redsands
group holdings

Published: 7 April 2020

Solvency & Financial Condition Report

For the year ending 31 December 2019

Red Sands Group Holdings Limited
Red Sands Insurance Company (Europe) Limited
Red Sands Life Assurance Company (Europe) Limited

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Introduction

This document is a public disclosure of the solvency and financial condition of Red Sands Group Holdings Limited and is regulated under Articles 51, 53, 54 and 256 of Directive 2009/138/EC of the European Parliament and of the Council ("Solvency II Directive"). In addition, Articles 290 to 298 and Articles 359 and 365 of the Commission Delegated Regulation (EU) 2015/35 ("Delegated Regulations") provide further Solvency and Financial Condition Report (SFCR) related rules.

The Solvency II reporting currency of this report is Pound Sterling (GBP).

This document has been approved by the Boards of Directors of Red Sands Group Holdings Limited, Red Sands Life Assurance Company (Europe) Limited and Red Sands Insurance Company (Europe) Limited.

A. Business & Performance

A.1 Business

Red Sands Group Holdings Limited ("RSG") holds 100% of the ordinary shares in Red Sands Insurance Company (Europe) Limited ("RSE") and Red Sands Life Assurance Company (Europe) Limited ("RSL"). As a collective, these are referred to as "Red Sands".

RSE is a diversified personal lines insurance company. The strategy of the insurer is to focus on niche, high volume business lines that generally have low severity exposure profiles.

RSL is a life assurance company. The strategy of the insurer is to sell uncomplicated low-value life assurance in Europe via direct-to-consumer strategies. The material lines of business that RSL underwrites are whole of life, term assurance and short term accidental and health products, these are without-profit risk products.

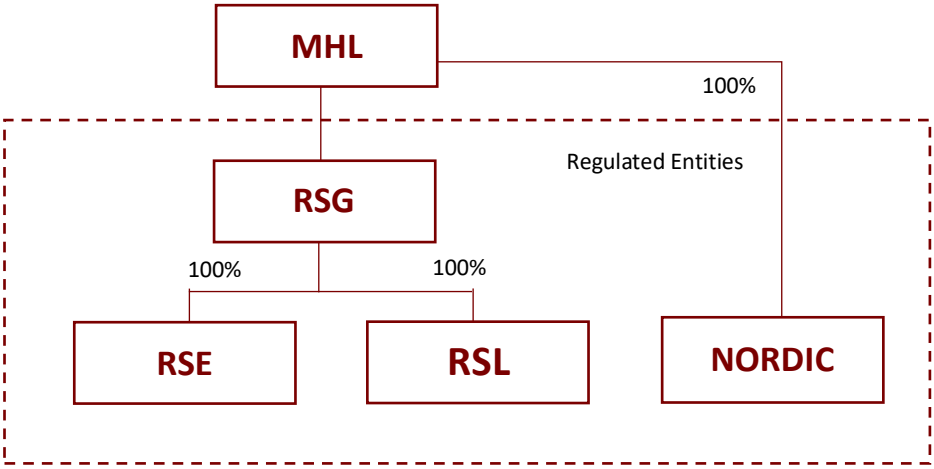
RSG is a group holding company that writes no business and holds no assets other than the shares in RSE and RSL. RSG is a wholly-owned subsidiary of Manzillo Holdings Limited ("MHL"), a company incorporated in the British Virgin Islands. The Jaap t'Hooft Trust is the ultimate controlling party.

RSE, RSL and RSG are henceforth referred to collectively as "Red Sands".

Nordic Guarantee Försäkringsaktiebolag ("Nordic") is a wholly-owned subsidiary of Manzillo Holdings Limited. Nordic is regulated by Sweden's financial supervisory authority.

For purposes of group Solvency II regulation, the Gibraltar Financial Services Commission ("GFSC") has defined RSE, RSL, RSG and Nordic as comprising a group, henceforth referred to as the "Red Sands Group" and "group".

This SFCR provides information regarding RSE, RSL and the Red Sands Group. Nordic has produced a standalone SFCR which can be found on their website (www.nordicguarantee.com).



RSE, RSL and RSG are incorporated in Gibraltar. The location of these businesses is:

Level 3, Ocean Village Business Centre
23 Ocean Village Promenade
Gibraltar

The supervisory authority responsible for financial supervision of RSE, RSL, RSG and the Red Sands Group is:

Gibraltar Financial Services Commission
PO Box 940
Suite 3, Ground Floor
Atlantic Suites
Gibraltar
Telephone: (+350) 200 40 283

The external auditor of RSE, RSL and RSG is:

EY Limited
Suite 3C, Regal House
Queensway
Gibraltar
Telephone: (+350) 200 13 200

The material lines of business that RSE underwrites are:

- Pet Insurance
- Motor Dent & Scratch
- Guaranteed Asset Protection
- Motor Warranty
- Insurance Backed Guarantees
- Income Protection Insurance
- Home and Property Insurance

RSE sells its policies through distributors in the United Kingdom. RSE completed a portfolio transfer in February 2019 which transferred all its remaining accident and sickness liabilities in the Czech Republic, Greece, Hungary, Poland and the Slovak Republic to RSL.

RSL continues to sell its policies through distributors in the Czech Republic, Hungary, Poland and the Slovak Republic and is taking action to ensure smooth continuity of these contracts following the UK and Gibraltar's departure from the European Union ("Brexit") on 31 January 2020 (see Section A.5).

Red Sands operates entirely out of Gibraltar. RSE, RSL and RSG share a common staff base employed by RSE. The governance and operations processes in place are common across RSE, RSL and RSG. Nordic is run out of Sweden with a separate management team to that of Red Sands.

The only intra-group transaction is a management charge from RSE to RSL for a proportion of the cost of staff and services provided.

A.2 Underwriting Performance

RSE

Throughout 2019 RSE continued its strategic objective of supporting its established distribution partners and is pleased to report that this continued focus produced positive results.

Gross written premium increased by 12% from £160.2m to £180.0m with profit after tax for the current year of £16.2m. A breakdown by line of business is given below.

Figures in GBP m	Miscellaneous Financial Loss		Credit & Suretyship		Property		Health	
	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19
Gross Written Premium	152.0	174.4	4.8	3.3	-	2.0	3.3	0.3

RSE's technical result for 2019 was £20.4m with a net underwriting margin of 11.3% and a net combined ratio of 94.4% compared to the prior year's 95.7%.

"Appendix 2 – RSE Premiums, Claims & Expenses by Line of Business" provides quantitative information on the underwriting performance of RSE by material lines of business.

"Appendix 3 – RSE Premiums, Claims & Expenses by Country" provides quantitative information on the underwriting performance of RSE by material geographic area.

RSL

RSL experienced a challenging trading environment through 2019 as a result of difficult trading conditions across Eastern Europe which put pressure on costs of acquiring new business, and also as a result of Brexit. 4Life Direct, our distribution and administration partner in Europe, remained focused on solidifying its's well-respected business across the Czech Republic, Hungary, Poland and the Slovak Republic.

Gross Written Premium in 2019 increased by 18.0% to £26.0m from £22.0m in 2018 with profit after tax for the current year of £2.3m. This growth was in part due to the portfolio transfer completed in February 2019 which transferred all RSE's remaining accident and sickness liabilities in the Czech Republic, Greece, Hungary, Poland and the Slovak Republic to RSL.

A significant portion of all business is reinsured with one of the world's highly-rated international reinsurance groups. In addition to providing valuable product and technical experience, the arrangement also provides capital support to boost an already solid balance sheet.

"Appendix 10 – RSL Premiums, Claims & Expenses by Line of Business" provides quantitative information on the underwriting performance of RSL by material lines of business.

"Appendix 11 – RSL Premiums, Claims & Expenses by Country" provides quantitative information on the underwriting performance of RSL by material geographic area.

A.2.1 Underwriting Income and Expenses

Below is a summary of the technical income by line of business.

RSE:

Figures in GBP m	*Miscellaneous Financial Loss*		*Credit & Suretyship*		*Property*		*SLT Health*		*Unallocated*	
	2018	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*
Technical Income	*13.7*	*19.6*	*0.5*	*0.8*	*-*	*-*	*0.5*	*-*	*-*	*-*
Expenses (excl. inter-silo man. fees)	*0.4*	*0.6*	*-*	*-*	*-*	*-*	*0.1*	*-*	*7.4*	*7.6*

RSL:

Figures in GBP m	*Life*		*SLT Health*		*Unallocated*	
	2018	*2019*	*2018*	*2019*	*2018*	*2019*
Technical Income	*3.0*	*4.2*	*-*	*0.3*	*-*	*-*
Expenses (excl. inter-silo man. fees)	*1.9*	*2.2*	*-*	*0.2*	*0.3*	*0.4*

A.3 Investment Performance

2019 was a positive year for investments, which contrasts to the poor year seen in 2018 and is consistent with the buy-and-hold investment strategy of the Group which means that investment returns will typically flow in line with general market movements. Below is a table that summaries the investment performance of RSE and RSL.

Investment Income (Figures in GBP m)	Year ending Dec 18	Year ending Dec 19
RSE	(0.37)	5.10
RSL	(0.02)	0.72

RSE and RSL, through the Investment Committee, continue to proactively manage the risk profile of their investments. The Investment Committees' continue to work closely with the team of independent investment consultants in ensuring our portfolio meets the requirements of the Companies.

A.4 Performance of Other Activities

There is no other material income or associated expenses.

A.5 Any Other Information

A.5.1 Brexit

As a result of the UK and Gibraltar's departure from the European Union ("Brexit"), RSL initiated portfolio transfers to different entities in the Generali Group in Poland (in respect of Polish liabilities). These portfolio transfers were initiated in January 2020 through the Supreme Court of Gibraltar ("the Court") and the Gibraltar Financial Services Commission ("GFSC"), and are expected to complete once the Court formally sanctions the portfolio transfers. The timing of such transfers remains uncertain, not least due to the current lack of hearing dates of the Court as a result of COVID-19. However, as a result of the recommendations of the guidance provided in February 2019 by the European Insurance and Occupational Pensions Authority ("EIOPA"), these transfers should be allowed to complete on the basis that they commenced prior to the date of Brexit.

RSL continues to engage with all relevant regulators in relation to policies in other countries in which we operate to ensure that policyholders are not adversely affected by Brexit. RSL gave notice of termination to is distribution partners in all territories except Poland in February 2020, so will cease underwriting in all countries except Poland once the notice period expires.

RSL remains committed to ensuring positive outcomes for all of its policyholders in all jurisdictions.

RSE has only a handful of policyholders in the European Union and expects to run these off in line with the recommendations of the guidance provided in February 2019 by EIOPA.

A.5.2 COVID-19

Red Sands continue to monitor developments arising from the global coronavirus pandemic and believe that the threat from COVID-19 may have significant implications on both global loss of life and the global economy in both the short and medium term.

RSE does not write any life or health products and therefore its policies are unlikely to be directly impacted as a result. However, the shock which is very likely to impact global economic growth in the medium term is very likely to see a drop in premium volumes across most of RSE's products, and it is also likely that changes in consumer behaviour (either directly from governmental restrictions on movement of people or indirectly through economic downturn) will change the claims experience that RSE will expect on its insurance products.

RSL does write life an health products and therefore could be impacted directly by changes in mortality arising from the pandemic. Furthermore, in common with RSE, the very likely global economic downturn will impact the level of premium volumes in the short and medium term.

The risks are considered in greater detail throughout this report. However, Red Sands is in a strong financial position and therefore has the capital and liquidity to manage very severe shocks and downturns.

A.5.3 Other

There is no other material information regarding the business and performance of the Red Sands Group.

B. System of Governance

B.1 General Information on the system of governance

The executive management body of Red Sands comprises of the roles detailed in the table below.

Roles	Responsibility
Managing Director	Delivery of strategy and budget within risk tolerance levels set by the Board
Underwriting Director	Responsible for management of underwriting function
Company Secretary	Governance
Finance Function	Preparation and presentation of all financial accounts, adherence to solvency capital requirements
Compliance Officer	Regulatory compliance

The executive management body is accountable to the Red Sands Board of Directors (the "Board"). The Board consists of the executive managing Director, an executive Director, a non-executive Chair, and independent non-executive Directors supported by the Company Secretary RSE and RSG have four non-executive directors whereas RSL has three non-executive directors. The role of the Board is to:

- Understand and meet the needs of policyholders;
- Ensure proper corporate governance is maintained;
- Ensure that the regulatory framework and regulatory requirements are met;
- Set the risk appetite and tolerance of the business, and the management thereof;
- Approve and monitor the financial and actuarial information, including budget proposed by the executive management team.

The Board has a non-executive Chair who does not chair any of the committees. Relevant committees are chaired by separate directors. These committees include:

- Audit, Risk and Corporate Governance ("ARCG") Committee;
- Underwriting Committee;
- Investment Committee.

All Committees of the Board have their own Terms of Reference (TOR's). These set out the tasks and authorities delegated by the Board, as well as other functions of the relevant Committee, including such matters as composition, conduct at meetings and reporting lines and frequency of reporting to the Board

Audit, Risk and Corporate Governance Committee

The prime functions of the Committee, as evidenced in its TOR's, are to ensure the application of the risk management framework; review Red Sands' accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the Internal Audit function, compliance with regulatory and financial reporting requirements; oversee the relationship with the external Auditors; champion the

establishment of a whistle blowing policy and to provide assurance to the Board that executive management's control assurance processes are implemented and are complete and effective.

In particular, the Committee will focus on the following tasks/functions:

- Internal Controls
- Financial Statements
- External Audit
- Regulatory Reporting & Compliance
- Internal Audit
- Risk Management Framework
- Corporate Governance & Compliance
- Litigation

The ARCG mandate states that it is comprised of not less than two Non-Executive Directors who will be appointed by the Board. The Board considers annually the independence of its Non-Executive Directors. The Board will consider annually whether the Committee has access to appropriate financial expertise either within its membership or in an advisory capacity.

The Committee holds four scheduled meetings a year and further meetings are held as required. A majority of the committee members need to be present in order for a meeting to be valid. In the event of difficulty in relation to achievement of a quorum, independent Non-Executive Directors who are not members of the Committee may be co-opted as members for individual meetings.

After each Committee meeting, a report is prepared and tabled at the next meeting of the Board.

Underwriting Committee

The Underwriting Committee, a committee of the Board, is charged with the responsibility of managing and monitoring the technical performance of Red Sands in accordance with its terms of reference agreed with the Board. The Committee meets on a monthly basis to review the underwriting performance of Red Sands and is chaired by the Underwriting Director. Key members of the Underwriting and Executive Team are present as well as representatives of the Actuarial Function. The Underwriting Director ensures that the agenda is covered, previous action points raised are addressed, and that records are kept.

Underwriting reports from all lines of business are submitted to the Committee and reviewed in the meeting. Reports submitted include data on earned loss ratio's, monthly claims frequency, product pricing, complaints and qualitative commentary on performance. In addition, regulatory updates are provided. Each month an in-depth review of a single line of business is undertaken where current and future strategies are reviewed.

The Underwriting Committee also considers the customer experience and specific qualitative aspects around the appropriateness of insurance products, treating customers fairly and compliance with regulations and directives related to the distribution of insurance products.

After each Committee meeting, a report is prepared and tabled at the next meeting of the Board.

Investment Committee

The Investment Committee, a committee of the Board, and under its TOR's it is charged with the responsibility of managing and monitoring the performance of all Red Sands' investable assets in accordance with its terms of reference agreed with the Board. The Investment Committee meets as regularly as required. All investment changes are reviewed and approved by the Investment Committee. All asset classes have an agreed target portfolio weighting approved at each committee meeting which creates the upper threshold for funding to these investments. Furthermore, all asset class limits are signed off at Board level and are monitored by the Investment Committee.

The Investment Committee TOR's states that it is comprised of at least one Red Sands director, not less than two independent experts with investment experience, and the remainder being directors or employees of Red Sands. At least one Red Sands director and one independent expert is required for a quorum.

The Red Sands Board of Directors are updated on critical issues in relation to the investment portfolio at each Board meeting, together with providing a summary of any material decisions that have been taken and the investment performance. Separate written reports to the Red Sands Board are made in respect of urgent matters arising between Board meetings, including any material breaches of the investment guidelines.

The Investment Committee considers the Red Sands balance sheet structure and the optimal use of capital therein. In determining this, the following are taken into account; the solvency capital requirements and asset class limitations at Board level; cash flow profile and operational requirements; dividend capacity; and where appropriate external rating agencies.

Commercial and operational funding decisions are made by Red Sands executive management. Should these decisions be material in size, then these decisions are approved from a solvency and liquidity perspective by the Investment Committee.

The Investment Committee have also an appointed Working Committee ("Work Co"), a sub-committee of the Investment Committee, to manage the day to day investigations required and the review of any new opportunities and reports up to the Investment Committee as and when required and always in advance of the scheduled meetings. The Work Co has no decision-making authority, but instead makes recommendations to the Investment Committee.

Remuneration, Performance & Pension

The non-executive directors are paid a fixed fee for their services which is bench marked to standard market rates. Executive directors and members of staff are paid on a fixed remuneration basis plus an annual bonus. There is a remuneration policy in place to ensure benchmarking is done regularly.

The bonus computation is based upon the profitability of the business and the individual's performance during the year. The Board reviews the basis of the bonus computation on a regular basis. No share equity schemes or supplementary pension schemes are in operation.

Material Transactions

There are no material transactions with shareholders; persons with significant influence on Red Sands nor members of the executive management body or the Board.

B.2 Fit and proper requirements

The list of persons in Red Sands responsible for key functions are listed in section A.1.3.

The Red Sands 'fit and proper' policy requires employees of Red Sands and members of the Board to individually be fit and proper, having insight into the following where relevant (for the role);

- Insurance and financial markets;
- Strategy development and implementation;
- Corporate governance and risk management requirements;
- Financial, analytical and/or actuarial skills;
- Underwriting skills;
- Understanding of the regulatory framework and requirements.

The process for assessing the fitness and proprietary of each individual is carried out during the recruitment process and includes the following;

- ID verification (with photo ID);
- Candidate permitted to work in Gibraltar (where required);
- Qualifications Verified;
- Credit Check (as is appropriate);
- Criminal Convictions check (as appropriate);
- References checked with previous employer(s).

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

Risk Management System

The responsibility for the risk management function in Red Sands falls to the ARCG Committee. The ARCG committee's overall risk management responsibilities include, but are not limited to, review and oversight of Underwriting and Claims risk management, and implementation of Red Sands' Reinsurance strategy. In addition, the Committee has responsibility for oversight of other risks, as well as the controls in place to mitigate them, as evidenced in the preparation review and maintenance of the Risk Appetite Statement, Risk Register and Pillar II Governance Manual.

The view of the ARCG is that Risk Management is not limited to one function and as such the below is a table which maps areas of risk management to the relevant Red Sands operational functions responsible.

At all times ultimate oversight is the responsibility of the Board of Directors.

Areas of Risk Management	Function Responsible
Underwriting & Reserving Risk	Operations – Underwriting
Investment Risk	Investment Committee
Liquidity & Concentration Risk	Executive Management Body (oversight by Investment Committee)
Operational Risk	Executive Management Body
Asset-Liability Management Risk	Operations – Finance & Accounting (oversight by Investment Committee)
Reinsurance Risk	Operations – Underwriting
Strategic & Reputational Risk	Executive Management Body
Overall Responsibility for Risk Management	Board of Directors

Own Risk and Solvency Assessment

Red Sands maintains a Risk Register and a register of stress and scenario tests that is updated and reviewed internally. The Register is reviewed by the ARCG at least annually.

When a new risk is raised or an existing risk changes materially and the associated impact will affect either the solvency capital requirement or the available capital a new Solvency Capital Requirement calculation is performed. New Solvency Capital Requirement calculations are also performed when key business decisions are made. Key business decisions include changes to the investment portfolio and investing in new product lines.

The outputs of the above analysis are captured in the Own Risk and Solvency Assessment ("ORSA") report. The ORSA process and report demonstrates and evidences the Board's engagement in business planning, economic capital consideration and capital planning, risk management and risk appetite, stress testing, governance and the overall review of the company's business. The ORSA process is a continuous one, and stress tests in particular are undertaken throughout the year when circumstances require.

B.4 Internal control system

Red Sands has a Compliance Officer whose role is to ensure compliance with Red Sands policies and procedures. The Compliance Officer forms part of the executive management body sits on the Board of Directors.

It is noted that the Compliance Officer has direct access to the Board of Directors. For any issue, the compliance officer may approach the Chair directly and the Chair will then liaise with the rest of the Board as deemed necessary.

The Compliance Officer is invited to attend all relevant committee meetings, regulatory and industry body meetings and liaises with outsourced functions.

The Compliance Function ensures Red Sands' compliance with applicable laws, regulations and administrative provisions.

B.5 Internal audit function

Red Sands is not of a size to keep a dedicated internal audit function occupied. The responsibility for the internal audit function in Red Sands falls to the ARCG Committee. The ARCG establishes and maintains an audit plan. The audit plan includes both internal functions of Red Sands, outsourced third parties and distributors of Red Sands policies.

The ARCG delegates responsibility for individual audits to specific individuals or parties. The ARCG considers the required independence of the internal audit function when doing so, and in doing so ensures that no individual responsible for performing an audit is also responsible for the function being audited. In order to achieve this the ARCG may delegate responsibility for an internal audit to an external party.

Any audit of Red Sands business partners is arranged by way of an audit schedule which is maintained by Red Sands. These audits are conducted off-site by at least two appropriately experienced Red Sands employees which ensures 4-eyes compliance and control. The primary focus of the audit is to ensure business partners are conducting themselves in strict adherence to the terms, conditions and limitations detailed in the Service Level Agreements "SLA's", as well as in accordance with appropriate systems and internal controls and relevant legal and regulatory requirements.. Upon completion of an audit an Audit Findings Report is generated and circulated to the business partner with any follow up recommendations or required actions.

When looking at the audit of Red Sands head office, the ARCG is responsible for setting a date and in conjunction with compliance is responsible for appointing an individual or firm to conduct the audit. The chosen individual or firm must be able to demonstrate appropriate independence from Red Sands operations.

B.6 Actuarial function

The Actuarial Function is comprised of Red Sands underwriting officers and experienced actuaries. The Red Sands underwriting officers co-ordinate the calculation of the technical provisions and review actual performance against forecast. The outsourced specialist actuaries ensure that the technical provisions are calculated in accordance with best practice and the relevant regulations. Additionally, an independent actuarial audit consultancy reviews the calculation of the technical provisions on a regular basis.

B.7 Outsourcing

The following key functions are outsourced:

- Actuarial
- Investment advisory

The outsourcing policy is set by the Board who have defined the characteristics of organisations that we may not engage with. Service level agreements are maintained and annually reviewed with all outsourced function providers.

B.8 Any other information

The system of governance ensures the following;

- Compliance with all relevant regulation
- Compliance with all relevant corporate governance
- Compliance with risk tolerance levels set by the Board
- Compliance with capital adequacy requirements
- Compliance with all fit and proper requirements as set by the Board

Through the use of non-executive directors along with suitably resourced independent committees reporting directly to the Board, Red Sands feel the system of governance is adequate for the size, nature and complexity of the businesses.

System of Governance

The governance and operations processes in place are common across RSE, RSL and RSG. Regarding material intra-group outsourcing arrangements, RSE, RSL and RSG share a common staff base employed by RSE. RSG interfaces with Nordic on a regular basis to ensure compliance with policies, regulation and to ensure Nordic is fully considered when performing group risk assessments.

In accordance with Article 246 of the Solvency II Directive, the Gibraltar Financial Services Commission has given approval for the ORSA of the group to be undertaken at the same time as RSE and RSL, and for a single ORSA report covering the group, consisting of Red Sands and Nordic, to be produced.

B.8.1 COVID-19

The pandemic has resulted in severe restrictions on movement of people which has placed significant strain on Red Sands and our distribution partners in terms of business continuity. However, the group places appropriate focus on business continuity planning, including reviewing the plans that our distribution partners have in place and this focus has led to the operations continuing and there being little impact on our policyholders or other key stakeholders.

As from 16 March 2020, being the date that Governments in the UK and Gibraltar started issuing serious statements regarding the need for social distancing measures, the majority of Red Sands employees have been working from home and systems and processes have been amended in line with our business continuity plans to allow this to operate effectively for any duration of the crisis. Red Sands will continue to follow the guidance issued by the Government of Gibraltar and Red Sands employees will remain working from home until such guidance is lifted. In respect of our distribution and policy administration partners, Red Sands have been in close contact throughout the crisis and are pleased that the business continuity plans are working effectively across all partners.

As a result, we are delighted that policyholders should not experience any decrease in policyholder support during this time.

C. Risk Profile

C.1 Underwriting risk

RSE is a diversified personal lines insurance company. The strategy of the insurer is to focus on niche high volume business lines that have generally low severity exposure profiles. RSE's underwriting risk profile can be summarised as:

- Short term policies. Approximately 80% of RSE's net premium is earned from policies of less than 12 months in term.
- High volume, low value policies. RSE has over 1.3m policy holders with an average annual premium of less than £200.
- Managed exposure to liability risk with low risk appetite. Liability risk is generally excluded from the policy as specified in the terms & conditions of the policy, or reinsured. In instances where exclusion is not possible and reinsurance is unviable, then the risk profile of liability exposures is carefully monitored and managed within the risk selection process.

RSL is a life assurance company. The strategy of the insurer is to sell simple low-value life assurance in Europe via direct-to-consumer strategies.

Material risks

RSE's key underwriting risk is premium and reserve risk which comprises 78% of the undiversified underwriting risk charge. Premium and reserve risk arises from inappropriate underwriting (premium risk) and adverse claims development (reserve risk). The RSE Underwriting Committee is charged with the responsibility of managing and monitoring the technical performance of Red Sands.

RSL's key underwriting risk is lapse risk which comprises 46% of the undiversified underwriting risk charge. Lapse risk arises from a higher than expected lapse rate on existing policies. Lapse risk is managed by the measurement and monitoring of lapse rates at least monthly, and by close working with our distribution partners. RSL holds a Mass Lapse Reinsurance contract to mitigate the risk of a material increase in the lapse rate.

There have been no other material changes to the underwriting risks that RSE or RSL are exposed to over the reporting period.

Assessment measures

In both RSE and RSL, the measures used to monitor, assess and control the underwriting risks include:

- Using reinsurance to reduce exposure to high value claims.
- Monthly performance reporting highlights performance of key underwriting metrics
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions.
- Experience investigations are conducted annually.

Risk mitigation techniques

The RSE reinsurance strategy is, where possible, to reinsure potential high value claims whilst retaining the high volume low value business that comprises the majority of insurance written.

In general, RSL's business covers low value sum insured where traditional risk reinsurance is not required. However, RSL does make use of reinsurance capacity to provide capital support and to reduce its exposure to potentially higher value risks under products where it has less experience.

RSL holds a Mass Lapse Reinsurance contract to mitigate the risk of a material increase in the lapse rate. RSE and RSL do not make use of special purpose vehicles to mitigate or transfer risk.

Risk sensitivity

For both RSE and RSL a number of different stress tests were conducted as part of the ORSA process to test the sensitivity to distributors ceasing to trade, material change in lapse rates, change in loss ratios, increase and decrease in new business growth rates, material change in mortality rates, decrease in renewal premiums, and a removal of the approval for Undertaking Specific Parameters ("USPs").

This sensitivity analysis highlighted the following material risks:

- A material increase in the life policy lapse rate would result in a material decrease in the available capital of RSL.
- A material increase in the mortality rate of holders of RSL life policies would result in a material decrease in the available capital of RSL. Such a material increase could be triggered by a natural or man-made disaster such as the outbreak of a disease.
- Removal of the approval for USPs in RSE would result in a material increase in the solvency capital requirement.

C.2 Market risk

C.2.1 Material risks

RSE has exposure to the following risks which comprise the given % of the undiversified market risk charge: equity risk (43%), spread risk (18%), currency risk (4%), and concentration risk (29%). The material risk concentrations are a number of syndicated corporate bonds and strategic loans.

RSL has exposure to the following risks which comprise the given percentage of the undiversified market risk charge: interest rate risk (10%), currency risk (72%), and concentration risk (12%). The material currency risk relates to the negative technical provision associated with European business written in currencies other than GBP. The material risk concentration is a series of loans to the partner that markets and distributes RSL policies.

C.2.2 Prudent Person Principle

The Red Sands Investment Committee, a committee of the Board is charged with the responsibility of measuring, reporting on, monitoring of, control and managing the performance of all Red Sand's investable assets. The Investment Committee has engaged the services of external experts to assist with this activity. The Investment Committee terms of reference details Board imposed limits and

controls on the quality, liquidity, asset class, nature, duration and security of investments and investment assets.

Although Red Sands has a broad range of investments, the Board has a conservative approach with respect to the volatility in the returns – preferring lower, consistent returns over volatility in order to protect funds.

In the context of the prudent person principle it is critical to look at each asset not in isolation, but together at the portfolio level. Each asset class is going to have favourable and unfavourable periods however, if the portfolio is constructed on a balanced and diversified basis across all the risk categories, with specific focus on managing correlations between asset classes, then drawdowns at the portfolio level are likely to be less severe in times of market stress.

Red Sands do not have any unit-linked policies where the investment risk is borne by the policyholders.

C.2.3 Assessment Measures

In both RSE and RSL, the measures used to monitor, assess and control the market risks include:

- A comprehensive set of performance indicators is reported on a monthly basis and reviewed in detail at every Investment Committee meeting.
- Compliance with Board imposed limits and constraints such as asset class limits, liquidity constraints, and quality constraints is controlled by means of regular measurement and reporting.

C.2.4 Risk Mitigation Techniques

The techniques used to mitigate against market risk include:

- Material foreign currency exposures on the statutory account balance sheet are hedged back to the reporting currency.
- Maintaining a portfolio of diversified investments with respect to asset class, fund manager, historical volatility, counterparty but whilst maintaining a high level of liquidity and quality of assets.
- Material exposures to equity investments are held in a fund of collective investment undertakings that provides a downside protection guarantee.
- Any investment is subject to a rigorous due diligence process. This encompasses both investment due diligence, and operational due diligence. The investment due diligence includes evaluating the following aspects of the investment institution and investment fund: investment strategy, personnel, portfolio construction, risk management, instruments and a quantitative analysis. The operational due diligence includes evaluating the following aspects of the investment institution and investment fund: trade processes, financing, liquidity & cash controls, pricing policies, counterparties, review of financial statements, corporate organisational structure, capacity management and investor base, personnel organisational structure, legal & compliance, technology and business continuity.

C.2.5 Risk Sensitivity

For both RSE and RSL a number of different stress tests were conducted as part of the ORSA process to test the sensitivity to a drawdown of each collective investment undertaking and directly held asset class equal to the equivalent of a 1 in 200-year shock, a material increase and decrease in interest rates, and a material increase and decrease in foreign exchange rates. The stress tests were combined in a number of scenario tests. For each stress tests or scenario tests that breached the solvency coverage an appropriate recovery and resolution plan was detailed.

C.3 Credit risk

Material risks

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Counterparty default risk in RSE forms 5% of the undiversified basic SCR, and in RSL forms 2% of the undiversified basic SCR.

The material risk that Red Sands has relates to three banking counterparties. Two of these have credit quality steps of 2 and the third a credit quality step of 3.

In RSE, the net amount due from reinsurers is not material. In RSL, the net amount due from reinsurers is negative due to reinsurance being used to provide capital support for growth (that is the net expected future cash flow is from RSL to the reinsurer).

Prudent person principle

Counterparties are selected by taking the credit rating and reputation of each entity into account. Where appropriate, Red Sands uses multiple counterparties to avoid concentration risk. Red Sands does not rely on credit ratings alone when selecting an entity, but will also conduct appropriate due diligence.

Assessment measures

Assessment measures include quarterly review of the credit ratings of the counterparties, and the assessment of independent investment advisors on the future prospects of these counterparties.

Risk mitigation techniques

Risk mitigation techniques for credit risks include banking with more than one counterparty and performing due diligence on the counterparty before placing assets with them.

Risk sensitivity

A collective downgrade in the credit quality step of the three banking counterparties and the main reinsurance counterparty of RSE and RSL respectively would not result in the Board limit on solvency coverage being breached.

C.4 Liquidity risk

Material risks

Red Sands has limited liquidity risk. Furthermore, a significant cash and cash equivalents buffer is held above that expected to be required for near-term claims and operational purposes. The Investment Committee Terms of Reference requires 60% of investment assets to be able to be liquidated within 30 days.

Prudent person principle

Liquidity is a key consideration when investing assets. This is reflected by a very high percentage of the assets being invested in highly liquid investments.

Assessment measures

Measures used to assess liquidity risk include a medium-term cash forecast that is updated weekly, and a long-term cash forecast that is updated for each Investment Committee meeting.

Risk mitigation techniques

A material percentage of assets are held as cash in bank accounts and as short term, high quality assets in collective investment undertakings with daily liquidity. This is to ensure that there is sufficient cash available to meet short term requirements.

Risk sensitivity

Given that liquidity is not a material risk for Red Sands, no specific liquidity risk sensitivity is provided.

C.5 Operational risk

Material risks

The material operational risks that Red Sands faces and continues to manage include:

- Operational systems – the risk of failure of an operational system resulting in loss of availability, or temporary loss of data.
- Outsourcing – the risk of failure or non-performance of an outsourcing partner.
- People – the risk of failure of management practices and internal controls resulting in mismanagement such as fraud.
- Cyber-crime – the risk of failure of information security measures resulting in outcomes such as theft of customer data.

Assessment measures

Measures used to assess operational risks include regular review of open risks and their associated risk mitigations by the ARCG committee, and regular audits of internal process and outsourced partners.

Risk mitigation techniques

Risk mitigation techniques employed are specific to each risk. The risk mitigation will seek to reduce, transfer, accept or eliminate the risk, and any residual risk is then signed off by the ARCG committee.

Sensitivity to operational risks has been stress tested by materially increasing the overheads of both RSE and RSL. After a material year on year increase in overheads the 3-year forecasted solvency coverage for both RSE and RSL remains above the Board limit of 130%.

C.6 Other material risks

C.6.1 Brexit

As a result of the UK and Gibraltar's departure from the European Union ("Brexit"), RSL initiated portfolio transfers to the Generali Group in Poland (in respect of Polish liabilities) in January 2020 through the Supreme Court of Gibraltar ("the Court") and the Gibraltar Financial Services Commission ("GFSC"), and are expected to complete once the Court formally sanctions the portfolio transfer. RSL provided notice to its distributers in Hungary, the Czech Republic and the Slovak Republic in Q1 2020 and will place these books into run off on termination of this notice period. RSL has not written new business in Greece in 2018 and also intends to run off these contracts of insurance in line with the guidance provided in February 2019 by the European Insurance and Occupational Pensions Authority ("EIOPA").

While RSE has some residual active policies in the European Union, these are expected to be run off either within the transitional period of the withdrawal agreement entered into between the UK and the European Union, or alternatively within the further transitional periods expected in domestic legislation of European Union territories and in line with the guidance provided in February 2019 by EIOPA.

While RSL expects the approval of the Court and GFSC to be obtained, this is not guaranteed and therefore the Directors remain in close contact with the GFSC to ensure that any concerns raised by them or any interested parties over the course of the application process are managed appropriately.

C.6.2 COVID-19

A number of key risks have been identified which arise from the COVID-19 pandemic across all of our products and distribution channels, notably around the likely impact on operations, future sales volume, claims experience, and softer factors. The main risks are considered below:

Key Risk	Key Scenarios modelled
Operations	- Impact of stronger government actions - Impact from staff shortage due to illness
Premiums volumes	- Impact of decrease in volumes on solvency - Impact of decrease in volumes on cash flow / liquidity
Claims experience	- Impact from sustained social distancing measures - Impact from severe economic downturn

Key Risk	Key Scenarios modelled
Investment returns	- Impact of current market impact and the need to rebalance - Impact from potential further market shocks
Softer factors	- Customer sentiments and experience (can customers service policies and continue to claim, are product changes necessary to assist policyholders as factors change) - Change in prevalence of fraud due to economic downturn

The scenarios modelled have been particularly severe and the results show that Red Sands is well placed to manage these risks.

Other material risks

No other material risks are documented.

C.7 Any other information

Red Sands does not hold any off-balance sheet positions.

There are no significant risk concentrations at the level of the Red Sands Group.

D. Valuation for Solvency Purposes

D.1 Assets

The valuation for solvency purposes of material asset classes is described below.

Corporate and Government Bonds

As at 31 December 2019, RSE had £8.4m invested in directly held corporate bonds and £13.6m invested directly in UK issued government bonds ("gilts").

The corporate bonds and gilts are traded in active markets for similar assets as per Article 10(2) of the Delegated Act. Corporate bonds are syndicated to unlisted entities led by a leading investment bank. There are no differences in the valuation of the assets for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

RSL does not directly hold any corporate or government bonds.

Collective Investment Undertakings

As at 31 December 2019, RSE had £56.0m and RSL had £8.0m invested in collective investment undertakings.

All collective investment undertakings are traded in active markets for identical assets as per Article 10(2) of the Delegated Act. As these are actively traded securities, the market price represents fair value under Solvency II.

The value of all collective investment undertakings in the financial statements is the same as for Solvency II.

The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

Cash and Cash Equivalents

As at 31 December 2019, RSE had £15.1m and RSL had £6.6m in cash and cash equivalents.

Cash and cash equivalents are valued at face value in the reporting currency. Any currencies not in the reporting currency are valued at the spot exchange rate on the last day of trading of the reporting period. There are no differences in the valuation of the assets for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

Reinsurance Recoverable

As at 31 December 2019, RSL had -£14.4m in reinsurance recoverables.

Reinsurance recoverables are valued in line with the terms and conditions of the associated re-insurance contract. The calculation of RSL's reinsurance recoverable assumes future management action to recapture generations of policies when permitted to do so and in line with past practice. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

As at 31 December 2019, RSE's reinsurance recoverables were insignificant.

D.2 Technical provisions

D.2.1 RSE Technical Provisions

The value of best estimate and risk margin by line of business is given in "Appendix 4 – RSE Technical Provisions".

Best Estimate

Cash flow projection models have been designed for each homogenous risk group (by at least insurance product and contract term) which are then aggregated into the respective line of business above. These projection models are a best estimate of all future cash flows relating to the policy while it remains active over the life of the contract.

Independent actuarial audit consultants have reviewed that the implemented projection models, based on a cash-flow approach, are suitable for purpose and consistent with underlying valuation principles.

An example of one type of best estimate cash flow included in the projection models is the cost of future claims related to unearned business. It is calculated by applying expected loss ratios to unearned (at the valuation date) and future premium where the expected loss ratios have been derived based on a weighted average of historical loss ratios.

Independent actuarial audit consultants have also reviewed the main assumptions inherent in the chosen methodologies for reasonableness (such as ultimate loss ratios and payments patterns).

Risk Margin

The risk margin is calculated in accordance with the level 3 risk margin simplification as per the Delegated Act. Given the scale and the nature of the business written by RSE, the proportionality principle applies and using this simplification is considered reasonable.

The risk margin calculation is based on the guidelines 61 and 62 published by EIOPA in the document "Guidelines on the valuation of technical provisions". Independent actuarial audit consultants have ensured that the calculation is in line with the regulatory requirements and that the risks included in the projected SCR are consistent with an amount that an insurance undertaking would require in order to take over the obligations.

Main assumptions

The risk-free interest rate term structure used for discounting the projected cash flows in the technical calculation is the relevant risk-free structure as specified by the Solvency II regulations.

The expenses incurred in servicing RSE's insurance obligations consist of administration, claims management/handling and overhead expenses. The Company performs a regular expense analysis. The best estimate expense assumptions are based on the results of this regular analysis together with budgeted expenses.

Lapse assumptions are set with reference to experience for RSE's business, guidance from subject matter experts, reinsurers and industry data.

Claims development and claim rate assumptions take account of credible internal experience.

Level of uncertainty associated with the value of technical provisions

RSE writes business with high-frequency, low-severity claims experience with only moderate volatility. The nature of this claims experience results in relatively low levels of uncertainty when projecting cash flows to make up the technical provisions. The above is evident when comparing the actual experience with previous estimates of the future claims experience. This is furthermore evidenced by RSE's USP approval for premium and reserve risk.

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are ultimate claims ratio, lapse rates and claims development factors. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

Valuation in Financial Statements (Miscellaneous Loss line of business)

The financial statement reserves relating to past claim events are seen as best estimate and are used as the base for the claims provision. The pet insurance products are an exception to the above with their explicit margin for prudence removed as well as further refinements to the method (a combination of chain-ladder and ultimate loss ratio) when compared to financial statement numbers.

Any financial statement items that would result in future cash flows (associated with intermediaries) are consolidated in the technical provisions. These include premium debtors, claim funds and profit shares. However, cash flows such as future premium on monthly paid business are also included in the technical provision but do not necessarily appear in the financial statements.

The technical provisions also estimates the most likely future cash flows (claims, expenses etc) from the unexpired contract term whereas the financial accounts have a more traditional reserve represented simply by the Unearned Premium Reserve ("UPR").

Valuation in Financial Statements (Credit & Suretyship line of business)

Financial statement reserves relating to past claim events are seen as best estimate and used as the base for claims provision. Any financial statement items that would result in future cash flows (associated with intermediaries) are consolidated in the technical provisions. These include premium debtors, claim funds and profit shares.

The technical provisions also estimate the most likely future cash flows (claims, expenses etc) from the unexpired contract term whereas the financial accounts have a more traditional reserve represented simply by the UPR.

Other Adjustments and Assumptions

The matching adjustment referred to in Article 77b of Directive 2009/138/EC has not been applied.

The volatility adjustment referred to in Article 77d of Directive 2009/138/EC has not been used.

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC has not been applied.

The transitional deduction referred to in Article 308d of Directive 2009/138/EC has not been applied.

There are no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

D.2.2 RSL Technical Provisions

RSL's primary line of business is that of life insurance, although RSL also sells stand alone and complementary accident and sickness policies. The accident and sickness policies are treated as similar to life products for the purposes of the technical provisions and therefore the life and the accident and sickness policies are considered together. The value of best estimate and risk margin is given in "Appendix 12 – RSL Life Technical Provisions".

Best Estimate Key Assumptions

The key assumptions underlying the calculation of the RSL technical provisions are as follows:

1. Policy and premium persistency

   The policy persistency rates are expressed as monthly lapse rates and reflect the likelihood of a policy no longer being "on risk" for RSL due to lapsation, i.e. RSL is no longer liable to pay out any claims on the policies. Premium persistency assumptions reflect the likelihood of active policies paying their premiums.

   The above assumptions are derived based on analysis of actual experience and are revised annually where necessary.

2. Mortality

   The mortality assumptions are split by broad product group as follows:

   - Non-underwritten Whole of Life & Term Life Products
     The base mortality table used is population mortality from a specific year, either from the relevant local national statistics database and other publicly available sources, or from Eurostat (where the local national statistics database does not provide mortality tables). These tables are reshaped based on current realistic estimates of expected mortality levels reflecting policy duration, policyholder age and gender.

- Simplified underwriting Whole of Life & Term Life Products
  The base mortality tables used are the reinsurer risk rates provided for the relevant product lines (with no additional loadings). Where the product is not currently reinsured, quoted reinsurer risk rates are used.

- Non-underwritten Accidental Death Products
  Similar mortality assumptions to Whole of Life products are adopted in the projection of policyholders remaining in-force (as not all deaths under this product would result in a claim). Given that the customer base of the Accidental Death product is relatively similar to that of the Whole of Life products it is not unreasonable to assume that general mortality will be similar to that of Whole of Life policyholders.

The above assumptions are derived based on analysis of actual experience and are revised annually where necessary.

3. Morbidity

This assumption reflect the likelihood of claims on the accidental disability and hospital cash products:

- Non-Underwritten Accidental Disability Products

  The basis of this assumption is based on population statistics from Eurostats by cause of the accident and by country. The population statistics are adjusted to reflect the actual experience as more information becomes available as the book matures.

  As claims are only paid for accidental disability, it is difficult for policyholders to select against RSL, therefore it is reasonable to assume that experience will be in line with that of the general population.

- Non-Underwritten Hospital Cash Plan
  Incidences of hospitalisation and average number of days in hospital are based on Eurostat population statistics, adjusted for observed experience where sufficient data is available.

The above assumptions are derived based on analysis of actual experience and are revised annually where necessary.

4. Expenses & Commission

RSL outsources the servicing of existing business and this is reflected with the expense assumptions. Expenses can be split into:

- Policy administration - a fixed amount per policy set out in the Service Level Agreements between RSL and its distributors.
- Claims administration - a fixed amount per claim set out in the Service Level Agreements between RSL and its distributors.

- Overhead expenses (including investment expenses) - assumed to be a fixed percentage of premium. Overhead expenses are monitored at least annually to ensure these are in line with expectations.

The expense inflation rate is country-specific and is set to reflect the target inflation rate as determined by the monetary policy in each country.

Commissions can be split into:

- Acquisition commission – a set percentage of 12 months' worth of premiums set out in Service Level Agreements between RSL and its main distributors, where this is relevant.
- Ongoing commission – a set percentage of a month's worth of premiums set out in Service Level Agreements between RSL and its main distributors, where this is relevant.

The commission clawback period is specified in the Service Level Agreements between RSL and its main distributors.

5. Interest rates

The risk-free interest rate term structures used within the model are those published be EIOPA at the valuation date for each relevant currencies.

The relevant risk-free interest rate term structures are:

- Polish Zloty
- Hungarian Forint
- Czech Koruna
- Euro (for Slovakia and Greece)
- United Kingdom Sterling – for the calculation of the risk margin.

6. Exchange rates

For the 31 December 2019 calculation of the technical provisions, cashflows are converted to GBP using the same year-end exchange rates used for the management accounts, which is the spot exchange rate on the last day of trading of the reporting period.

The above assumptions have been reviewed by independent actuarial audit consultants who have confirmed that they are satisfied that the assumptions used within the calculation of the technical provisions are appropriate taking into account the quality and credibility of the latest available data and that the assumptions are sufficient and appropriate to the business being modelled.

Best Estimate Methodology

The appropriateness of the methods and models used for the calculation of the technical provisions was assessed during the development phase prior to the implementation of Solvency II with reference to the main risk drivers and the line of business of RSL. The cashflow projections use standard recognised actuarial techniques, and relevant product features have been allowed for, taking into account the materiality of each feature and product line, and availability of data.

The calculation of the technical provisions has been carried out consistently with the requirements set out in the Solvency II Directive. No unusual or non-standard methods have been used in the

calculation of RSL's technical provisions. Additionally, no approximate methods are used in the calculation of the technical provisions in response to the lack of availability of sufficient data of appropriate quality.

The methodologies used have been reviewed by an independent actuarial consultancy, who have confirmed that they consider the methods and models used in the calculation of the technical provisions to be consistent with the cashflows that are used to determine a best estimate of the liabilities arising from business sold by RSL and the requirements of Solvency II.

A description of the methodologies used in calculating each component of the technical provisions are noted below.

- Best estimate – Main Benefit
  Cashflow projections are carried out via actuarial software Prophet, using standard actuarial techniques. These models reflect the key features of each product, including the key assumptions noted above.

  The best estimate is calculated using realistic assumptions and industry accepted actuarial methods for the projection of future cashflows, discounted at the relevant risk-free interest rate term structure provided by EIOPA as at the valuation date. The present values of net future cashflows (i.e. allowing for both expected income and outgo) are output grouped by product and country, in the local currency. These amounts are converted to GBP using the same month end exchange rates as used for management accounts as at the valuation date.

  Outstanding claims amounts (i.e. pending claim settlements), any premium debtors and any incurred but not reported claims reserve (IBNR) as of the valuation date are added to the initial best estimate. These amounts are usually small relative to the size of the initial best estimate.

- Best estimate – Riders
  Cashflows associated with riders attaching to the main benefit are calculated in a similar manner to above and include: Double/Triple/Quadruple Accidental Death (DAD/TAD/QAD), Funeral Comforter, Parent Cover, Premium Waiver, Permanent Disability Rider and Cancer Rider.

Risk Margin

The risk margin is calculated separately, using Method 1 detailed in the Solvency II Guidelines (Approximate individual risks/sub-risks within some or all modules/sub-modules) for projecting future Solvency Capital Requirements. This method projects each relevant component part of the SCR calculation when assuming existing business is in run off. The main components projected are:

- Life underwriting risk module
- Health underwriting risk module

- Default risk module (assuming all assets are held as cash at bank and current reinsurance arrangements continue but no new reinsurance is taken out)
- Market risk module (needs to be minimised therefore assuming all assets are held as cash means that the only relevant risk that needs to be projected is the currency risk component)
- Operational risk module (standard formula based on projected premiums)

Options & Guarantees

There are no complicated or unusual options and guarantees on any of RSL products.

Level of uncertainty associated with the value of technical provisions

As with all projections, there is uncertainty within the selected best estimates where judgements need to be made. The areas of uncertainty/judgment for each of the key assumptions are detailed below.

1. Persistency

The main uncertainties associated with the persistency assumptions are the shape of the policy persistency and long-term premium persistency rates.

2. Mortality

Non-underwritten Whole of Life & Term Life Products

The main uncertainties associated with this assumption are the level of insured mortality relative to population mortality during the initial "selection" period.

Simplified underwriting Whole of Life & Term Life Products

The main uncertainty associated with this assumption is whether the reinsurer risk rates are a true reflection of the actual mortality of the specific insured portfolio.

Non-underwritten Accidental Death Products

The uncertainties associated with this assumption are the shape of the insured accidental mortality by age may differ from that of the general population.

The Actuarial Function has performed sensitivity tests over the course of the year in order to quantitatively analyse the sensitivity of RSL's Technical Provisions to these best estimate assumptions. These are documented in the ORSA report.

Material changes in the mortality assumptions have taken place over the past reporting period. These changes were as a result of ongoing experience analysis performed and resulted in a decrease in expected profit in future premiums reflected in a less negative BEL.

Valuation in Financial Statements

The method adopted for the valuation is a gross premium valuation method which explicitly allows for the expected future cash-flows arising from the policies in-force at the valuation date. Policies are valued on an individual basis and are not grouped. Any rider benefits are valued as

part of the host policy and not on a standalone basis. Furthermore, as per regulation 30 referred to above, no policy is treated as an asset and negative reserves are eliminated at the policy level.

Other Adjustments and Assumptions

The matching adjustment referred to in Article 77b of Directive 2009/138/EC has not been applied.

The volatility adjustment referred to in Article 77d of Directive 2009/138/EC has not been used.

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC has not been applied.

The transitional deduction referred to in Article 308d of Directive 2009/138/EC has not been applied.

D.3 Other liabilities

The valuation for solvency purposes of material liability classes is described below.

Net Deferred Tax Liability

In both RSE and RSL, the net deferred tax liability is calculated as the net of the deferred tax liability and the deferred tax asset.

The deferred tax asset is calculated as the applicable tax rate multiplied by the difference between the sum of "technical liabilities", "reinsurance payables", and "any other liabilities" on the Solvency 2 balance sheet and the GAAP balance sheet.

The deferred tax liability is calculated as the applicable tax rate multiplied by the difference between the sum of "reinsurance assets", "insurance, loans & other receivables", and "any other assets" on the Solvency II balance sheet and the GAAP balance sheet.

No net deferred tax liability or asset is included on the GAAP balance sheet. No changes have been made to the recognition and valuation bases during the reporting period.

Reinsurance Payables

In both RSE and RSL, reinsurance payables are valued in line with the terms and conditions of the associated re-insurance contract. There are no differences in the valuation of the liability for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

Any Other Liabilities

The material liabilities included under any other liabilities are Insurance Premium Tax payable, income tax payable, accruals, and creditors arising from insurance operations. There are no differences in the valuation of the liability for solvency purposes and those used for the valuation in financial statements. The methods and main assumptions in deriving their value for these separate purposes are the same. No changes have been made to the recognition and valuation bases during the reporting period.

Subordinated Liability

The Subordinated Liabilities item in RSE is comprised of the subordinated debt issued by RSE in October 2015. The subscriber of the debt is a specialist fund that invests in the illiquid subordinated debt of European small to mid-cap insurers. This debt qualifies as Tier 2 capital from a Solvency II capital perspective. There is a limited traded market for the long dated subordinated debt of small European insurers. As a result, it is not possible to apply the valuation methodology in Article 10(2). Rather the alternative valuation approach Article 10(7b) is applied, which employs a discounted cash-flow approach. The discount factor that is currently applied remains Euribor plus spread at issuance.

Other

No Red Sands liabilities are subject to financial or operating leases.

There are no liabilities associated with material employee benefits.

D.4 Alternative methods for valuation

An alternative valuation method has been applied to the sub-ordinated debt in RSE. There is a limited traded market for the long dated subordinated debt of small European insurers. As a result, it is not possible to apply the valuation methodology in Article 10(2). Rather the alternative valuation approach Article 10(7b) is applied, which employs a discounted cash-flow approach. The discount factor that is currently applied remains Euribor plus spread at issuance.

D.5 Any other information

D.5.1 Group Valuation for Solvency Purposes

The bases, methods and assumptions used at Red Sands Group level for the valuation for solvency purposes of the group's assets, technical provisions and other liabilities are no different from those used by any of its subsidiaries for the valuation for solvency purposes of its assets, technical provisions and other liabilities.

D.5.2 COVID-19

The impact from COVID-19 as at the date of this report has not caused a material decline in Red Sands solvency.

E. Capital Management

E.1 Own funds

Objective & Process

Both RSE and RSL have Board stated objectives to maintain own funds of more than 130% of the Solvency Capital Requirement.

Any dividends require Red Sands Board approval and will not be approved or paid if this results in the forecasted solvency coverage breaching the level noted above over the planning horizon of three years.

Any additional own funds raised by issuing of shares or raising of debt requires Red Sands Board approval and prior authorisation from the Gibraltar Financial Services Commission, unless they comply with Articles 69, 72 or 76 of the Commission Delegated Regulation (EU) 2015/35.

Own Funds

RSE has only one class of share, namely Tier 1 ordinary shares.. Tier 1 preference shares were converted to Tier 1 ordinary shares during 2019. No new shares have been issued over the reporting period.

RSL has only one class of share, namely Tier 1 ordinary shares. Tier 1 preference shares were converted to Tier 1 ordinary shares during 2018. No new shares have been issued over the reporting period.

Red Sands has €20m of sub-ordinated Tier 2 debt. The debt is classified as Tier 2 and is sub-ordinated to the ordinary shares. The maturity of the debt is November 2025. The debt was issued in Euros.

All own capital in excess of the ordinary shares and associated share premium account are accounted for in the reconciliation reserve.

Material Changes

In RSE, the material change over the reporting period is an increase in own funds of £10m. This change is largely due to retained earnings and an increase in expected profit in future premiums.

In RSL, the material change over the reporting period is an increase in own funds of £2m. This change is due to an increase in expected profit in future premiums reflected in the negative BEL.

The material differences between equity as shown in the undertaking's financial statements and the excess of assets over liabilities as calculated for solvency purposes are:

- The difference in basis for the calculation of the best estimate liabilities and reinsurance recoverable in RSL between the financial statements and Solvency II.
- The exclusion of margin from the Solvency II best estimates.

Capital Requirement

The eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers, is provided in "Appendix 6 – RSE Own Funds" and "Appendix 13 – RSL Own Funds".

The eligible amount of basic own funds to cover the Minimum Capital Requirement, classified by tiers, is provided in "Appendix 6 – RSE Own Funds" and "Appendix 13 – RSL Own Funds".

The solvency ratio, calculated as eligible own funds as a percentage of the Solvency Capital Requirement, is provided in "Appendix 6 – RSE Own Funds" and "Appendix 13 – RSL Own Funds".

Other

No basic own-fund items are subject to transitional arrangements.

There exist no options or warrants on the own funds.

There are no ancillary own funds.

There are no significant restrictions affecting the availability and transferability of own funds within Red Sands.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at the end of the reporting period is provided in "Appendix 7 – RSE Solvency Capital Requirement" and "Appendix 14 – RSL Solvency Capital Requirement".

The Minimum Capital Requirement at the end of the reporting period is provided in "Appendix 8 – RSE Minimum Capital Requirement" and "Appendix 15 – RSL Minimum Capital Requirement".

The amount of the solvency capital requirement split by risk module is provided in "Appendix 7 – RSE Solvency Capital Requirement" and "Appendix 14 – RSL Solvency Capital Requirement".

The standard model is used to calculate the Capital Requirement.

Loss absorbing capacity of deferred taxes

RSE recognises a deferred tax liability of £813,555 as at 31 December 2019 (2018: £696,505) and RSL recognises a deferred tax liability of £2,763,876 as at 31 December 2019 (2018: £2,939,917). The Group recognises separately a deferred tax asset of £690,772 (2018: £758,002) and a deferred tax liability of £3,598,846 (2018: £3,636,422). The deferred tax assets and deferred tax liabilities are calculated based on the future taxable profits recognised within available capital, taken at the prevailing tax rates at the balance sheet date.

The loss absorbing capacity of deferred tax has been assessed and a reduction taken in the solvency capital requirement of RSE of £3,170,077 (2018: £2,733,349) and of RSL of £1,811,330 (2018: £1,733,057).

Simplified Calculations

No simplified calculations are used.

Undertaking Specific Parameters ("USPs")

In RSE, USPs are used in the calculation of Premium and Reserve Risk for the Miscellaneous Financial Loss segment. It is believed that the calibration of the "Miscellaneous Financial Loss" in the standard formula does not reflect RSE's insurance risk profile.

"Miscellaneous Financial Loss" is a generic category for insurance that is not covered by more specific categories. It includes insurance obligations which cover employment risk, insufficiency of income, bad weather, loss of benefit, continuing general expenses, unforeseen trading expenses, loss of market value, loss of rent or revenue, indirect trading losses, other financial loss (non-trading) as well as any other risk of non-life insurance not covered by the specific lines of business. Given the wide range of insurance obligations covered by the "Miscellaneous Financial Loss" category, it is by nature generic and hence not representative of any of the heterogeneous insurance obligations which get allocated in this category.

For the above reasons, it is RSE's view that the standard formula parameter calibration used for "Miscellaneous Financial Loss" for both premium and reserve risk does not properly reflect the risk profile of RSE and so RSE should continue the use of Undertaking-Specific Parameters for its insurance portfolios (aggregated within "Miscellaneous Financial Loss") to allow RSE to more closely match capital requirements to its risk profile. The use of USPs are approved by the GFSC and reviewed annually.

Material Changes

In RSE, the Solvency Capital Requirement increased by £4.3m over the reporting period. The material changes that led to this increase are:

- £0.64m - increase in non-life underwriting risk
- (£0.14m) - decrease in market risk

The Minimum Capital Requirement increased by £0.38m over the reporting period.

In RSL, the Solvency Capital Requirement decreased by £0.4m over the reporting period. The material changes that led to this increase are:

- £0.9m - increase in life underwriting risk as a consequence of having sold more policies
- £0.3m - increase in counterparty default risk, due to more cash being held at bank on the valuation date
- (£0.7m) - decrease in market risk, due to an investment decision to exit a number of collective investment undertakings
- £0.05m - increase in operational risk

The Minimum Capital Requirement of RSL increased by £0.08m over the reporting period.

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

Red Sands has not used the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

Red Sands has not used any internal model in the calculation of the Solvency Capital Requirement.

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

Red Sands own capital is and has been compliant with the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

E.6 Any other information

Red Sands Group Capital Management

Method 1 (Accounting consolidation-based method) of Article 230 of the Solvency II Directive has been used to calculate the group solvency.

The subordinated debt own fund item in RSE is not transferrable to another entity within the group. The subordinated debt own fund item is included in the calculation of the group solvency up to the contribution of RSE to the group SCR in accordance with Article 330(5) of the Delegated Act.

The net deferred tax asset present in Nordic is not transferrable to another entity within the group. This own fund item is not included in the calculation of the group solvency.

The group Solvency Capital Requirement is provided in "Appendix 21 – Group Solvency Capital Requirement".

The material source of group diversification effects is due to the life and non-life underwriting risk charges having a correlation coefficient of 0. This contributes 25% of the group overall diversification benefit.

Appendix 1 – RSE Balance Sheet

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	800,371
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	79,484,756
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	1,184,074
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	1,184,074
Bonds	**R0130**	22,072,322
Government Bonds	**R0140**	13,645,214
Corporate Bonds	**R0150**	8,427,108
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	56,124,518
Derivatives	**R0190**	103,842
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	1,711,678
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	1,711,678
Reinsurance recoverables from:	**R0270**	(120,192)
Non-life and health similar to non-life	**R0280**	(120,192)
Non-life excluding health	**R0290**	(120,192)
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	4,965,277
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	

Liabilities		C0010
Technical provisions – non-life	R0510	26,317,646
Technical provisions – non-life (excluding health)	R0520	26,317,646
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	23,379,930
Risk margin	R0550	2,937,716
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	834,970
Derivatives	R0790	73,960
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	12,510,598
Subordinated liabilities	R0850	16,947,013
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	16,947,013
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	56,684,187
Excess of assets over liabilities	R1000	45,170,328

Appendix 2 – RSE Premiums, Claims & Expenses by Line of Business

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance			Total
		Fire and other damage to property insurance	Credit and suretyship insurance	Miscellaneous financial loss	
		C0070	C0090	C0120	C0180
Premiums written					
Gross – Direct business	R0110	1,982,344	3,345,040	174,397,631	179,725,015
Gross – Proportional reinsurance accepted	R0120				
Gross – Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	120,319		311,386	431,705
Net	R0200	1,862,025	3,345,040	174,086,245	179,293,310
Premiums earned					
Gross – Direct business	R0210	834,104	3,915,649	170,407,862	175,157,615
Gross – Proportional reinsurance accepted	R0220				
Gross – Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	120,319		311,386	431,705
Net	R0300	713,785	3,915,649	170,096,476	174,725,910
Claims incurred					
Gross – Direct business	R0310	642,771	1,097,318	101,554,283	103,294,372
Gross – Proportional reinsurance accepted	R0320				
Gross – Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340			20,609	20,609
Net	R0400	642,771	1,097,318	101,533,674	103,273,763
Changes in other technical provisions					
Gross – Direct business	R0410	(197,314)	(239,358)	(1,887,663)	(2,324,335)
Gross – Proportional reinsurance accepted	R0420				
Gross – Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500	(197,314)	(239,358)	(1,887,663)	(2,324,335)
Expenses incurred	R0550	288,903	2,285,709	52,998,553	55,573,165
Other expenses	R1200				4,277,113
Total expenses					59,850,278

		Line of Business for: life insurance obligations		Total
		Health insurance	Other life insurance	
		C0210	C0240	C0300
Premiums written				
Gross	**R1410**	280,391		280,391
Reinsurers' share	**R1420**			
Net	**R1500**	280,391		280,391
Premiums earned				
Gross	**R1510**	280,391		280,391
Reinsurers' share	**R1520**			
Net	**R1600**	280,391		280,391
Claims incurred				
Gross	**R1610**	83,325		83,325
Reinsurers' share	**R1620**			
Net	**R1700**	83,325		83,325
Changes in other technical provisions				
Gross	**R1710**			
Reinsurers' share	**R1720**			
Net	**R1800**			
Expenses incurred	**R1900**	182,241		182,241
Other expenses	**R2500**			-
Total expenses	**R2600**			182,241

Appendix 3 – RSE Premiums, Claims & Expenses by Country

S.05.02.01
Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	PL	IE	HU	SK	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		179,619,575	222,630	89,266	40,021	20,398	179,991,890
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140		431,005	-	-	-	-	431,005
Net	R0200		179,187,870	222,630	89,266	40,021	20,398	179,560,185
Premiums earned								
Gross - Direct Business	R0210		171,870,086	459,166	3,034,819	40,021	20,398	175,424,490
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240		431,705	-	-	-	-	431,705
Net	R0300		171,438,381	459,166	3,034,819	40,021	20,398	174,992,785
Claims incurred								
Gross - Direct Business	R0310		101,397,652	252,292	1,710,184	8,373	1,450	103,369,952
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340		20,609	-	-	-	-	20,609
Net	R0400		101,377,044	252,292	1,710,184	8,373	1,450	103,349,343
Changes in other technical provisions								
Gross - Direct Business	R0410		(3,244,829)	83,296	837,197	-	-	(2,324,335)
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500		(3,244,829)	83,296	837,197	-	-	(2,324,335)
Expenses incurred	R0550		55,541,034	117,743	24,091	28,229	23,399	55,734,496
Other expenses	R1200							4,277,113
Total expenses	R1300							60,011,609

Appendix 4 – RSE Technical Provisions

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Fire and other damage to property insurance	Credit and suretyship insurance	Miscellaneous financial loss	
		C0080	C0100	C0130	C0180
Technical provisions calculated as a whole	**R0010**				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	**R0060**	463,917	8,853,849	(4,919,875)	4,397,891
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**			(344,425)	(344,425)
Net best estimate of Premium Provisions	**R0150**	463,917	8,853,849	(4,575,450)	4,742,316
Claims provisions					
Gross	**R0160**	426,262	2,159,179	16,396,598	18,982,039
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**			224,240	224,240
Net best estimate of Claims Provisions	**R0250**	426,262	2,159,179	16,172,358	18,757,799
Total Best estimate – gross	**R0260**	890,179	11,013,028	11,476,723	23,379,930
Total Best estimate – net	**R0270**	890,179	11,013,028	11,596,908	23,500,115
Risk margin	**R0280**	26,378	747,273	2,164,065	2,937,716
Amount of the transitional on technical provisions					
Technical provisions calculated as a whole	**R0290**				
Best estimate	**R0300**				
Risk margin	**R0310**				
Technical provisions – total					
Technical provisions – total	**R0320**	916,557	11,760,301	13,640,788	26,317,646
Recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0330**			(120,185)	(120,185)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	916,557	11,760,301	13,760,973	26,437,831

Appendix 5 – RSE Claims Information

S.19.01.21
Non-life insurance claims
Total non-life business

Accident year / Under-writing year	Z0010	Under-writing Year

Gross Claims Paid (non-cumulative)
(absolute amount)
Development Year

	Year	0	1	2	3	4	5	6	7	8	9	10&+		In Current Year	Sum of Years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											20,424,849	R0100	-	20,424,849
N-9	R0160									17,312,967	-		R0160	-	17,312,967
N-8	R0170								24,260,789	-			R0170	-	24,260,789
N-7	R0180							30,570,471	-				R0180	-	30,570,471
N-6	R0190						37,180,619	49					R0190	49	37,180,668
N-5	R0200					45,259,928	186						R0200	186	45,260,114
N-4	R0210				53,943,797	3,677							R0210	3,677	53,947,474
N-3	R0220			66,760,638	8,554								R0220	8,554	66,769,192
N-2	R0230		79,981,404	1,885									R0230	1,885	79,983,289
N-1	R0240	78,451,620	11,083,015										R0240	11,083,015	89,534,635
N	R0250	92,320,678											R0250	92,320,648	92,320,648
													Total R0260	103,418,014	557,565,096

Gross undiscounted Best Estimate Claims Provision
(absolute amount)

		Development Year											
	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
Prior	R0100												R0100
N-9	R0160												R0160
N-8	R0170												R0170
N-7	R0180												R0180
N-6	R0190												R0190
N-5	R0200												R0200
N-4	R0210												R0210
N-3	R0220												R0220
N-2	R0230												R0230
N-1	R0240												R0240
N	R0250	23,379,930											R0250
												Total	R0260	23,379,930

Appendix 6 – RSE Own Funds

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	3,006,000	3,006,000			
Share premium account related to ordinary share capital	R0030	5,994,000	5,994,000			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	36,170,329	36,170,329			
Subordinated liabilities	R0140	16,947,013			16,947,013	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	62,117,342	45,170,329		16,947,013	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	62,117,342	45,170,329		16,947,013	
Total available own funds to meet the MCR	**R0510**	62,117,342	45,170,329		16,947,013	
Total eligible own funds to meet the SCR	**R0540**	62,117,342	45,170,329		16,947,013	
Total eligible own funds to meet the MCR	**R0550**	41,713,844	45,170,329		3,367,226	
SCR	**R0580**	37,413,629				
MCR	**R0600**	16,836,133				
Ratio of Eligible own funds to SCR	**R0620**	1.6603				
Ratio of Eligible own funds to MCR	**R0640**	2.8829				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	45,170,329
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	9,000,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	36,170,329
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	5,740,834
Total Expected profits included in future premiums (EPIFP)	**R0790**	5,740,834

Appendix 7 – RSE Solvency Capital Requirement

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	9,303,627		
Counterparty default risk	R0020	1,899,885		
Life underwriting risk	R0030	446,549		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	30,685,764		
Diversification	R0060	(7,060,256)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	35,275,569		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5,261,393
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(3,123,333)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	37,413,629
Capital add-on already set	R0210	
Solvency capital requirement	R0220	37,413,629
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix 8 – RSE Minimum Capital Requirement

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	25,939,830

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	890,178	1,822,378
General liability insurance and proportional reinsurance	R0090		39,647
Credit and suretyship insurance and proportional reinsurance	R0100	11,013,028	3,343,903
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	11,596,915	174,017,117
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	25,939,830
SCR	R0310	37,413,629
MCR cap	R0320	16,836,193
MCR floor	R0330	9,353,407
Combined MCR	R0340	16,836,133
Absolute floor of the MCR	R0350	3,135,197
Minimum Capital Requirement	R0400	16,836,133

Appendix 9 – RSL Balance Sheet

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	8,035,304
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	8,035,304
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	2,169,545
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	2,169,545
Reinsurance recoverables from:	**R0270**	(14,443,515)
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	(14,443,515)
Health similar to life	**R0320**	89,166
Life excluding health and index-linked and unit-linked	**R0330**	(14,532,681)
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	

Liabilities		C0010
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	(42,819,827)
Technical provisions - health (similar to life)	R0610	(430,237)
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	(537,609)
Risk margin	R0640	143,372
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	(42,389,590)
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	(54,700,373)
Risk margin	R0680	12,310,783
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	24,171
Deferred tax liabilities	R0780	2,736,876
Derivatives	R0790	13,437
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	550,711
Payables (trade, not insurance)	R0840	719,902
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	(38,747,730)
Excess of assets over liabilities	R1000	41,097,440

Appendix 10 – RSL Premiums, Claims & Expenses by Line of Business

.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations		Total
		Health insurance	Other life insurance	
		C0210	C0240	C0300
Premiums written				
Gross	**R1410**	2,948,863	23,008,017	25,956,880
Reinsurers' share	**R1420**	48,033	8,838,915	8,886,948
Net	**R1500**	2,900,830	14,169,102	17,069,932
Premiums earned				
Gross	**R1510**	2,948,863	23,008,017	25,956,880
Reinsurers' share	**R1520**	48,033	8,838,915	8,886,948
Net	**R1600**	2,900,830	14,169,102	17,069,932
Claims incurred				
Gross	**R1610**	843,581	8,242,411	9,085,992
Reinsurers' share	**R1620**	10,794	3,949,412	3,960,206
Net	**R1700**	832,787	4,292,999	5,125,786
Changes in other technical provisions				
Gross	**R1710**	-	-	-
Reinsurers' share	**R1720**	-	-	-
Net	**R1800**	-	-	-
Expenses incurred	**R1900**	1,860,801	5,801,039	7,661,840
Other expenses	**R2500**			-
Total expenses	**R2600**			7,661,840

Appendix 11 – RSL Premiums, Claims & Expenses by Country

S.05.02.01

Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written – life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		CZ	SK	PL	HU	GR	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410		2,227,500	2,423,009	15,086,688	5,883,117	336,566	25,956,880
Reinsurers' share	R1420		1,061,628	1,174,958	5,337,698	1,312,664	-	8,886,948
Net	R1500		1,165,872	1,248,051	9,748,990	4,570,453	336,566	17,069,932
Premiums earned								
Gross	R1510		2,227,500	2,423,009	15,086,688	5,883,117	336,566	25,956,880
Reinsurers' share	R1520		1,061,628	1,174,958	5,337,698	1,312,664	-	8,886,948
Net	R1600		1,165,872	1,248,051	9,748,990	4,570,453	336,566	17,069,932
Claims incurred								
Gross	R1610		551,555	793,496	5,749,012	1,965,384	26,545	9,085,992
Reinsurers' share	R1620		356,786	568,669	2,532,985	501,766	-	3,960,206
Net	R1700		194,769	224,827	3,216,027	1,463,618	26,545	5,125,786
Changes in other technical provisions								
Gross	R1710		-	-	-	-	-	-
Reinsurers' share	R1720		-	-	-	-	-	-
Net	R1800		-	-	-	-	-	-
Expenses incurred	R1900		946,037	894,472	4,409,341	1,392,454	19,537	7,661,841
Other expenses	R2500							85,829
Total expenses	R2600							2,137,422

Appendix 12 – RSL Life Technical Provisions

S.12.01.02
Life and Health SLT Technical Provisions

		Other life insurance		Total (Life other than health insurance, incl. Unit-Linked)
		Contracts without options and guarantees	Contracts with options or guarantees	
	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole Technical provisions calculated as a sum of BE and RM	R0020			
Best Estimate				
Gross Best Estimate	R0030	(54,700,373)		(54,700,373)
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	(14,532,682)		(14,532,682)
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	(40,167,691)		(40,167,691)
Risk Margin	R0100	12,310,783		12,310,783
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200	(42,389,590)		(42,389,590)

		Health insurance		Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees	
	C0160	C0170	C0180	C0210
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole Technical provisions calculated as a sum of BE and RM	R0020			
Best Estimate				
Gross Best Estimate	R0030	(573,609)		(573,609)
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	89,166		86,166
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	(662,775)		(662,775)
Risk Margin	R0100	143,372		143,372
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200	(430,237)		(430,237)

Appendix 13 – RSL Own Funds

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	3,501,500	3,501,500			
Share premium account related to ordinary share capital	R0030	1,498,500	1,498,500			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	36,097,440	36,097,440			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	41,097,440	41,097,440			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	41,097,440	41,097,440	-		
Total available own funds to meet the MCR	R0510	41,097,440	41,097,440	-		
Total eligible own funds to meet the SCR	R0540	41,097,440	41,097,440	-		
Total eligible own funds to meet the MCR	R0550	41,097,440	41,097,440	-		
SCR	R0580	26,082,956				
MCR	R0600	6,520,739				
Ratio of Eligible own funds to SCR	R0620	1.5756				
Ratio of Eligible own funds to MCR	R0640	6.3026				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	41,097,440
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	5,000,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	41,097,440
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

Appendix 14 – RSL Solvency Capital Requirement

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	9,739,285		
Counterparty default risk	R0020	674,045		
Life underwriting risk	R0030	22,262,138		
Health underwriting risk	R0040	654,792		
Non-life underwriting risk	R0050	47,034		
Diversification	R0060	(6,516,650)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	26,860,644		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,038,275
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	(1,815,963)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	26,082,956
Capital add-on already set	R0210	
Solvency capital requirement	R0220	26,082,956
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix 15 – RSL Minimum Capital Requirement

S.28.01.01

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	(551,382)

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	(40,830,467)	
Total capital at risk for all life (re)insurance obligations	R0250		431,511,801

Overall MCR calculation

		C0070
Linear MCR	R0300	(551,382)
SCR	R0310	26,082,956
MCR cap	R0320	11,737,330
MCR floor	R0330	6,520,739
Combined MCR	R0340	6,520,739
Absolute floor of the MCR	R0350	3,135,197
Minimum Capital Requirement	R0400	6,520,739

Appendix 16 – Group Undertakings in the Scope of the Group

S.32.01.22
Undertakings in the scope of the group

Identification code and type of code of the undertaking	Country	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0020	C0010	C0040	C0050	C0060	C0070	C0080
LEI/2138005IYMT42CKY2R50	GI	Red Sands Insurance Company (Europe) Limited	2		2	Gibraltar Financial Services Commission
LEI/54930056G44RPG2J3372	SE	Nordic Guarantee Försäkringsaktiebolag	2		2	Svenska Finansinspektionen
LEI/213800YI4HA4IJ5HMS03	GI	Red Sands Life Assurance Company (Europe) Limited	1		2	Gibraltar Financial Services Commission
LEI/2138004RADPM6P4RN187	GI	Red Sands Group Holdings Limited	5		2	Gibraltar Financial Services Commission

Identification code and type of code of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0020	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/2138004IYMT42CKY2R50	100.00	100.00	100.00		1	100.00	Yes		1
LEI/54930056G44RPG2J3372	100.00	100.00	100.00		1	100.00	Yes		1
LEI/213800YI4HAIJ5HMS03	100.00	100.00	100.00		1	100.00	Yes		1
LEI/2138004RADPM6P4RN187							Yes		1

Appendix 17 – Group Balance Sheet

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	690,772
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	1,141,898
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	106,220,541
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	8,728,756
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	8,728,756
Bonds	**R0130**	22,457,896
Government Bonds	**R0140**	13,645,214
Corporate Bonds	**R0150**	8,812,682
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	74,930,047
Derivatives	**R0190**	103,842
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	3,881,223
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	1,711,678
Other loans and mortgages	**R0260**	2,169,545
Reinsurance recoverables from:	**R0270**	(692,602)
Non-life and health similar to non-life	**R0280**	13,750,913
Non-life excluding health	**R0290**	13,750,913
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	(14,443,515)
Health similar to life	**R0320**	89,166
Life excluding health and index-linked and unit-linked	**R0330**	(14,532,681)
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	7,582,736
Reinsurance receivables	**R0370**	922,085
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	23,633,810
Any other assets, not elsewhere shown	**R0420**	1,546,116
Total assets	**R0500**	**144,926,579**

Liabilities		
Technical provisions – non-life	**R0510**	46,098,810
Technical provisions – non-life (excluding health)	**R0520**	46,098,810
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	42,491,809
Risk margin	**R0550**	3,607,001
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	(42,819,827)
Technical provisions - health (similar to life)	**R0610**	(430,237)
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	(579,609)
Risk margin	**R0640**	143,372
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	(42,389,590)
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	(54,700,373)
Risk margin	**R0680**	12,310,783
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	24,171
Deferred tax liabilities	**R0780**	3,598,846
Derivatives	**R0790**	87,397
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	888,681
Reinsurance payables	**R0830**	1,644,055
Payables (trade, not insurance)	**R0840**	13,230,500
Subordinated liabilities	**R0850**	16,947,013
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	16,947,013
Any other liabilities, not elsewhere shown	**R0880**	3,341,108
Total liabilities	**R0900**	**43,040,754**
Excess of assets over liabilities	**R1000**	**101,885,825**

Appendix 18 – Group Premiums, Claims & Expenses by Line of Business

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance			Total
		Fire and other damage to property insurance	Credit and suretyship insurance	Miscellaneous financial loss	
		C0070	C0090	C0120	C0180
Premiums written					
Gross – Direct business	R0110	1,982,344	21,651,543	174,397,631	198,031,518
Gross – Proportional reinsurance accepted	R0120				
Gross – Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	120,319	9,568,799	311,386	188,031,014
Net	R0200	1,862,025	12,082,744	174,086,245	188,031,014
Premiums earned					
Gross – Direct business	R0210	834,104	21,307,175	170,407,862	192,549,141
Gross – Proportional reinsurance accepted	R0220				
Gross – Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	120,319	10,119,945	311,386	10,551,650
Net	R0300	713,785	11,187,230	170,096,476	181,997,491
Claims incurred					
Gross – Direct business	R0310	642,771	12,486,920	101,554,283	114,683,974
Gross – Proportional reinsurance accepted	R0320				
Gross – Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340		7,105,519	20,609	7,126,128
Net	R0400	642,771	5,381,401	101,533,674	107,557,846
Changes in other technical provisions					
Gross – Direct business	R0410	43,887	3,065,358	3,133,276	6,242,521
Gross – Proportional reinsurance accepted	R0420				
Gross – Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500	43,887	3,065,358	3,133,276	6,242,521
Expenses incurred	R0550	288,903	5,972,571	52,998,553	59,260,027
Other expenses	R1200				4,277,113
Total expenses					63,537,140

		Line of Business for: life insurance obligations		Total
		Health insurance	Other life insurance	
		C0210	C0240	C0300
Premiums written				
Gross	**R1410**	3,229,254	23,008,017	26,237,271
Reinsurers' share	**R1420**	48,033	8,838,915	8,886,948
Net	**R1500**	3,181,221	14,169,102	17,350,323
Premiums earned				
Gross	**R1510**	3,229,254	23,008,017	26,237,271
Reinsurers' share	**R1520**	48,033	8,838,915	8,886,948
Net	**R1600**	3,181,221	14,169,102	17,350,323
Claims incurred				
Gross	**R1610**	926,906	8,242,411	9,169,317
Reinsurers' share	**R1620**	10,794	3,949,412	3,960,206
Net	**R1700**	916,112	4,292,999	5,209,111
Changes in other technical provisions				
Gross	**R1710**			
Reinsurers' share	**R1720**			
Net	**R1800**			
Expenses incurred	**R1900**	2,043,042	5,801,039	7,844,081
Other expenses	**R2500**			96,277
Total expenses	**R2600**			7,940,358

Appendix 19 – Group Premiums, Claims & Expenses by Country

S.05.02.01
Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GB	FI	NO	SE	DK	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		179,619,575	7,455,818	5,707,335	2,968,215	2,175,135	197,926,078
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140		431,705	3,855,460	2,882,187	1,610,242	1,220,909	10,000,503
Net	R0200		179,187,870	3,600,358	2,882,148	1,357,973	954,226	187,925,575
Premiums earned								
Gross - Direct Business	R0210		171,870,086	6,768,055	5,798,264	2,981,246	1,850,960	189,261,611
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240		431,705	3,782,258	3,379,258	1,793,444	1,164,984	10,551,649
Net	R0300		171,438,381	2,985,797	2,412,006	1,187,802	685,976	178,709,962
Claims incurred								
Gross - Direct Business	R0310		101,397,652	1,793,657	9,038,568	597,100	(39,723)	112,787,254
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340		20,609	506,041	6,020,882	471,368	107,228	7,126,128
Net	R0400		101,377,043	1,287,616	3,017,686	125,732	(146,951)	105,661,126
Changes in other technical provisions								
Gross - Direct Business	R0410		(3,244,828)					(3,244,828)
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500		(3,244,828)					(3,244,828)
Expenses incurred	R0550		55,541,035	1,434,581	1,142,178	642,996	467,106	59,227,896
Other expenses	R1200							4,277,113
Total expenses	R1300							63,505,009

		Home country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		PL	HU	SK	CZ	GR	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410		13,160,417	5,509,261	2,263,589	2,045,575	336,566	23,288,408
Reinsurers' share	R1420		5,306,808	1,303,816	1,171,217	1,057,075		8,838,916
Net	R1500		7,853,609	4,205,445	1,065,372	988,500	336,566	14,449,492
Premiums earned								
Gross	R1510		13,160,417	5,509,261	2,263,589	2,045,575	336,566	23,288,408
Reinsurers' share	R1520		5,306,808	1,303,816	1,171,217	1,057,075		8,838,916
Net	R1600		7,853,609	4,205,445	1,065,372	988,500	336,566	14,449,492
Claims incurred								
Gross	R1610		5,108,301	1,903,370	782,548	504,973	26,545	8,325,737
Reinsurers' share	R1620		2,532,867	501,736	568,651	346,158		3,949,412
Net	R1700		2,575,434	1,401,634	213,897	158,815	26,545	4,376,325
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900		3,266,286	1,137,650	780,369	779,439	19,537	5,983,281
Other expenses	R2500							
Total expenses	R2600							5,983,281

Appendix 20 – Group Own Funds

S.23.01.22
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	11,031,926	11,031,926			
Share premium account related to ordinary share capital	R0030	8,377,385	8,377,385			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	81,785,744	81,785,744			
Subordinated liabilities	R0140	16,947,013			16,947,013	
An amount equal to the value of net deferred tax assets	R0160	690,772				690,772
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	117,451,294	101,195,054		16,947,013	(690,772)
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	117,451,294	101,195,053		16,947,013	(690,772)
Total available own funds to meet the minimum consolidated group SCR	**R0530**	118,142,066	101,195,053		16,947,013	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A	**R0560**	112,260,152	101,195,053		11,065,099	-
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	112,260,152	101,195,053		11,065, 099	
Consolidated Group SCR	**R0590**	57,301,727				
Minimum consolidated Group SCR	**R0610**	25,784,465				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	4.3538				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	1.9591				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	101,195,053
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	19,409,311
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	81,785,744
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

Appendix 21 – Group Solvency Capital Requirement

S.25.01.22

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	19,435,494		
Counterparty default risk	R0020	3,171,058		
Life underwriting risk	R0030	22,313,210		
Health underwriting risk	R0040	654,792		
Non-life underwriting risk	R0050	37,470,909		
Diversification	R0060	(27,630,115)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	55,415,348		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	6,821,414
Loss-absorbing capacity of technical provisions	R0140	(4,935,035)
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	57,301,727
Capital add-on already set	R0210	
Solvency capital requirement	R0220	57,301,727
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	