TransRe London Limited

Solvency and Financial Condition Report

As at 31 December 2016

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About this document

This document is the Solvency and Financial Condition Report ("SFCR") for TransRe London Limited ("TRL") as at 31 December 2016.

This SFCR covers TRL on a solo basis.

As this is the first year in which TRL has published an SFCR, no comparatives for the prior year are included in this document. TRL's functional and presentational currency is USD.

Directors' statement

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

Rule 6.1(2) and Rule 6.2(1) within the Reporting section of the PRA Rulebook for SII firms requires that TRL must have in place a written policy ensuring the ongoing appropriateness of any information disclosed. TRL must also ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Directors' Report of the International Financial Reporting Standards ("IFRS") financial statements, as adopted for use in the European Union, confirms that, to the best of his knowledge:

- throughout the financial year in question, TRL has complied; and
- it is reasonable to believe that, at the date of the publication of the SFCR, TRL continues to comply, and will continue to comply in future,

in all material respects with the requirements of the PRA rules and SII Regulations as modified by a written notice from the PRA on 20 November 2015 and as disclosed in Section E of the Solvency and Financial Condition Report

On behalf of the board

D.C. Radford.

David Radford
Financial Director
19 May 2017

Auditor’s report

Report of the external independent auditor to the Directors of TransRe London Limited (‘the Company’) pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, (‘the Narrative Disclosures subject to audit’); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01, (‘the Templates subject to audit’).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the ‘relevant elements of the Solvency and Financial Condition Report’.

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

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report (‘the Responsibility Statement’).

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of TransRe London Limited as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our work, for this report, or for the opinions we have formed.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors’ use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company’s ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations as modified by a written notice from the PRA on 20 November 2015 and as disclosed in Section E of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK & I) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

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

Ernst & Young LLP

Ernst & Young LLP
London
19 May 2017

The maintenance and integrity of the TransRe London Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.

Executive summary

TRL is a wholly owned subsidiary of Transatlantic Reinsurance Company ("TRC") and provides the TransRe group ("TransRe") with its main platform to write business in the United Kingdom and other international regions that access the London and Lloyd's markets. TRL's ultimate parent undertaking is Alleghany Corporation ("Alleghany").

TRL commenced trading on January 2014 assuming the renewals of most of TRC London branch business developed since 1980. It is regulated by the PRA and FCA. In addition to paid up capital of $500m, TRL has the benefit of a 60% collateralised quota share treaty with TRC and a parental capital guarantee support agreement. TRL has also been granted the same financial strength ratings as TRC, being ratings of A+ by both S&P and A.M. Best.

TRL is a specialist non-life reinsurance company concentrating on providing protection for cedants and predominantly not competing with them in their own direct markets. Many of TRL's senior management and underwriting teams have long tenure with TransRe and we value enduring relationships with our client base.

During 2016 TRL enhanced its analytical, underwriting and actuarial resources to further concentrate on providing clients with top quality service, expertise and financial security in challenging market conditions; our aim is to be their reinsurer of choice.

For 2017 we are continuing to focus on underwriting excellence, enhancing our client relationships and navigating emerging risks and ever-changing political environments.

Business and performance

TRL's strategy is to concentrate foremost on achieving underwriting profitability, not on adding premium volume, consistent with the group target of book value growth over time.

TRL accesses business through both broker and direct distribution channels and writes a diverse portfolio of treaty reinsurance and facultative/direct business, avoiding over-dependence on any one class. We adopt a lead approach to our business, combining technical analysis with underwriting expertise and strong cycle management. TRL purchases reinsurance protection either on a group or regional basis, in line with our risk tolerances, to manage volatility within our solvency capital requirement (SCR). Our business strategy during 2016 is broadly consistent with the prior year.

TRL's assets are prudently invested to ensure TRL has access to funds at short notice, if required. The investment portfolio is currently made up exclusively of fixed income securities. These have been invested taking account of the liquidity requirements of TRL along with the nature and timing of insurance liabilities. Investments are made up of:

- government bonds;
- collateralised securities;
- corporate bonds; and
- cash and deposits.

Net investment income is recognised in the statement of profit and loss on an IFRS basis.

System of Governance

TRL has an established governance framework and internal control system. The governance structure helps TRL to maintain robust local governance.

TRL's Board maintains ultimate responsibility for the oversight of TRL. The Board delegates authority for day-to-day management of some aspects of the business to certain functions and committees. The Board and the committees operate under the guidance of formal terms of reference which are agreed by the Board.

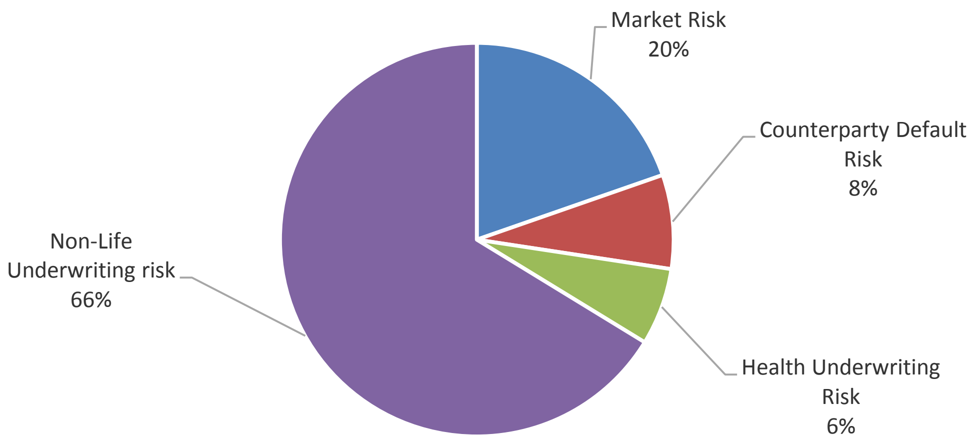
TRL adopts an approach to remuneration which it believes supports and encourages appropriate behaviour that is aligned with TransRe's vision and values and Alleghany's Code of Business Conduct and Ethics.

The members of TRL's Board possess the skills, knowledge and experience required in order to undertake their roles and responsibilities for overseeing TRL. The system of governance of TRL has not materially changed in the year to 31 December 2016.

Risk profile

TRL underwrites a diversified portfolio of property and casualty reinsurance, across multiple regions and classes. TRL's standard formula basic SCR risk profile before the impact of diversification is shown in the below chart.

Figure 1: Basic SCR by risk type before the impact of diversification



As evidenced in the chart, non-life underwriting risk, including non-life premium and reserve risk, make up the largest portion of the SCR risk profile. The standard formula SCR is the minimum level of capital TRL should hold to protect the business from a 1-in-200 year event.

In order to help mitigate underwriting risks, TRL maintains a disciplined underwriting philosophy that is supported by risk appetites reflecting our portfolio.

TRL benefits from a comprehensive retrocession (reinsurance) programme that provides protection for TransRe globally as well as TRL specifically.

TRL undertakes detailed stress and scenario testing on a quarterly basis. Scenario tests are used to test the resilience of an insurer from shocks to the market. The results of the analysis showed that the most material impact on the SCR arose from a natural catastrophe event affecting the UK and Europe. The analysis undertaken indicates TRL is strongly capitalised and it would take an extreme event (in excess of 1-in-200) to breach the SCR. TRL's underwriting risk profile is therefore resilient to severe shocks and is within the Board approved risk appetite.

Valuation for Solvency II purposes

An analysis of the differences between the valuation of assets and liabilities under Solvency II in comparison to IFRS is provided in Sections D1 and D3 below. These sections provide a background to the methods adopted under Solvency II, including the required inputs and any judgements or assumptions made.

Technical provisions are the amount of capital TRL needs to hold in reserve for claims and premiums net of commissions and other expenses for all contractually obliged policies. This is equivalent to the current amount an insurer would have to pay for an immediate transfer of its obligations to another insurer. Technical provisions are made up of the best estimate liabilities and a risk margin.

Best estimate liabilities are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates.

The risk margin represents an allowance for the cost of capital necessary to support the policies to which TRL is obligated at the valuation date.

TRL uses the IFRS insurance liabilities as the starting point for determining the Solvency II technical provisions. Adjustments are made to move from the IFRS basis to the Solvency II basis. These adjustments are detailed within Section D2.

Capital management

From 1 January 2016, TRL transitioned into the Solvency II regime, which represents a more risk-based approach to capital measurement and management. Under Solvency II the own funds of an insurance entity are placed into Tiers 1, 2 or 3 based on their ability to absorb losses, Tier 1 being the most able to do so. Below is a summary of the own funds held by TRL and a comparison to TRL's regulatory capital requirements (the amount of capital the firm is required to hold).

Figure 2: Own funds by tier at 31 December 2016

Tier	Instrument(s)	Value ($'000)
Tier 1	Ordinary paid up share capital Reconciliation reserve	500,000 10,770
Tier 2	Not Applicable	-
Total own funds to cover MCR		**510,770**
Tier 3	Net Deferred Tax Asset	1,480
Total own funds to cover SCR		**512,250**

Figure 3: Capital requirements at 31 December 2016

	($'000)
Minimum Capital Requirement	81,814
Solvency Capital Requirement	327,254

Overall TRL holds 157% of its SCR capital requirements and 624% of its MCR.

A. Business and Performance

A.1 Business

Company information

TransRe London Limited:	Corn Exchange 55 Mark Lane London EC3R 7NE Company number: 8506758 Firm Reference Number: 600544 Legal Entity Identifier: 213800AX82TXYUZAAM21
External auditors:	Ernst and Young LLP 25 Churchill Place London E14 5EY
Regulator (financial supervision):	Prudential Regulatory Authority Bank of England Threadneedle St London EC2R 8AH
Regulator (conduct supervision):	Financial Conduct Authority 25 The North Colonnade London E14 5HS

TRL is a private limited company, limited by shares, with its registered office in England. It is a wholly owned subsidiary of Transatlantic Reinsurance Company ("TRC"), which is a reinsurance company domiciled in New York, USA. TRL provides the TransRe group ("TransRe") with its main platform to write business in the United Kingdom and other international regions that access the London and Lloyd's markets, not otherwise served by TransRe's wider regional office distribution network. TRL is headquartered in London and commenced underwriting risks effective from 1 January 2014, assuming the renewals of most of the TRC London branch business developed since 1980.

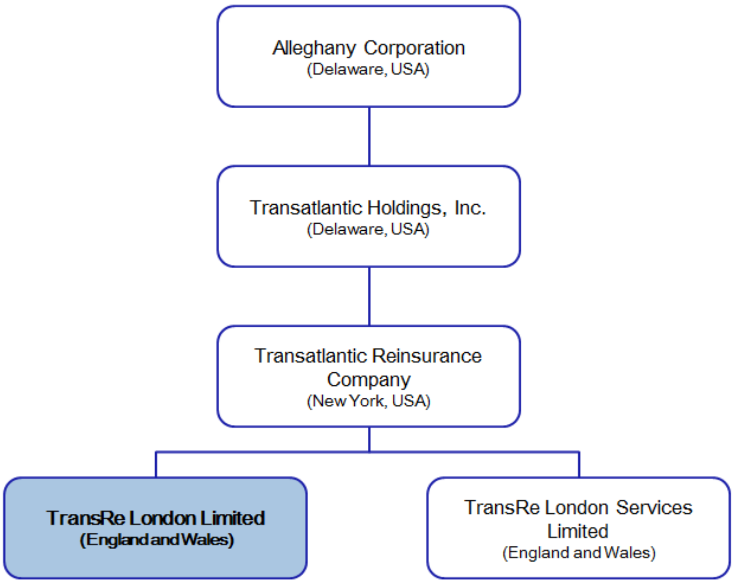
TRL's ultimate parent undertaking is Alleghany, a company incorporated in Delaware, USA. Alleghany is listed on the New York Stock Exchange (NYSE: Y). Further information on Alleghany is available at www.alleghany.com.

In addition to TRC and Alleghany, Transatlantic Holdings, Inc., incorporated in Delaware, USA, is an indirect parent and holder of a qualifying holding in TRL.

Until 23 December 2016, TRL's immediate holding company was TransRe London Holdings Limited ("TRLH"), a UK company wholly owned by TRC. On that date, TRLH distributed all of its shares in TRL and TRL's sister company TransRe London Services Limited ("TRLS") to TRC as a dividend in specie. As at 31 December 2016, TRLH did not hold a qualifying holding in TRL.

Other than TRC and Alleghany, there are no other holders of qualifying holdings in TRL. TRL has no related undertakings as defined in Article 212 of the Solvency II Directive. A simplified group structure chart is shown below. The Alleghany group is subject to group supervision by the New Hampshire Department of Insurance, NH, USA.

Figure 4: Organisational structure chart



(All subsidiaries are 100% owned and controlled.)

TRL offers reinsurance through treaty and facultative reinsurance arrangements covering non-life property and casualty lines of business on either a proportional or non-proportional basis. It underwrites a broad range of risks within those classes in multiple territories, thus maintaining a diversified portfolio without over-dependence on a single line of business. TRL also benefits from shared functions made available through TransRe's support and global operational infrastructure.

The core reinsurance portfolio of property and casualty treaties provides protection to cedants based globally, across a diverse range of classes. The protection provided includes coverage for a wide range of business events, enabling TRC to better navigate underwriting cycles in multiple classes of business. As part of its authorisation, TRL also holds a licence to write direct insurance business, in a limited number of classes. The direct insurance business accounts for a very small part of TRL's property and construction portfolio and is expected to remain so for the immediate future.

Market commentary

Competitive trading conditions in both insurance and reinsurance markets persist. Fuelled by excessive capital, rates remain under pressure and widening coverage is commonplace. New categories of emerging risks including cyber and socio-political classes are developing, all seeking cover from an industry whose knowledge is still evolving; this brings perils but also opportunities.

During 2016 the global market experienced numerous loss events, but none were of sufficient scale to cause significant impact to TRL's profitability.

Other on-going challenges such as Brexit and global political upheaval are constantly monitored to assess potential and future impact on the business.

The announcement in February by the UK Ministry of Justice of the reduction in the official discount (Ogden) rate to minus 0.75% is expected to put pressure on classes of business exposed to bodily injury and future care costs. Direct rates are expected to rise to compensate for the resulting increase in claims costs.

Strategy and portfolio

TRL's strategy is to achieve long-term book value growth commensurate with the TransRe group objective of being a global property/casualty reinsurer of choice, maximising the benefits of local presence and global service, writing all products in all territories.

In current low yield investment environment TRL's focus on underwriting profitability is paramount to support the aim of book value growth.

Premium income distribution by line of business and distribution by domicile of cedant is shown in Figures 5 and 6.

Figure 5: Solvency II line of business (value)

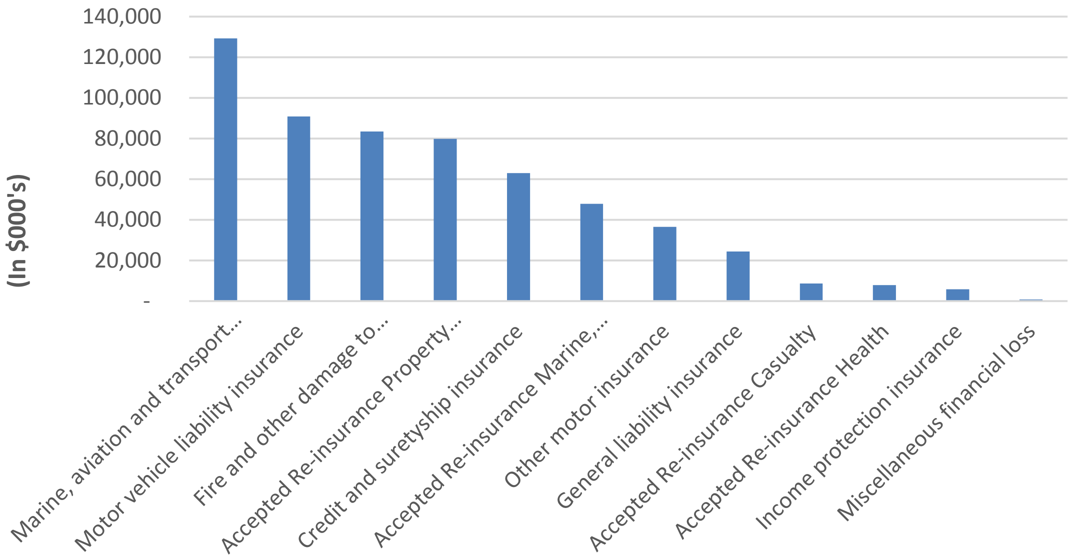
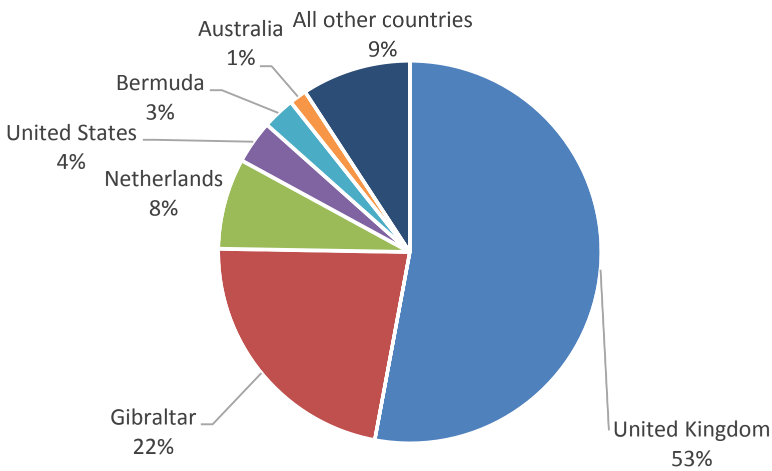


Figure 6: Geographical domicile of cedants



During the review period no significant new classes of business were undertaken. Premium volumes in some lines varied from plan, depending on the expected profitability and contribution to TRL's business development.

In August 2016, TRC and its subsidiaries including TRL received an A.M. Best financial strength rating upgrade to A+. TransRe, including TRL, is also rated A+ by Standard & Poor's.

A.2 Underwriting performance

TRL earned $578,241k of gross premium income in 2016. TRL writes a diverse book of business with no one class dominating the overall book. Motor classes (motor vehicle liability and other motor) and marine, aviation and transport are the largest components of the book. Accounting for 22% of the total, these are closely followed by property which accounts for a further 14%.

TRL is in its third year of operation so claims are at an early stage of development and therefore do not represent final results, especially on the longer tail classes of business. All lines of business are performing satisfactorily and current claims ratios are within TRL expectations both on a gross and net basis and are in line with the experience of TRC's London branch. Motor attritional loss ratios have been increasing steadily over recent years and this has led to an increase in motor premiums which we expect to continue to see over the next few quarters. Property was impacted by Storm Desmond which occurred late in 2015.

TRL's business is sourced both through brokers and directly with cedants. 84% is written through our broker channel with the remaining 16% written on a direct basis. As well as writing the business through traditional sources, we have developed additional distribution capabilities such as TransRe's Lloyd's Corporate Member, TReIMCo, and via a quota share from TransRe's Gibraltar operation, Calpe Insurance Company Limited.

In April 2016 TRL assumed some business from TRC's Tokyo office which covered risks with a wider territorial scope than Japanese domestic. This covers policyholders Japanese Interests Abroad (JIA) and amounted to $6,600k of written premium. This is expected to grow in 2017.

Top five underwriting performance by line of business

The table below summarises the performance of TRL's top five Solvency II lines of business. Figures are presented on both a gross assumed basis and on a net basis after all outwards reinsurance, including the TRC Quota Share.

Figure 7: Underwriting performance by SII line of business (Gross)

Gross ($'000)	Proportional				Non-Proportional		
	Marine aviation and Transport	Motor vehicle liability	Fire and other damage to property	Credit and suretyship	Reinsurance property	Other LoB	Total
Premiums Written	133,306	91,968	79,246	66,623	78,408	133,170	582,721
Premiums Earned	129,303	90,910	83,403	62,990	79,822	131,812	578,241
Claims Incurred	82,282	71,069	43,841	38,601	19,497	91,566	346,856
Expenses	44,278	21,977	33,374	27,846	12,777	30,049	170,300
Underwriting Profit	**2,743**	**(2,136)**	**6,188**	**(3,457)**	**47,548**	**10,197**	**61,085**

Figure 8: Underwriting performance by SII line of business (Net)

Net ($'000)	Proportional				Non-Proportional		
	Marine aviation and Transport	Motor vehicle liability	Fire and other damage to property	Credit and suretyship	Reinsurance property	Other LoB	Total
Premiums Written	53,323	36,787	31,683	26,649	21,146	46,410	215,998
Premiums Earned	51,730	36,364	33,303	25,196	21,909	45,229	213,731
Claims Incurred	32,915	28,434	17,535	15,440	7,072	32,767	134,163
Expenses	18,070	9,656	13,634	11,249	4,111	12,189	68,909
Underwriting Profit	**745**	**(1,726)**	**2,134**	**(1,493)**	**10,726**	**273**	**10,659**

Marine, aviation & transport

The underwriting performance of Marine, Aviation and Transport was in line with expectation for 2016.

Motor vehicle liability

TRL writes a number of motor pro rata treaties. Results from this class of business have been tempered by the competitive rating environment which was further worsened by strengthening of prior year reserves and the anticipated change in the Ogden discount rate. Rates, however, started increasing through 2016.

Fire & other damage to property

This portfolio comprises property proportional treaty and non-proportional contracts as well as facultative reinsurance. The 2016 year suffered a quite benign loss experience, which has led to profitable results in this class.

Credit and surety

The credit and surety segment includes trade credit and political risk business. Underwriting performance in 2016 was impacted by a single claim being paid on losses dating back to the global financial crisis in 2007/8.

Accepted reinsurance

The property non proportional portfolio primarily provides catastrophe cover for our cedants dominated by UK and European exposures, with attachment thresholds at an acceptably high level. 2016 was a benign year for UK catastrophe losses so this class has run in line with expectations.

As well as a diverse range of classes, TRL also writes business from companies with different domiciles, covering territorial scopes including the UK, Scandinavia, South Africa, Gibraltar (UK motor business) and the Netherlands (trade credit). The breakdown of the material geographical areas where TRL writes its business is set out is set out in the table below.

Figure 9: Underwriting performance material geographical area

Net ($'000)	United Kingdom	Gibraltar	Netherlands	United States	Bermuda	Other Countries	Total
Premiums Written	113,684	53,881	18,264	(616)	5,982	24,803	215,998
Premiums Earned	114,445	51,667	17,749	(227)	6,323	23,773	213,731
Claims Incurred	67,979	40,885	10,406	951	4,682	9,259	134,163
Expenses	37,062	13,423	7,894	2,968	1,968	5,594	68,909
Underwriting Profit	**9,404**	**(2,641)**	**(551)**	**(4,146)**	**(327)**	**8,920**	**10,659**

United Kingdom

UK domiciled business makes up over 50% of the TRL premium. The UK experienced relatively low catastrophe activity but the competitive pricing environment in most lines continued.

Gibraltar

Comprises niche private and commercial motor business where the competitive rating environment persisted.

Netherlands

Comprises primarily international trade credit business with results in line with expectations, the main losses being paid claims arising from the global financial crisis in 2007/8.

US/Bermuda

Includes multinational ceding companies writing principally property, casualty and marine and aviation business.

Other countries

TRL underwrites business on a global basis with a wide distribution of territories and classes of business, which benefited from low catastrophe activity during the review period.

For more details and the breakdown of premiums, claims and expenses by geographical spread please refer to QRT S.05.02.01 in Appendix 2.

A.3 Investment performance

Net investment income

Net investment income recognised in the statement of profit or loss and other comprehensive income includes investment income (comprising interest, dividends and the amortisation of any discount or premium on available-for-sale debt securities and rents receivable for the period), realised gains and losses and movements in unrealised gains and losses on financial assets held at fair value through profit or loss, net of interest payable, investment expenses and impairment losses on financial assets.

Interest income is recognised as accrued based on the effective interest method. Acquisition costs related to the purchase of bonds are capitalised and expensed over duration of the investment.

Financial investments

TRL's investment portfolio is made up exclusively of fixed income securities, which earned net investment income of $14,381k during the year. However there was a net loss on the value of the portfolio of $1,266k, leaving a net gain of $13,115k. The fundamental reason for this was the increase in interest rates in the US. The majority of the fixed income portfolio is held in US Dollars and the increase in the US treasury rate has led to a decrease in bond values.

Figure 10: Investment portfolio

Asset Category ($'000)	Income	Gains/ Losses	Net income/gain or loss	Total SII Value
Cash and deposits to cedants	758	-	758	63,494
Collateralised securities	1,573	77	1,650	212,248
Corporate Bonds	11,952	(1,962)	9,990	201,506
Government Bonds	98	619	717	235,917
Total	**14,381**	**(1,266)**	**13,115**	**713,165**

Securitisations

TRL's investment portfolio includes approximately 5% asset backed securities and 4% commercial-mortgage backed securities. All credit risk associated with the underlying assets is passed directly through these securities with no subordination of different categories of investor.

A.4 Performance of other activities

TRL does not receive any income other than from its underwriting and investment activities. TRL has no financial or operating lease arrangements.

TRL's reporting and presentational currency is USD. The operating results and financial position of each non-USD ledger are translated into USD. All resulting exchange differences are recognised in the statement of profit and loss and other comprehensive income.

A.5 Any other information

A referendum on the UK's membership of the EU was held on 23 June 2016 and resulted in a majority of 52% in favour of the withdrawal of the UK from the EU, or "Brexit". On 29 March 2017, the UK served notice on the EU in accordance with Article 50 of the Treaty on European Union ("Article 50"). The Brexit vote means that insurance and reinsurance carriers operating in the UK now face a period of regulatory uncertainty as the UK and the EU enter into a complex and potentially protracted process to redefine the UK's economic and political relationships with the EU.

The principal risks of Brexit to TRL are the ability to access EU (re)insurance markets in the future and the devaluation of Sterling. As the majority of TRL's business is reinsurance, we do not anticipate that the possible loss of access to the single market will have a material effect on TRL's business and performance. The currency risk associated with Brexit is managed by the capitalisation of TRL being held in US Dollars and by matching the insurance liabilities with assets in the same currency.

TRL does not consider there is any other material information to disclose on its business and performance.

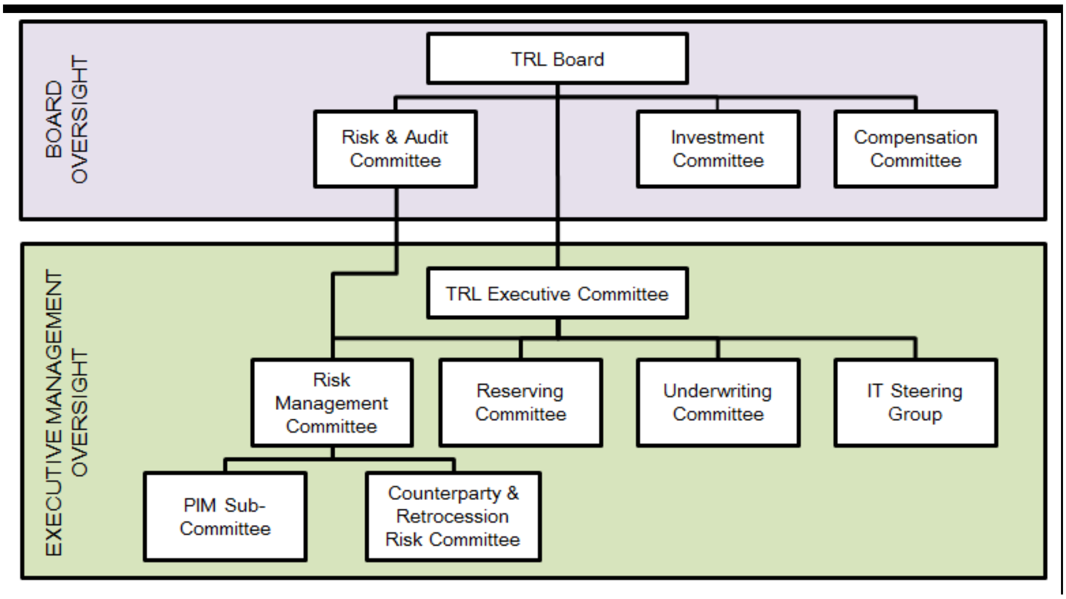
B. System of Governance

B.1 General information on the system of governance

TRL's governance structure reflects its membership of a large international group of companies, while ensuring that it maintains robust local governance arrangements.

The structure of TRL's key governance bodies is shown in Figure 11.

Figure 11: Governance oversight and reporting lines



TRL's Board maintains ultimate responsibility for overseeing the running of TRL. Its responsibilities include:

- setting, promoting and demonstrating TRL's culture, vision and values;
- setting TRL's business strategy and monitoring performance against its business plan;
- approving TRL's risk appetite and tolerances ensuring they are in line with TransRe global appetites;
- maintaining oversight of TRL's compliance with relevant laws and regulation; and
- maintaining oversight as regards the effectiveness of TRL's corporate governance framework and internal control framework.

The members of TRL's Board are identified in Figure 12.

Figure 12: Board members and committee memberships

Board Member	Role	Committees
Mike Sapnar	Non-executive Chairman	Investment, Compensation*
Gary Schwartz	Non-executive director	Risk & Audit
Mark Winlow	Independent non-executive director	Risk & Audit*, Investment, Compensation
Mark Stephen	Independent non-executive director	Risk & Audit, Investment*
Paul Bonny	Non-executive director	Compensation
Geoff Peach	Executive director, CEO	Compensation
David Radford	Executive director, CFO	Investment

(* denotes chair of the respective committee)

In January 2017, Paul Bonny and Geoff Peach stepped down from the Compensation Committee, and Mark Stephen was appointed to it.

As shown in Figure 11 above, TRL's Board operates three committees.

The members of the Risk & Audit Committee and (following the changes referred to above) the Compensation Committees are all non-executive directors. The members of the Investment Committee are all non-executive directors other than the CFO.

Risk & Audit Committee

The Risk & Audit Committee's responsibilities include:

Risk

- providing oversight and challenge to the effectiveness of TRL's Risk Management function, Enterprise Risk Management ("ERM") framework and risk management culture, including the appetites and tolerances, engagement with TRL's key business functions and progress embedding ERM in TRL in alignment with TransRe's overall ERM and risk governance framework;
- monitoring the effectiveness of TRL's risk management and internal control systems, including financial, operational and compliance controls, and reporting any recommendations to the Board; and
- providing oversight and challenge to the effectiveness of TRL's Compliance function, and approving the Compliance Monitoring and Training Plan and overseeing progress against it.

Audit

- monitoring and reviewing the effectiveness of TRL's Internal Audit function;
- approving the annual Internal Audit Plan and overseeing progress against it;
- reviewing Internal Audit reports and findings and monitoring the status of actions and recommendations;
- monitoring the integrity of the financial statements of TRL and any formal announcements relating to TRL's financial performance;
- reviewing TRL's internal financial controls;
- making recommendations to the TRL Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- approving the external audit plan and overseeing progress against it; and
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The Risk & Audit Committee meets at least three times per year.

Investment Committee

The Investment Committee's responsibilities include:

- reviewing and making recommendations to the Board in respect of TRL's investment strategy and policy in a manner consistent with the prudent person principle;
- reviewing summary reports on TRL's investment portfolio, investment activity and investment practices;
- considering investment performance and providing appropriate challenge and comment;
- maintaining oversight of compliance by management with applicable legal and regulatory requirements with respect to investments and the investment policies and decisions of management; and
- considering reports in respect of investment risk management, liquidity management and credit management.

The Investment Committee meets at least three times per year.

Compensation Committee

The Compensation Committee is responsible for oversight of the design and operation of the employee compensation programme.

The Compensation Committee meets at least annually.

Each of the committees reports to the Board through their respective Chairs. Risk & Audit Committee and Investment Committee reports are a standing item on the Board's agenda. The Compensation Committee reports to the Board after the Compensation Committee's annual meeting and any ad hoc meetings that may be held.

The Board and its committees maintain terms of reference that are reviewed at least annually.

The Board carries out regular reviews of its own effectiveness. Consistent with the UK Corporate Governance Code, these reviews consider the balance of skills, experience, independence and knowledge of TRL on the Board, its diversity, how the Board works together, and other factors relevant to its effectiveness.

Executive Committee

TRL's Executive Committee is led by the CEO and reports to the Board. It is responsible for:

- day-to-day management and oversight of the business;
- development and execution of TRL's business strategy;
- agreeing and recommending to the Board the annual budget and business plan;
- monitoring underwriting and investment performance; and
- ensuring the effectiveness of the three lines of defence model and ultimately, TRL's internal control framework.

The Executive Committee reports to the Board through the CEO as a standing agenda item.

The Executive Committee maintains three senior sub-committees that report into it and also sponsors the IT Steering Group, as shown in Figure 11. The Executive Committee and its sub-committees maintain terms of reference that are reviewed at least annually.

Key functions

Each of the key functions within TRL is operationally independent of each other, with its own key function holder, although the Head of Claims is also responsible for the Business Management Department and the Head of Legal and Compliance is the holder of both functions. The key functions have their own teams and reporting lines. Each key function reviews its resource needs on at least an annual basis and the key function holder is responsible for ensuring the key function is adequately resourced.

All key functions report to the Board or a committee of the Board and/or the Executive Committee. Further information on the authority, resources and operational independence of the key control functions is included in Sections B3 (Risk Management function), B4 (Compliance function), B5 (Internal Audit function) and B6 (Actuarial function).

Figure 13: Key functions

Key Function	Holder
Risk Management System	Head of Risk
Compliance	Head of Legal and Compliance
Internal Audit	Head of Internal Audit
Actuarial	Head of Actuarial
The function of effectively running the firm:	
Executive Management	CEO
Underwriting	CUO
Finance	CFO
Claims	Head of Claims
Any other function which is of specific importance to the sound and prudent management of the firm:	
Business Management Department	Head of Claims
HR	Chief Administration Officer
Legal	Head of Legal and Compliance
IT/Systems	Head of IT

There were no material changes in TRL's governance structure in the 12 months ending 31 December 2016.

Remuneration policies and practices

Approach to remuneration

TRL adopts an approach which supports and encourages appropriate behaviour that is aligned with TransRe's vision and values and Alleghany's Code of Business Conduct and Ethics.

Assessment of performance

Reviews are performed by line managers and reviewed by senior management and Human Resources ("HR") before individual awards are finalised. This is a key component of the appraisal process to ensure TRL performance is linked to rewards.

Financial and non-financial criteria are taken into account when assessing an individual's performance. A key element of an individual's performance assessment is his/her adherence to the Alleghany Code of Business Conduct and Ethics and compliance with policies and procedures.

Fixed and variable components of remuneration

Remuneration is made up of two key elements, fixed and variable. The fixed element is base salary. The variable element has two components, an annual bonus and deferred compensation. Base salary, bonus and deferred compensation are reviewed annually following an appraisal and review process.

For more senior employees and officers, fixed base salaries generally comprise a minority of total compensation: the majority of compensation is tied to performance-based annual and long-term incentives.

There are no entitlements to share options or shares.

Benefits

There is a regular Benefits Committee meeting to consider all elements of the benefit package (i.e. Pension, PMI, Life, PHI etc.) offered to employees. The benefits provided are designed to be both competitive and to target insurance protection for health and loss of income.

There are no supplementary pensions or early retirement schemes for the members of the Board or other key function holders.

Material transactions with shareholders

TRL has a 60% whole account quota share reinsurance agreement with TRC (as reinsurer) (the "TRC Quota Share"). To secure its liabilities under the TRC Quota Share, TRC established a trust account under a trust agreement (the "TRC Trust Agreement").

In addition to the above, TRC entered into a Capital Support Guarantee Agreement (the "TRC Guarantee") in favour of TRL. Under the TRC Guarantee, TRC agrees to maintain TRL's regulatory capital in an amount greater than TRL's SCR.

Other than the TRC Quota Share, TRC Trust Agreement, TRC Guarantee and the outsourcing arrangements described in Section B7, TRL does not have any material transactions with the shareholders, members of the management body or those who can exert significant influence over the business.

TRL has assessed the nature and scale of complexity of its business against its governance structure and considers its system of governance to be adequate.

B.2 Fit and proper requirements

The members of TRL's Board collectively possess appropriate qualification, experience and knowledge about at least:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis; and
- regulatory framework and requirements.

Persons subject to assessment

TRL ensures that all PRA Senior Insurance Manager Function and FCA Controlled Function (each a "SIMF") holders, key function holders and notified NEDs are at all times fit and proper persons. TRL does not draw a distinction between these categories when carrying out its own assessment of a person's fitness and propriety.

Timing of assessment

TRL assesses the fitness and propriety of a person when that person is being considered for any SIMF, key function or notified NED position and on an on-going basis thereafter.

The on-going evaluation is performed at least annually and consists of, as a minimum, a performance assessment and a self-certification.

Nature of assessment

In deciding whether a person is fit and proper, TRL must be satisfied that the person:

- has the personal characteristics (including being of good repute and integrity);
- possesses the level of competence, knowledge and experience;
- has the qualifications; and
- has undergone or is undergoing all training,

required to enable that person to perform his or her function effectively and in accordance with any relevant regulatory requirements and to enable sound and prudent management of TRL.

Any breaches of the fit and proper requirements are internally reported to the Heads of Risk and HR. TRL's Head of Risk is responsible for notifying the relevant regulator(s) of the change in circumstances and any remedial action that is being undertaken by TRL.

Training and competency

TRL's training and competency ethos is designed to promote learning and development within TransRe and to ensure that TRL employs personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.

TransRe actively encourages staff to further develop and pursue professional qualifications. Development is the responsibility of each staff member.

In addition to the above, all staff who maintain professional qualifications are expected to undertake Continuing Professional Development (CPD) in line with their relevant professional body requirements.

B.3 Risk Management System including the ORSA

TRL's ERM framework has been developed to enable the Board and senior management to understand and appropriately manage and mitigate the risks associated with TRL's objectives over the short, medium and longer term in a manner that is commensurate with TRL's risk profile and business arrangements.

The ERM framework seeks to engender a culture of no significant surprises and to ensure adequate tools are available to manage the most important risks to TRL, improve decision-making and to support the achievement of TRL's business objectives. In summary, the purpose of TRL's ERM framework is to:

- actively sponsor and foster a risk aware culture across TRL, supporting staff in making risk management based judgements, encouraging effective management of exposures within TRL's stated risk appetite;
- ensure a clear, coherent risk strategy that includes policies, standards, risk appetites and clarity of ownership for risks;
- ensure risk is taken into account in key business decisions;
- ensure that the 'three lines of defence' model operates effectively;
- implement risk strategies and policies that align with TRL's strategic and operational objectives;
- ensure risks and emerging risks are identified and understood and assessed on a forward-looking basis to allow management to take proactive steps; and
- sustain a robust Own Risk and Solvency Assessment ("ORSA") process that informs management's view of risk and capital.

TRL's ERM framework is supported by a comprehensive set of risk policies, frameworks and guidelines to help ensure adequate processes and procedures are in place to manage all types of risk which is supported by a comprehensive suite of management information. The framework is aligned with the regulatory requirements under the Solvency II regime as adopted by the PRA and FCA.

By adopting this approach, TRL believes it is able to effectively identify, measure, monitor, manage and report risks at an individual / contract level and at an aggregated level on an ongoing basis.

TRL senior management and risk owners identify key risks to the business, as part of a rolling risk identification and assessment programme. Risk causes and consequences, together with mitigating controls, are identified for each risk category. Key risks, owners and mitigating controls are recorded in a risk register; which is presented to management on a quarterly basis for review and discussion.

The risks recorded in the register form part of TRL's ORSA process are used as the basis for the development of TRL's internal audit programme. TRL's Risk & Audit Committee receives regular reports from TRL's Head of Risk which consider key risks to TRL, aggregations and exposures across the key ERM pillars.

TRL's Risk Management function is integrated into TRL, TransRe and Alleghany through the governance reporting lines to TRL's CEO, TransRe's CRO and TRL's Risk & Audit Committee and involvement in key decision making forums. In addition, the Risk Management function's roles and responsibilities include:

- developing, communicating and implementing systems, processes and procedures for the management and evaluation of risk accumulations and providing key risk indicator reports;
- working alongside other key control functions and ensuring existing control activities and reports are developed into the risk and control reporting framework;
- coordinating with the key control functions to ensure internal policies, controls and procedures for identifying and managing key risks are documented in sufficient detail to allow for effective compliance, testing and auditing;
- coordinating documentation of the key internal policies, procedures and controls for the management of risks identified in the risk register; and
- providing input and challenge into the development of stress and reverse stress tests for TRL.

By adopting such an approach, ERM and risk management more broadly are key considerations as part of the decision making process.

Own Risk and Solvency Assessment

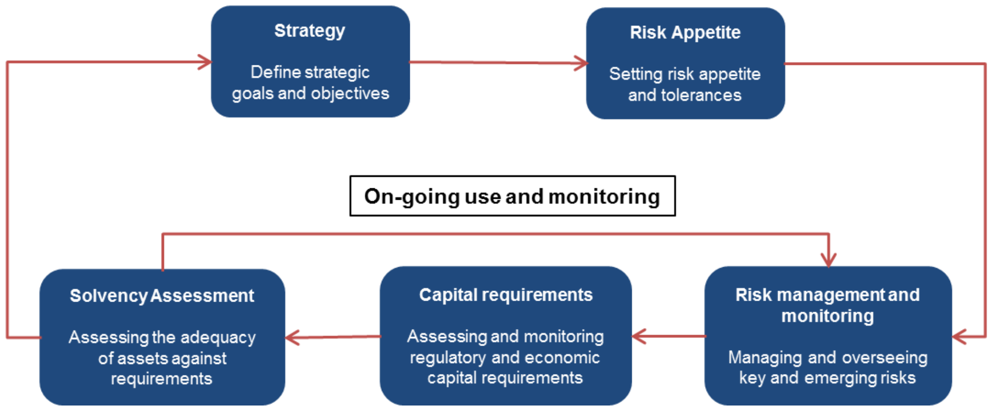
The ORSA process considers TRL's own solvency assessment given its risk profile, business objectives and capital management strategy against its regulatory solvency requirement in order to determine whether additional capital is required. The ORSA also considers the impact on TRL should it be subject to significant losses arising from both insurance and non-insurance events; against such extreme events, the ORSA considers what actions TRL management would undertake to mitigate the impact of such events. Furthermore, as part of the ORSA process, TRL considers the amount of capital it should maintain to meet its contractual liabilities to "ultimate".

TRL produces an ORSA report on at least an annual basis. The ORSA is a key management tool and is linked to TRL's business planning and strategy, risks TRL is exposed to and the associated capital.

TRL senior management has identified a number of business and event triggers that would result in the ORSA being re-run at any point during the year; these triggers are tracked by the Risk Management function and reported to the Risk & Audit Committee.

The ORSA process can be diagrammatically represented as follows:

Figure 14: TRL's ORSA process



The ORSA process provides TRL with a mechanism to assess the risks it faces and to determine the necessary level of capital required to ensure TRL meets its strategic and business objectives. The ORSA is TRL's view of its exposure to underwriting and non-underwriting risks and its solvency position and documents how TRL has reached its conclusions. The ORSA aims to assess, in a continuous and forward looking manner, the overall solvency needs of TRL, whilst being mindful of its risk profile and business environment.

TRL's Risk Management function coordinates the relevant processes with subject matter experts across the business and prepares the ORSA report for review and discussion by the Risk Management Committee, the Executive Committee, the Risk & Audit Committee and ultimately TRL's Board. Once the report is reviewed, the ORSA and the amount of capital TRL intends to maintain, based on its expected risk profile, is approved by the Board and the ORSA report is shared with the PRA.

B.4 Internal control system

Within TRL, there is a robust internal control system that includes:

- the corporate governance framework, procedures and controls;
- a financial control framework;
- independent control functions which comprise of the Actuarial, Compliance and Risk Management functions; and
- independent assurance provided by the Internal Audit function.

The financial control framework is designed to ensure that:

- risks relevant to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- TRL is in compliance with group Sarbanes Oxley requirements; and
- there are sufficient and effective controls in place (both manual and automated) to mitigate these risks and to prevent or detect material misstatements in the financial statements and disclosures.

The IFRS financial statements are subject to rigorous controls in the production and review leading up to publishing. The actuarial liabilities are produced using best practice actuarial practices that are subject to independent review with the financial statements subject to internal review and external audit review. The financial statements are subject to external audit and are presented to the Board for sign-off prior to publishing.

In addition to the above, TRL's Internal Audit function, through planned and commissioned reviews of TRL's processes, provides an independent opinion on the internal control framework of TRL's business.

Implementation of TRL's Compliance function

TRL's Compliance function seeks to promote an organisational culture committed to integrity, ethical conduct and compliance with the law, and to set standards, policies and procedures that provide reasonable assurance that TRL acts in a manner consistent with its local compliance and regulatory obligations and within TransRe's overarching compliance requirements.

The Compliance function is headed up by TRL's Head of Legal and Compliance who has a direct reporting line to the CEO of TRL and TRC's Chief Compliance Officer ("CCO"). TRL's Head of Legal and Compliance also holds the role of Regional Compliance Officer ("RCO") for London. The London RCO is responsible for ensuring that TransRe's compliance mission is implemented, coordinated and enforced within TRL and reports any compliance violations or issues to the CCO.

TRL's Compliance function reports on a quarterly basis to the Board, Risk & Audit Committee and Executive Committee, as well as to TransRe's group compliance department. The Compliance function is responsible for reporting to senior management any breaches, or non-compliance with its policy or any other relevant policy, rules and regulations. The Compliance function has sufficient authority to carry out its functions on its own initiative without obstruction from management and other staff members.

The Compliance function's responsibilities include:

- advising the Board on compliance with Solvency II and related laws and regulations;
- providing training and guidance regarding applicable law and regulation and TransRe's and TRL's policies, and clearly communicating ethical guidance;
- assessing the possible impact of any changes in the legal and regulatory environment on the operations of TRL;
- identifying and assessing compliance risks relevant to TRL and managing the control environment that mitigates those risks;
- undertaking compliance monitoring and making recommendations to improve the effectiveness of compliance practices; and
- identifying TRL compliance training needs and working with TransRe's Corporate Compliance Department ("CCD") and HR to implement effective compliance training programmes.

B.5 Internal Audit function

TRL's Internal Audit function is an independent function and provides objective challenge and assurance over TRL.

The Internal Audit function supports TRL in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit function is led by the TransRe Director of Internal Audit, based in New York, USA, who is registered as TRL's SIMF holder for the Internal Audit function.

The day-to-day activities of TRL's Internal Audit function are outsourced to Mazars LLP. Mazars is supervised by TRL's Risk & Audit Committee and the TransRe Director of Internal Audit. Rolling three year audit plans are submitted annually to TRL's Risk & Audit Committee for approval. Internal Audit reports are distributed to TRL's Board, Risk & Audit Committee and Executive Committee and to TRH's Audit Committee. A report from the Internal Audit function is a standing agenda item at Risk & Audit Committee meetings. Outstanding internal audit actions are tracked and progress reported at the Risk & Audit Committee.

The management of the Internal Audit function by the TransRe Director of Internal Audit and outsourcing of day-to-day activities to Mazars helps to ensure that the Internal Audit function maintains independence and objectivity.

In addition to reporting into TRL's Risk & Audit Committee, the Internal Audit function holds regular meetings with TRL's Head of Risk and Head of Legal and Compliance to evaluate the effectiveness and adequacy of the internal control system and other areas of governance, as well as to discuss progress against the annual internal audit plan.

B.6 Actuarial function

The TRL Head of Actuarial is responsible for the overall management and day-to-day leadership of the TRL Actuarial function and has a direct reporting line to the CEO of TRL and to the TransRe group Chief Actuary.

The Actuarial function is responsible for:

- coordinating the calculation of technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;

- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and
- contributing to the effective implementation of the risk-management system.

The Actuarial function reports on a quarterly basis to the Reserving Committee, which is a sub-committee of the Executive Committee, and to the Board as a standing agenda item. In addition, an annual internal Actuarial Function Report is provided to the Board.

B.7 Outsourcing

Outsourcing management

There is no delegation by TRL's key function holders of their responsibility for those functions.

For each outsourcing arrangement, a TRL manager (the "Outsourcing Owner") is identified in TRL's outsourcing register. The Outsourcing Owner is responsible for identifying whether the activity to be outsourced is critical or important, carrying out pre-contract due diligence including know your counterparty ("KYC") checks and agreeing the terms of the engagement. The Outsourcing Owner is also responsible for the ongoing oversight and management of outsourcing arrangements.

TRL's Chief Administration Officer maintains the outsourcing register.

Outsourcing of critical or important operational functions

Details of outsourcing in respect of TRL's critical or important operational functions are set out in Figure 15.

Figure 15: Outsourcing of critical or important operational functions

Outsourcing	Jurisdiction
TRL staff are employed by another company in the TransRe group, TRLS, and are provided to TRL on a secondment basis.	UK
Certain intra-group services and support services are provided by TRC.	New York, USA
TRL outsources the day-to-day activities of its Internal Audit function to Mazars, as described in Section B5.	UK
TRL's day-to-day investment management activities are outsourced to BlackRock Investment Management (UK) Limited ("BlackRock"), a member of the BlackRock group. BlackRock's performance is monitored by Alleghany's and TransRe's treasury and investment management functions, both based in New York, USA with further oversight provided by TRL's CFO in the UK. BlackRock reports quarterly to TRL's Investment Committee.	UK
TRL participates in the central settlement services provided by XChanging to the London insurance market	UK

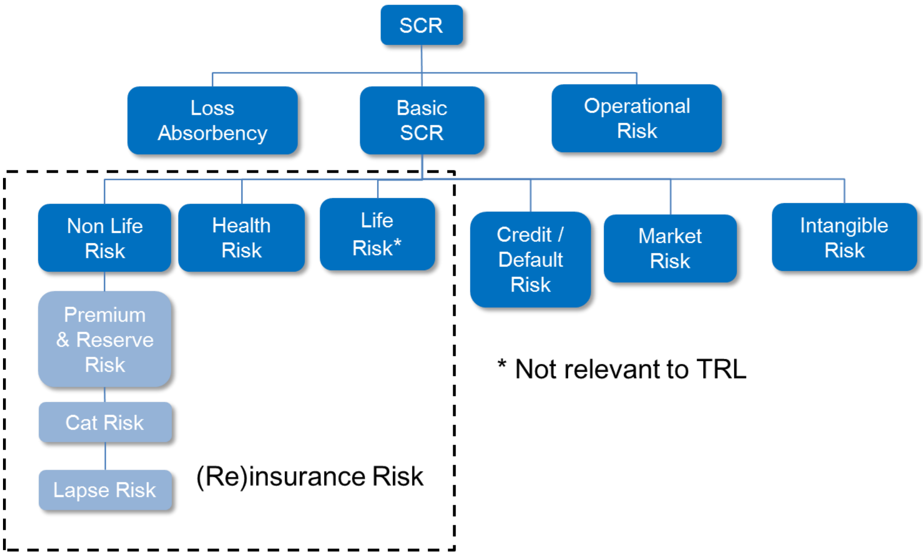
B.8 Any other information

Except as specifically identified in this Section B, TRL's system of governance has not materially changed during the 12 month period to 31 December 2016.

TRL does not consider there is any other material information to disclose on its system of governance.

C. Risk profile

TRL is a wholly owned subsidiary of TRC and provides specialist non-life reinsurance. Under Solvency II, TRL's SCR is calculated using the Standard Formula for all components with the exception of natural catastrophe risk (see Section E2 for further information). The Standard Formula is a risk based capital requirement that covers underwriting risk, market risk, credit risk and operational risk in a formulaic way and can be diagrammatically represented as follows:



The above diagram does not include the effect of diversification benefits or adjustments. Each of the key risk categories and keys risks relevant to TRL are described in further detail below.

C.1 Reinsurance / underwriting risk

TRL underwrites a diversified portfolio of property and casualty reinsurance across multiple regions and classes.

Key underwriting risks to which TRL is exposed include:

- Premium / Underwriting risk
  - underwriting outside of appetite;
  - excess exposures in certain classes and/or territories;
  - underwriting below the technical price or without adequate risk transfer;
- Retrocession risk
  - failure of retrocession counterparties or retrocession programmes; and
- Reserve risk
  - reserve risks, including inadequate reserving due to flaws in the provisioning/reserving methodology or in the application of the methodology, inadequate Incurred But Not Reported ("IBNR") and inadequate Incurred But Not Enough Reported ("IBNER").
- Catastrophe Risk
  - excessive aggregation/catastrophe risks in a single region/location
- Lapse risk
  - the uncertainty arising from the risk of loss or adverse change in the value of insurance liabilities as a result of the discontinuance of reinsurance policies.

TRL maintains a number of risk mitigation techniques and approaches to manage the risks associated with its underwriting risk profile. Further information on the monitoring and approach is provided below.

Premium / underwriting risk management and mitigation techniques

TRL maintains a clear underwriting philosophy that is supported by risk appetites set at the aggregate level as well as individual class and per risk, procedures and controls in relation to pricing, rigorous risk selection criteria and the ability to underwrite a diverse range of risks across multiple classes and geographies. TRL's main risk concentration relates to natural catastrophe exposure in Northern Europe (including the UK).

TRL assesses and mitigates these risks by having in place a number of key controls and processes, including:

- ongoing monitoring and exposure management that includes assessing individual and aggregate exposures across all lines of business;
- exposures assessed and tracked against risk tolerances; and
- performing, on an ongoing basis a range of extreme events and stress tests.

Furthermore, ongoing reviews of underwriting activities, including quarterly underwriting performance reviews, pricing adequacy reviews and rate monitoring supplement the oversight framework.

Retrocession risk management

TRL benefits from a comprehensive retrocession programme that provides protection for TransRe globally as well as TRL specifically. Risks associated with retrocession are managed and mitigated by ensuring that all retrocession placements are subject to approval and must comply with TransRe's group-wide retrocession procedures (which include minimum credit quality and counterparty limits approved by the Alleghany Reinsurance Security Committee) and delegated retrocession purchasing authorities.

TRL does not have any exposure to any special purpose vehicles.

Reserve risk management

Reserve risk is managed by TRL's Actuarial function with oversight provided by TRL's Reserving Committee. Key controls to manage this risk include:

- a comprehensive annual reserve study;
- quarterly reserve reviews;
- reserving risk controls that include major activity reports, high cost claim alerts, major loss memos and retrocession transaction alerts; and
- independent validation of reserves.

Risk sensitivity for underwriting risks

TRL undertakes detailed stress and scenario testing on a quarterly basis with the results presented at the Risk & Audit Committee and as part of its ORSA process.

As part of the ORSA process, the solvency position and the projected solvency position over the business planning period are calculated following adverse stresses at different return periods for the material underwriting risks (each risk's stress is considered individually) in addition to multiple losses arising from non-correlating events (for example market risks and underwriting risks or a series of events). Consideration is also given to a material deterioration in TRL's reserves, including adverse development in claims ratios and IBNR.

The results of the analysis showed that the most material impact on the SCR would arise from a natural catastrophe event affecting the UK and Europe. The analysis undertaken indicates TRL is strongly capitalised and it would take an extreme event (in excess of 1-in-200) to breach the SCR. TRL's underwriting risk profile is therefore resilient to severe shocks and is within the Board approved risk appetite.

Process(es) for monitoring the effectiveness of risk mitigation techniques

As a subsidiary of a globally active reinsurance company, TRL benefits from a robust risk management framework that oversees TRL's risk profile via various governance committees throughout TRL, TransRe and Alleghany, the ORSA process, TRL's risk register and the stress and scenario testing TRL performs.

C.2 Market risk

Market risk is the risk of loss or adverse change in TRL's financial situation resulting from changes in the value of its assets and liabilities caused by the volatility of market prices of assets, liabilities and financial instruments.

For TRL, market risk comprises of the following key components:

The Investment Committee reviews, at least annually, TRL's investment strategy which is based on four key principles:

1. preserve capital;
2. increase surplus;
3. maintain liquidity; and
4. optimise after tax total return on investments, subject to (1)-(3) above.

TRL's investment strategy forms the basis for the mandate given to TRL's investment managers (BlackRock). The mandate includes limits on certain classes and types of investments, restriction on investments in certain industries, sector and geographical limits and a prohibited list of companies which would result in excessive concentration of underwriting and investment risk. The execution of TRL's investment strategy is subject to ongoing monitoring and scrutiny by the Investment Committee.

TRL has a material risk concentration to the US Government; this is managed through ongoing review and monitoring by the TRL Investment Committee and TRL's investment managers.

TRL is exposed to the following key market risks:

Interest rate risk

Movements in interest rates affect the level and timing of cash flows for TRL and the fair value of fixed income securities. As interest rates rise, the fair value of fixed income portfolios declines and conversely, as interest rates decline, the fair value of fixed income portfolios rises. To minimise this risk, TRL adheres to investment policy guidelines developed by TRL's Investment Committee in line with TRL's strategy and TransRe's overall objectives. These guidelines direct TRL to invest in high-quality issuers and, in particular, the strategy is to position its fixed income securities based on its view of future interest rates and the yield curve, balanced with liquidity requirements and the duration of TRL's technical liabilities.

Spread risk

This relates to the potential financial loss TRL may suffer due to a change in the spread that an asset trades at relative to a comparable government bond.

Foreign currency risk

Assets backing the liabilities of TRL are maintained in currencies in proportion to the currencies of its technical provisions, thereby mitigating the potential impact of foreign exchange and interest rate risk on TRL's solvency position.

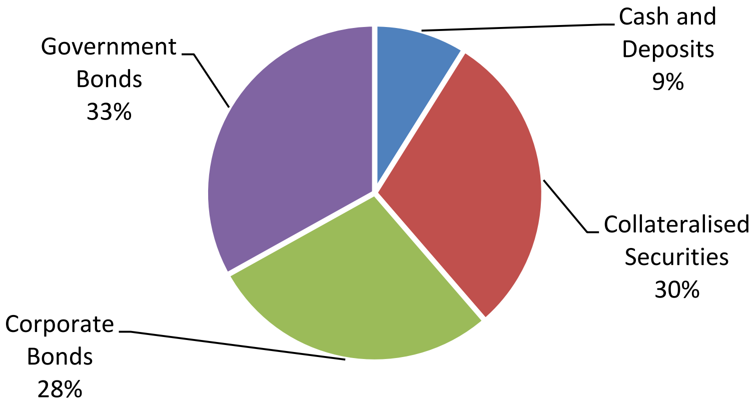
Market risk management and mitigation techniques

TRL maintains a number of risk mitigation techniques and approaches to manage the risks associated with market risk. Key techniques and controls that are in place include:

- investment risk and underwriting risk accumulation reporting, including issuer accumulations;
- mandates and guidelines provided to external investment managers, which include:
  - regulatory compliance;
  - duration;
  - benchmark portfolio;
  - credit quality;
  - sector limitations;
  - issuer limitations; and
  - currency;
- Investment Committee mandate and oversight;
- stress testing; and
- market risk/value at risk analyses, including extreme market and currency stress tests (+/-300bps movement).

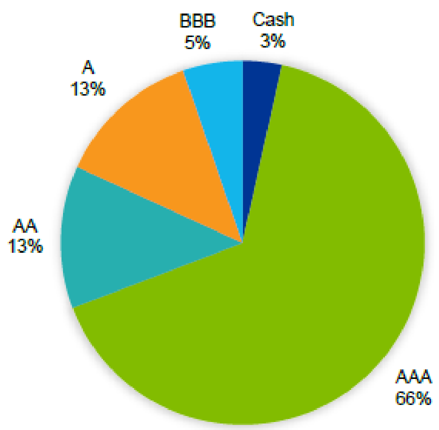
TRL's investment portfolio is split across the following asset classes:

Figure 16: Asset breakdown (% of Portfolio)



The credit quality of TRL's investment portfolio is split as follows:

Figure 17: Credit quality of the investments



Risk sensitivity for market risks

TRL performs stress and scenario testing as part of its approach to managing market risk. Results are presented at the TRL Investment Committee and considered as part of the ORSA process.

For the 2016 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse stresses, including a 300bps change in interest rates in both directions and a prolonged economic downturn, which considered more severe low interest rate environment scenarios.

Under all of these scenarios, the analysis indicated that TRL was strongly capitalised and was able to withstand these shocks without breaching its SCR.

Prudent person principle

When making investment decisions, TRL considers the risks associated with the investments, including the potential impacts of any economic shock, their liquidity and their treatment under the Solvency II rules.

All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, are invested in highly rated and liquid assets that aim to ensure the security, quality, liquidity and profitability of the portfolio as a whole. All assets are held in the UK in TRL designated portfolios which ensures their availability.

Assets covering the technical provisions are invested in a manner appropriate to the nature and duration of TRL's reinsurance liabilities.

Process(es) for monitoring the effectiveness of risk mitigation techniques

TRL benefits from ongoing oversight of its investment portfolio by the TRL Investment Committee and by TransRe's Treasury function which is supplemented by oversight provided by TRL's CFO. Furthermore, the extreme stress tests incorporated into the ORSA process, TRL's risk register and the quarterly stress and scenario testing TRL performs supplement these controls.

TRL's investment managers are provided with an investment mandate and are subject to quarterly compliance attestations confirming they have operated in accordance with the mandate.

TRL does not use derivative instruments nor hold assets that are not admitted to trading on regulated financial markets. Assets are managed in such in way as to limit excessive reliance on any particular asset, issuer or group of undertakings, or geographical area that would represent an excessive accumulation of risk to the portfolio as a whole.

C.3 Counterparty default (credit risk)

Credit risk is assumed whenever TRL is exposed to a loss if another party fails to perform its financial obligations to TRL, including the failure to perform them in a timely manner. This includes default by brokers, retrocessionaires, customers, investment counterparties, and suppliers. Included within this category is the management of the credit risk associated with the TRC Quota Share described in Section B1.

Brokers / intermediaries / retrocessionaires

Similar to other insurance and reinsurance companies, TRL has a concentration risk with the international brokers and intermediaries, as they represent a major conduit of business to TRL. All brokers, intermediaries and retrocessionaires are subject to ongoing review by a range of fora, which include the Counterparty & Retrocession Risk Committee and Risk Management Committee.

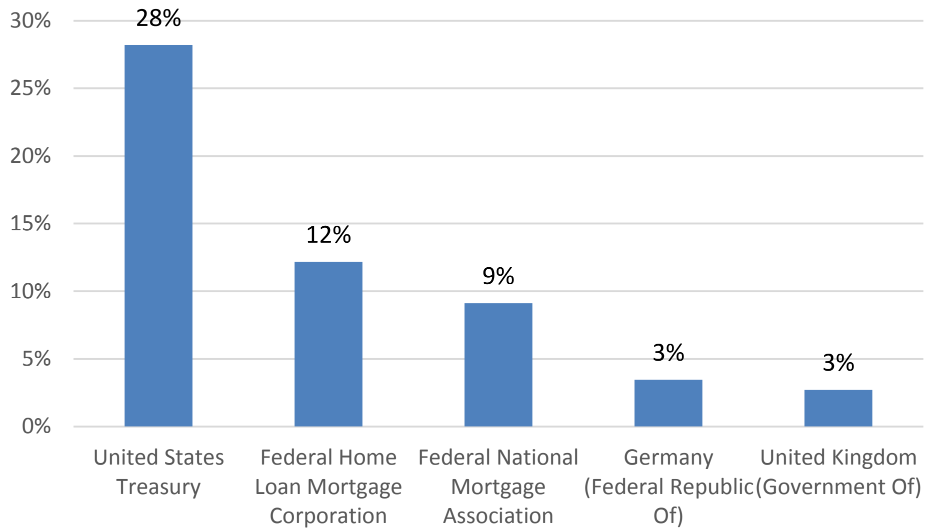
Prior to transacting with brokers, cedants or ceded reinsurers for the first time a KYC check is carried out.

Retrocessionaires must go through a credit and security assessment which is overseen by Alleghany's Reinsurance Security Committee and TransRe's Global Risk Management function ("GRM") based in New York and monitored by TRL's Counterparty & Retrocession Risk Committee. Once approved, they are placed on TransRe's approved Security List. All prospective markets and proposed programme limits are reviewed against the Security List prior to placement and in some cases require specific GRM approval prior to placement. The Security List designates separate short-tail and long-tail programme limits for each retrocessionaire.

Investment counterparties

TRL maintains a diversified highly rated investment portfolio in its three functional currencies: USD, GBP and Euros, with its main investment exposure being to the US Government.

Figure 18: Top five portfolio issuer exposures



TRL's credit risk management strategies outline the credit rating requirements for its investments. Adherence with this helps to ensure investments are selected in a way that enables the effective management of the risk of counterparty default to an acceptable level in line with TRL and TransRe approved risk appetite and tolerances. The credit management strategy also takes into account the exposure to credit spreads.

To aid compliance with rating requirements in TRL's credit risk management strategy and to minimise the risk of counterparty failure arising from external parties, TRL has established key risk indicators which are consistent with its investment strategy and investment risk appetite and tolerances. These indicators take into account, but do not rely solely on, the financial security rating and credit rating assigned by external rating agencies.

TRL uses external credit assessments primarily to:

- review the credit quality of assets in its investment portfolios; and
- review the credit quality of its retrocessionaires.

TRL and TransRe do not rely solely on one rating agency and give consideration to a range of views provided by rating agencies as well as their own market knowledge and intelligence provided by professional investment managers.

The TRC Quota Share

The TRC Quota Share is TRL's largest credit risk. To mitigate the risk, TRC's obligations are fully collateralised under the TRC Trust Agreement with assets maintained in the three functional currencies as outlined above. All assets must meet certain criteria which include credit quality, type, issuer and concentration limits.

Key controls that aid in mitigating credit risk include:

- Counterparty & Retrocession Risk Committee oversight;
- investment risk and underwriting risk accumulation reporting;
- approved retrocessionaire lists;
- mandates and guidelines provided to external investment managers, which include:
  - regulatory compliance;
  - duration;
  - benchmark portfolio;
  - credit quality;
  - sector limitations; and
  - issuer limitations.

Risk sensitivity for credit risks

Although credit risk is a material risk to TRL as a result of the quota share arrangement with TRC, the sensitivity of the solvency ratio to credit defaults or rating downgrades of TRL's counterparties has also been considered. This demonstrated that TRL is resilient to a range of events including severe counterparty rating downgrades or failure of TRC to meets its obligations under the collateralised quota share arrangement.

Prudent person principle applied to credit risks

Counterparties are selected taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and TRL ensures only counterparties with a high enough credit rating are used. TRL does not rely on a single rating agency, rather seek to use a number of agencies as well as its own analysis. TRL seeks to avoid excessive counterparty exposures.

Process(es) for monitoring the effectiveness of risk mitigation techniques

TRL is able to leverage its membership of a globally active reinsurance group to continually monitor and assess the effectiveness of its controls. TRL's Counterparty and Retrocession Risk Committee and the Risk Management Committee review the risks and effectiveness of controls on a regular basis as well as TRL's risk profile. Information is provided to key forums to enable the monitoring of reinsurance recoverables and excessive counterparty exposures to be tracked and action taken to enhance existing processes where appropriate.

Furthermore, TRL benefits from the additional oversight provided by both the TransRe Counterparty & Credit Risk Committee and Alleghany's Reinsurance Security Committee, which approves counterparties and monitors the credit quality of the retrocessionaires on TransRe's security list.

C.4 Liquidity risk

Liquidity risk would arise in TRL if it did not have sufficient financial resources available to enable it to meet its obligations as they fall due, or could secure them only at excessive cost.

TRL has limited liquidity risk. As at 31 December 2016, TRL maintained assets in high quality liquid assets, with the assets held in currencies matching TRL's liabilities and claim duration profile. Key controls that aid in mitigating this risk include:

- asset/liability assessment performed every quarter;
- quarterly case reserving exercise;
- Investment Committee and Board monitoring;
- quarterly balance sheet review; and
- half yearly profitability reviews.

Prudent person principle as applied to liquidity risks

Funds are prudently invested taking into account the liquidity requirements of the business and the nature and timing of TRL's (re)insurance liabilities. TRL manages its liquidity risk by maintaining a diversified liquid investment portfolio.

Risk sensitivity for liquidity risk

TRL has carried out stress and scenario testing as part of its approach to managing liquidity risk. Results have been reviewed by TRL's Investment Committee. TRL does not consider liquidity to be a material risk.

Process for monitoring the effectiveness of risk mitigation techniques

TRL has established a liquidity risk framework which includes the establishment of a liquidity risk appetite. Adherence to the appetite is reviewed every quarter with TRL reviewing its ability to meet its short and medium term financial commitments in a timely manner in both normal and stressed conditions.

Expected profit included in future premiums ("EPIFP")

The EPIFP as at 31 December 2016 is $34,796k which includes expected profit commissions and retrocession recoveries. Although EPIFP is highly illiquid, it does not constitute a material part of TRL's assets.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is diverse in nature and permeates all business activities but remains a distinct form of risk in its own right. Operational risk within TRL has been divided into the following key risk areas:

- Regulatory and legal – the risk of legal or regulatory sanctions or loss caused by a failure to comply with applicable laws, regulations, internal policy and standards of best practice.
- Financial crime, including internal and external fraud – the risk that the firm might be used to further financial crime.
- Financial & accounting – the risks associated with financial reporting and integrity of financial information.
- People – the risk that people do not follow TRL's procedures, practices and/or rules, thus deviating from expected behaviour in a way that could damage TRL.
- Business continuity management – the risk associated with the failure to appropriately manage unforeseen events.
- Processing failures, including IT system failures – the risks associated with IT systems.
- Model risk – the risk that the output from the models used by TRL is incorrect or flawed due to errors in the design or operation or management's failure to understand the limitations in the output of the models.
- Outsourcing – failures relating to the outsourcing of key activities.
- External events and other changes – failure to react to changes in the external business environment.

TRL does not have any material concentrations to operational risk.

Quarterly, TRL's directors and senior managers identify the key risks, causes and consequences together with relevant mitigating controls, within their function/span of control. The results of the assessment are recorded in TRL's risk register and reviewed by the Risk Management Committee and Risk & Audit Committee.

TRL maintains an Operational Risk policy that sets out TRL's approach to mitigating risks arising from Operational Risks.

Key controls

Key controls that aid in mitigating this risk include:

- Risk & Audit Committee and Risk Management Committee oversight;
- policies and procedures, including the group's code of conduct, business continuity plans and succession planning;
- service level agreements;
- purchase of insurances; and
- underwriting audits performed by the Business Management Department.

Risk sensitivities for operational risk

On an ongoing basis, TRL carries out stress and scenario testing as part of its approach to managing operational risk. Results are presented to the Risk & Audit Committee and considered as part of the ORSA process.

For the 2016 ORSA, the solvency position and the projected solvency position over the business planning period were re-calculated following adverse operational risk stresses. Under all of these scenarios, the analysis indicated that TRL was strongly capitalised and was able to withstand these events without breaching its SCR.

Process for monitoring the effectiveness of risk mitigation techniques

TRL and TransRe have established an operational risk framework that:

- monitors and records key risks facing TRL, including their mitigating controls and their effectiveness;
- the environment TRL operates; and
- emerging risks and the mitigating steps taken to monitor or address them.

The framework is supported by policies and procedures and a strong corporate culture that encourages early notification of operational events or losses. This enables the business to learn from events or near losses and to continually enhance its framework.

C.6 Other material risks

Franchise/reputation risk: TRL recognises that its long-term success depends on its relationship with clients, brokers, rating agencies, regulators and capital providers and on the strength of the TransRe brand. Consequently, TRL and TransRe will not accept risks, both underwriting and non-underwriting, that may materially impair or impact the reputation of TRL or TransRe.

Group risk: As a wholly owned subsidiary of a large international group, there is a risk TRL could be adversely affected by the actions of another company within the group. Should such an event arise TRL is able to rely on its own unencumbered capital.

Emerging risks: On an ongoing basis, TransRe and TRL undertake horizon scanning with a view to identifying new and emerging risks. Annually, TransRe holds a Global Emerging Risk Forum in New York with senior level executives and employees from across the world attending. Where new and emerging risks are identified, these are tracked and reported on at key fora. This helps to ensure TRL is able to react quickly should the environment in which it operates in change.

C.7 Any other information

TRL does not consider there is any other material information to disclose on its risk profile.

D. Valuation for solvency purposes

TRL's Solvency II assets and liabilities are presented on an economic basis consistent with the "fair value" accounting concept. TRL prepares its statutory financial statements in accordance with IFRS as adopted for use in the European Union, and follows those parts of the UK's Companies Act 2006 applicable to companies reporting under IFRS. Full details of the basis for the preparation of TRL's financial statements, critical accounting estimates and judgements and key accounting policies are set out in Note 1 of the 2016 Financial Statements.

TRL's IFRS valuation is used where consistent with Solvency II's economic basis. Assets and liabilities measured at cost or amortised cost in TRL's financial statements have been revalued to economic value. Solvency II also requires specific valuation approaches for some assets and liabilities, which have been followed.

TRL exercises judgement in selecting each of its accounting policies. Company law and IFRS require management to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent when preparing the financial statements, and TRL has followed a consistent approach in selecting its valuation approaches for Solvency II. These judgements and estimates are based on management's knowledge as well as current factors and circumstances that may impact business performance, together with appropriate predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. To the extent that actual experience differs from the assumptions used, TRL's financial position, results of operations and cash flows could be materially affected.

The following sections describe the valuation approaches used by TRL for valuing its assets and liabilities.

D.1 Assets

The material classes of assets shown on TRL's Solvency II Balance Sheet, their Solvency II values and corresponding values shown in TRL's financial statements (all in USD) are summarised in the table below.

Figure 19: Summary assets

$'000	Solvency II	Financial Statements	Difference
Deferred acquisition costs	-	15,706	(15,706)
Deferred tax assets	1,480	1,418	62
Investments			
Government Bonds	235,917	235,115	801
Corporate Bonds	201,506	200,552	954
Collateralised Securities	212,248	211,585	663
Interest Receivable	-	2,418	(2,418)
Reinsurance recoverables			
Non-life excluding health	270,702	450,760	(180,058)
Health similar to non-life	2,534	5,899	(3,365)
Deposits to cedants	10,003	10,003	-
Total Receivables			
Insurance and intermediaries receivables	75,055	205,347	(130,292)
Reinsurance receivables	29,231	26,517	2,714
Receivables (trade, not insurance)	2,093	2,093	-
Cash and cash equivalents	53,491	53,491	-
Total assets	**1,094,259**	**1,420,906**	**(326,647)**

The following sections provide further details on the specific valuation policies that TRL has applied to produce its Solvency II balance sheet.

Deferred acquisition costs ("DAC")

Under IFRS the proportion of acquisition costs incurred that corresponds to the proportion of gross premiums written which are unearned at the balance sheet date are classified as DAC. Under Solvency II, acquisition costs are recognised on a cash flow basis within the reporting period, with any future cash flows for acquisition costs recognised in technical provisions.

Deferred tax

Deferred tax balances (other than in respect of the carry forward of unused tax credits and unused tax losses) are determined by reference to the difference between the Solvency II balance sheet and the values ascribed for tax purposes.

A positive value is only ascribed to deferred tax assets where it is probable that future taxable profits will lead to the realisation of that deferred tax asset. This assessment takes into account time limits that apply to the carry forward of unused tax losses or credits.

Deferred tax balances are recognised and valued in relation to all assets and liabilities that are recognised for solvency or tax purposes. Deferred tax balances are not discounted.

Deferred tax is recognised and valued on a basis consistent with treatment under IFRS. For example, under IFRS:

- all temporary differences between the assets and liabilities in the statement of financial position and their tax base are included within the calculation; and
- deferred tax assets or liabilities are accounted for using the balance sheet liability method and assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely.

However, for Solvency II purposes, the recognition and valuation of deferred tax assets or liabilities is carried out by reference to the Solvency II balance sheet rather than the accounting basis. The resulting amount of deferred tax differs as a result of changes in recognition and valuation of other balance sheet items.

Figure 20: Deferred tax calculation

	$'000
Deferred tax asset/liability per financial statements	1,418
Adjustment needed (all timing differences are expected to unwind at a tax rate of 17%)	
DAC	2,670
Change in TPs (incl. removal of UPR)	(5,079)
Risk Margin	5,440
Receivables (trade, not insurance)	(2,969)
Total Solvency II Deferred tax asset	**1,480**

Financial instruments

Recognition and derecognition of investments

For a background to TRL's approach to recognition and derecognition of investments see pages 18-19 of the 2016 Financial Statements.

Fair value of investments

For a background to TRL's approach to fair value of investments see pages 19-21 of the 2016 Financial Statements.

Impairment

For a background to TRL's approach to impairment see pages 21-22 of the 2016 Financial Statements.

Valuation differences between the Solvency II and IFRS balance sheets

Solvency II requires a hierarchy of valuation methods to be applied to value assets and liabilities on the Solvency II balance sheet, as set out below:

1. The use of quoted market prices in active markets for the same assets or liabilities.
2. Where the use of quoted market prices in active markets for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities are used, with adjustments made to reflect factors specific to the asset or liability.
3. Where the criteria above are not satisfied, alternative valuation methods are used, which make maximum use of relevant market inputs (adjusted for factors specific to the asset or liability under valuation). To the extent that observable inputs are not available, use is made of unobservable inputs reflecting the assumptions that market participants would use (including assumptions about risk in the valuation technique).

TRL considers its policy on the fair value of investments to be consistent with the hierarchy of valuation methods required for Solvency II. Accordingly, the valuation policy on fair values is applied consistently between TRL's Solvency II reporting and its statutory financial reporting. TRL's investment portfolio as at 31 December 2016 includes only investments that are valued at fair value. There are accordingly no differences in valuation relating to financial investments between TRL's Solvency II and IFRS balance sheets, with the exception that the value of investments in the Solvency II balance sheet includes interest accrued since the last coupon payment, compared to the presentation in TRL's financial statements where it is accounted for separately as accrued interest.

TRL defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants as at the measurement date. As part of TRL's framework for measuring fair value, financial instruments are classified into a three-level hierarchy that is consistent with the Solvency II hierarchy described above.

Fair value sources and use of pricing vendors

TRL's methodology for the valuation of investments is to use ICE Data Services ("ICE"). TRL's other sources for fair values include its asset manager BlackRock.

Although TRL outsources the portfolio valuation function to pricing vendors or relies on investment managers for valuations in certain instances, TRL is responsible for ensuring that the supporting methodologies and assumptions employed by pricing vendors are consistent with and meet the objectives of fair value determination.

Reinsurance recoverables

For the differences in the valuation methodology between IFRS and Solvency II see Section D2.

(Re)insurance and intermediaries receivable

Receivables and payables are recognised on a Solvency II basis when due. These include amounts due to and from agents, brokers and insurance contract holders. Receivables and payables are recognised at the amount expected to be received or paid when due. Due to the short term nature of TRL's (re)insurance receivables and payables, amounts are not discounted on a Solvency II basis.

The presentation of (re)insurance receivables and payables on the Solvency II balance sheet differs from TRL's statutory financial statements, since (re)insurance receivables and payables for financial reporting purposes include estimated premiums and claims which are included in Technical Provisions in the Solvency II balance sheet as they are not yet due.

Other receivables (trade not insurance)

The valuation and presentation of TRL's other receivables and payables, in the Solvency II balance sheet, is consistent with the treatment for TRL's external financial reporting.

Cash and cash equivalents

For a background to TRL's approach to cash and cash equivalents see page 23 of the 2016 Financial Statements.

Foreign currency transactions and balances

TRL presents its financial statements and Solvency II reporting in US dollars, which is TRL's functional currency. TRL applies a consistent policy for translating transactions and balances in currencies other than the relevant currency of presentation between its financial statements and Solvency II reporting.

For further background to TRL's approach to foreign currency transactions and balances see pages 15-16 of the 2016 Financial Statements.

Translation to functional currency

For a background to TRL's approach to translation to functional currency see page 16 of the 2016 Financial Statements.

D.2 Technical provisions

TRL holds technical provisions to represent the current amount it would have to pay to for an immediate transfer of its obligations to another insurer. The technical provisions are comprised of two key elements:

Best estimate liabilities ("BEL") are the probability weighted average of future cash flows, discounted back to the relevant balance sheet date using risk free discount rates. This includes all of the relevant cash inflows and outflows to meet the requirements of the policies TRL is obligated to at the valuation date.

The risk margin represents an allowance for the cost of capital necessary to support the policies TRL is obligated to at the valuation date over their lifetime. It is calculated by taking 6% of future capital requirements attributable to the policies and discounting back to the relevant balance sheet date using risk free discount rates.

TRL calculates its technical provisions using the sum of the BEL and risk margin, therefore:

Technical Provisions = Best Estimate Liability + Risk Margin

Segmentation into lines of business

BELs are segmented into twelve lines of business for non-life insurance obligations (with additional segmentation for non-proportional reinsurance accepted) and three lines of business for health insurance obligations pursued on a similar basis to non-life insurance (with additional segmentation for non-proportional reinsurance accepted).

Lines of business for financial reporting purposes under IFRS are mapped to Solvency II lines of business according to "sub-department" classification in TRL's accounting system. The mapping is subject to allocations for certain sub-departments, which include private and commercial motor and multi-class lines of business. With the exception of these allocations, the sub-departments and Solvency II lines of business are in one-to-one correspondence.

Figure 21: Technical provisions by Solvency II line of business

Solvency II line of business ($'000)	Gross Best Estimate	Recoverables	Net	Risk Margin	Net TPs
Marine, aviation and transport insurance	110,565	62,748	47,817	7,057	54,874
Motor vehicle liability insurance	97,195	56,254	40,941	6,042	46,983
Non-proportional marine, aviation and transport reinsurance	78,379	44,135	34,244	5,054	39,298
Fire and other damage to property insurance	59,196	33,381	25,815	3,810	29,625
Credit and suretyship insurance	39,923	22,900	17,023	2,512	19,535
General liability insurance	29,989	17,153	12,836	1,894	14,730
Non-proportional property reinsurance	27,234	9,327	17,907	2,643	20,549
Non-proportional casualty reinsurance	25,135	14,482	10,653	1,572	12,225
Other motor insurance	17,152	9,927	7,225	1,066	8,292
Income protection insurance	4,319	2,425	1,894	280	2,174
Miscellaneous financial loss	711	394	317	47	364
Non-proportional health reinsurance	262	109	153	23	175
Total	**490,060**	**273,235**	**216,825**	**32,000**	**248,825**

Technical provisions bases, methodologies and key assumptions

Basis

TRL uses the IFRS financial reporting framework as the starting basis for determining the Solvency II technical provisions.

The following sections outline the key methodologies and assumptions in determining the technical provisions. Where relevant, adjustments to the IFRS basis to move to the Solvency II basis are highlighted.

Figure 22: IFRS to Solvency II reconciliation

Solvency II line of business ($'000)	Assumed	Ceded	Net
IFRS Technical Provisions	**753,470**	**456,659**	**296,811**
Less Deferred Acquisition Costs	(62,950)	(47,244)	(15,706)
Add Contingent Acquisition Costs	(11,038)	(6,222)	(4,816)
Reserving Margins	(65,151)	(27,250)	(37,901)
Future Premiums & Acquisition Costs	(117,309)	(70,804)	(46,505)
Future Other Expenses	34,122	-	34,122
Legally Obliged Unincepted Business	(13,119)	(14,690)	1,571
Discounting	(27,965)	(17,039)	(10,926)
Counterparty Default	-	(175)	175
Solvency II Best Estimate	**490,060**	**273,235**	**216,825**
Risk Margin	32,000	-	32,000
Solvency II Technical Provisions	**522,060**	**273,235**	**248,825**

Figure 23: IFRS to SII reconciliation of gross technical provisions for top 5 Solvency II lines of business

Solvency II Line of Business Gross ($'000)	Proportional Marine, Aviation, Transport	Proportional Motor Vehicle Liability	Non-Prop Marine, Aviation, Transport	Proportional Fire & Property	Proportional Credit & Suretyship	Other	Total
IFRS Technical Provisions	192,104	142,837	90,633	105,003	71,218	151,676	753,471
Deferred Acquisition Costs	(24,360)	(5,185)	(107)	(17,837)	(4,373)	(11,089)	(62,951)
Contingent Commission Costs	1,167	(11,654)	98	2,368	(1,059)	(1,957)	(11,037)
Reserving Margins	(5,881)	(16,442)	(3,131)	(12,288)	(16,238)	(11,171)	(65,151)
Future Premiums & Acquisition Costs	(64,661)	(13,400)	(4,634)	(15,684)	(14,195)	(4,734)	(117,308)
Future Other Expenses	14,073	3,728	1,605	6,172	4,520	4,025	34,123
Legally Obliged Unincepted Business	7,041	(174)	(1,672)	(4,433)	1,729	(15,610)	(13,119)
Discounting	(8,918)	(2,515)	(4,413)	(4,105)	(1,679)	(6,338)	(27,968)
Solvency II Best Estimate	**110,565**	**97,195**	**78,379**	**59,196**	**39,923**	**104,802**	**490,060**
Risk Margin	7,057	6,042	5,054	3,810	2,512	7,525	32,000
Solvency II Technical Provisions	**117,622**	**103,237**	**83,433**	**63,006**	**42,435**	**112,327**	**522,060**

Figure 24: IFRS to SII reconciliation of net technical provisions for top 5 Solvency II lines of business

Solvency II Line of Business Net ($'000)	Proportional Marine, Aviation, Transport	Proportional Motor Vehicle Liability	Non-Prop Marine, Aviation, Transport	Proportional Fire & Property	Proportional Credit & Suretyship	Other	Total
IFRS Technical Provisions	77,445	57,479	31,886	42,322	28,682	58,998	296,812
Deferred Acquisition Costs	(6,941)	357	(45)	(5,420)	(491)	(3,166)	(15,706)
Contingent Commission Costs	467	(4,662)	39	947	(424)	(1,184)	(4,817)
Reserving Margins	(7,448)	(8,822)	(1,229)	(7,162)	(8,373)	(4,868)	(37,902)
Future Premiums & Acquisition Costs	(28,230)	(5,001)	2,898	(6,906)	(6,296)	2,676	(40,859)
Future Other Expenses	14,073	3,728	1,605	6,172	4,520	4,025	34,123
Legally Obliged Unincepted Business	1,998	(1,117)	617	(2,523)	83	(3,133)	(4,075)
Discounting	(3,589)	(1,050)	(1,547)	(1,636)	(694)	(2,408)	(10,924)
Counterparty Default	42	29	20	21	16	47	175
Solvency II Best Estimate	**47,817**	**40,941**	**34,244**	**25,815**	**17,023**	**50,986**	**216,826**
Risk Margin	7,057	6,042	5,054	3,810	2,512	7,525	32,000
Solvency II Technical Provisions	**54,874**	**46,983**	**39,298**	**29,625**	**19,535**	**58,510**	**248,825**

Best estimate liability

The BEL is calculated as the sum of the following two components:

Claims provision

TRL holds a claims provision that relates to claims events that are already incurred, regardless of whether these claims have been reported or not. The provision includes all cash flows associated with future benefits, expenses and premiums related to the claim events. TRL considers the expected incidence and cost of future claims, including infrequent, high severity claims and latent claims. The best estimate claims provision is calculated as:

- the best estimate of outstanding losses, and any expenses in loss adjustment (Loss Adjustment Expenses, or "LAE");
- plus the best estimate of incurred-but-not-reported claims ("IBNR") based on earned premiums
- plus the best estimate of unpaid non-contingent acquisition costs that have been incurred
- plus the best estimate of unpaid contingent commission on earned premiums
- plus the best estimate of unpaid other expenses that have been incurred
- less the best estimate of unpaid premiums that have been earned.

Further information on the calculation of these items is discussed in the following sections.

Premiums provision

TRL holds a premium provision for events which may happen in the future that fall within the contract boundary. The provision includes all cash flows associated with all future premiums, claims and expenses related to these events. TRL consider the expected incidence and cost of future claims, including infrequent, high severity claims and latent claims. The best estimate premium provision is calculated as:

- the best estimate of IBNR claims based on unearned premiums;
- plus the best estimate of unpaid non-contingent acquisition costs that have not been incurred;
- plus the best estimate of unpaid contingent acquisition costs based on unearned premiums;
- plus the best estimate of unpaid other expenses based on unearned premiums; and
- less the best estimate of unpaid premiums that have not been earned.

Further information on the calculation of these items is discussed in the following sections.

Methodologies for loss reserves and IBNR

The methods employed to estimate loss reserves include the following:

Paid loss development, incurred loss development methods

In the loss development methods, paid and incurred losses are projected to the time period by which the liabilities are extinguished (known as the ‘ultimate’ time period) by applying appropriate development factors to the inception-to-date paid and incurred losses to date.

Paid Bornhuetter-Ferguson (“BF”) and incurred BF methods

In the Bornhuetter Ferguson methods, estimates of unpaid and unreported losses based on earned premiums (on an ultimate basis) are calculated by multiplying earned or ultimate premiums for each contract by an expected loss ratio (“ELR”) and an estimated percentage of unpaid or unreported losses. The percentages of unpaid or unreported losses are derived from the loss development factors described below.

In establishing reserves for IBNR losses, three key actuarial judgements are used to project losses:

- loss development factors (“LDF”) – these are used to arrive at the ultimate amount of losses incurred for each underwriting year based on reported loss information. These factors, which are calculated initially based on historical loss development patterns (i.e. the emergence of reported losses over time relative to the ultimate losses to be paid), may then be adjusted for current trends.
- loss trend factors (“LTF”) – these typically focus on any underlying trends which may progress through the projection into the future, such as provisions for inflation, including social inflation (awards by judges and juries which increase progressively in size at a rate exceeding that of general inflation) and trends in court interpretations of coverage.
- expected loss ratios (“ELR”) – for the latest underwriting years these generally reflect the ELRs from prior underwriting years adjusted for LTFs, as well as the impact of changes in rating strength and other quantifiable factors.

These methods yield an indication of the ultimate losses for each underwriting year. The IBNR reserve is then determined by subtracting the reported losses from the indicated ultimate losses.

Estimates of reserves for IBNR claims take into account a number of assumptions with respect to factors that will affect ultimate losses. The techniques TRL uses (described above) are employed to estimate ultimate losses, including the delay between the claim being reported to the insurer, and the insurer reporting the claim to TRL. Expert judgement is employed to select the most appropriate method, particularly when the delays previously identified within the data fluctuate between claims.

During the loss settlement period, additional facts regarding individual claims and trends will emerge. As these facts and trends emerge, it usually becomes necessary to refine and adjust the loss reserves upward or downward; and even then the ultimate net liability calculated by TRL may be materially different from the original estimates. There is potential for significant variation in the development of loss reserves when actual costs differ from those costs implied by the use of the assumptions employed in the process of setting reserves.

Methodologies for expired and unexpired periods of coverage

With respect to expired periods of coverage, IBNR amounts calculated under IFRS are intended to reflect undiscounted best estimates of unpaid and unreported obligations, without margins for prudence.

With respect to unexpired periods of coverage, the valuation of technical provisions under Solvency II includes future cash flows with respect to premiums, losses (including claims management costs) and acquisition costs. Consequently, differences arise between the valuation of technical provisions in the IFRS financial statements of TRL and the corresponding valuation of technical provisions for Solvency II.

The estimation of unpaid and unreported losses arising from unexpired periods of coverage is based on the same principles underlying the corresponding calculations for expired periods of coverage. TRL estimates ultimate losses for each contract by multiplying:

- ultimate premiums calculated for each contract; by
- the expected loss ratio; and
- an estimated percentage of unpaid or unreported losses.

The percentages of unpaid or unreported losses are derived from loss development factors and the indicated IBNR reserve is then determined by subtracting the reported losses from the indicated ultimate losses.

Future premiums & acquisition costs

Under IFRS, unpaid premiums and acquisition costs are shown separately on the balance sheet at the accounting date as insurance and reinsurance receivables and payables.

Under Solvency II, the cash flows in respect of future claims are reduced by the amount of expected future premium cash inflows and increased by the amount of expected future acquisition costs cash outflows.

Future other expenses

Under IFRS, unpaid other income or expenses are shown separately on the balance sheet at the accounting date as other receivables or payables as appropriate.

Under Solvency II, technical provisions are increased by the amount of expected future cash outflows in respect of other expenses. TRL estimates the reserves for other expenses, as:

- other acquisition costs;
- claims management costs;
- general administration costs;
- overhead costs; and
- investment management costs.

Undiscounted best estimates of unpaid other expenses are then allocated by contract and Solvency II line of business and discounted back to the valuation date using the risk free rates.

The starting point for the calculation of the future other expense cashflows are historical data for the payment of other expenses by calendar period. TRL calculates paid claims management costs and investment management costs, expressed as percentages of paid and incurred losses, and paid other acquisition costs, general administration costs and overhead costs, expressed as percentages of linear combinations of paid and written premiums. Best estimates of unreported claims management costs and investment management costs are then calculated by multiplying the relevant percentages by linear combinations of outstanding and IBNR losses. Best estimates of unreported other acquisition costs, general administration costs and overhead costs are calculated by multiplying the relevant percentages by linear combinations of accrued and unreported premiums.

Legally obliged unincepted business

At any given time, TRL may have contracts that have been written but have not yet incepted (the cover has not yet commenced). For example, a contract that was bound on 28 December 2016 which incepts on 1 January 2017 would be included within legally obliged unincepted business at 31 December 2016.

Under IFRS, the valuation of insurance reserves does not include legally obliged unincepted contracts.

Under Solvency II, cashflows arising from these contracts are included within the premium provision. The calculations of technical provisions relating to legally obliged unincepted business use the same principles as the calculations for existing business; estimates of ultimate losses for each contract are obtained by multiplying ultimate premiums by an expected loss ratio for the forthcoming underwriting year. Expected loss ratios for forthcoming underwriting years are generally calculated based on the expected loss ratios from prior underwriting years, with adjustments to allow for loss trend factors and other quantifiable factors.

Events not in data

TRL accounts for events not in data (“ENIDs”) using a scenario approach, based on the business profile and data available.

TRL and the London Branch of TRC have more than 22 years of credible claims experience which is used to derive assumptions. This historical claims experience contains many significant natural and man-made catastrophe losses.

Natural and man-made catastrophe scenarios, with associated severities and return periods, are established using expert judgement through discussions with underwriters and the catastrophe modelling team.

These scenarios, along with the historic data, are used in the selection of actuarial assumptions underlying the calculation of technical provisions for both solvency purposes and for the valuation in financial statements. As a result, ENIDs are implicitly included in underlying reserving patterns.

The specific ENID claim and premium provisions are split out using calculated factors for each line of business.

Discounting

The discounting of technical provisions is not required under IFRS.

Under Solvency II, TRL calculates best estimates separately for obligations in different currencies using the relevant risk-free term structures of interest rates prescribed by EIOPA. The set of currencies for which spot discount curves are provided by EIOPA form a subset of the complete table of currencies defined in the accounting system of TRL. Where, for a given currency, spot discount curves are not provided by EIOPA, the spot discount curve for US dollars is used by default or, if deemed material to the calculation of fair values, the relevant term structure determined according to the methodology specified in the Solvency II technical specifications.

The allocation of unpaid cash flows to different currencies with respect to premiums, losses, acquisition costs and other expenses is estimated for each contract based on corresponding historical allocations of inception-to-date cash flows and accruals, and other relevant information.

Development factors of paid premiums, losses and acquisition costs are used to separate expected future cash flows into incremental amounts in future calendar periods. Incremental expected cash flows are then discounted at the risk-free discount rate applicable for the relevant maturity at the accounting date. Discounting estimates of unpaid other expenses for the time value of money is based on development patterns of paid premiums for other acquisition costs, general administration costs and overheads; and paid losses for claims management costs and investment management costs.

Counterparty default

TRL does not adjust the technical provisions calculated under IFRS for potential counterparty default.

Under Solvency II, the calculations of technical provisions are adjusted to reflect the potential for default events, which are defined to occur whenever counterparties fail to meet all of their obligations in full, whether arising from insolvency or dispute. The adjustment, which is given by the expected present value of the change in cash flows underlying the amounts recoverable, is calculated by multiplying:

Probability of default x *Loss given default*

These are defined as follows:

- Probability of default — cash flows are adjusted to reflect the likelihood of default at different time periods, also considering that cumulatively, counterparties are more likely to default as time moves on. The distribution of the time of default is assumed to have an exponential distribution, calibrated according to credit quality and the corresponding probability of default over one year. The derivation of credit quality is based on official credit ratings corresponding to those attributed by a commercial rating agency such as A.M. Best, S&P, Moody's and Fitch, where such credit ratings are available. Where more than one official credit rating is available for a counterparty, the second-highest credit quality step is used; and
- Loss given default — this is the impact of the default. Unless reliable estimates of these losses are available, the adjustment is calculated using an assumed loss of 50%. With the exception of the TRC Quota Share, which is secured by the TRC Trust Agreement, TRL does not adjust the amounts recoverable to allow for deposits or collaterisation arrangements. The loss given default for the TRC Quota Share is reduced by the ratio of the current value of the collateral and the current outstanding and IBNR claims allocated to the TRC Quota Share.

Risk margin

The risk margin is calculated as the present value of future SCRs, multiplied by the prescribed rate for the cost of capital of 6% per annum.

The following risks from the SCR are projected into the future:

- insurance risk (both reserve and premium risk) with respect to obligated business, whether incepted or not;
- counterparty default risk;
- operational risk; and
- unhedgeable or unavoidable market risk.

The 6% cost of capital is determined by Solvency II regulation. The cost of capital at each time period is discounted back to the valuation date using the risk free rate.

Reinsurance arrangements within the technical provisions

Under Solvency II, TRL reflects the value of reinsurance agreements where risk is ceded to a third party (which includes consideration of the counterparty default calculations above) within the technical provisions. This allows TRL to denote a technical provision figure net of reinsurance.

Existing reinsurance

TRL employs both proportional and non-proportional retrocession.

With respect to proportional retrocession, outwards premiums and recoveries are calculated and included on the basis of correspondence, i.e. future premiums are included only to the extent that any associated liabilities are also included in the technical provisions. If a contractual liability does not exist, then the associated future premium cash flows are not taken into account within the valuation of technical provisions under Solvency II.

With respect to existing non-proportional retrocession, the calculation of recoverables is based on the principle of correspondence, but future premiums are subject to contractual minimums.

Future reinsurance purchases

To the extent that TRL has a history of renewing outwards non-proportional retrocession, the purchase of future outwards retrocession is assumed in the assessment of technical provisions under Solvency II. In particular, expected cash flows arising from future retrocession that will cover existing inwards contracts but has not yet been purchased at the valuation date are included in the valuation of the best estimate according to the principle of correspondence.

Uncertainty within the technical provisions

TRL writes a variety of coverages whose major risk factors materially impact the variability of TRL's loss reserves. In particular, TRL's portfolio has exposure to long-tail casualty lines of reinsurance business including some high excess layers of coverage in volatile long-tail classes such as professional indemnity and directors and officers.

At the primary insurance level (e.g. the insurer as opposed to reinsurer level), there are significant risk factors which contribute to the variability and unpredictability of loss cost trends and loss emergence patterns. As a reinsurer, TRL faces additional risk factors arising from its dependence upon the claims reserving and reporting practices of its cedants, which vary greatly by size, specialisation, degree of sophistication, and country of operation, and are subject to change without notice.

It is also inherently more difficult for reinsurers to quantify unpaid liabilities under long-tail coverages because it takes longer for credible loss experience to emerge when compared to the initial writer of the risks. Similarly, the loss experience under non-proportional coverages can take relatively longer to emerge. TRL's portfolio includes exposure to high excess liability layers and casualty lines of business, for which loss cost trends are especially difficult to assess. In addition to this, a reinsurer's loss experience may experience variability due to a concentration of small risks occurring close together, which can impact several layers of coverage across different lines of business and across different cedants.

The variability in the loss cost trends, the difficulty inherent in estimating developing losses and infrequent but high impact events, and the correlation across reinsurance coverages and cedants all contribute to the risk of material uncertainty and deviation in TRL's loss reserves.

TRL assesses continually the reserve adequacy of IBNR in light of the following factors:

- current levels of reserves for reported claims and expectations with respect to reporting lags;
- catastrophe events;
- historical data;
- legal developments; and
- economic conditions, including the effects of inflation.

The actuarial methodologies employed to calculate loss and IBNR development incorporates the inherent lag from the time claims occur to when they are reported to an insurer and to when the insurer reports the claims to their reinsurers. Certain actuarial methodologies may be more appropriate than others in instances where this lag may not be consistent from period to period. Consequently, additional actuarial judgement is employed in the selection of methodologies to best incorporate that potential impact. Information gathered through underwriting and claims audits is also considered.

The estimation of TRL's loss reserves is made more difficult and subjective in view of changing legal and economic environments that impact the development of claims. Such factors, both internal and external, which contribute to the variability and unpredictability of loss costs, include:

- trends relating to jury awards;
- social trends;
- medical inflation;
- worldwide economic conditions;
- tort reforms;
- court interpretations of coverages;
- the regulatory environment;
- underlying policy pricing;
- terms and conditions; and
- claims handling.

Consequently, quantitative techniques are frequently supplemented by subjective considerations and expert judgement. In addition, TRL is mindful that trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future. Owing to the inherent uncertainties in the process of establishing these liabilities, the actual ultimate loss from a claim is likely to differ, perhaps materially, from the liability initially recorded.

The uncertainty inherent in estimating IBNR relating to unexpired periods of coverage is exacerbated by the application of the same underlying valuation techniques to the calculation of technical provisions in respect of unexpired periods of coverage, including obligations arising from legally obliged unincepted business.

With respect to unexpired periods of coverage, TRL’s loss reserves include exposure to extreme or exceptional events, both natural and man-made. Unexpired periods of coverage relating to property and casualty reinsurance contracts of TRL cover unpredictable events, including exposures to natural catastrophes such as:

- catastrophic hurricanes;
- windstorms;
- tornadoes;
- earthquakes;
- floods; and
- other natural disasters;

and man-made catastrophes such as:

- fires;
- industrial explosions;
- riots; and
- other man-made disasters, including those that may result from terrorist activity.

Management expects that the loss experience of TRL will include infrequent events of great severity from time to time and the occurrence of losses from such events will cause substantial volatility in the financial results of TRL.

The frequency and severity of catastrophe losses are inherently unpredictable. Insured losses arising out of a single occurrence have the potential to impact a wide range of lines of business.

The severity of catastrophe losses is subject to a high level of uncertainty arising out of extremely complex causation and coverage issues, which can include:

- attribution of losses to different perils;
- potential legal and regulatory developments related to losses; and
- inflation in repair costs owing to the limited availability of labour and materials after the occurrence of catastrophic events.

With respect to discounting for the time value of money, the difficulty inherent in estimating the currency and timing of future cash flows, including tail factors for long-tail classes of business, contribute to the risk of adverse deviation in the technical provisions of TRL.

Exclusions from technical provisions

There are a number of additional aspects of the Solvency II regime that firms can apply for:

Matching adjustment

TRL does not use the matching adjustment within the calculation of technical provisions.

Volatility adjustment

The volatility adjustment to risk free rates is not used by TRL in the calculation of technical provisions.

Transitional measures to Technical Provisions (TMTP)

TRL does not apply any transitional arrangements to the Solvency II balance sheet.

D.3 Other liabilities

The material classes of other liabilities shown on TRL's Solvency II balance sheet, their Solvency II values and corresponding values shown in TRL's financial statements are summarised in the table below.

Figure 25: Other liabilities – IFRS & Solvency II reconciliation

($'000)	Solvency II	Financial Statements	Difference
Insurance and intermediaries payables	6,460	11,440	(4,980)
Reinsurance payables	39,854	112,345	(72,491)
Payables (trade, not insurance)	3,632	21,095	(17,463)
Total other liabilities	**49,946**	**144,880**	**(94,934)**
Technical provisions	522,060	753,470	(231,410)
Total liabilities	**572,006**	**898,351**	**(326,345)**

The following sections provide further details on the specific valuation policies that TRL has applied to produce its Solvency II balance sheet.

(Re)insurance and intermediaries payable

Please see Section D1 (Re)insurance and Intermediaries Receivable.

Other payables (trade not insurance)

Please see Section D1 Other Receivables (Trade not Insurance).

Provisions

At 31 December 2016, TRL held no provisions in its 2016 Financial Statements or on its Solvency II balance sheet.

Contingent liabilities

TRL does not consider any contingent liabilities to exist as at 31 December 2016.

Employee benefits

TRL does not consider any employee benefit liabilities to exist as at 31 December 2016.

Aggregation of liabilities

TRL does not aggregate liabilities into material classes other than those reported in the balance sheet quantitative reporting template (“QRT”) S.02.01.02.

Technical provisions

For a detailed description of the valuation differences for the technical provisions between IFRS and Solvency II, please refer to Section D2.

D.4 Alternative methods for valuation

TRL does not use any alternative valuation methodologies.

D.5 Any other information

TRL does not consider there is any other material information to disclose on its valuation for solvency purposes.

E. Capital management

E.1 Own funds

TRL's own funds comprise mostly of ordinary paid-up share capital which are classified as Tier 1 own funds.

In addition, TRL recognises a reconciliation reserve of $10,770k which is classified as Tier 1 own funds and a deferred tax asset which is classified as Tier 3 own funds. As at 31 December 2016, the available own funds of TRL were as follows:

Figure 26: Eligible own funds by tier at 31 December 2016

Tier	Instrument(s)	Value ($'000)
Tier 1	Ordinary paid up share capital Reconciliation reserve	500,000 10,770
Tier 2	Not Applicable	-
Total own funds to cover MCR		**510,770**
Tier 3	Net Deferred Tax Asset	1,480
Total own funds to cover SCR		**512,250**

As at 31 December 2016, TRL had no ancillary own funds.

The reconciliation reserve of $10,770k is calculated as follows:

Figure 27: Reconciliation Reserve

Reconciliation Reserve	$'000
Excess of assets over liabilities	522,253
Less:	
Ordinary Share Capital	(500,000)
Deferred Tax Assets	(1,480)
Restricted Own Fund Items	(10,003)
Reconciliation Reserve	**10,770**

Every quarter TRL reviews its own funds against the MCR and SCR requirements. The review is undertaken by the Risk Management function and is presented to the Risk Management Committee and Risk & Audit Committee as part of the ongoing review process. Included in the analysis is a forward looking review that takes into consideration TRL's three year planning horizon. There have been no material changes to own funds during the year.

The overall objective of TRL, in relation to own funds, is to maintain a suitable buffer of Tier 1 capital above the SCR ensuring the levels of own funds within TRL are within its risk appetite.

As set out in TRL's Articles of Association, the Directors have the ability to cancel any dividend or other distribution at any time before actual payment if they consider that payment of the dividend or other distribution would cause TRL to fail to meet any applicable capital or solvency requirement, including its SCR.

Below is an explanation of material differences between the net assets in TRL's 2016 Financial Statements and the excess of assets over liabilities as calculated for solvency purposes:

Figure 28: IFRS to Solvency II Reconciliation

	($'000)	Description
IFRS net assets	**522,555**	
Change in:		
Net DAC	(15,706)	Valued at nil under Solvency II
(Re)insurance receivables	(127,579)	Estimated premium and contingent commission reserve not yet due moved to TPs
Reinsurance recoverables	(183,424)	Adjustment from reinsurer's share of IFRS insurance reserves to Solvency II TPs
(Re)insurance payables	77,472	Estimates premium and contingent commission reserve not yet due moved to TPs
Other payables	17,463	Accrued insurance related expenses not yet due moved to TPs
Technical provisions	263,410	Adjustment from IFRS insurance reserves to Solvency II TPs
Risk margin	(32,000)	Inclusion of Solvency II risk margin
Deferred tax asset	62	Pre-tax change in net assets x 17% deferred tax rate
Solvency II excess of assets over liabilities	**522,253**	

The principal differences between the IFRS and Solvency II own funds are due to differences in technical provisions, including the removal of DAC and the inclusion of the risk margin. The differences in (re)insurance payables and receivables and other payables are due to the removal of accruals and/or contingent commission reserves, which are contained within the Solvency II technical provisions.

Please see Section D1 for further information on the valuation of assets under Solvency II, Section D2 for a reconciliation between the IFRS and Solvency II technical provisions and Section D3 for other liabilities.

A reduction to own funds (via the reconciliation reserve) is made for any restricted own fund items within a ring-fenced fund that exceed the notional SCR of that ring-fenced fund. TRL has deposits to cedants of $10,003k representing funds withheld. Given the non-material size of this balance, a deduction has been made for the full amount in the reconciliation reserve.

TRL has not applied to use any transitional measures for the calculation of own funds. Grandfathering is not required because all own funds items meet the Solvency II classification criteria.

TRL does not voluntarily disclose any other solvency ratios other than those reported on the own funds QRT (S.23.01).

E.2 SCR and MCR

TRL uses the Solvency II Standard Formula and a capital add on described below to calculate its SCR.

Figure 29: Solvency II capital requirements at 31 December 2016

	($'000)
Eligible Own Funds to cover SCR	512,250
Eligible Own Funds to cover MCR	510,770
Minimum Capital Requirement	81,814
Solvency Capital Requirement	327,254
Basic Solvency Capital Requirement:	**246,614**
Market risk	63,662
Counterparty default risk	24,073
Health underwriting risk	19,746
Non-life underwriting risk	206,452
less Diversification	(67,319)
Non-life underwriting risk:	**206,452**
Non-life catastrophe risk	95,386
Non-life premium & reserve risk	160,315
Non-life lapse risk	13,300
less Diversification	(62,549)

TRL does not use any undertaking specific parameters in the calculation of the SCR.

Simplifications have been used only where specified in the Solvency II Delegated Acts. The simplifications used by TRL are listed below:

- Article 107: simplified calculation of the risk mitigating effect for reinsurance arrangements or securitisation;
- Article 111: simplified calculation of the risk mitigating effect; and
- Article 112: simplified calculation of the risk adjusted value of collateral to take into account the economic effect of the collateral.

No other simplifications are used by TRL in the calculation of the SCR.

Capital add-on

In October 2015, TRL identified that the sub-modules for Natural Catastrophe Risk and Catastrophe Risk of Non-Proportional Property Reinsurance within the Standard Formula did not reflect its risk profile. TRL submitted a voluntary application to the PRA for a capital add-on to reflect TRL's own view of its risk profile and the agreed capital add-on of £50,000k reflects the difference, subject to rounding, between TRL's calculation of its capital requirements under those sub-modules of the Standard Formula and TRL's own quantitative modelling of the risk.

TRL also agreed to develop a partial internal model to replace those sub-modules of the Standard Formula. TRL's capital add-on application was granted with effect from 1 January 2016, with the capital add-on remaining in place while TRL develops the partial internal model. For all other areas, TRL is satisfied that the Standard Formula is appropriate to its risk profile.

Calculation of the MCR

In order to calculate the MCR, TRL uses the net written premiums on a Solvency II basis split by Solvency II line of business. Written premiums are defined in Article 1(11) of Delegated Regulation (EU) 2015/35 as the premiums due to be received by the undertaking during the period under consideration period regardless of whether such premiums relate in whole or in part to insurance or reinsurance cover provided in a different time period.

The inputs applied to the calculation of the MCR are made up of the technical provisions (excluding the risk margin) and net written premiums over the last year (for line of business), together with the prescribed minimum (or "absolute floor") and the most recently calculated SCR.

During the year, there have been no changes to TRL's business or operations which would have resulted in a material change to the MCR or SCR calculation.

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

TRL does not use the duration-based equity risk sub module to calculate the SCR.

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

At the present time TRL does not use an internal model to calculate the SCR and MCR.

E.5 Non-compliance with the MCR and non-compliance with the SCR

There have been no instances of non-compliance with the MCR and SCR by TRL.

E.6 Any other information

TRL does not consider there is any other material information to disclose regarding capital management.

Appendix 1: Abbreviations used in this report

A.M. Best	A.M. Best Company, Inc. and/or its affiliates
Alleghany	Alleghany Corporation
BCP	Business Continuity Planning
BEL	Best Estimate Liabilities
BF	Bornhuetter-Ferguson
BlackRock	BlackRock, Inc and BlackRock Investment Management (UK) Limited
bps	Basis points (0.01%)
CCD	Corporate Compliance Department
CCO	Chief Compliance Officer (New York)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPD	Continuing Professional Development
CRO	Chief Risk Officer (New York)
CUO	Chief Underwriting Officer
DAC	Deferred Acquisition Costs
EIOPA	European Insurance and Occupational Pensions Authority
ELR	Expected Loss Ratio
ENIDs	Events not in Data
EPIFP	Expected Profit included in Future Premiums
ERM	Enterprise Risk Management
EU	European Union
FCA	Financial Conduct Authority
Fitch	Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries
GBP	Great Britain Pound
GRM	Global Risk Management
HR	Human Resources
IBNER	Incurred but not Enough Reported
IBNR	Incurred but not Reported
IFRS	International Financial Reporting Standards
iNED	Independent Non-executive Director
IT	Information Technology
KYC	Know Your Counterparty
LAE	Loss Adjustment Expenses
MCR	Minimum Capital Requirement
Moody's	Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their affiliates
NED	Non-executive Director
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
RCO	Regional Compliance Officer
RSR	Regular Supervisory Report
S&P	Standard & Poor's Financial Services LLC and/or its affiliates

SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II Directive
SIMF	Senior Insurance Manager Function (PRA) and/or Controlled Function (FCA)
TPs	Technical Provisions
TransRe	Collective term for TRH, its subsidiaries, branches and representatives
TRC	Transatlantic Reinsurance Company
TRC Guarantee	The guarantee described in Section B1
TRC Quota Share	The quota share reinsurance agreement described in Section B1
TRC Trust Agreement	The trust agreement described in Section B1
TRH	Transatlantic Holdings, Inc.
TRL	TransRe London Limited
TRLH	TransRe London Holdings Limited
TRLS	TransRe London Services Limited
UK	United Kingdom
UPR	Unearned Premium Reserve
US or USA	United States of America
USD	United States of America Dollar

Appendix 2: Public Quantitative Reporting Templates (QRTs)

Templates		
S.02.01.02	Balance Sheet	Relevant element
S.05.01.02	Premiums, claims and expenses by line of business	Other information
S.05.02.01	Premiums, claims and expenses by country	Other information
S.17.01.02	Non-Life Technical Provisions	Relevant element
S.19.01.21	Non-life insurance claims	Other information
S.23.01.01	Own funds	Relevant element
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula	Relevant element
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Relevant element

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,480
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	649,671
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	649,671
R0140	*Government Bonds*	235,917
R0150	*Corporate Bonds*	201,506
R0160	*Structured notes*	0
R0170	*Collateralised securities*	212,248
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	273,235
R0280	*Non-life and health similar to non-life*	273,235
R0290	*Non-life excluding health*	270,702
R0300	*Health similar to non-life*	2,533
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	10,003
R0360	Insurance and intermediaries receivables	75,055
R0370	Reinsurance receivables	29,231
R0380	Receivables (trade, not insurance)	2,093
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	53,491
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	1,094,259

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	522,060
R0520	*Technical provisions - non-life (excluding health)*	517,178
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	485,480
R0550	*Risk margin*	31,698
R0560	*Technical provisions - health (similar to non-life)*	4,882
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	4,580
R0590	*Risk margin*	302
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	6,460
R0830	Reinsurance payables	39,854
R0840	Payables (trade, not insurance)	3,632
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	572,006
R1000	**Excess of assets over liabilities**	522,253

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	0	0	0	0	0	0	758	0	0	0	0	0					758
R0120	Gross - Proportional reinsurance accepted	0	5,204	0	91,968	39,722	133,306	78,488	23,513	66,623	0	0	747					439,571
R0130	Gross - Non-proportional reinsurance accepted													7,902	8,422	47,660	78,408	142,392
R0140	Reinsurers' share	0	3,122	0	55,181	23,833	79,984	47,563	14,108	39,974	0	0	448	5,028	5,053	35,167	57,262	366,723
R0200	Net	0	2,082	0	36,787	15,889	53,322	31,683	9,405	26,649	0	0	299	2,874	3,369	12,493	21,146	215,998
	Premiums earned																	
R0210	Gross - Direct Business	0	0	0	0	0	0	853	0	0	0	0	0					853
R0220	Gross - Proportional reinsurance accepted	0	5,796	0	90,910	36,494	129,304	82,550	24,342	62,990	0	0	785					433,171
R0230	Gross - Non-proportional reinsurance accepted													7,840	8,640	47,915	79,822	144,217
R0240	Reinsurers' share	0	3,477	0	54,546	21,896	77,574	50,100	14,605	37,794	0	0	471	5,027	5,187	35,920	57,913	364,510
R0300	Net	0	2,319	0	36,364	14,598	51,730	33,303	9,737	25,196	0	0	314	2,813	3,453	11,995	21,909	213,731
	Claims incurred																	
R0310	Gross - Direct Business	0	0	0	0	0	0	948	0	0	0	0	0					948
R0320	Gross - Proportional reinsurance accepted	0	2,910	0	71,069	29,336	82,283	42,893	15,762	38,601	0	0	428					283,282
R0330	Gross - Non-proportional reinsurance accepted													1,152	7,060	34,917	19,497	62,626
R0340	Reinsurers' share	0	1,746	0	42,635	17,597	49,368	26,306	9,457	23,161	0	0	257	684	4,236	24,821	12,425	212,693
R0400	Net	0	1,164	0	28,434	11,739	32,915	17,535	6,305	15,440	0	0	171	468	2,824	10,096	7,072	134,163
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	1,030	0	9,656	3,115	18,070	13,634	3,911	11,249	0	0	145	526	435	3,027	4,111	68,909
R1200	**Other expenses**																	0
R1300	**Total expenses**																	68,909

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GI	NL	US	BM	AU	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	658	0	0	0	0	0	658
R0120	Gross - Proportional reinsurance accepted	216,749	134,119	44,560	10,312	10,601	78	416,419
R0130	Gross - Non-proportional reinsurance accepted	87,186	587	1,100	10,033	4,387	8,241	111,534
R0140	Reinsurers' share	190,909	80,825	27,396	20,961	9,006	4,992	334,089
R0200	Net	113,684	53,881	18,264	-616	5,982	3,327	194,522
	Premiums earned							
R0210	Gross - Direct Business	757	0	0	0	0	0	757
R0220	Gross - Proportional reinsurance accepted	216,202	128,785	43,275	11,069	11,491	231	411,053
R0230	Gross - Non-proportional reinsurance accepted	89,124	383	1,098	10,009	4,350	8,234	113,198
R0240	Reinsurers' share	191,638	77,501	26,624	21,305	9,518	5,079	331,665
R0300	Net	114,445	51,667	17,749	-227	6,323	3,386	193,343
	Claims incurred							
R0310	Gross - Direct Business	812	0	0	0	0	0	812
R0320	Gross - Proportional reinsurance accepted	123,840	101,689	25,705	4,933	12,254	116	268,537
R0330	Gross - Non-proportional reinsurance accepted	49,380	497	311	4,858	-551	2,554	57,049
R0340	Reinsurers' share	106,053	61,301	15,610	8,840	7,021	1,602	200,427
R0400	Net	67,979	40,885	10,406	951	4,682	1,068	125,971
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	37,062	13,423	7,894	2,968	1,968	713	64,028
R1200	**Other expenses**							0
R1300	**Total expenses**							64,028

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	1,471	0	23,409	4,131	16,701	1,939	7,331	3,093	0	0	247	-2,836	-695	-4,417	-17,918	32,456
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	736	0	13,533	2,388	10,649	514	3,853	2,268	0	0	119	-1,834	-792	-7,594	-19,491	4,349
R0150	**Net Best Estimate of Premium Provisions**	0	735	0	9,876	1,743	6,052	1,425	3,478	825	0	0	128	-1,002	97	3,177	1,573	28,107
	Claims provisions																	
R0160	Gross	0	2,848	0	73,786	13,021	93,864	57,257	22,657	36,830	0	0	464	3,098	25,831	82,796	45,151	457,603
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	1,689	0	42,721	7,539	52,100	32,867	13,299	20,632	0	0	275	1,943	15,274	51,729	28,818	268,886
R0250	**Net Best Estimate of Claims Provisions**	0	1,160	0	31,065	5,482	41,764	24,390	9,358	16,198	0	0	189	1,155	10,557	31,067	16,333	188,718
R0260	**Total best estimate - gross**	0	4,319	0	97,195	17,152	110,565	59,196	29,988	39,923	0	0	711	262	25,136	78,379	27,233	490,060
R0270	**Total best estimate - net**	0	1,894	0	40,941	7,225	47,817	25,815	12,836	17,023	0	0	317	153	10,653	34,244	17,907	216,825
R0280	**Risk margin**	0	280	0	6,042	1,066	7,057	3,810	1,894	2,512	0	0	47	23	1,572	5,054	2,643	32,000
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0320	**Technical provisions - total**	0	4,599	0	103,237	18,218	117,622	63,006	31,883	42,435	0	0	758	285	26,707	83,433	29,877	522,060
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	2,425	0	56,254	9,927	62,749	33,381	17,152	22,900	0	0	394	109	14,482	44,135	9,327	273,235
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	0	2,174	0	46,983	8,292	54,873	29,625	14,731	19,535	0	0	364	176	12,225	39,298	20,549	248,825

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Underwriting Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	9,367	93,240	87,431									87,431	190,038
R0240	N-1	7,272	82,549										82,549	89,821
R0250	N	10,183											10,183	10,183
R0260												Total	180,163	290,042

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	0			0
R0180	N-7	0	0	0	0	0	0	0	0				0
R0190	N-6	0	0	0	0	0	0	0					0
R0200	N-5	0	0	0	0	0	0						0
R0210	N-4	0	0	0	0	0							0
R0220	N-3	0	0	0	0								0
R0230	N-2	159,241	218,353	142,742									139,295
R0240	N-1	157,424	208,101										203,066
R0250	N	159,267											155,127
R0260												Total	497,489

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	500,000	500,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	10,770	10,770			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,480				1,480
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	512,250	510,770	0	0	1,480
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	512,250	510,770	0	0	1,480
R0510	Total available own funds to meet the MCR	510,770	510,770	0	0	
R0540	Total eligible own funds to meet the SCR	512,250	510,770	0	0	1,480
R0550	Total eligible own funds to meet the MCR	510,770	510,770	0	0	
R0580	**SCR**	327,254				
R0600	**MCR**	81,814				
R0620	**Ratio of Eligible own funds to SCR**	156.53%				
R0640	**Ratio of Eligible own funds to MCR**	624.31%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	522,253
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	501,480
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	10,003
R0760	**Reconciliation reserve**	10,770
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	34,796
R0790	**Total Expected profits included in future premiums (EPIFP)**	34,796

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	63,662		
R0020	Counterparty default risk	24,073		
R0030	Life underwriting risk			
R0040	Health underwriting risk	19,746		
R0050	Non-life underwriting risk	206,452		
R0060	Diversification	-67,319		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	246,614		

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	17,347
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	263,962
R0210	Capital add-ons already set	63,292
R0220	**Solvency capital requirement**	327,254
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	52,194

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	1,894	2,253
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	40,941	26,416
R0060	Other motor insurance and proportional reinsurance	7,225	21,162
R0070	Marine, aviation and transport insurance and proportional reinsurance	47,817	39,822
R0080	Fire and other damage to property insurance and proportional reinsurance	25,815	20,916
R0090	General liability insurance and proportional reinsurance	12,836	6,792
R0100	Credit and suretyship insurance and proportional reinsurance	17,023	41,796
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	317	237
R0140	Non-proportional health reinsurance	153	2,845
R0150	Non-proportional casualty reinsurance	10,653	5,056
R0160	Non-proportional marine, aviation and transport reinsurance	34,244	16,410
R0170	Non-proportional property reinsurance	17,907	22,362

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	52,194
R0310	SCR	327,254
R0320	MCR cap	147,264
R0330	MCR floor	81,814
R0340	Combined MCR	81,814
R0350	Absolute floor of the MCR	3,944
R0400	**Minimum Capital Requirement**	81,814