

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
MCR_{NL} Result	R0010	23,642	
		Non-life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
Medical expense	R0020	—	—
Income protection	R0030	174	5,728
Workers' compensation	R0040	—	—
Motor vehicle liability	R0050	—	—
Other motor insurance	R0060	—	—
Marine, aviation and transport	R0070	28,362	16,670
Fire and other damage to property	R0080	19,733	20,690
General liability insurance	R0090	80,003	26,508
Credit and suretyship	R0100	—	4,622
Legal expenses	R0110	—	—
Assistance	R0120	62	—
Miscellaneous financial loss	R0130	4,568	11,242
Non-proportional health	R0140	17	—
Non-proportional casualty	R0150	—	—
Non-proportional marine, aviation and transport reinsurance	R0160	—	—
Non-proportional property reinsurance	R0170	—	—

Linear formula for life insurance and reinsurance obligations

		C0040	
MCR_L Result	R0200	—	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0090	C0100
Obligations with profit participation - guaranteed benefits	R0210	—	
Obligations with profit participation - future discretionary benefits	R0220	—	
Index-linked and unit-linked insurance obligations	R0230	—	
Other life (re)insurance and health (re)insurance obligations	R0240	—	
Total capital at risk for all life (re)insurance obligations	R0250		—
Overall MCR calculation			
		C0070	
Linear MCR	R0300	23,642	
SCR	R0310	147,865	
MCR cap	R0320	66,539	
MCR floor	R0330	36,966	
Combined MCR	R0340	36,966	
Absolute floor of the MCR	R0350	3,897	
		C0070	
Minimum Capital Requirement	R0400	36,966	