2018

TRUST RE

Cyprus Branch

Solvency & Financial Condition Report (SFCR)

Prepared: April 2019 (Updated October 2019)

Contents

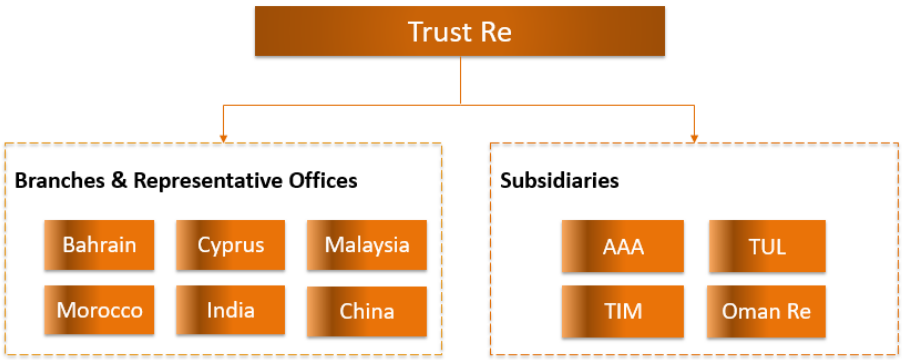
Executive Summary

Scope - The regulatory regime for Insurance Companies, known as Solvency II came in to force with effect from 1 January 2016. The regime requires new reporting and public disclosure in accordance to the article 51 and 52 of the solvency II directive. The Solvency Financial Condition Report ("SFCR") is required to be published by Trust Re for its Cyprus branch.

A. Business & Performance

Trust Re Cyprus Branch ("the Branch") is responsible for business emanating from CEE, SEE, Russia and the CIS. The branch takes an active role in underwriting of non-life reinsurance risks, business development and marketing for these areas. The 2018 and 2017 Gross Written Premium split is shown below.

Trust International Insurance and Reinsurance Company B.S.C. (c) ("the Company" or "Trust Re") is headquartered in Bahrain but operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries Trust Re structure and geographical presence is best illustrated in the diagram below.



* China Representative Office is under formation

Rating

The Company Credit rating was withdrawn during last quarter of 2018 by A.M. Best and Standard & Poor's (S&P) rating agencies to reflect the uncertainty regarding the late release of the company's financial statements.

Performance

The Branch revenue account extract for years 2017-2018 along with ratios on Operational Performance is summarised below.

INCOME STATEMENT	Actual 31-12-2017 USD' 000	Actual 31-12-2018 USD' 000
Underwriting results		
Cyprus treaty business	3,647	(22,756)
Other business	1,616	612
Total	**5,263**	**(22,144)**
Investment and other income	**4,470**	**1,536**
Total income	**9,733**	**(20,608)**
Non-technical expenses	134	(123)
Profit before tax	**9,599**	**(20,731)**
Tax	1,134	127
Profit after tax	**8,465**	**(20,604)**
Ratios on technical result		
Retention ratio	71.2%	65.8%
Commission ratio	8.0%	7.0%
Expense ratio	11.4%	10.6%
Loss Ratio	57.1%	183.5%
Combined ratio	76.4%	201.2%

The underwriting performance for 2018 deteriorated due to unexpected claims experience

The Branch is operating on a revised business plan given business and risk profile changes as well as rating challenges

As of 31st December 2018, the Branch had cash and Investments totalling to USD 93.0M. The following are the breakdown of investment income for 2018.

USD'000	2018
Interest on bank deposits	155
Interest on bonds	1,752
Profit/(loss) on sale of investment	(139)
Unrealized gain/(loss) on revaluation of investment	-
Unrealized gain/(loss) on revaluation of investment Property	414
Total Return on Investments	2,181

The fixed income portfolio is a well-structured and diversified portfolio to address the asset risk capital issues.

B. System of Governance

The System of Governance explained below is fully applicable to the Cyprus Branch.

Risk Governance Structure

Given the adopted Risk Governance structure and various roles of concerned individuals the Company has implemented the 'Three Lines of Defense' model.

The Risk Governance Structure of the Company is an integral part of the Risk Management Framework which will be updated as the Company, in order to address the 2018 challenges, is looking to undertake some further improvements in its management and corporate governance guidelines during 2019.

As part of the System of Governance arrangements, the Company has implemented comprehensive Discretionary Authority Limits (DAL) applicable to the whole organization.

The Cyprus Branch maintains an in-house underwriting team while full support is provided by the head office via an outsourcing policy.

Fit & Proper

The Company assesses a person's previous experience, knowledge, and professional qualifications and require that they demonstrate correspondent skills, care, diligence and compliance with the relevant standards for the area/sector they have worked in.

Trust Re assesses the person's honesty, integrity, reputation and financial soundness and the Company will take into consideration convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

Risk Management System

Trust Re aims to ensure an appropriate risk-reward balance in all of its risk taking activities. The Company's Risk Management System is built around a robust Enterprise Risk Management (ERM) framework which is embedded throughout the business and all of its Branches including the Cyprus Branch, which allows to adopt a pragmatic and balanced approach to risk.

The Risk Management System is based on the following guiding principles which are applied across the Company.

- Controlled Risk-Taking
- Effective Strategic Risk Management
- Clear Accountability and Responsibility
- Protection of Company's Balance Sheet from Shock Events
- Independent Risk Based Audit

The Company uses the *SAP Governance Risk and Compliance (GRC) System* which forms an integral part of the Risk Management System, to ensure that risk profiling and grouping is carried out in an efficient manner.

At Trust Re, the Risk Management Liaison Structure is instrumental in embedding an effective risk management culture across the organization. The Risk Management Liaisons Structure (RML) consists of Risk Owners, Risk Management Liaisons and Key Risk Indicator (KRI) Reporters for each business unit of the Company which are defined below.

The Company's Risk Management process and the current controls/practices are in place to effectively manage and control risks.

The ORSA serves as a vital tool to understand the risk exposures and solvency positions of the Branch.

The Company's Internal Control Environment is explained below.

The Compliance Function of Trust Re Cyprus Branch oversees the Cyprus Branch's Compliance program and is responsible for ensuring the Branch's Compliance framework remains an effective component of the internal control framework. The Company's Compliance Department undertakes regulatory compliance monitoring of the Branch using a risk based approach.

Aiming to improve Trust Re's data procedures and arrangements, further enhancements will take place in the technological capabilities and data processing as part of the ongoing strategic projects.

Internal Audit (IA) is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The Internal Audit Function delivers increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements. Moreover, the IA Function produces three-year Risk-Based Internal Audit Plan based on an extensive risk assessment of all identified auditable units. The Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the management and the Audit Committee.

The **Actuarial Function** is a key function under solvency II and has responsibilities ranging from coordination of calculation of technical provisions, assessing data quality, providing opinion on underwriting and reinsurance, and support risk management. The Actuarial Function undertakes quarterly actuarial valuations to establish the technical provisions of its unpaid claim liabilities. These valuations include the Trust Re's portfolio in its entirety (including the Company's branch portfolios). Best actuarial practices are being followed based on a robust reserving methodology for the quantification of technical provisions of the Company and the assessment of their adequacy. The Actuarial function is involved in the process of purchasing outward retrocession cover, managing the daily monitoring of the Company's aggregation/CAT exposures and pricing of risk.

C. Risk Profile

Underwriting risk is driven by Premium & Reserve risk and CAT risk. The details of each component are stated in the sub-sections individually. For the Branch, Premium & Reserve risk is 80% and CAT risk is 20% of the Underwriting risk.

The Counterparty Default risk is calculated based on the exposure to each of the credit counterparties (bank, reinsurer etc.) and their related credit rating.

Market risk is made up of Interest Rate risk, Concentration risk, Spread risk, Property Risk and Equity risk. Market risk is calculated based on the investment portfolio by applying various shocks and using projected cash flows for Interest rate risk.

The Branch's investment portfolio only has standard corporate bonds with weighted average modified duration of 2.3 years and 60% of the bond portfolio is rated A- or above.

For the Branch the concentration risk is non-material mainly primarily due to the way bonds have been selected/structured.

The Operational Risk provision is the maximum of either Operational Risk provision of earned premiums or Operational Risk provision of technical provisions. For the Branch the Operational risk provision of technical provisions is higher.

<u>Risk Mitigation</u>

Reinsurance **-** The Company's Retro Department is responsible for ensuring an appropriate reinsurance structure is in place given the Company's risk profile and exposures.

Liquidity - Liquidity monitoring is done on a regular basis and investment decisions are made to balance liquidity and returns. The Cyprus Branch liquidity is supported by the available liquidity in Trust Re.

Scenario and Stress testing - As part of the ORSA process specific scenario and stress tests will also be performed.

Aggregate & CAT Exposure - Market standard stochastic models are used to model Trust Re's aggregate exposures while the CAT modelling stage is outsourced. The classes of business modelled for the branch are: Proportional Treaty Engineering and property, Non-Proportional Treaty Engineering and Property. The company has licensed in-house RMS and has a separate CAT modelling team within the Actuarial & Risk department.

D. Valuation for Solvency Purposes

The Branch balance sheet under existing IFRS standards and Solvency II regime (for the year ended 31-12-2018) is summarized below:

		S II
USD' 000	**2018**	**2018**
ASSETS	139,819	123,531
Fixed Assets - Net book Value	5,650	5,650
Investments	72,295	72,864
Total Non-Current Assets	77,946	77,946
Inward Pipeline Treaty Premiums	11,638	176
Accounts Receivable	4,148	4,148
Other Debtors & Prepayments	449	449
Cash & Bank Balances	20,152	20,152
Total Current Assets	36,829	24,925
Reinsurance Technical Provisions	23,963	20,659
Gross DAC	1,082	-
Total Reins. Share of Technical Reserves	25,045	20,659

		S II
USD' 000	**2018**	**2018**
LIABILITIES	100,433	91,903
Other Provisions	880	-
Gross Technical Provisions	77,608	74,632
Best Estimate	-	70,522
Risk Margin	-	4,110
Total Gross Technical Reserves	78,488	74,632
Reinsurance Balances Payable	21,030	16,356
Other Payable and Accrued Expenses	915	915
Total Current Liabilities	21,945	17,271
NET ASSETS (Assets - Liabilities)	39,387	31,628
Shareholders' Equity	39,387	31,628
Own Funds	-	31,628
Paid Up Capital	49,974	-
Fair Value & Other Reserves	(10,587)	-

In calculation of own funds, the IFRS balance sheet is adjusted to a Solvency II balance sheet.

These differences result in the followings changes in Trust Re Cyprus' balance sheet:

- Total Assets under SII are USD 123.5M as compared to USD 139.8M under IFRS
- Total Liabilities under SII are USD 91.9M as compared to USD 100.4M under IFRS
- Available capital (Own Funds) under SII are USD 31.6M as compared to USD 39.4M under IFRS

Technical Provisions

Trust Re Cyprus adopts a prudent reserving approach with formalized actuarial techniques. The methodology adopted for claim and premium reserves are explained below.

Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

- Movement to a cash flow basis for valuation purposes
- Removal of any implicit or explicit margins within technical provisions to give a "true best estimate" for solvency purposes
- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are replaced by "premium provisions", valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows
- Movement to recognizing contracts on a "legal obligation basis". This will mean the inclusion of business currently not valued as part of technical provisions – for example 1st January renewals entered into prior to a 31/12 valuation

- Introduction of discounting
- Introduction of governance requirements for an explicit "actuarial function" with defined responsibilities
- Significant increases to documentation and validation requirements
- Introduction of explicit links to other areas of Solvency II such as internal models
- Introduction of the principle of proportionality that underlies the calculations

Impact on Results

The impact on technical provisions can be seen below.

	Gross USD'000	Net USD'000
IFRS Reserves held at 31/12/2018	**76,830**	**53,046**
Removal of Margins	(1,298)	(679)
Removal of 100% UPR	(5,004)	(2,514)
Inclusion of Loss on Unearned Incepted Premium	2,392	1,640
Inclusion of Profit on Future Premiums	158	120
Inclusion of Profit on Unincepted Premium	33	22
Change of Expense Basis	215	215
Discounting Credit	(2,803)	(1,987)
SII Provisions excl. Risk Margin	**70,522**	**49,863**
Risk Margin	4,110	4,110
SII Provisions at 31/12/2018	**74,632**	**53,973**

For Cyprus Branch, the year-end 2018 the gross and net IFRS reserves were USD 76.8M and USD 53.0M respectively. The details of these can be found in the Actuarial Valuation Report on Technical Provisions as of 31st December 2018.

The net technical provisions stand roughly at USD 54.0M. Technical provisions including risk margin for all material solvency II lines of business are given in the appendices. The impact of new business (i.e., 1/1 renewals) is much lower compared to previous years during to lower premiums following the rating challenges.

The change in approach to technical provisions impacts the solvency balance sheet.

E. Capital Management

USD'000	2018
Ordinary Share Capital	49,974
Reconciliation Reserve	(18,345)
Basic Own Funds	31,628

Trust Re Cyprus Branch has USD 50.0M paid up share capital out of which qualifies as Tier 1 funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the Solvency II valuation of USD -18.3M is also taken into consideration, resulting in Own Funds of USD 31.6M.

The Branch's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2018 are USD 39.3M and USD 12.3M respectively.

The eligible amount of Tier 1 own funds (USD 31.6M) comply with the MCR requirements, however falls short of the SCR requirements. The underlying Own funds stand at 257.3% of MCR and 80.5% of SCR.
The individual risk categories contributing to the SCR were as follows:

- Underwriting Risk – USD 30.3M
- Market Risk - USD 13.8M
- Counterparty Risk – USD 1.7M
- Operational Risk – USD 2.1M

The Branch's risk appetite for minimum solvency ratio was at 115.0% in 2018. As part of the planning and adopted recovery plan the minimum level has been revised upwards to 135.0%.

For information purposes, it is stated that the Branch's solvency position during the year 2019 has been restored with and SCR of 124.6% and 144.9% for the first and second quarter of 2019 respectively.

Introduction

Scope

The new regulatory regime for Insurance Companies, known as Solvency II came in to force with effect from 1 January 2016. The regime requires new reporting and public disclosure in accordance to the article 51 and 52 of the solvency II directive. The Solvency Financial Condition Report ("SFCR") is required to be published by Trust Re for its Cyprus branch.

The Report

Section A of this report outlines the Trust Re Cyprus Branch's business profile and summarizes its underwriting and investment performance.

Sections B provides a summary of the System of Governance in place and explains the features and adequacy of its risk control system and structure in place.

The risk profile of the Branch is explained in Sections C, followed by an explanation of the valuation methodology of the Branch's assets and liabilities for solvency purposes in Section D.

Capital Management issues are explained in Section E.

Related quantitative reporting details are presented in the appendix of this report.

A. Business & Performance

A.1 Business & Environment

Trust Re Cyprus Branch

Trust Re Cyprus Branch ("the Branch") in Limassol is responsible for business emanating from CEE, SEE, Russia and the CIS. The branch takes an active role in underwriting of non-life reinsurance risks, business development and marketing for these areas.

Business Portfolio
The Branch operates mainly in the markets of CEE, SEE Russia and CIS. The 2018 and 2017 Gross Written Premium split is shown below.

The classes of business primarily include exposures to Energy, Property, Marine, Engineering, Motor accident related risks.

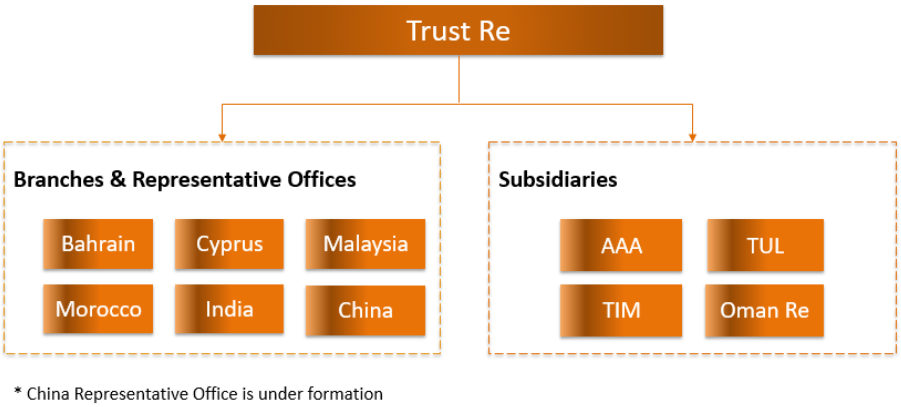
The Branch's underwriting strategy is based on the following guidelines

- Focusing on XOL business utilizing full capacity on profitable accounts, while trying to achieve a balance between Proportional and Non-Proportional business
- Continue providing lead quotations where capacity permits
- Diversify portfolios geographically targeting a balance between different regions
- Constant monitoring of aggregate exposures
- Promote Trust Re as "Reinsurer of Choice" through marketing
- Continuing to develop direct relationships through more frequent visits in its major markets

The Branch's External Auditor is PricewaterhouseCoopers Limited (Cyprus) and its applicable Supervisory Authority is the Insurance Companies Control Service of the Ministry of Finance (Cyprus).

Trust Re

Trust International Insurance and Reinsurance Company B.S.C. (c) ("the Company" or "Trust Re") is a closed joint stock company registered in the Kingdom of Bahrain, with authorized capital of USD 500M, and issued and paid-up capital of USD 250M. Trust Re is headquartered in Bahrain but operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries, Cyprus and Turkey. To accommodate this market spread, Trust Re has established Branch Offices in Cyprus and Labuan (Malaysia), and Representative Offices in Morocco, China and India. It also has established subsidiaries across multiple regions. Trust Re structure and geographical presence is illustrated in the diagram below.



A brief outline of the Company's Branches and Representative Offices are as follows:

- The Cyprus Branch is responsible for treaty business emanating from CEE, SEE, Russia and the CIS. The Branch takes an active role in business development and marketing for these areas.
- Trust Re Labuan was set up as a branch office in 2003. The office is situated in Kuala Lumpur and regulated by Labuan Financial Services Authority. It is responsible for the marketing and underwriting of non-life facultative and treaty reinsurance business from the Far East and ASEAN countries.
- Trust Re's representative office in Morocco operating under the Casablanca Finance City functions as a regional office to serve Trust Re's clients in North, Central and West Africa.
- Trust Re's representative office in India is limited to undertaking liaison activities, i.e. acting as a communication channel between Head Office in Bahrain and business partners in India including brokers and cedants.
- Trust Re's representative office in China will be responsible for representing and promoting Trust Re group in China (including Mainland China, Hong Kong, Macau and Taiwan).

The aim is for the representative offices to develop and evolve into branches similar to Cyprus and Labuan.

Trust Re's subsidiaries include:

- Afro Asian Assistance (AAA) which provides the insurance market with a highly desirable alternative in the Travel Assistance arena.
- Trust Insurance Management (TIM) which provides Trust Re access to Lloyd's expertise in specialty insurance classes, extended capacity, and access to Lloyd's expanding regional presence as well as its strong financial rating.
- Trust Underwriting Limited (TUL) which is participating in the Lloyd's market as a corporate capital provider to a variety of syndicates.
- Texas International Underwriters Inc. (TIU) which is a wholly owned subsidiary of the Company with the main activity of servicing the Company's American clients, and Oil & Gas Contractors who are working in the Company's region of operation.
- Oman Re which aims to serve as the premier reinsurance provider for the Omani market and Sub-Sahara Africa and Indian continent.

Business Portfolio

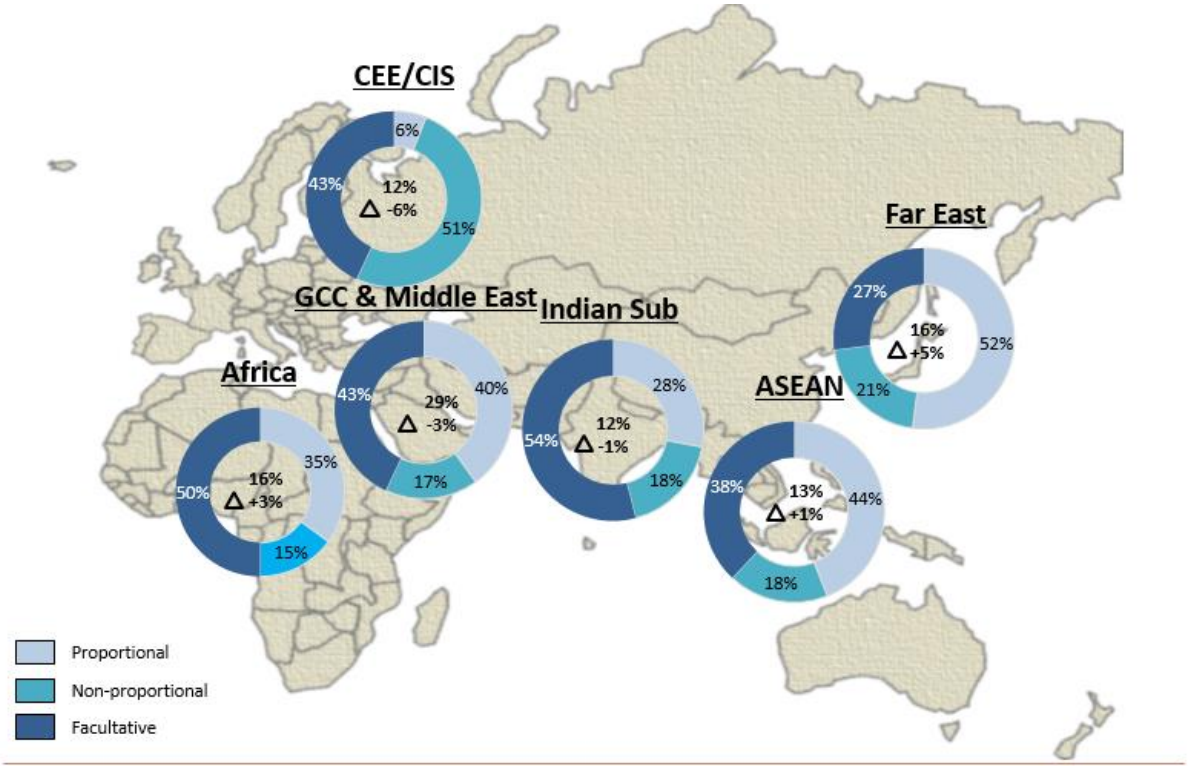
Trust Re Cyprus Branch provides reinsurance protection to direct insurance companies in its geographical area of operation in the following Treaty lines of business:

- Marine, Aviation, and Transport Insurance
- Fire and Other damage to Property Insurance
- General Liability
- Non-Proportional Property Reinsurance
- Non-Proportional Casualty Insurance
- Non-Proportional Marine, Aviation and Transport Insurance

The Branch also has a small run-off business from various facultative and treaty lines of business.

Trust Re's business strategy and class offerings mean that the majority of businesses written are short-tail commercial line businesses. From its early days, Trust Re has positioned itself to play a leading role in the Oil & Energy insurance business. Trust Re has obtained particular knowledge and expertise in the Afro-Asian markets to the extent that the Federation of Afro-Asian Insurers & Reinsurers (FAIR) chose Trust Re to manage the FAIR Oil & Energy Insurance Syndicate.

As can be seen below, the total Trust Re's 2018 Gross Written Premium split of the Company is well diversified regionally.



**The remaining 2% is in West Europe, Americas and Australia*

More specifically the figures shown above represent the percentage split of Trust Re's 2018 portfolio Gross Written Premium (GWP) into the various marketing units and the split of those regions into the various types of reinsurance (i.e. 43% of the GCC premium stems from Facultative reinsurance business).

Trust Re's External Auditor is PricewaterhouseCoopers ME LTD (Bahrain) (while Cyprus Office of PricewaterhouseCoopers Limited provides the audit opinion on the Solvency and Financial Conditions Report of the Branch) and Supervisory Authority is the Central Bank of Bahrain. The Supervisory Authority for Trust Re Cyprus is the Insurance Companies Control Service (ICCS), Cyprus.

Rating

The Company Credit rating was withdrawn during last quarter of 2018 by A. M. Best and Standard & Poor's (S&P) rating agencies to reflect the uncertainty regarding the late release of the company's financial statements.

Parent Company (Nest Investment Holdings LTD)

Nest Investments (Holdings) Limited (the "Parent") has been in existence for over 20 years. The ultimate holding company, is headquartered in Limassol, Republic of Cyprus. It serves as the ultimate shareholding company of all the business assets of the Group. This includes substantial or majority shareholding interests in many Direct Insurance, Re-insurance and Licensed Operations such as World Trade Center, Property Development, Asset Management, and Building Materials Manufacture in over 23 countries in North America, Europe, Africa, the Middle East / Gulf Region, the Far East and Australia. Trust Re 99.1% owned by Nest Investments (Holdings) Ltd.

A.2 Underwriting Performance

This section provides an overview of the Branch's Underwriting performance.

In USD'000	2017	2018
Gross Written premium	31,500	32,538
Net Written premium	22,428	21,409
Net Earned premium	22,334	21,883
Net Incurred Claims	12,741	(40,165)
Total Cost of insurance	14,527	41,700
Gross Underwriting Profit/(Loss)	7,808	(19,816)
Less Operational Expenses	2,545	2,328
Underwriting Result	5,263	(22,144)

The Branch produces written premium in excess of USD 30M. The premium remained at similar levels during 2017 and 2018.

The underwriting profit worsened from USD 5.3M in 2017 to USD -22.1M in 2018. This was due to multiple large losses, with Non-Proportional Motor line being the major contributor.

The Branch revenue account extract for years 2017-2018 along with ratios on Operational Performance is summarised below.

INCOME STATEMENT	Actual 31-12-2017 USD' 000	Actual 31-12-2018 USD' 000
Underwriting results		
Cyprus treaty business	3,647	(22,756)
Other business	1,616	612
Total	**5,263**	**(22,144)**
Ratios on technical result		
Retention ratio	71.2%	65.8%
Commission ratio	8.0%	7.0%
Expense ratio	11.4%	10.6%
Loss Ratio	57.1%	183.5%
Combined ratio	76.4%	201.2%

In 2018 there were multiple large losses that led to a worse loss experience compared to 2017. The Indian run-off business experience improved, as no new losses were reported for the short-tail lines (Energy Onshore Downstream and Property). The commission ratio improved by 1.0% and there was a decrease in expense ratio of 0.8%.

Underwriting Performance by SII Line of Business

USD'000		*Marine, Aviation and Transport insurance*	*Fire and other damage to property insurance*	*General Liability*	*Non-proportional Casualty reinsurance*	*Non-Proportional Marine, Aviation and Transport insurance*	*Non-Proportional Property Reinsurance*	*Total*
	Net Earned Premium	194	1,192	202	6,900	2,171	11,225	**21,883**
	Net Acquisition Cost	77	383	78	481	130	385	**1,535**
2018	Net Incurred Claims	117	1,355	35	25,192	1,692	11,774	**40,165**
	Expenses	32	155	38	726	167	1,211	**2,328**
	Underwriting Result	(32)	(702)	51	(19,499)	183	(2,146)	**(22,144)**
2017	**Underwriting Result**	**(105)**	**574**	**8**	**(1,008)**	**977**	**4,818**	**5,263**

Non-Proportional Property business and Non-Proportional Casualty had significant deteriorations in the underwriting performance. Both lines of business experience large losses during 2018.

A.3 Investment Performance

As of 31st December 2018, the Branch had cash and Investments totalling to USD 92.6M, the breakdown of which is shown below.

Asset Allocation	2018
Cash	21.8%
Fixed Income	73.0%
Equities	0.1%
Real Estate	5.1%
Total Invested Assets	**100%**

The Branch's investment objective is to ensure adequate liquidity at all times to meet the operational obligations as well as maximize the return within certain acceptable predefined parameters and policies, in-line with Solvency II and rating agency guidelines.

Fair value of the assets is estimated through traded market values (closed of the day) or through valuation techniques based on available relevant information related to the assets.

Investment income comprises of dividends, interest income, and coupon income in addition to both realised and unrealized gains and losses. Movements are recognised in the profit and loss accounts in the period in which they arise. The following are the breakdown of investment income for 2018.

USD'000	2018
Interest on bank deposits	155
Interest on bonds	1,752
Profit/(loss) on sale of investment	(139)
Unrealized gain/(loss) on revaluation of investment	-
Unrealized gain/(loss) on revaluation of investment Property	414
Total Return on Investments	2,181

The fixed income portfolio is a well-structured and diversified portfolio to address the asset risk capital issues.

A.4 Performance of Other Activities

Income is in respect of sale of assets, interest earned, management fee, administration expense and profit on sale. Similarly, Expenses arises in respect of loss on sale assets, loss on exchange rate and bank charges. The breakdown of other income and expense can be seen below:

Financial Income/Expense USD'000	2018
Bank charges and interest	23
Financial expenses	23
Exchange Difference – Profit	(672)
Unrealized gain on available for sale securities	(209)
Profit on sale of available for sale investments	(139)
Interest earned	1,907
Other Income	26
Financial income	914
Net Finance Income/(Expense)	937
Technical Expenses	(3,165)
Other Admin and General Expenses	(100)
Net Finance Income/Expense	(2,328)

The reasoning for the other Income and Expense incurred during 2018 are as follows:

- Exchange Loss for the year 2018 was due to the depreciation of the EURO against USD during the year.
- Unrealized loss on available for sale securities of USD 209K also related to Euro depreciation against the USD
- The Branch's main investment portfolio is in coupon paying bonds. The Branch earned USD 1.9M of coupon payments in bonds during the year and USD 155K interest on bank deposits.
- The Company earned management fees of approximately USD 26K on various reinsurance contracts.
- Technical Expenses are expenses that the Branch deems to be directly related to the underwriting business of the Branch, major portion of the expense is Head Office Charge which is charged by the Head Office for all the functions provided by it for the Branch.

B. System of Governance

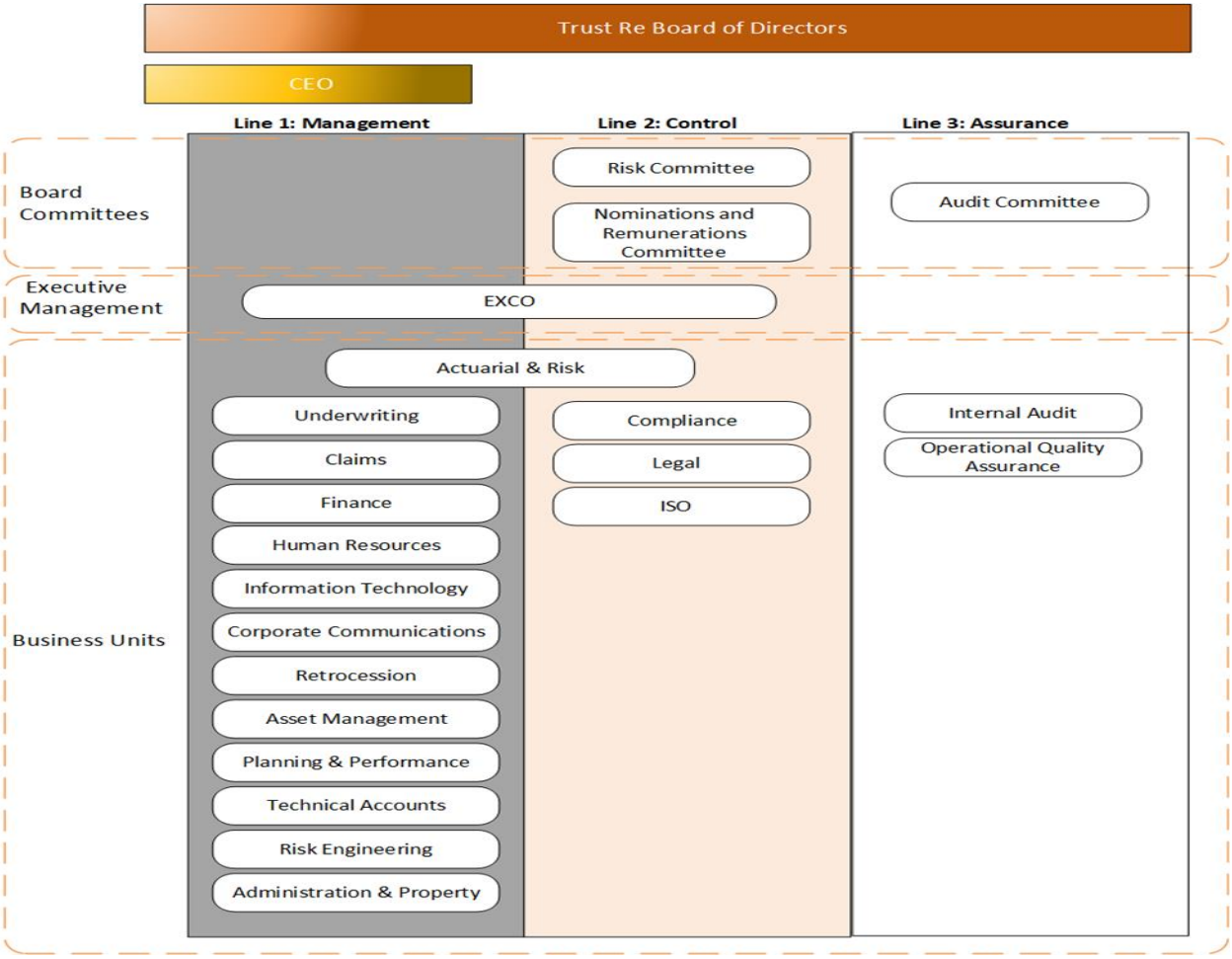
Trust Re's system of governance which is fully applicable to the Cyprus Branch is explained below:

B.1 General Governance Arrangements

Given the adopted Risk Governance structure and various roles of concerned individuals, the Company has implemented the 'Three Lines of Defense' model as part of the Corporate Governance framework.

The Three Line of Defense supports the implementation of a robust internal control system that ensures there is sufficient control and challenge at all levels of the organization and it incorporates a 'four eye principle'.

The Branch's 'Three Lines of Defense' structure is outlined below:



The First line of defense has direct responsibility for the day to day management of risk and therefore includes all staff and management working within operational business units.

The second line of defense is responsible for coordinating, overseeing and controlling risks to ensure the effectiveness and integrity of the Company's management framework.

The third line of defense is responsible to provide independent assurance and challenge all the Functions in respect of the integrity and effectiveness of the Company's risk management framework.

Roles & Responsibilities

Board of Directors (BOD) is responsible for setting the overall strategic direction, approving business plans and monitoring the overall performance of the business against the approved plans and within a framework of sound corporate governance.

The non-executive Chairman of the Board is responsible for leading and ensuring that the effectiveness of the Board Committees is in line with the Board terms of reference as well as their conduct and meetings.

The BOD's oversight committees, namely Nomination & Remuneration, Risk and Audit, are an essential part of the Corporate Governance and Risk Management processes. The three Committees assist the BOD with its decisions by providing detailed and updated information. The main roles and Responsibilities of the BOD Committees are summarized in the table below.

	Risk Committee	**Audit Committee**	**Nomination & Remuneration Committee**
Key Duties & Responsibilities	▪ Oversee the effectiveness of the company's internal control systems ▪ Advise the Board on the Company's overall risk appetite ▪ Review the ERM plan ▪ Ensure that the company has an effective risk management system	▪ Review significant accounting and reporting issues ▪ Review and discuss with management and the external auditor financial statements regularly ▪ Review the effectiveness of the company's internal control system ▪ Review and approve at least annually the internal audit plan & budget	▪ Developing criteria for selection on the appointment and removal of company executives and directors ▪ Developing a plan for identifying, assessing and enhancing company executives and directors competencies ▪ Evaluating the GCEO' performance in light of corporate goals and objectives
Membership & Meeting	▪ The Committee shall have at least three members ▪ Majority of the members of the committee including the Chairman shall be: ○ Independent directors, and ○ Non-executives	▪ The Committee shall have at least three members ▪ majority of the members of the committee including the Chairman shall be: ○ Independent directors, and ○ Non-executives	▪ As a minimum, N&RC shall meet four times per year ▪ The committee should include only independent directors or, alternatively, only non-executive directors.

The Executive Council is structured around four pillars namely Corporate Services, Operations, Financial and Risk, each with its own specific focus. The heads of the four pillars report directly to the Group Chief Executive Officer (GCEO).

The GCEO is responsible for the executive leadership and operational management of the Company. The GCEO is accountable to the Board for the development, recommendation and implementation of the strategies, policies and the framework of controls.

The Group Corporate Services Officer (GCSO) is responsible for the Corporate Services Pillar which includes Administration and Property, Human Resources, Corporate Communications, Information Technology and Planning and Performance Management departments.

The Group Chief Operating Officer (GCOO) oversees all the underwriting activities of the Company which includes all lines of business Facultative and Treaty including all the branches and subsidiaries.

The Group Chief Risk officer (GCRO) is responsible for the operations and activities of the Corporate Risk Pillar which includes Retrocession, Actuarial & Risk, Legal, and Audit & Compliance departments.

The Group Chief Financial Officer (GCFO) is responsible for the daily operation of the Company's accounting and financial functions and for significant contributions to the formulation, implementation, and administration of corporate-wide finance related policies and Business goals.

In addition, the GCEO, is the Risk Sponsor and the Head of Actuarial & Risk Management Department is the Risk Champion.

The GCEO resigned on 25th May 2018 and the GCRO resigned on 31st Dec 2018. At the time of preparation of this report, a new GCEO has been appointed. A new GCFO and GCRO were appointed in June 2019 after being approved by the Central Bank of Bahrain. Further corporate governance enhancements are to take place during 2019.

Discretionary Authority Limits (DAL)

As part of the System of Governance arrangements, the Company has implemented a comprehensive DAL applicable to the whole organization. The BOD is responsible to govern the Delegated Authority while the GCEO is responsible for its management at Trust Re and its Branches (including the Cyprus Branch).

The DAL secretary has been entrusted by delegation for implementing, monitoring and reviewing the Discretionary Authority Limits to ensure that the Company's business activities are within the BOD's predefined limits.

Cyprus Branch Outsourced Governance Functions

The Cyprus Branch maintains an in-house underwriting team while full support is provided by the head office via an outsourcing policy. These functions are essential to the Branch's operation and its ability to deliver prompt and efficient services to the policy holders.

As per the Solvency II Directive, the 'Key Functions' include:

- Risk Management
- Actuarial
- Internal Audit
- Compliance

In addition to the aforementioned key functions and as part of the "Fit and Proper" requirements, it was agreed with the Insurance Company Control Service (ICCS) to also include the Finance Function to be part of the Company's Critical Functions.

All Key Function Holders are subject to approval of the ICCS.

The other outsourced functions of the Cyprus Branch include:

- Human Resources
- Claims
- Information Technology
- Corporate Communication
- Retrocession
- Quality Process Improvement
- Asset Management
- Planning and Performance Management
- Technical Accounts
- Legal Adviser
- Administration and Property

Remuneration and benefits

The Cyprus Branch has an aligned process of setting and reviewing organizational goals, departmental goals and individual goals which are linked to Trust Re's 'Performance Reward Opportunity' scheme which is open to all employees. Any elements of variable pay, the output of the Company's high performance/engagement cycle, is linked to performance through the two dimensions of individual and company performance achievement, with rewards being offered to all employees as a percentage of guaranteed pay varying based on seniority of the employee.

Trust Re has linked rewards to both the individual and company performance which promotes and enables a high performance engaged culture across the organization.

B.2 Fit & Proper Requirements

As per the Solvency II Directive, the individuals and functions under the scope of "Fit & Proper" requirements are mentioned in Trust Re's "Outsourcing Policy – Cyprus Branch".

The following highlights the 'Fit and Proper' requirements and the main actions taken by the Company to comply with Solvency II Directive.

Fitness

The Company assesses a person's previous experience, knowledge, and professional qualifications and require that they demonstrate correspondent skills, care, diligence and compliance with the relevant standards for the area/sector they have worked in.

In addition, all individuals must maintain their competence for the role they fulfill and it is the responsibility of the HR function to ensure that all the individuals are employed with and further receive appropriate training for maintaining their competence.

Propriety

Trust Re assesses the person's honesty, integrity, reputation and financial soundness and the Company will take into consideration convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

Monitoring Compliance with "Fit & Proper" Requirements

The Company further monitors the compliance with 'Fit and Proper' requirements by assessing compliance with regulatory requirements, Company specific requirements and policies, with additional self-certification to Human Resources function on an annual basis.

B.3 Risk Management System

Trust Re aims to ensure an appropriate risk-reward balance in all of its risk taking activities. The Company's Risk Management System is built around a robust Enterprise Risk Management (ERM) framework which is embedded throughout the business and all of its Branches including the Cyprus Branch, which allows to adopt a pragmatic and balanced approach to risk.

The Risk Management System is based on the following guiding principles which are applied across the Company.

Controlled Risk-Taking – Choosing risks wisely which create value and build customers' trust, are central to Trust Re's value proposition. This results in working within a clearly defined risk control framework, which includes adherence to the Risk Appetite and operating within carefully considered Risk Tolerance limits.

Effective Strategic Risk Management – Consistent execution of risk-rewards analysis is an integral part of Trust Re's decision making process. The Company's Risk function is therefore mandated to ensure effective integration of Risk Models into the organization for risk based decision making.

Clear Accountability and Responsibility – The Company operates on delegated and clearly defined authority levels. All individuals are accountable for the risks they identify and/or assume. These are aligned with the overall Company's objectives and are embedded in the risk management process.

Protection of Company's Balance Sheet from Shock Events – The Risk management function monitors the Company's risk-taking activities including emerging risks and risks not in the Company's data. The risks evaluation process also includes the analysis and understanding of the financial impact and business implications from the potential occurrence of infrequent large events.

Independent Risk Based Audit – An independent risk-based internal audit is performed at all levels and operations of the Company. This covers all risks and internal controls identified in the risk register as well as additional testing so as to ensure adequacy of internal controls.

The Company uses the SAP Governance Risk and Compliance (GRC) System which forms an integral part of the Risk Management System, to ensure that risk profiling and grouping is carried out in an efficient manner. The GRC System is a proprietary tool that provides integrated and automated Risk Management solutions that has been implemented at Trust Re and is adopted by the Cyprus Branch as part of its Risk Management framework. In addition, the SAP GRC has been extended to include four additional module extensions, as follows:

- *KRI Module*: Enhance the mechanism of KRI reporting and improve risk quantification
- *Policy Management*: To automate policy management lifecycle processes.
- *Incident Management*: To capture and report on incidents which have potential financial impact on the Company.
- *Issue Management*: To report Issues related to day-to-day business operations to ensure timely resolution before issue is converted into a risk.

The Company's Risk Management Framework is explained under the following concepts:

- Risk Culture and Governance
- Risk Appetite
- Risk identification and prioritizations
- Risk Management and controls
- Risk Reporting & Communication

Risk Culture and Governance

At Trust Re, the Risk Management Liaison Structure is instrumental in embedding an effective risk management culture across the organization. The *Risk Management Liaisons Structure (RML)* consists of Risk Owners, Risk Management Liaisons and Key Risk Indicator (KRI) Reporters for each business unit of the Company which are defined below.

Risk Owners: are individuals within a business unit with authority to make the decision to treat, or not to treat a risk.

Risk Management Liaisons are responsible to assist Risk Owners in identifying the relevant risks.

Key Risk Indicator Reporter assists the Risk Management Liaisons in the risk identification process.

The Risk Register Review process forms part of the RML program.

The RML initiative has led to more proactive control of the risks and better avoidance of violating risk tolerances.

The role of the various Business Units / Departments (Risk Owners) in the context of the organization's Enterprise Risk Management Process consists of:

- Managing risk on a day- to- day basis.
- Promoting risk awareness within the operations of the Business Unit / Department.
- Introducing risk management objectives into their business.
- Including risk management as regular management-meeting item
- Ensuring that risk management is considered throughout a product's life cycle or a project's duration.

Risk Appetite

Risk appetite reflects the amount of risk taking that is acceptable to an organization. As a result, risk appetite refers to the organization's attitude towards risk taking and whether it is willing and able to tolerate either a high or a low level of exposure to specific risks or risk groups. At Trust Re, the Risk Appetite assists the Company to express the maximum level of risk Trust Re is prepared to accept in order to deliver its business objectives as articulated in the Company's business plan. The following serves as the Risk Appetite Summary.

- The Board promotes the creation of long term shareholder value through prudent risk management by actively mitigating or avoiding risks that fall short of our risk / return requirements. Additionally, the board will not tolerate any business/behavior that does not reconcile with the Group's Values.
- This is achieved by focusing on two key areas:
  - Balance sheet strength measured by economic capital and
  - Liquidity, and protection of franchise value.

Risk Identification & Prioritization

The Cyprus Branch's Risk Management Function is outsourced to the Trust Re Head Office. The Risk management process, including Identification and prioritization aspects/practices are summarized in this section.

<u>Risk Management Process</u>

The adopted Risk Management process/cycle at the Company includes Risk Planning, Risk Identification, Risk Assessment, Risk Treatment, Risk Reporting, and Risk Assurance. As part of the risk management process, the SAP GRC System is also used to enable staff to regularly review risk descriptions, detail of control activities and adequacy of existing controls, risk scores (inherent and residual), potential improvement actions and contingency plans.

The Company's risk identification process is undertaken via risk review meetings involving a broad range of subject matter specialists from the various business units, including management, if required. The outcome of this step is the preparation of detailed risk registers, documenting 'risks' along with descriptions of how and why they might impact the Company.

Additionally, the Company has established standard criteria via the SAP GRC system for assessment of risks based on their likelihood and impact, in order to aggregate the results across risk classes. The System has also established pre-defined criteria for risk scoring, significance, escalation and response.

Risk Reporting & Communication

Providing the management with relevant risk information ensures better identification and prioritization of risk and opportunities, enabling more efficient and informed decision-making.

As part of the Company's Management Information practice, various reports are produced for the Board and/or the regulator with different frequency based on requirement and/or if need basis.

B.4 ORSA

One of the key components of Trust Re's risk assessment process is the 'Own Risk and Solvency Assessment' (ORSA). ORSA is now well linked to the risk appetite, capital management and the business planning process. The report is reviewed and updated on an annual basis to ensure that the processes, procedures and data described in the report are in line with the current practices being adopted by the Company.

The Company ensures that the ORSA process takes places concurrently with the Business Planning Process to ensure that all risks identified by the BOD during the business planning process are considered in the ORSA.

The EXCO and the BOD review the ORSA report and recommends a number of investigations and/or further scenarios and/or stress tests to gain better understanding of potential risks implications. Upon completion of this stage the BOD will approve the report which reflects their own view of ERM strategy and risks assessments as needed.

The ORSA report is used for decision-making taking advantage of the various scenarios and respective recommendations presented, satisfying the use test.

The last ORSA report was done for 2017-2022 period and the 2018-2023 ORSA is to be prepared to address last year's and other recent challenges.

B.5 Internal Control System

As indicated earlier, the Company applies the "Three Lines of Defense" model as part of effective risk management and internal control. Also, The Company has an approved Code of Conduct which outlines principles that represent minimum ethical standards for all employees. Clear accountability and responsibility exists at all levels, wherein the Company operates delegated and clearly defined authority levels.

The Company's Internal Control Environment is explained below.

Compliance Function

The Compliance Function of Trust Re's Cyprus Branch is outsourced to the Company Head Office located in the Kingdom of Bahrain, which oversees the Cyprus Branch's Compliance program and is responsible for ensuring the Branch's Compliance framework remains an effective component of the internal control framework. The Company's Compliance Department undertakes regulatory and financial crime compliance monitoring of the Branch using a risk based approach.

A Head of Compliance and Money Laundering Compliance Officer ("Compliance Officer") who was approved by the Insurance Companies and Control Services and is appointed via a formal outsourcing arrangement with responsibility for the implementation of the Cyprus Branch's Compliance Policies.

The Compliance Officer reports to the Board Risk Committee and the full Board of Directors. The Compliance Officer is provided unrestricted access to the Branch's records and has ultimate recourse to the Board of Directors, while it advises the Board and Executives of the Branch's legal and regulatory requirements. This includes keeping them informed of developments affecting legal and regulatory requirements.

The compliance function is also responsible for the following:

- Monitoring compliance with relevant laws, regulations and internal policies and procedures through Compliance reviews of the business, according to a risk based plan.
- Managing regulatory requests and onsite regulatory inspections / visits, ensuring there is a central point of contact.
- Managing the Branch's program in relation to four specific financial crime risks: fraud, bribery and corruption, money laundering and terrorist financing, and sanctions compliance.

Data Credibility

Aiming to improve Trust Re's data procedures and arrangements, further enhancements will take place in the technological capabilities and data processing as part of the ongoing strategic projects. The projects intend to deliver transformational change in operational capability and a reduced level of data errors by using leading edge technology.

This vision will be enabled through four core objectives:

More Efficient	Better Governance	More Customer Centric	More Agile
• Improved productivity • Seamless integration and information flow • Standardize and streamline processes • Configurable and reportable workflow • Improve operational quality and reduce errors/issues • Consistent and accessible data, with one source of truth • Better communication between departments	• Embedded controls • Authorisation levels embedded within workflow • Standardization & governance of data • Standardisation of practices • Standardized reporting • Exception alerts • Embedded audit trail • Enhance analytical capability • Improve decision making capability	• More responsive to customer requests • Ability to monitor customer service standards • 360º single customer view • CRM capability – integrate business partner data with business data • Enable account management • Empowerment of local entities (branches and affiliates)	• Configurable workflow, facilitating continuous improvement • Flexibility to respond to customer needs • Support multiple business entities • User access regardless of location or device • Ability to integrate with external tools • Be prepared for industry disruption • Utilise alternative communication channels

For efficient achievement of the aforementioned objectives, a new IT platform is being developed that is considered a major enabler for achieving true business transformation and meeting the project objectives. This requires change across a number of dimensions:

- IT Platform Replacements
- Process Reengineering
- Organization Change
- Performance Management
- Data Governance
- Development of new Capabilities
- Empowerment of Employees
- Innovation/Continuous Improvement

These developments incorporate large and complex projects/programs with accompanied wide range of challenges. Any challenges and risks are managed by the strong program governance in place for this purpose.

Contingency Plans

The Company's has developed a Board approved Business Continuity Management System (BCMS) that enables the Company to be prepared to deal with disruptive incidents/events that may prevent the Company from achieving its objectives.

Business Continuity Management Structure

At Trust Re, Business Continuity Management consists of the following Plans:

- Crisis Communication Plan – includes the formation of a Crisis Communications Team, Critical Risks Scenario Planning, Stakeholder identification and escalation matrices, and pre-drafted Holding Statements.
- IT Disaster Recovery Plan – describes the procedures to be carried out for recovering critical technology platforms and the telecommunications infrastructure, including the activation of the IT Disaster Recovery site which is established in Trust Re's Office in the Labuan Branch.
- Business Continuity Plan – The BCP document describes the procedures and arrangements to be carried out in case an incident affects the operations and continuity of Trust Re.

In addition, the Company has established a 'Critical Events Readiness Review Team' with the purpose of reviewing, implementing, testing, evaluating, validating and, monitoring testing the elements of the BCM systems and framework to ensure that the BCM objectives and related actions are being met.

B.6 Internal Audit Function

Internal Audit (IA) is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

On an annual basis, the Internal Audit Function declares its independence and objectivity to the Audit Committee. The declaration is based on two key factors, namely the organizational independence of the IA function and the objectivity of its staff. Organizational independence is effectively achieved as the IA function reports functionally to the Audit Committee. Furthermore, the Internal Audit Function is free from interference in determining the scope of internal auditing, performing work, and communicating results.

The Internal Audit Function delivers increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements. To achieve this, the IA Function has an Internal Audit Strategic Plan which details the strategic goals of the function and provides a framework for performing and promoting a broad range of value-added internal auditing activities.

Moreover, the IA Function produces a Risk-Based Internal Audit Plan based on an extensive risk assessment of all identified auditable units. The risk assessment is enhanced with the feedback of the key stakeholders and the use of Trust Re's risk register compiled by the Risk Department. Also, the IA plan is approved by the Board Audit Committee and revisited regularly to allow the flexibility in a changing risk environment.

The Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the management and the Audit

Committee. Moreover, the Internal Audit function promotes action on audit recommendations and reinforce staff commitment to results through application of sound monitoring and follow-up systems.

Accordingly, there is a follow-up process to monitor and ensure that management actions have been effectively implemented thus maintaining a periodic process of following up on the issues until these are resolved.

B.7 Actuarial Function

Actuarial function is a key function under solvency II and has responsibilities ranging from coordination of calculation of technical provisions, assessing data quality, providing opinion on underwriting policy/guidelines, pricing, providing opinion on adequacy of reinsurance, and supporting risk management.

The Actuarial Function undertakes quarterly actuarial valuations to establish the technical provisions of its unpaid claim liabilities. These valuations include the Trust Re's portfolio in its entirety (including the Company's branch portfolios). Best actuarial practices are being followed based on a robust reserving methodology for the quantification of technical provisions of the Company and the assessment of their adequacy. Willis Towers Watsons (WTW) Reserving software, ResQ is used as part of the reserving process. WTW also perform annual peer review on the adequacy of the reserves for the whole portfolio.

The Actuarial function is involved in the process of purchasing outward retrocession cover. This includes assessment of the retro cover from a risk based capital and risk-return analysis. The appropriateness of risk Non-Proportional reinsurance programs as individual portfolio levels is quantitatively assessed by modeling frequency and severity of losses and loss simulations. The actuarial function is also managing the daily monitoring of the Company's aggregation/CAT exposures.

The Actuarial function is currently in process of testing and implementing an internal stochastic model; Tyche. The internal stochastic capital model will first be used for Trust Re and then also for selected aspects of Cyprus Branch issues. The capital model will be used in the process of business planning and purchasing reinsurance program cover.

The Actuarial function is involved in the ORSA process. This includes developing and maintaining a multi-year forecast model to generate projection of the underwriting results. The forecast model consists of key underwriting assumptions.

The Actuarial function also supports the internal model process, in regards to the calibration of the reserving risk module by providing key inputs such as coefficient of variations.

B.8 Outsourcing

Trust Re is responsible for providing all strategic direction for the Cyprus Branch. Outsourcing critical and important functions to the Head Office ensures that the Branch operations are in line with the Company's strategy, Risk Appetite and Tolerance levels established at the Head Office by the Board for the Company and its Branches. The Head Office has the financial and technical capacity to provide the outsourcing service to the Branch where short-term additional technical capacity is required. The common goals and objectives set by the Board ensure that any conflicts of interests are eliminated through intragroup outsourcing.

C. Risk Profile

C.1 Underwriting Risk

Underwriting risk is driven by Premium & Reserve risk and CAT risk. The details of each component are stated in the sub-sections individually. For the Branch, Premium & Reserve risk is 80% and CAT risk is 20% of the Underwriting risk.

Premium and Reserve Risk

This capital charge is a factor of the volatility and volume measure of net earned premium and net technical reserves. The volatilities for premium and reserves are pre-defined for each line of business with Non-Proportional lines having the highest volatility factors. The volume measure for reserves is based on the claim provisions and the volume measure of premiums depends on current and future earned premium. Future earned premium are based on a reforecast of the business plan reflecting the actual experience of the year.

Premium and Reserve volumes are aggregated across lines of business also accounting for geographical diversification to attain a combined volume measure for each line. Volatility factors for premium and reserve are aggregated using volumes as weights. The product of combined volume and volatility across line of business is aggregated using a pre-defined correlation matrix.

The Branch's underwriting portfolio is mostly a Non-Proportional book, and Non-Proportional Property Reinsurance being the highest. As mentioned earlier Non-Proportional lines have the highest volatility factors, making Premium & Reserve risk a key risk driver.

CAT Risk

The Catastrophe Risk capital calculation is split into Natural Catastrophe (Nat Cat), Non-Proportional Property Reinsurance, Man-Made Catastrophe, and Other Non-Life Catastrophe Risk.

In general, Cat Risk is calculated based on the gross exposures (sum insured and/or earned premium) under prescribed conditions, and allowing for reinsurance recoveries.

For Trust Re Cyprus Branch, Non-Proportional Property and Man-Made are the two largest CAT components. This is expected since the underwriting book has more Non-proportional business, as well as the fact the risk charges for the Non-proportional CAT are the highest going up to 2.5 times the expected gross earned premium.

For the Branch the contribution of individual components in 2018 is as follows: NAT CAT – 7.2%, Man-Made – 55.5%, Non-Proportional Property – 24.4%, and Other CAT risk – 12.9%.

Natural Catastrophe

Nat CAT risk considers five perils: windstorm, earthquake, flood, hail and subsidence and allows for the diversification between these perils. It is calculated as prescribed loss percentages (charges) based on gross sum insured by country and zone for EEA regions, and on gross earned premium by region for non-EEA regions.

For EEA regions, risk charges for each type of natural event are applied to the sum insured for each zone. These charges are pre-determined and are based on how prone a zone is to any particular event and diversification is allowed for between zones in every country. For Non-EEA regions, all countries are applied a same factor for each type of natural event. Reinsurance recoveries (net of reinstatements), based on the Company's retro program, are allowed for on the calculated gross losses.

Since Natural CAT risk capital is only calculated on proportional business, this only has a minimal impact for Trust Re Cyprus Branch's capital requirements.

Man-Made Catastrophe

Man-Made Cat Risk is calculated for exceptional events arising from normal line of business. The exceptional events are pre-defined scenarios. The scenario for Motor is based on Direct and Proportional business with number of vehicles above a sum insured of EUR 24M The scenarios for Marine, Aviation, and Fire consider the full maximum sum insured to be the Gross Loss. The scenario for General Liability and Credit & Surety is based on a factor applied to the expected Gross Earned Premium.

Trust Re Cyprus Branch only has Marine, Fire, and General Liability exposure. The contribution of these exposures to Man-Made CAT is 53.9%, 39.1%, and 7.0% respectively.

Non-Proportional Property Reinsurance CAT

The capital charge for catastrophe risk of Non-Proportional Property Reinsurance is equal to an instantaneous loss in relation to each reinsurance contract that covers this line. A risk factor of 2.5 times is applied to the expected gross earned premium to calculate the gross loss. A diversification benefit is allowed calculated based on the regional breakup of the premium for this line. Reinsurance recoveries (net of reinstatements), based on the Company's retro program, are allowed for on the calculated gross losses.

Other CAT

The capital charge for 'Other' CAT risks is equal to an instantaneous loss calculated with a pre-defined risk factor for multiple lines of business. Diversification between these multiple lines is allowed to arrive at one 'Other' CAT risk charge.

For the Branch, the only applicable line is Non-Proportional motor vehicle liability, where the risk factor is 2.5 times of the expected gross earned premium for following 12 months. This makes this CAT risk category to contribute the most to the Non-Life Cat Risk.

C.2 Counterparty Default Risk

The Counterparty Default risk is calculated based on the exposure to each of the credit counterparties (bank, reinsurer etc.) and their related credit rating.

In the technical specifications, the risk calculation is split into two exposure types:

Type 1 exposures covers counterparties which may not be diversified and likely to be rated, in addition to other criteria. This includes counterparties for recoverable from our outward reinsurance and bank counterparties where the Cyprus Branch hold deposits.

Type 2 exposures covers counterparty that do not qualify for type 1 and will not be covered in spread risk. They are usually diversified and likely to be unrated (includes intermediaries), in addition to other criteria.

There is a diversification benefit as well between type 1 and type 2

Counterparty Default Risk	USD'000
CDR Type 1	1,183
CDR Type 2	628
Diversification	*(106)*
Counter Party Default Risk	1,706

C.3 Market Risk

Market risk is made up of Interest Rate risk, Concentration risk, Spread risk, Property Risk and Equity risk. Market risk is calculated based on the investment portfolio by applying various shocks and using projected cash flows for interest rate risk.

Market Risk	USD'000
Spread	3,769
Equity	2,556
Property	1,357
Concentration	11,859
Interest Rate	1,248
Diversification	*(7,021)*
Market Risk	13,767

Spread Risk

This is applied to certain class of bonds for the changes in level or volatility of credit spreads. The spread risk capital requirement is sum of spread risk charge for bonds, securitization, and credit derivatives. For bonds and securitization, the factors are dependent on the credit quality and duration and for credit derivatives factors depend on the credit quality only. Spread risk also extends to short term deposits.

EU government bonds attract zero risk factors. Non-EU government bonds attract risk factors lower than standard bonds. Higher duration and lower credit quality incur high risk factors. Bonds with duration in excess of 5 years have a fixed factor plus a factor applied on duration in excess of 5 years.

The Branch's investment portfolio only has standard corporate bonds with a weighted average modified duration of 2.3 years and 60.0% of the bond portfolio is rated A- or above.

Concentration Risk

Concentration risk is applied to assets considered in spread risk, equity risk, and property risk, but excludes assets considered in counterparty default risk, i.e., cash holdings that come under counterparty type 1 exposures.

Concentration risk calculation is based on excess exposure, of any single name exposure, beyond a threshold defined by the regulator. For Bonds and Deposits, the threshold is based on the credit quality, with lower rating having a lower threshold and higher ratings having a higher threshold (3.0% for A or above and 1.5% for BBB or below) and risk charge on the excess for Non-EEA government bonds is lower than standard bonds at all ratings. On the other hand, Property holdings have a threshold of 10.0%.

Trust Re Cyprus Branch's fixed income portfolio includes two Fund Investments, which with a look-through approach give a diversified portfolio. Therefore, bonds do not incur any concentration risk charge.

Trust Re Cyprus Branch's concentration risk is mainly driven by a deposit with a bank in Cyprus. Maintaining the funds in a deposit account rather than a current account provides interest income as well as capital saving on the Counterparty risk, where the charge is higher than concentration risk.

Interest Rate Risk

Interest Rate risk capital is determined as a result of the variation in basic own funds (BOF) after applying pre-defined shocks up and down. It is derived from the type of shock that gives rise to the highest capital requirement. The current interest rate structure is altered with higher shocks at lower maturities and lower shocks at longer maturities.

For the Branch the initial net assets are positive. Therefore the movement which results in a positive interest rate risk charge is an upward shock in the interest rates.

Equity risk

Equity risk charge is applied for the unexpected market volatility. Trust Re Cyprus Branch only has one equity holding accounting for less than 1% of the total investable portfolio. Thus, as seen above Equity risk is not a key Market risk driver.

Property risk

Property risk charge is calculated by applying a fixed factor on the market value of the property. Trust Re Cyprus Branch owns commercial property both for own use and investment purpose. The risk capital requirement is not the main key driver for Market Risk and the management accepts the risk charge on Property.

C.4 Operational Risk

Operational Risk is calculated as the minimum of either 30.0% of the basic solvency capital requirement (BSCR) or an operational risk provision.

The Operational Risk provision is the maximum of either Operational risk provision of earned premiums (which is 3.0% of Gross Earned Premium) or Operational Risk provision of technical provisions (which is 3% of Gross Technical Provisions).

For Trust Re Cyprus Branch, the resulting Operational risk is the Operational risk provision based on technical provisions.

C.5 Any Other Information

Deviation from Assumptions

The risk profile of Trust Re Cyprus in certain areas deviated from some of the key assumptions being utilized in the Solvency II standard formula. These include assumption of standard formula around correlation between lines of business, factor-based CAT risk charges, and methodology of Operational Risk.

Risk Mitigation

Reinsurance **-** The Company's Retro Department is responsible for ensuring an appropriate reinsurance structure is in place given the Company's risk profile and exposures. Actuarial and Risk functions provide related risk-return analysis on the capital implications of various reinsurance options available so that to enable more informed decision making to be made.

Liquidity - Liquidity monitoring is done on a regular basis and investment decisions are made to balance liquidity and returns. The Cyprus Branch liquidity is supported by the excess liquidity in Trust Re.

Scenario and Stress testing - As part of the ORSA process specific scenario and stress tests have been performed. The scenarios are quantitatively assessed by calculating the impact on the solvency ratio, and management actions are recommended accordingly.

Aggregate & CAT Exposure - Market standard stochastic models are used to model Trust Re's aggregate exposures while the CAT modelling stage is outsourced. The classes of business modeled for the branch are: Proportional Treaty Engineering and property, Non-Proportional Treaty Engineering and Property. The company has licensed in-house RMS and has a separate NAT CAT team within the Actuarial & Risk department.

D. Valuation for Solvency Purposes

D.1 Assets

Fixed assets, other than building are recorded at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over the estimated useful lives, using the straight line method. Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Fair value of the building was determined using the market comparable method. This means that valuations performed by the value are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The Branch balance sheet under existing IFRS standards) and Solvency II regime (for the year ended 31-12-2018) is summarized below:

		S II
USD' 000	**2018**	**2018**
ASSETS	139,819	123,531
Fixed Assets - Net book Value	5,650	5,650
Investments	72,295	72,295
Total Non-Current Assets	77,946	77,946
Inward Pipeline Treaty Premiums	11,638	176
Accounts Receivable	4,148	4,148
Other Debtors & Prepayments	449	449
Cash & Bank Balances	20,152	20,152
Total Current Assets	36,829	24,925
Reinsurance Technical Provisions	23,963	20,659
Gross DAC	1,082	-
Total Reins. Share of Technical Reserves	25,045	20,659

		S II
USD' 000	**2018**	**2018**
LIABILITIES	100,433	91,903
Other Provisions	880	-
Gross Technical Provisions	77,608	74,632
Best Estimate	-	70,522
Risk Margin	-	4,110
Total Gross Technical Reserves	78,488	74,632
Reinsurance Balances Payable	21,030	16,356
Other Payable and Accrued Expenses	915	915
Total Current Liabilities	21,945	17,271
NET ASSETS (Assets - Liabilities)	39,387	31,628
Shareholders' Equity	39,387	31,628
Own Funds	-	31,628
Paid Up Capital	49,974	-
Fair Value & Other Reserves	(10,587)	-

In calculation of own funds, the IFRS balance sheet is adjusted to a Solvency II balance sheet. Some key differences are explained below.

- Solvency II valuation of premium and claim reserves, as explained in Section D of this report, is different from IFRS valuation. This leads to a difference in Reinsurance share of Technical Provisions in the Asset side and a difference in Gross Technical Provisions in the Liabilities side of the balance sheet.

- Solvency II valuation of technical provisions includes a risk margin which is added to Gross Technical Provisions in the Solvency II balance sheet.
- No deferred acquisition cost is recognized in the Solvency II balance sheet.
- Pipeline Premium (and Reinsurance share of Pipeline premium) treatment is different under IFRS and Solvency II.

These differences result in the followings changes in Trust Re Cyprus' balance sheet:

- Total Assets under SII are USD 123.5M as compared to USD 139.8M under IFRS
- Total Liabilities under SII are USD 91.9M as compared to USD 100.4M under IFRS
- Available capital (Own Funds) under SII are USD 31.6M as compared to USD 39.4M under IFRS

D.2 Technical Provisions

The starting point of the valuation of Technical Provisions is the valuation of IFRS reserves which is explained over the respective statutory actuarial reserving reports. In brief, the claims and premium reserving approach is explained below.

Claim Reserves

The methodology is applied to each reserving group separately for the whole portfolio of the Company. Where, within a reserving group, there are sub groups in terms of attritional and events (split into Large Events and CAT events) (i.e. non-attritional) segments, these are modelled separately too. The modelling stage follows the data preparation stage whereby loss related data is transformed into triangulations within our actuarial reserving modeling tool, ResQ. These loss projections are performed at a gross of reinsurance level. The modelling is undertaken on each reserving group on an underwriting year basis. Variations of loss developing methods, balancing (credibility weighted) methods and frequency/severity methods are utilized for the estimation of gross ultimate losses. In particular, the methods being utilized include Loss Development, Cape Cod, Bornhuetter-Ferguson, Expected Loss Ratio, frequency-severity as well as stochastic/bootstrap approach for quantification of uncertainty.

Premium Reserves

Gross IFRS premium reserves are calculated on a pro-rata basis at a policy level. The unearned ratio is the number of days remaining from the valuation date (i.e. unearned period) to the contract expiry date divided by the number of days between the inception and expiry date (i.e. policy duration period) of the contract. Maintenance periods are included for engineering contracts and for proportional treaties the expiry date is assumed to be 365 days later to account for the underlying assumed annual contracts.

Solvency II Valuation

Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

- Movement to a cash flow basis for valuation purposes
- Removal of any implicit or explicit margins within technical provisions to give a "true best estimate" for solvency purposes
- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are replaced by "premium provisions", valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows
- Movement to recognizing contracts on a "legal obligation basis". This will mean the inclusion of business currently not valued as part of technical provisions - for example 1st January renewals entered into prior to a 31/12 valuation
- Introduction of discounting
- Introduction of governance requirements for an explicit "actuarial function" with defined responsibilities
- Significant increases to documentation and validation requirements
- Introduction of explicit links to other areas of Solvency II such as internal models
- Introduction of the principle of proportionality that underlies the calculations

Impact on Results

The impact on technical provisions can be seen below.

	Gross USD'000	Net USD'000
IFRS Reserves held at 31/12/2018	**76,830**	**53,046**
Removal of Margins	(1,298)	(679)
Removal of 100% UPR	(5,004)	(2,514)
Inclusion of Loss on Unearned Incepted Premium	2,392	1,640
Inclusion of Profit on Future Premiums	158	120
Inclusion of Profit on Unincepted Premium	33	22
Change of Expense Basis	215	215
Discounting Credit	(2,803)	(1,987)
SII Provisions excl. Risk Margin	**70,522**	**49,863**
Risk Margin	4,110	4,110
SII Provisions at 31/12/2018	**74,632**	**53,973**

For Cyprus Branch, the year-end 2018 net technical provisions stand roughly at USD 54.0M. The impact of new business (i.e., 1/1 renewals) is much lower compared to previous years during to lower premiums following the rating challenges.

The change in approach to technical provisions impacts the solvency balance sheet.

The two key impacts are:

- The balance sheet will appear to “shrink” as technical provisions move to be net of future premiums
- The underlying reserving basis is likely to be weaker as the combined impact of a) recognizing profit on all bound exposures (as opposed to only on earned business), b) the removal of reserve margins and c) discounting will tend to outweigh the increases required in respect of additional expenses and risk margin.

The gross of reinsurance reserves held at 2018 year-end amounted to USD 74.6M from which a margin for prudence was removed in order to give a “true best estimate” for solvency purposes. The impact of the unearned incepted and uninspected business elements and discounting reduced reserves further while the change of expense basis and risk margin have increased the required reserves.

E. Capital Management

E.1 Own Funds

USD'000	2018
Ordinary Share Capital	49,974
Reconciliation Reserve	(18,345)
Basic Own Funds	31,628

Trust Re Cyprus Branch has USD 50.0M paid up share capital out of which qualifies as Tier 1 funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the Solvency II valuation of USD -18.3M is also taken into consideration, resulting in Own Funds of USD 31.6M.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2018 are USD 39.3M and USD 12.3M.

The table below shows the components of SCR.

USD '000	2018
Solvency Capital Requirement	39,279
Basic Solvency Capital Requirement	37,164
Underwriting Risk	30,280
Premium & Reserve	27,804
CAT risk	6,909
Diversification	*(4,434)*
Market Risk	13,767
Interest rate risk	1,248
Equity risk	2,556
Property risk	1,357
Spread risk	3,769
Concentration risk	11,859
Diversification	*(7,021)*
Counterparty Default Risk	1,706
Type 1	1,183
Type 2	628
Diversification	*(106)*
Diversification	(8,589)
Operational Risk	2,116

USD '000	2018
Available Capital	31,628
SCR	39,279
MCR	12,294
Solvency Ratio	81%
BSCR	37,164

The eligible amount of Tier 1 own funds (USD 31.6M) comply with the MCR requirements, however falls short of the SCR requirements. The underlying Own funds stand at 257.3% of MCR and 80.5% of SCR.

The Branch's appetite for minimum solvency ratio was at 115.0% in 2018. As part of the planning and adopted recovery plan the minimum level has been revised upwards to 135.0%.

E.3 Any Other Disclosure

The Company applies the standard formula and does not have any internal model for solvency calculations and there is no breach of Solvency Capital Requirement as at 31st December 2018.

Capital Injections

Capital injections were made in 2018 to the branch as a corrective measure to restore solvency strength due to adverse loss experience, followed by additional funds transferred during 2019.

Appendix A: Annual Quantitative Reporting Templates QRT

QRT - Balance Sheet 31st Dec 2018

Assets	Solvency II value	Statutory accounts value
Deferred acquisition costs		1,082,175
Property, plant & equipment held for own use	5,650,484	5,650,484
Investments (other than assets held for index-linked and unit-linked contracts)	90,842,213	90,842,213
Property (other than for own use)	5,178,000	5,178,000
Equities	63,528	63,528
Equities - listed	63,528	63,528
Equities - unlisted		
Bonds	67,622,446	67,622,446
Government Bonds	8,092,248	8,092,248
Corporate Bonds	59,530,198	59,530,198
Deposits other than cash equivalents	17,978,239	17,978,239
Reinsurance recoverables from:	20,658,883	23,962,524
Non-life and health similar to non-life	20,658,883	23,962,524
Non-life excluding health	20,658,883	23,962,524
Deposits to Cedants	176,356	176,356
Insurance and intermediaries receivables	4,148,481	16,050,776
Cash and cash equivalents	2,174,154	2,174,154
Any other assets, not elsewhere shown	-119,430	-119,430
Total assets	**123,531,142**	**139,819,253**
	Solvency II value	**Statutory accounts value**
Liabilities		
Technical provisions – non-life	74,631,976	77,608,417
Technical provisions – non-life (excluding health)	74,631,976	77,608,417
Technical provisions calculated as a whole	0	
Best Estimate	70,521,929	
Risk margin	4,110,047	
Other technical provisions		879,580
Deposits from reinsurers	19,880	19,880
Deferred tax liabilities	894,765	894,765
Insurance & intermediaries payables	4,107,944	8,781,691
Reinsurance payables	12,248,249	12,248,249
Total liabilities	**91,902,815**	**100,432,583**
Excess of assets over liabilities	**31,628,328**	**39,386,670**

QRT – Premiums, Claims and Expense by Line of Business

	Proportional Reinsurance			Non-Proportional Reinsurance			Total
	Marine, aviation and transport insurance	**Fire and other damage to property insurance**	**General liability insurance**	**Casualty**	**Marine, aviation, transport**	**Property**	
Premiums written							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	466,159	2,272,070	562,576				3,300,805
Gross - Non-proportional reinsurance accepted				9,540,061	2,403,793	17,293,135	29,236,988
Reinsurers' share	58,234	890,671	140,970	2,777,108	383,569	6,878,087	11,128,639
Net	407,925	1,381,399	421,606	6,762,953	2,020,224	10,415,048	21,409,154
Premiums earned							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	225,678	1,999,118	274,928				2,499,724
Gross - Non-proportional reinsurance accepted				9,850,154	2,614,906	18,035,018	30,500,078
Reinsurers' share	28,138	786,484	69,653	2,828,390	2,828,390	2,828,390	9,369,446
Net	197,539	1,212,634	205,274	7,021,764	-213,484	15,206,628	23,630,356
Claims incurred							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	132,633	1,954,958	40,000				2,127,592
Gross - Non-proportional reinsurance accepted				33,991,920	1,927,928	19,321,477	55,241,325
Reinsurers' share	16,132	602,338	5,219	8,849,130	238,767	7,570,416	17,282,002
Net	116,501	1,352,620	34,781	25,142,790	1,689,161	11,751,061	40,086,914
Expenses incurred	122,818	408,430	133,759	1,292,959	243,258	1,368,346	3,569,570
Administrative expenses							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	45,443	217,886	54,926				318,255
Gross - Non-proportional reinsurance accepted				926,385	234,687	1,685,595	2,846,667
Reinsurers' share							0
Net	45,443	217,886	54,926	926,385	234,687	1,685,595	3,164,923
Claims management expenses							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	494	7,278	149				7,920
Gross - Non-proportional reinsurance accepted				126,539	7,177	71,927	205,642
Reinsurers' share							0
Net	494	7,278	149	126,539	7,177	71,927	213,563
Acquisition expenses							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	90,525	502,524	113,235				706,284
Gross - Non-proportional reinsurance accepted				611,627	45,272	862,686	1,519,584
Reinsurers' share	13,644	319,257	34,551	371,592	43,877	1,251,862	2,034,784
Net	76,881	183,267	78,683	240,035	1,394	-389,176	191,084
Total expenses							3,569,570

QRT – Premiums, Claims and Expense by Country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		RU	BG	GR	PL	RO	
Premiums written							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	0	0	295,106	675,807	0	984,341	1,955,255
Gross - Non-proportional reinsurance accepted	290,762	11,856,771	4,986,350	3,384,373	2,104,748	750,438	23,373,442
Reinsurers' share	87,456	4,088,454	1,683,729	1,403,130	803,903	494,552	8,561,225
Net	203,306	7,768,317	3,597,727	2,657,051	1,300,845	1,240,226	16,767,473
Premiums earned							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	0	0	180,881	583,111	0	305,031	1,069,023
Gross - Non-proportional reinsurance accepted	197,627	12,490,896	5,456,097	3,183,852	2,050,508	772,387	24,151,367
Reinsurers' share	63,789	4,040,558	1,734,509	1,242,143	728,326	322,854	8,132,179
Net	133,837	8,450,339	3,902,468	2,524,820	1,322,183	754,564	17,088,212
Claims incurred							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted	0	0	57,006	919,549	0	0	976,555
Gross - Non-proportional reinsurance accepted	0	18,190,304	21,713,590	4,965,017	2,648,242	3,282,894	50,800,048
Reinsurers' share	0	5,543,212	5,751,653	2,026,774	1,007,510	857,165	15,186,315
Net	0	12,647,092	16,018,943	3,857,792	1,640,733	2,425,729	36,590,288
Expenses incurred	39,177	1,474,891	914,908	656,533	286,802	297,431	3,669,742
Other expenses							
Total expenses							3,669,742

QRT – information Technical Provisions

	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	75,794	946,828	(35,916)	1,190,058	2,985	368,158	2,547,906
Gross - accepted proportional reinsurance business	75,794	946,828	(35,916)				986,706
Gross - accepted non-proportional reinsurance business				1,190,058	2,985	368,158	1,561,200
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	9,138	362,569	(9,207)	317,862	(81)	109,161	789,442
Net Best Estimate of Premium Provisions	66,656	584,259	(26,709)	872,195	3,066	258,996	1,758,464
Claims provisions							
Gross - Total	169,877	2,675,531	247,156	40,584,342	3,229,656	21,067,460	67,974,023
Gross - accepted proportional reinsurance business	169,877	2,675,531	247,156				3,092,565
Gross - accepted non-proportional reinsurance business				40,584,342	3,229,656	21,067,460	64,881,458
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	21,971	852,152	101,832	10,696,093	426,499	7,770,894	19,869,442
Net Best Estimate of Claims Provisions	147,906	1,823,379	145,324	29,888,249	2,803,157	13,296,566	48,104,581
Total Best estimate - gross	245,671	3,622,359	211,240	41,774,400	3,232,641	21,435,618	70,521,929
Total Best estimate - net	214,562	2,407,638	118,616	30,760,444	2,806,223	13,555,563	49,863,045
Risk margin	18,168	92,106	12,069	2,303,669	260,222	1,423,813	4,110,047
Technical provisions - total							
Technical provisions - total	263,839	3,714,465	223,309	44,078,069	3,492,863	22,859,431	74,631,976
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	31,108	1,214,721	92,625	11,013,956	426,418	7,880,055	20,658,884
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	232,731	2,499,744	130,684	33,064,113	3,066,445	14,979,376	53,973,093

QRT – Triangle for Paid Claims and Estimated Claims Provisions

(Amounts in USD)

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development 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
N-9	R0160	0	0	0	0	0	0	0	0	0	0		0	0
N-8	R0170	0	0	49,225	159,104	44,043	14,809	4,953	19,329	0			0	291,462
N-7	R0180	0	183,441	633,510	1,281,194	41,706	4,121	25,057	26,549				26,549	2,195,578
N-6	R0190	0	-1,883,793	5,077,985	4,561,351	1,869,756	1,258,099	1,266,184					1,266,184	12,149,581
N-5	R0200	0	1,103,568	14,258,034	6,345,767	2,405,161	1,016,529						1,016,529	25,129,059
N-4	R0210	0	1,614,114	4,418,932	6,322,105	2,358,704							2,358,704	14,713,856
N-3	R0220	0	3,074,190	5,946,133	1,022,295								1,022,295	10,042,618
N-2	R0230	0	613,631	14,249,612									14,249,612	14,863,243
N-1	R0240	0	1,608,957										1,608,957	1,608,957
N	R0250	0											0	0
												Total	21,548,829	80,994,352

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
N-9	R0160	0	0	0	0	0	0	0	0	0	0			0
N-8	R0170	0	0	0	0	0	0	0	0	20,832				19,639
N-7	R0180	0	0	0	0	0	0	0	49,297					47,141
N-6	R0190	0	0	0	0	0	0	3,450,059						3,317,861
N-5	R0200	0	0	0	0	0	4,873,794							4,674,175
N-4	R0210	0	0	0	0	9,957,732								9,572,370
N-3	R0220	0	0	0	12,398,502									11,921,250
N-2	R0230	0	0	20,061,592										19,268,040
N-1	R0240	0	19,048,100											18,305,598
N	R0250	881,523												847,949
													Total	67,974,023

QRT – Own Funds

Own Funds (Amounts in USD)	Total
Ordinary share capital (gross of own shares)	49,973,823
Reconciliation reserve	(18,345,498)
Total basic own funds after deductions	31,628,325
Ancillary own funds	
Available and eligible own funds	
Total available own funds to meet the SCR	31,628,325
Total available own funds to meet the MCR	31,628,325
Total eligible own funds to meet the SCR	31,628,325
Total eligible own funds to meet the MCR	31,628,325
SCR	39,279,479
MCR	12,293,833
Ratio of Eligible own funds to SCR	80.5%
Ratio of Eligible own funds to MCR	257.3%

QRT- Minimum Capital Requirement

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Marine, aviation and transport insurance and proportional reinsurance	214,562	407,925
Fire and other damage to property insurance and proportional reinsurance	2,407,638	1,381,399
General liability insurance and proportional reinsurance	118,616	421,606
Non-proportional casualty reinsurance	30,760,444	6,762,953
Non-proportional marine, aviation and transport reinsurance	2,806,223	2,020,224
Non-proportional property reinsurance	13,555,563	10,415,048

Linear formula component for non-life insurance and reinsurance obligations	
MCR_L Result	**12,293,833**

Overall MCR calculation	**2018**
Linear MCR	12,293,833
SCR	39,279,479
MCR cap	17,675,762
MCR floor	9,819,868
Combined MCR	12,293,833
Absolute floor of the MCR	4,133,520
Minimum Capital Requirement	**12,293,833**