Motors Insurance Company Limited

Solvency and Financial Condition Report

For the year ended 31 December 2017

Motors Insurance Company

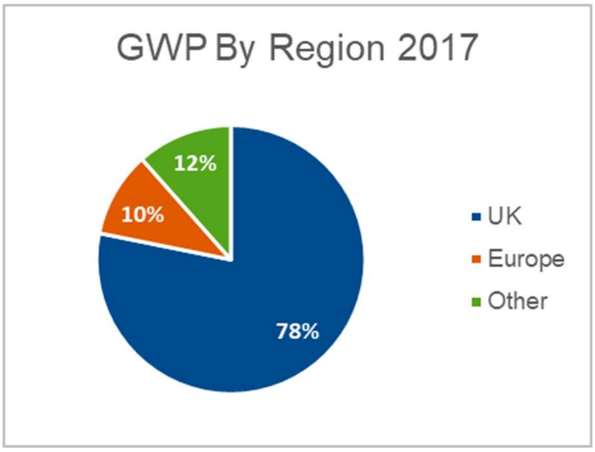
An AmTrust Financial Company

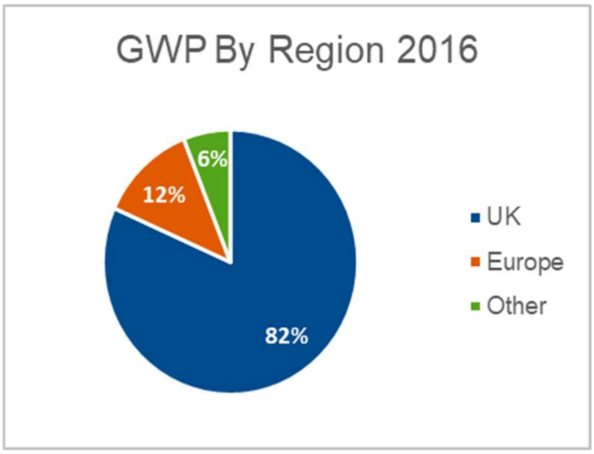
Contents

Summary

Business model

Motors Insurance Company Limited (MICL or the Company) is a UK registered insurance company, which writes or insures multiple lines of business across the UK, Europe, China and Latin America. Its primary markets are shown in the chart below.





MICL's primary underwriting focus is in the motor add-on insurance market, offering the following types of insurance:

- Mechanical Breakdown Insurance (Miscellaneous Financial Loss) ;
- Guaranteed Asset Protection (Miscellaneous Financial Loss);
- Wholesale Floorplan Insurance (Motor Other); and
- Roadside Assistance (Assistance).

MICL is a subsidiary of the AmTrust Financial Services Inc. group, which is listed on the US NASDAQ exchange (ticker: AFSI). AFSI is a multinational property and casualty insurer.

Solvency II

As a regulated insurance company, MICL is subject to the regulatory rules and principles adopted by the UK and the European Union, which came into effect on 1 January 2016. Solvency II is a regulatory regime which is designed to set an appropriate level of capital that reflects the specific risk profile of insurance companies within the regime.

As an insurance company, the biggest source of risk in MICL's business model relates to the underwriting activity undertaken by the business. Regulatory capital is designed to act as buffer, which is to be held within the company's assets and liabilities, and provides a safety mechanism to protect policyholders should MICL incorrectly estimate its future liabilities, or if unforeseen stress events occur which impact the markets in which MICL operates.

This report is a Solvency II requirement, which is designed to give MICL's external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. This is the second SFCR completed by MICL, covering the period 1 January 2017 to 31 December 2017, with comparisons to the 2016 period. It is a document covering MICL's business only and therefore classed as a solo submission.

Business performance

2017	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£,000
GWP – Direct	2,980	862	82,853	86,695
GWP – Proportional reinsurance	1,378	-	19,470	20,848
Reinsurers' share	(727)	-	(2,314)	(3,041)
Net premiums written	3,631	862	100,009	104,502
Gross premiums earned – Direct	2,974	615	69,252	72,841
Gross premiums earned – Reinsurance	1,416	-	18,996	20,412
Reinsurers' share	(727)	-	(1,719)	(2,446)
Net premiums earned	3,663	615	86,529	90,807
Gross claims incurred – Direct	1,878	269	41,641	43,788
Gross claims incurred – Reinsurance	277	-	7,409	7,686
Reinsurers' share	-	-	(1,324)	(1,325)
Net claims incurred	2,155	269	47,726	50,150
Expenses incurred	775	38	29,681	30,494
Other Expenses	-	-	-	-
Net technical result	733	308	9,122	10,163

MICL Gross Written Premium (GWP) and profits were in line with the targets included within its business plan.

This successful performance was driven by the Mechanical Breakdown Insurance portfolio, which accounted for 81% (2016: 78%) of total GWP.

As represented previously, the UK market remains the largest market, accounting for 77% (2016: 81%) of the Mechanical Breakdown Insurance GWP.

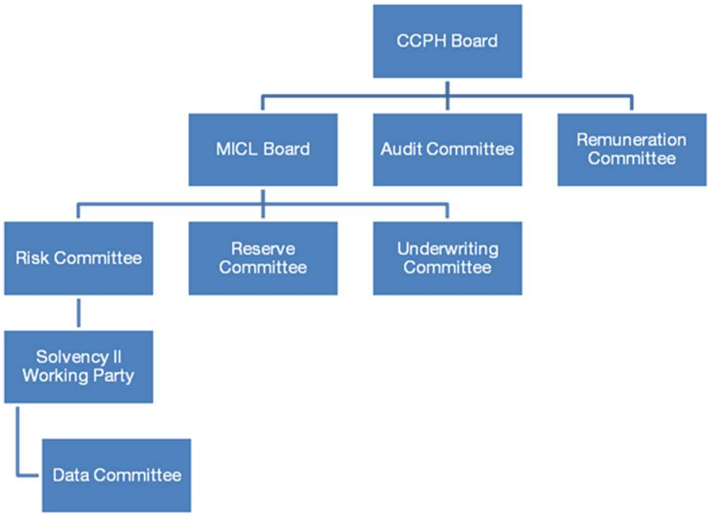
MICL seeks to adopt strong risk appetites and underwriting disciplines in the lines of business that it participates in and employs experienced and professional underwriters that have a good track record of underwriting profitably throughout the insurance cycle.

Material changes to MICL's business model

There have been no material changes to the way that MICL conducts business in the lines of business that it operates within during the reporting period. However, the UK's decision to leave the European Union has meant that contingency planning has been required in relation to the business MICL underwrites in EU countries. This contingency planning has focussed on licenses, business mix allocation, and strategic focus in the future.

Systems of Governance

MICL has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.



The Board bears the ultimate responsibility for setting and achieving MICL's strategy, and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with established best practices within the Insurance market, MICL follows the "Three Lines of Defence" model of corporate governance.

The Company's key committees are depicted above with the Risk Committee sitting within the 2nd line of defence, the audit committee in the 3rd line of defence and all other committees within the 1st line of defence.

The Board of Directors, along with the Risk Committee, provide oversight and control in relation to the evaluation of risk within the business.

Risk Profile

The Company calculates its required capital from a regulatory and from an internal economic capital perspective by reference to certain risk categories that it is exposed to within its business model. The main risks that MICL is exposed to are:

- Underwriting risk – 68.7% (2016: 70.9%) of the undiversified SCR;
- Market risk – 28.2% (2016: 25.5%) of the undiversified SCR; and
- Credit risk – 3.1% (2016: 3.6%) of the undiversified SCR.

Underwriting Risk

MICL's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; and reserve risk is the risk that on-going claims are settled at a higher value than previously expected. The majority of the Company's material underwriting risk exposure comes from Mechanical Breakdown Insurance product within the Miscellaneous Financial Loss class, which continued to represent the largest class of business during 2017.

Market Risk

Market risk is the risk of loss of income or decrease in the value of assets caused by movements in the level and prices of financial instruments. Market risk includes factors such as equity values, interest rates, foreign exchange and spread risk.

The Company's material exposures to market risk are: concentration risk on intercompany loans, interest rate risk and spread risk on its bond portfolio; and foreign currency exchange risk arising from fluctuations in exchange rates of various currencies.

Credit Risk

Credit risk is the potential loss arising from the failure of third parties to meet their payment obligations to the Company.

In MICL, the main area of credit risk is in relation to amounts due from insurance intermediaries and amounts held with banks and other financial institutions.

Other risks

MICL is also exposed to the following other risks:

- Liquidity risk;
- Operational risk; and
- Legal and regulatory risk.

Valuation for solvency purposes

MICL's assets and liabilities are valued differently when calculating its regulatory capital under Solvency II and when preparing its annual accounts for filing at Companies House. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in the UK.

The following is a summary level Solvency II Balance Sheet as at 31 December 2017 and 31 December 2016 for comparison:

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets Investments				
Bonds				
Government bonds	6,309	158	-	6,467
Corporate bonds	148,197	2,425	-	150,622
Loans and mortgages	25,375	-	-	25,375
Reinsurance recoverables	1,942	-	57	1,999
Deposits to cedants	573	-	-	573
Insurance & intermediaries receivables	11,480	(7,667)	-	3,813
Cash and cash equivalents	9,241	-	-	9,241
Any other assets	2,583	(2,583)	-	-
Deferred acquisition costs	40,902	-	(40,902)	-
Total Assets	246,602	(7,667)	(40,845)	198,090
Liabilities				
Technical provisions – non-life	134,333	6,985	(47,981)	93,337
Deferred tax liabilities	-	-	1,356	1,356
Insurance & intermediaries payables	16,233	(14,652)	-	1,581
Payables (trade, not insurance)	4,225	-	-	4,225
Any other liabilities	1,376	-	-	1,376
Total Liabilities	156,167	(7,667)	(46,625)	101,875
Excess of assets over liabilities	90,435	-	5,780	96,215

Solvency II Balance Sheet As at 31st December 2016	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets Investments				
Bonds				
Government bonds	5,865	120	-	5,985
Corporate bonds	155,726	2,623	-	158,349
Collateralised securities	2,967	7	-	2,974
Reinsurance recoverables	1,495	(107)	(105)	1,283
Insurance & intermediaries receivables	4,180	(72)	-	4,108
Cash and cash equivalents	9,192	-	-	9,192
Any other assets	3,069	(2,751)	-	318
Deferred acquisition costs	34,800	-	(34,800)	-
Total Assets	217,294	(180)	(34,905)	182,209
Liabilities				
Technical provisions – non-life	121,025	6,843	(44,759)	83,109
Deferred tax liabilities	-	-	1,774	1,774
Insurance & intermediaries payables	8,600	(5,877)	-	2,723
Reinsurance payables	1,145	(1,145)	-	-
Any other liabilities	5,253	(1)	-	5,252
Total Liabilities	136,023	(180)	(42,985)	92,858
Excess of assets over liabilities	81,271	-	8,080	89,351

Assets and Other liabilities

The valuation of most of MICL's assets and other liabilities is the same under UK GAAP and Solvency II. The main differences are:

Insurance and intermediaries' payables – Payables to intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the amount payable, and are discounted where it is expected that the balance will be paid after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to net technical provisions. The UK GAAP balance also includes amounts owed in respect of profit sharing agreements, which are included in net technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

Deferred tax liability – The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance in respect of the increase in own funds due to the recognition of future profits in technical provisions when calculated on a Solvency II basis.

Technical Provisions

There are significant differences in the way Technical Provisions (TPs) are required to be calculated under Solvency II in comparison with the UK GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the main body of this report in section D.

The following table shows a summary of MICL's total Technical Provisions as of 31st December 2017:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	692	41	733	-	733
Assistance	375	22	397	-	397
Miscellaneous financial loss	87,119	5,087	92,206	1,999	90,207
Total	88,186	5,150	93,336	1,999	91,337

The following table shows a summary of MICL's total Technical Provisions as of 31st December 2016:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	912	55	967	-	967
Assistance	167	10	177	-	177
Miscellaneous financial loss	77,391	4,574	81,965	1,283	80,682
Total	78,470	4,639	83,109	1,283	81,826

Capital Management

MICL uses an external system, VEGA, provided by Milliman LLP to calculate its SCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters (USPs) allowed under Solvency II, nor does it use simplified calculations for any of the risk modules. MICL's capital structure is 100% tier 1.

MICL maintains an internal minimum management target for the Solvency II ratio. The Solvency II ratio as at 31 December 2017 was 135% (2016: 148%), which is within the Company's internal risk appetite.

Capital Requirements 31 Dec 2017	2017		2016	
	£000	Coverage	£000	Coverage
Own Funds	96,215		89,351	
SCR	71,184	135%	60,539	148%
MCR	28,555	337%	25,745	347%

MICL's SCR split by risk module as of December 31st 2017 is shown in the table below, with 2016 figures for comparison:

	2017 £'000	2016 £'000
Counterparty Default Risk	2,591	2,622
Market Risk	23,956	18,390
Non-Life Underwriting Risk	58,331	51,169
Undiversified BSCR	84,878	72,181
Diversification Credit	(15,136)	(12,247)
Basic SCR	69,742	59,934
Operational Risk	2,798	2,379
Adjustment for Deferred Taxes	(1,356)	(1,774)
SCR	71,184	60,539

MICL remains well capitalised against the SCR with own funds of £96.2m (2016: £89.4m), meaning a surplus of approximately £25.0m (2016: £28.9m).

Directors' statement in respect of the SFCR

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

- Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in the future.

Approved on behalf of the board by:

S Wright

Simon Wright

Finance Director

3 May 2018

External Audit Report

Report of the external independent auditor to the Directors of Motors Insurance Company 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 Motors Insurance Company Limited as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Motors Insurance Company Limited as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('**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 S05.01.02, S05.02.01, S19.01.21;

- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Motors Insurance Company Limited as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. 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.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' section of the Solvency and Financial Condition Report, which describes 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 this matter.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or
- the directors have not disclosed in the SFCR 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 SFCR is authorised for issue.

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, accordingly, 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.

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; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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) 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 Relevant Elements 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: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Motors Insurance Company 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.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Andrew Jones

Andrew Jones for and on behalf of KPMG LLP

1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

3 May 2018

- The maintenance and integrity of Motors Insurance Company Limited's website 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 website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions

Business and Performance

Section A

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of undertaking

Motors Insurance Company Limited (MICL)
Jubilee House
5 Mid Point Business Park
Thornbury
West Yorkshire
BD3 7AG

MICL is a company limited by shares, authorised and regulated by the PRA and regulated by the FCA.

A.1.2 Supervisory authority

MICL is regulated by The Prudential Regulation Authority (PRA). The PRA was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA's objectives are set out in the Financial Services and Markets Act 2000 (FSMA).

Prudential Regulation Authority
Bank of England,
Threadneedle St,
London, EC2R 8AH
Tel 020 7061 4878
enquiries@bankofengland.co.uk

MICL belongs to the AmTrust International Ltd (AIL) group of companies. The Group is also supervised by the PRA.

MICL is also regulated by the Financial Conduct Authority (FCA). The FCA's registered address is as follows:

Financial Conduct Authority,
25 The North Colonnade,
London,
E14 5HS

A.1.3 External auditor

MICL, together with the wider AmTrust Group, is audited by KPMG LLP. KPMG's UK office is located at:

KPMG LLP,
15 Canada Square,
London,
E14 5GL
Tel 020 7311 1000

A.1.4 Shareholders of qualifying holding in the undertaking

MICL is a wholly owned subsidiary of Car Care Plan (Holdings) Limited (CCPH), which in turn is a wholly owned subsidiary of the UK holding company, AmTrust International Limited (AIL). MICL's ultimate parent is AmTrust Financial Services Inc. (AFSI), a US corporation.

AFSI underwrites and provides property and casualty insurance products, in the United States and internationally to niche customer groups that it believes are generally underserved within the broader insurance market.

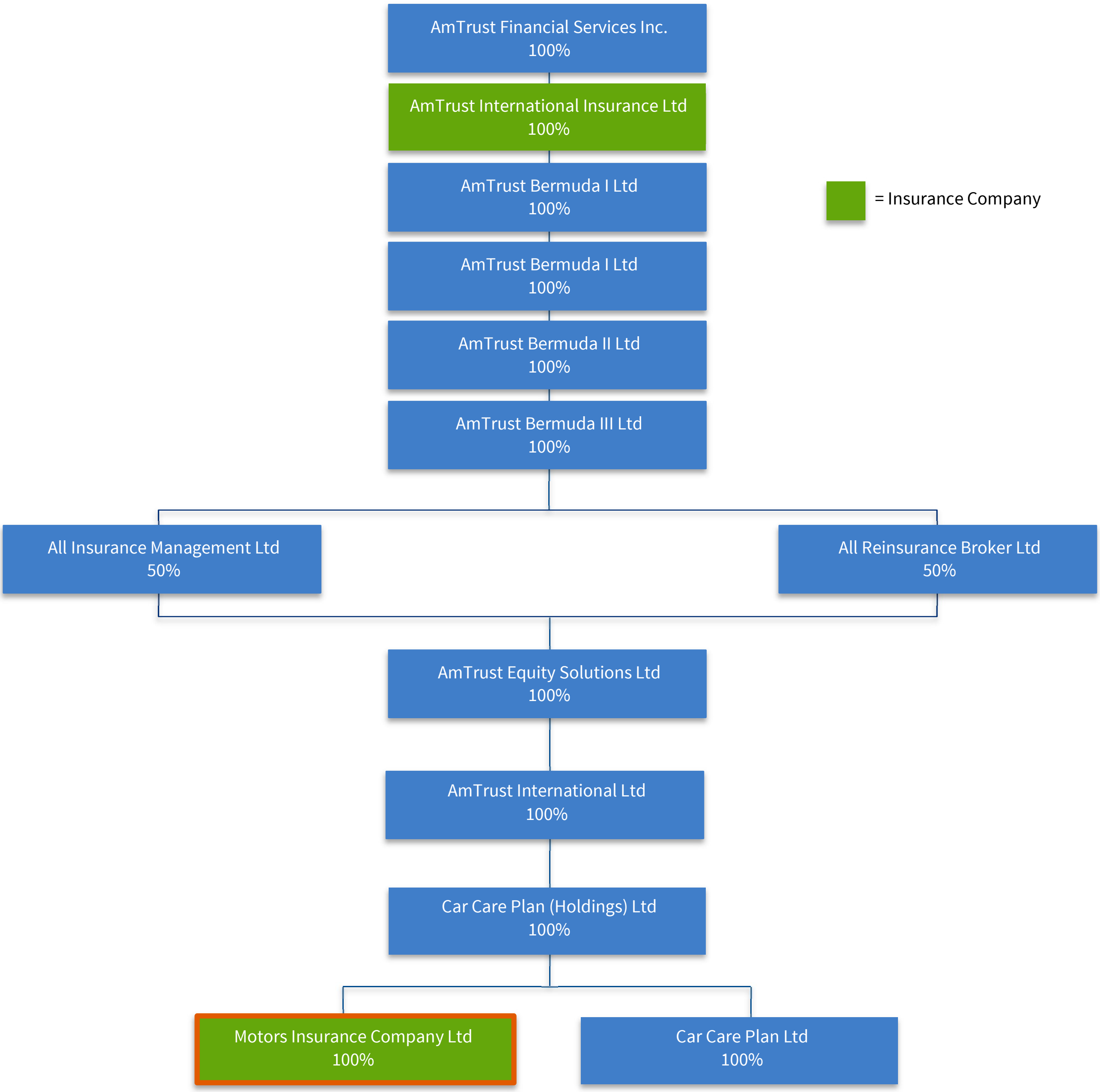
As a subsidiary of AmTrust Financial Services Inc. (NASDAQ Global Market: AFSI) the Company benefits from financial, operational and management support. AFSI is a multinational property and casualty insurer specialising in small to medium sized businesses. With extensive underwriting experience and a prestigious "A" (Excellent) Financial Size "XV" rating from A.M. Best, AFSI has earned a reputation as an innovative, technology driven provider of insurance products. Commitment to excellence is a common thread connecting each of the AmTrust companies.

AFSI's business model focuses on achieving targeted returns and profit growth with the careful management of risk. The Global Group pursues these goals through geographic and product diversification, as well as an in-depth understanding of its insured exposure. The product mix includes, primarily: workers' compensation; extended warranty; and other commercial property/casualty insurance products, including title insurance and crop insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. AmTrust has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

In early January 2018, MICL's ultimate parent company, received a proposal from a private equity firm, together with the current majority shareholders, to take the Group private. This proposed transaction was approved by the parent company's Board, including its independent Special Committee at the end of February 2018. The transaction is ongoing as at the date of this report and is expected to close in the second half of 2019, subject to satisfaction or waiver of the closing conditions, including approval by regulatory authorities and the shareholders. While there is no current indication that this transaction will have an immediate impact on the business strategy of the Group, it is recognised that there may be longer-term implication for the business, which at this stage are not ascertainable.

AIL is the UK holding company for AFSI's European insurance operations, whose principal entities are: AmTrust Europe Limited, UK; Car Care Plan (Holdings) Ltd, including Motors Insurance Company Ltd., UK; AmTrust Syndicates Ltd. (ASL), UK; and AMT Mortgage Insurance Ltd (AMIL, previously "Genworth Financial Mortgage Insurance Ltd."), UK. AIL also owns a number of administrators in the UK and Asia.

A.1.5 Position within the legal structure of the group



A.1.6 Material lines of business and material geographical areas where MICL carries out business

MICL's core product lines are Mechanical Breakdown Insurance (MBI) and Guaranteed Asset Protection (GAP), in the Miscellaneous Financial Loss Solvency II class of business, Wholesale Floor Plan (WFP), in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business.

MICL also has a small portfolio of Cosmetic Repair, Alloy Wheel Repair and Tyre Insurance products. These are all within the Miscellaneous Financial Loss class of business and are not material.

The material geographic areas are UK, Europe, China and Latin America.

A.1.7 Material events

There have been no material changes to the way that MICL conducts business in the lines of business that it operates within during the reporting period. However, the UK's decision to leave the European Union has meant that contingency planning has been required in relation to the business MICL underwrites in EU countries. This contingency planning has focused on licenses, business mix allocation, and strategic focus in the future. As a company within the AmTrust International group, MICL will benefit from the group's underwriting capabilities within other countries to minimise the risk of Brexit.

A.2 Underwriting Performance

The table below shows the underwriting performance broken down by Solvency II class of business.

2017	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£'000
GWP – Direct	2,980	862	82,853	86,695
GWP – Proportional reinsurance	1,378	-	19,470	20,848
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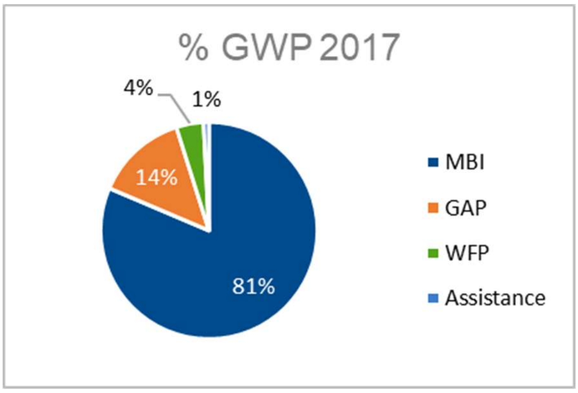
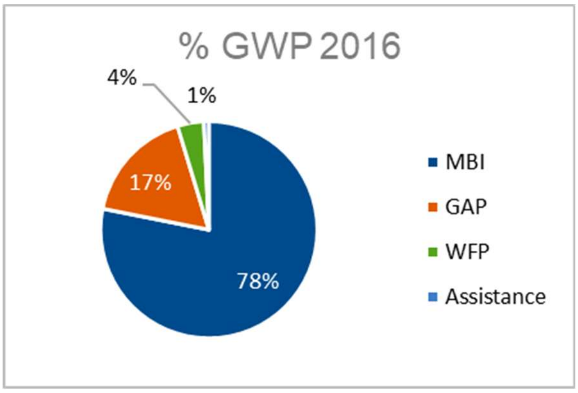
Reinsurers' share	-	-	(1,324)	(1,324)
Net claims incurred	2,155	269	47,726	50,150
Expenses incurred	775	38	29,681	30,494
Other Expenses	-	-	-	-
Net technical result	733	308	9,122	10,163

MICL Gross Written Premium (GWP) in 2017 was £108m (2016: £98m), an increase of 10% over 2016.

As noted at A.1.6 above, MICL's core product lines are MBI and GAP, in the Miscellaneous Financial Loss Solvency II class of business, WFP in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business.

The split of GWP by product is shown below:

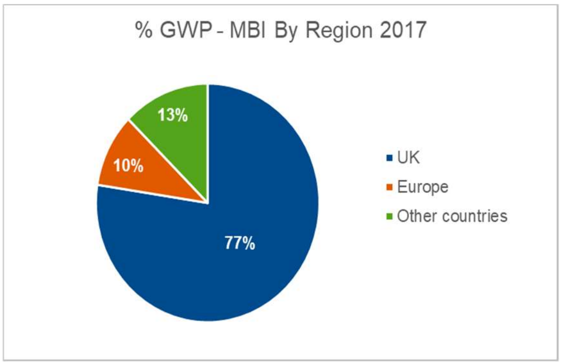


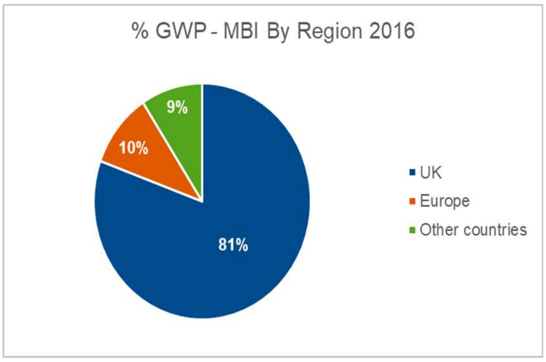


Assistance continues to represent approximately 1% of GWP and is predominantly underwritten in the UK with a small amount of business in Ireland.

In 2017, MICL delivered an underwriting profit across the business as a whole and was broadly in line with the underwriting result produced in 2016.

The split of MBI GWP by region is shown below:





Material events that affected performance in 2017, were:

- MBI premium income grew by 10% (2016: 6%) in MICL's largest market (UK);
- MBI premium income in mainland Europe grew by 11% (2016: 24%);
- MBI premium income in Other Countries grew by 57%, on the back of an economic recovery in Brazil and growth from China and Turkey;
- All key MBI markets remained profitable. A reduction in underwriting profit in Latin America and Turkey was offset by a strong performance all other key markets;
- GAP is only underwritten in the UK and income increased as a result of the acquisition of a number of dealer programmes onto MICL's open market product;
- GAP performed poorly in 2017 due to an increase in claims frequency and severity which impacted all GAP programmes and rating action has taken place during 2017 to counteract these adverse trends;
- In 2017, MICL suffered a series of large WFP losses in Germany and Italy. None of the losses triggered the excess of loss cover and the combined WFP portfolio still delivered an underwriting profit, with all other key markets also returning an underwriting profit; and
- Assistance provided a small underwriting surplus in line with 2016.

A.3 Investment Performance

MICL invests primarily in fixed interest debt instruments in the form of corporate bonds, with small holdings in government bonds and two interest bearing intercompany loans. All of the investments through the reporting period and at the reporting date were directly held. The aim of the investment strategy is to maximise return to the Company whilst minimising risk with respect to the proportion of investments that match the technical provisions.

At the reporting date, MICL's investments were as follows:

	2017		2016	
	£'000	%	£'000	%
Corporate bonds	150,622	78.6%	158,349	89.7%
Government bonds	6,467	3.4%	5,985	3.4%
Mortgage backed securities	-	-	2,974	1.7%
Loans and mortgages	25,375	13.2%	-	-
Cash and cash equivalents	9,241	4.8%	9,192	5.2%
Total	**191,705**	**100%**	**176,500**	**100%**

The Company's fixed interest debt instruments are managed as a single portfolio. During the year the portfolio yielded £5,634k (2016: £5,880k) in coupons, £2,705k (2016: £5,624k gains) in unrealized losses and £791k (2016: £163k) in net realized gains. The investment management expenses in connection with the portfolio were not material.

MICL held a small US Dollar denominated single holding in its bond portfolio in a type 2 securitization at the prior period balance sheet date. The holding was in an unrated mortgage backed security where the underlying assets are fixed-rate, first lien residential mortgages and mortgage participations. This holding was disposed of during 2017.

During the year the Company made two loans to other wholly owned companies within the AmTrust group. The loans were made on an arm's length basis and accrue interest at a fixed amount above the LIBOR interest rate. During the period the loans accrued £282k in interest, which has been capatilised.

The Company maintains cash balances to meet working capital requirements, and also as part of its asset and liability matching strategy in respect of foreign currencies. The Company received interest of £207k (2016: £182k) from its cash deposits during the period.

A.4 Performance of other activities

There have been no other significant activities undertaken by MICL other than its insurance, investment and related activities.

A.5 Any other information

There is no other material information applicable to this section of the document.

System of Governance

Section B

B. System of Governance

B.1 General information on the system of governance

B.1.1 The Board and System of Governance

MICL has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.

The Board bears the ultimate responsibility for setting and achieving MICL's strategy, and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with the principles of Solvency II and the established best practices within the Insurance market, MICL follows the "Three Lines of Defence" model of risk management and internal control.

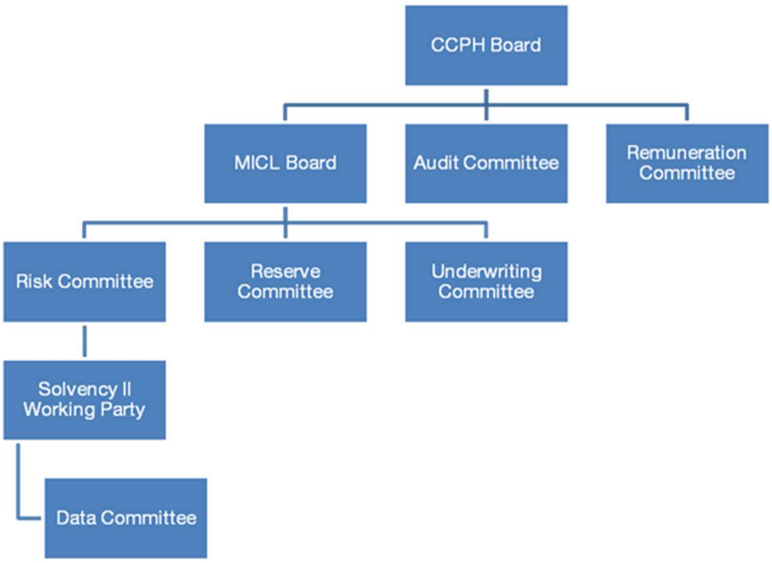
The Company's key committees are depicted below with the Risk Committee sitting within the 2nd line of defence, the audit committee in the 3rd line of defence and all other committees within the 1st line of defence.

B.1.1.1 Board and Committee Structure

MICL has four Executive Directors, three Non-Executive Directors and one Independent Non-Executive Director. The Executive Directors, particularly the Managing Director and Finance Director, are heavily involved in the day-to-day running, governance and oversight of the business.

CCPH has its own corporate governance framework in place to meet the relevant regulatory requirements. This framework consists of its own Board and Committee structure and systems of internal control.

The diagram below shows the Board and Committee structure relevant to MICL:



The purpose of the MICL Board of Directors is to:

- Consider strategic issues and risk, and approve expenditure over certain limits in respect of its principal business;
- Have overall responsibility for management of the business and affairs of the Company, the establishment of strategy and capital raising and allocation; and
- Monitor and oversee the Company's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control and for compliance with statutory and regulatory obligations.

The purpose of the Audit Committee is to monitor:

- The integrity of the financial statements and Solvency reporting of the Company, including its annual reports, interim management statements and any formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- The independent auditor's qualifications and independence;
- The appropriateness of the Company's internal data, systems, controls, and risk management as related to financial reporting;
- Compliance by the Company with legal and regulatory requirements relating to audit and financial reporting functions; and
- The Company's internal audit function.

The Remuneration Committee's primary purpose is to:

- Ensure that the Company has a business appropriate, Board approved Remuneration Policy that is compliant with applicable regulations;
- Review and make recommendations to the Board regarding the Remuneration Policy;
- Ensure compliance with the policy in so far as it relates to all employees, Executive and Non-Executive Directors;
- Approve the remuneration plans and programmes that fall within the Remuneration Policy; and
- Review and approve all payments and awards pursuant to the remuneration plans at either an aggregate or individual employee level as designated by the Remuneration Policy and the Remuneration Committee's Terms of Reference.

The Risk Committee's primary purpose is to:

- Ensure that the Board and senior management is aware of material risks and that the assessment and management of those risks has been assigned to the appropriate parties;
- Oversee the development, implementation, and maintenance of a comprehensive and effective risk management framework throughout MICL;
- Facilitate the communication of risk management activities throughout the MICL organisation; and
- Foster best practices and encourage benchmarking with respect to risk management.

The Reserve Committee's primary purpose is to:

- Ensure that the Board and senior management is aware of material risks relating to the estimation and recording of reserves;
- Ensure adequate and reasonable reserves are in place for insurance risk exposures;
- Oversee the development, implementation and compliance with an Insurance Reserve Governance framework; and
- Facilitate the communication of reserving activities and decisions throughout the organisation as required.

The Underwriting Committee's primary purpose is to:

- Monitor the Company's underwriting performance;
- Review and approve pricing and underwriting decisions in accordance with established underwriting guidelines and with referral levels approved by the Board;
- Ensure compliance with established underwriting guidelines; and
- Consider, and if appropriate approve, the underwriting implications of potential new products or significant changes to existing products.

The **Solvency II Working Party** is responsible for establishing compliance with the requirements set out within the Solvency II Directive and the Prudential Regulation Authority (PRA) rules associated with the Directive. The **Data Committee** falls within the Solvency II Working Party's remit and is part of the meeting's agenda as a standard item. The primary purpose of the Solvency II Working Party is to ensure on-going compliance with the requirements set out within the Solvency II Directive and the associated rules as set out by the PRA.

B.1.1.2 Key Functions

MICL has identified the following Key Functions, with their responsibilities also shown:

Actuarial

- Primary actuarial activities involve the application of models and statistical methods to data in order to estimate the current and future financial impact of risks underwritten by MICL. These estimates are used to manage risk exposures, price insurance contracts and make sure the company has adequate reserves;
- Actuarial roles support the implementation, development, maintenance and improvement of the actuarial processes / systems that underpin the company's underwriting activities;
- Ensure that pricing models and methodologies used in the department incorporate commonly accepted ratemaking principles;
- Implement new and enhanced management information to support pricing decisions;
- Establish and monitor aggregate loss / unearned premium reserves based on actuarially sound reserving principles that meet Company standards and procedures;
- Manage the development and maintenance of dynamic actuarial databases that serve as primary data sources for all actuarial and financial analyses; and
- Manage the quality and integrity of data used in pricing and loss reserve analyses to meet the Company's standards and procedures.

Risk Management

- Oversee the Company's Risk Management Framework;
- Establish a corporate governance structure to allow the identification, evaluation and mitigation of risk;
- Formulate and deploy risk management processes;
- Execute Risk Committee directed risk management activities;
- Review enterprise risks, and initiate and monitor mitigating actions with clear owners;
- Co-ordinate Risk Committee meetings, activities and agendas;
- Monitor performance against the Company's Risk Appetite and Tolerance statements; and
- Assist the Board in fulfilling its corporate governance oversight responsibilities.

Internal Audit

- Evaluate organisational business risks, the development and communication of audit plans and the management and execution of those audits and the recommendation of improvements to internal controls and operating processes;
- Develop a deep understanding of the Company's business strategy, policies, processes, risks and controls;
- Establish the strategic direction of the Internal Audit function for the entire organisation to ensure compliance with relevant laws, rules and regulations, industry and internal standards;
- Monitor external developments and changes and advise executive management regarding their impact to the Company;
- Prepare and conduct presentations to the Audit Committee or the Board of Directors regarding the Company's Internal Audit programme and communication of serious internal control matters with the Board on an as needed basis; and
- Develop the Annual Internal Audit Plan and agree it with senior management and the Audit Committee.

Internal Control / Compliance

- Oversee and manage the compliance function, ensuring that the Company and its employees are complying with regulatory requirements and internal policies and procedures;
- Continue the development of compliance strategy, structure and processes;
- Establish standards and procedures to ensure that the compliance programs throughout the company are effective and efficient in identifying, preventing, detecting and correcting noncompliance with applicable rules and regulations;
- Provide assurance to Senior Management and the Board of Directors that there are effective and efficient policies and procedures in place and that the Company is complying with all regulatory requirements;
- Oversight and monitoring the implementation of the compliance programme;
- Maintain current knowledge of laws and regulations, keeping abreast of recent changes;
- Develop the annual compliance work plan that reflects the Company's highest risks that will be monitored by the compliance function as determined by conducting a mandatory annual risk assessment using an enterprise wide approach;
- Provide guidance to the Board of Directors, senior management, staff, and employees on compliance;
- Develop policies and programmes that encourage managers and employees to report suspected fraud and other improprieties without fear of retaliation;
- Development, coordination and participation in a multifaceted educational and training programme that focuses on the elements of the compliance program, and seeks to ensure that all appropriate employees and management are knowledgeable of, and comply with, pertinent regulations;
- Coordinate internal compliance review and monitoring activities;
- Respond to regulatory investigations and queries as the principal point of contact; and
- Independently investigate and act on matters related to compliance.

Underwriting and Reinsurance

- Define and implement the underwriting strategy and risk profile, for MICL to deliver the required rate of return on capital and maximising business opportunities in line with group objectives;
- To implement and maintain the Underwriting Risk Register to ensure appropriate approvals are obtained prior to underwriting any risk;
- To manage the Underwriting Function;
- To ensure appropriate Reinsurance arrangements are in place; and
- To monitor underwriting performance against Risk Appetite and Tolerance.

Outsourcing

- Research and locate credible vendors and perform due diligence;
- Structure and negotiate outsourcing arrangements, monitoring adherence to agreed-upon service levels;
- Develop outsourcing policies and strategies to maximise vendor effectiveness;
- Monitors vendors' performance and industry trends; and
- Supervises outsourcing processes and procedures, and troubleshoots problems to ensure the continuity of outsourcing business.

During 2017, there have been a number of minor changes to the governance approach within MICL to establish compliance to the Senior Insurance Manager Framework requirements.

Reporting to the supervisory authority is completed by the Finance and Actuarial functions, reviewed by the Finance Director and approved by the Board.

B.1.2 Remuneration

B.1.2.1 The Key Principles of the Company's Remuneration Policy

- Provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in role as well as the market supply and demand for a particular skill set;
- Enable the Company to attract and retain the right talent for the business at an appropriate and sustainable cost;
- Provide pay structures which include a level of variable pay in line with market norms and an appropriate benefits programme;
- Ensure that pay programmes are aligned to the Company's business strategy, risk appetite statements, codes of conduct and applicable regulations and reward behaviour that is aligned to them. Ensure that both short and long term performance is taken into consideration.

Ensure appropriate governance, independence and scrutiny over pay decisions relating to key employees including those designated as Solvency II employees.

B.1.2.2 Variable Pay

- Variable pay and the associated programmes and awards are structured according to the nature of the role and its position within the business.
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed form to be competitive with market median levels and appropriate on a role-by-role basis.
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice.
- Variable pay awards are designed to take into consideration both individual and Company performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the Company's competency framework. Company performance is aligned to agreed financial metrics.
- All variable pay programmes allow for no awards to be made based upon either individual and / or Company performance.
- All programmes allow flexibility and discretion which permit the Board, Remuneration Committee and management to ensure appropriate awards are made in all circumstances.
- To ensure that the Company's senior employees (including the Company's Solvency II Employees) are aligned not only to the annual goals of the Company but equally as importantly, the long term success of the business and group, a substantial portion (50%) of any variable pay award in excess of a set threshold, is in the form of Restricted Stock Unit (RSU) awards which vest in equal amounts over a four year vesting period following grant.
- To ensure alignment to risk and performance of the business, provisions exist so that Remuneration Committee has the ability not to permit vesting of some or all of a tranche of the award.

B.1.2.3 Pensions

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other Key Function Holders.

In relation to remuneration, there were no material transactions during the reporting period with shareholders, with persons who exercise a significant influence in the undertaking or with members of the Board, with the exception of usual salary and incentive payments.

B.1.3 Material transactions with shareholders, persons with significant influence and Board members

During the year the Company made two loans to other wholly owned companies within the AmTrust group. The loans were made on an arm's length basis and accrue interest at a fixed amount above the LIBOR interest rate. During the period the loans accrued £282k in interest, which was capitalised.

B.1.4 Adequacy of the system of governance

The Board is satisfied that the system of governance of the Company is adequate to the nature, scale and complexity of the risks inherent in its business.

B.2 Fit and Proper Requirements

B.2.1 Fit and Proper Policy

The purpose of the Fit and Proper policy is to explain the rules and processes the board has adopted to establish compliance with the regulatory requirements associated with the fitness, propriety, skills and knowledge of its employees. MICL is committed to ensure that:

- All employees have the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- The Company's systems and controls will enable it to satisfy itself of the suitability of anyone who acts for it. This includes assessing an individual's honesty and competence; and
- Any assessment of an individual's suitability will take into account the level of responsibility that the individual will assume within the Company.

Ongoing training and development of individuals within the business to ensure they continue to possess the skills and knowledge to discharge their responsibilities.

B.2.1.1 Fitness

MICL will ensure that individuals promoted to or recruited for Key Functions have relevant qualifications, knowledge and experience in the following areas (where applicable to the role):

- Insurance and financial markets;
- Business strategy and business model;
- Systems of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

B.2.1.2 Propriety

MICL will assess an individual's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct. This includes any criminal, financial or supervisory aspects, regardless of jurisdiction.

In order to help ensure the on-going fitness and propriety of those employees in Key Functions, MICL conducts an annual Fit and Proper Assessment of Key Functions.

The assessment is completed by all employees responsible for Key Functions. This process is supported by:

- Appropriate role profiles, which detail the job requirements and competencies;
- A job description;
- Individual Development Plans (IDPs) to ensure on-going competence; and
- The annual performance review process, which includes mid-year reviews, annual reviews and the development of IDPs.

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

B.3.1 Risk Management Strategy

MICL's overall Risk Management strategy provides a structured and coherent approach to identifying, assessing and managing risk. It incorporates a process for regularly updating and reviewing the assessment of risk based on new developments or mitigating actions taken. The Risk Management strategy is designed to support the effective management of risk and is monitored using the three levels of defence model.

B.3.1.1 First Line of Defence

Accountability and Oversight

The Board of MICL has the ultimate accountability for the risk and related control environment, and approves the risk policies, risk appetites and the relevant tolerance limits. Daily management oversight is delegated to the Risk Committee (RC) and Risk Management Function.

The Board meets on a regular basis and is presented with a Key Risk Register, as well as being informed of relevant information through functional reports. Feedback arising from discussions, as well as information on other risk developments is reported back to the Risk Management Function and incorporated into the framework where relevant.

Risk Ownership

All risks are assigned to a risk owner, who are typically Heads of Department. The risk owners are responsible for managing and co-ordinating all aspects of the risks, ensuring that appropriate controls are in place, ensuring that relevant information is available and assessed, and ensuring that management are aware of the risks and involved in decision making where appropriate in conjunction with the Risk Management Function.

Risk owners are required to ensure that the Risk Management Function is provided with any information which they think is relevant to the current risk environment. This would include any material changes to the perceived severity of the risk or likelihood, and any risk events or 'near misses' that have occurred.

Additional risk oversight is also provided by specified committees, or by senior individuals with recognised expertise and experience. This includes input to relevant risk policies and the control environment, ensuring that the interests and responsibilities of the stakeholders are reflected in the policy.

Control Ownership

Risk owners are responsible for the effective design and operation of suitable controls. The control owners are required to:

- Perform periodic control self-assessments as directed by the Risk Management Function;
- Inform the Risk Management Function of any material failure in the design, improvements needed or operation of a key control; and
- Take any actions required to address control issues identified through day-to-day activities, control assessments, internal audits or other assurance activities.

MICL recognises the importance of successfully articulating and integrating risk management into the organisation's business culture.

B.3.1.2 Second Line of Defence

Risk Committee

The RC is a sub-committee of the Board which operates under an agreed terms of reference that sets out the roles and authorities of the committee. The RC responsibilities include:

- Oversight of senior management's responsibility to manage the risk profile within the risk tolerances and limits set by the Board;
- To be the owner of the corporate risk register and to be responsible for reviewing it on a regular basis to ensure that the key risks are recorded and are being effectively managed;
- To develop, implement and monitor the risk management policy and guidelines;
- To define risk appetites for review and approval by the Board;

- To advise the Board on the development and implementation of the risk management policy and guidelines and on related matters;
- Review and escalation, as appropriate, of all risk issues and violations; and
- Provide details of its activities to the Board.

Risk Management Function

The role of MICL's Risk Management Function is to design, implement and maintain a Risk Management System appropriate to the size and complexity of the business. This includes:

- Managing the implementation of all aspects of the risk function, including implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks;
- Assisting in the development of and manage processes to identify and evaluate business areas' risks and risk and control self-assessments;
- Managing the process for developing risk policies and procedures, risk limits and approval authorities;
- Monitoring major and critical risk issues;
- Conducting compliance and risk assessments;
- Defining and producing policies, procedures, processes and other documentation as required; and
- Ensuring the programme is effectively integrated into product development and delivery methodology.

B.3.1.3 Third Line of Defence

Functions in the third line provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of internal control and risk management. It is possible to view the second line of defence as providing pro-active control over risk and the third line of defence as providing more reactive control over risk. These functions are Internal Audit and Compliance. The roles of the Internal Audit and Compliance functions are described in section B.4 (Internal control system) and B.5 (Internal audit function).

B.3.2 Own Risk and Solvency Assessment (ORSA)

B.3.2.1 ORSA Process

The ORSA is the responsibility of the Board, which provides leadership and challenge. Day to day administration of the ORSA is delegated to the RC and to the Head of Risk and Compliance.

The ORSA process is closely linked to the strategic business planning process. The business plan is constructed by analysing product and market specific factors, with realistic assumptions applied for development. New business opportunities are evaluated for each market and claims ratios are established based on historical performance and a realistic assessment of future performance, taking into account any relevant factors such as regulatory changes or policy revisions. The business plan is prepared on a three-year time horizon. The business plan includes a solvency forecast, which details the forecasts for MCR and SCR.

These figures are compared against projected Own Funds. It is intended that capital requirements will be assessed for each line of business, so that capital can be deployed more efficiently in the future.

The key objective of the MICL ORSA is to document the business' risk profile and capital requirements, and to assess whether the ERM framework and solvency position within the business is appropriate. The ORSA is also designed to provide a forward looking assessment of the solvency position within the company. The ORSA forms part of the broader ERM framework in place within the business and is based upon the Company's strategy and business plan for a 3-year forward looking period.

The ORSA report documents the processes undertaken within MICL to assess its risks and describes the link between risk management and the capital assessment and strategic planning processes. Whilst MICL's Regulatory Capital is determined by the Standard Formula approach, the ORSA is based on a Stochastic Capital Model, which supports the assessment of the Risk Based Capital required by the business.

The ORSA Policy outlines the requirements the MICL Board has put in place to establish:

- Compliance to the regulatory requirements;
- A formal process for the completion and submission of the ORSA Report;
- How the ORSA can be used within the business to inform business strategy and decisions; and
- The appropriate processes, assessment and documentation required when considering the nature, scale and complexities of the risks within the business.

The policy establishes the business rules and processes required to establish on-going compliance with the regulatory requirements. The policy sets out the Board's requirements in relation to the development of appropriate, adequate and proportionate techniques to establish continued compliance with the rules applicable to the Directive. The policy sets out to:

- Describe the processes in place to conduct the ORSA;
- Detail the frequency of the assessment and the timing for the performance of the ORSA and the circumstances which would trigger the need for a forward looking assessment of own risks outside of the regular timescales;
- Describe what documentation must be retained for each ORSA and its outcome;
- Establish a process to ensure communication to all relevant staff of the results and conclusions regarding the ORSA, along with a Board approval process; and

Explain how the results of the ORSA will be used within the business.

B.3.2.2 Capital Planning and Management

Capital planning combines and leverages a number of planning and risk management processes including annual budgeting processes, strategic planning, stress testing, material risk identification, risk appetite, liquidity risk management and economic capital. Responsibility for the capital planning process in MICL lies with the MICL Board. Responsibility for day to day execution and ownership of the deliverables for the MICL Board to make capital planning decisions lies with the MICL Finance Director.

MICL's capital planning framework incorporates the following key elements:

- As a minimum an annual ORSA will be completed which will be based on MICL's Stochastic Model and incorporates stress tests and scenario analyses taking into account an appropriate range of adverse circumstances and events relevant to the company's business and risk profile. This is approved by the MICL Board on an annual basis or more frequently if the risk profile of the business changes significantly.
- Reverse stress tests to evaluate the circumstances under which MICL's business model may fail. This is reviewed and approved by the MICL Board on an annual basis as part of the ORSA process.
- Solvency Capital Requirement (SCR) computations are performed quarterly and compared to the capital position held within a Solvency II balance sheet produced simultaneously. This comparison is reviewed quarterly by management and shared, as required, with the regulator on a regular basis. As part of this process there is a 3 year forward looking projection of the SCR and Own Funds (to the next 3 year ends).
- Production of a quarterly rolling forecast showing the company's 12 month forecast SCR position relative to its forecast Solvency II capital resource position, incorporating appropriate sensitivity testing of this forecast position. In particular, the forecast accommodates amounts needed to execute planned or opportunistic growth and acquisitions. This is documented in MICL's quarterly board reporting.
- Details of any planned capital actions, including an assessment of those actions on MICL's capital adequacy and capital quality.
- Contingency plans in the event that current sources of capital are no longer viable.

MICL manages its capital position within operating guidelines that have been approved by the MICL Board. If additional capital is required, the various classifications of capital would be considered and the new capital created in such a way to create the desired output. Management will consider the various capital options on a tier by tier basis in making any decisions.

Current capital items are not considered complex and management are confident they are aware of the various restrictions and requirements associated with them. Any future capital items would need approval by the MICL Board and any terms attaching thereto would be considered by the relevant members of the management team as appropriate.

In the event that these operating guidelines are breached any breach will be reported to the MICL Board with appropriate supporting analysis and a recommended course of action to remedy the breach of MICL's operating guidelines.

Any dividend or capital distribution of any kind requires the approval of the MICL Board. MICL will also obtain any required regulatory approvals prior to the payment of any dividends or similar capital distributions.

The MICL Board's capital management activities will be subject to periodic review by internal audit. The review should include compliance with this framework, the accuracy and completeness of reporting, and other control elements.

B.4 Internal control system

MICL's internal control system includes policies, standards and procedures to ensure that the internal controls throughout the Company are effective and efficient in identifying, preventing, detecting and correcting operational deficiencies and any noncompliance with applicable rules and regulations. The three lines of defence model, described previously, is adopted within the business.

The compliance function provides oversight to ensure that the Company and its employees are complying with regulatory requirements and internal policies and procedures. The compliance function is implemented based on a compliance strategy, framework and business processes. This includes the development of an annual compliance plan that reflects the Company's highest risks, a compliance monitoring programme, a policy framework, compliance training and issue management system.

B.5 Internal audit function

The mission of the AIL Internal Audit function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation.

This is achieved by:

- Assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management;
- Assessing whether they are adequately controlled; and
- By challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit is independent from the business and is directly responsible to the Chairman of the Audit Committee, with a day-to-day administrative reporting line to the Group Chief Executive Officer of AIL. Internal Audit shall have free and unrestricted access to the Chairman of the Board, the Chairman of the Audit Committee and the Chief Executive Officer.

Those working within Internal Audit are not permitted to perform day-to-day control procedures or take operational responsibility for any part of AmTrust's operations outside Internal Audit. Management is responsible for the establishment and ongoing operation of the internal control system. The Audit Committee reviews the scope and nature of the work performed by Internal Audit to confirm its independence.

B.6 Actuarial function

The MICL Actuarial Function develops, implements and maintains the actuarial processes/systems that underpin the company's underwriting activities.

The Actuarial Function has the following main responsibilities:

- Pricing of risks underwritten by the Company;
- Reserving estimates for all classes of business underwritten and monitoring the best estimates against actual experience;

- Developing and maintaining core management information/reporting/analysis on the business underwritten by the company;
- Providing assistance for the preparation of Business Plans;
- Working with the Risk Management Function to facilitate the implementation of an effective risk management system – including reporting on underwriting performance to the MICL Underwriting Committee and reserve adequacy to the MICL Reserve Committee on a quarterly basis;
- Completing the annual Actuarial Function Report;
- Production of the Technical Provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate. Reporting to the Board on the reliability and adequacy of the Technical Provisions calculation;
- Providing inputs into the calculation of the SCR;
- Maintaining an Internal Capital Model for the quantitative analysis requirements of the ORSA and completing the relevant sections of the ORSA document as they relate to the quantitative analysis (note that MICL's Regulatory Capital is determined by the Standard Formula approach);
- Assisting the Finance department in the development and maintenance of robust and repeatable processes surrounding the calculation of regulatory capital requirements from an actuarial and Technical Provisions perspective;
- Assisting Finance department in embedding effective solutions for the timely completion of regulatory reports, including all applicable Quantitative Reporting Templates (QRTs);
- Opining on the overall Underwriting policy; and
- Opining on the adequacy of Reinsurance arrangements.

Actuarial staff do not have any Finance, Underwriting, or Claims responsibilities and do not have the ability to create or approve underwriting, claims, or accounting transactions/adjustments, thus creating a segregation of duties within the overall technical underwriting process around activities relating to pricing, performance monitoring, reserving, and analysis.

The position of Chief Actuary (SIMF20), under the Senior Insurance Management Function 'SIMF' regime is held by the MICL Managing Director who is an Approved Person under the SIMF regime.

B.7 Outsourcing

As detailed above, outsourcing has been identified as a key function within MICL. The outsourcing policy describes the underlying framework for managing, overseeing and governing outsourced relationships and performance.

The policy details the business rules in relation to selection, due diligence, on-boarding, monitoring and enforcement. The key outsourcing relationships MICL has are:

Service Provider	Service Provided
Car Care Plan Limited	Policy Acquisition, Claims Administration, Claims Management, Policy Fulfilment and Information Technology
AmTrust International Limited	Internal Audit, Information Technology, Human Resources and Legal Services
All Insurance Management Ltd.	Investment Management

B.8 Any other information

MICL believes its system of governance to be proportionate when considering the nature, scale and complexity of the risks inherent in its business.

Risk Profile

Section C

C. Risk Profile

C.1 Underwriting risk

Underwriting risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future claims and expenses differ from the assumptions used in determining the best estimate liability.

MICL's underwriting risk capital requirement is split as follows:

	2017 £'000	2016 £'000
Premium and Reserve Risk	56,719	50,128
Lapse Risk	1,545	1,241
Catastrophe Risk	5,417	3,620
Diversification Benefit	(5,350)	(3,820)
Total	**58,331**	**51,169**

C.1.1 Movement in Underwriting Risk since the previous valuation

There has been a £7.2m increase in Underwriting Risk between the 2016 year end SCR calculation and the equivalent 2017 calculation. The main reason for the increase is due to an increase in business both written and earned during 2017 in the Miscellaneous Financial Loss line of business.

The Premium and Reserve Risk element has also increased as a result of higher provisions which have resulted from both an increase in the volume of business written and claims taking slightly longer to be paid.

Both Lapse and Catastrophe Risk have increased as a result of writing more GAP policies, as it is these policies which are the main driver of capital for MICL in these risk categories.

The level of diversification between the sub-risks which make up Underwriting Risk has increased because Catastrophe Risk represents a larger proportion of the sub-risks at the 2017 year end calculation than it did previously.

C.1.2 Material risk exposures

As at December 2017 MICL had an underwriting risk equivalent to 68.7% (2016: 70.9%) of the undiversified SCR.

MICL underwrites three main products:

- MBI - motor warranty and a small number of ancillary products such as roadside assistance, tyre, alloy wheel and cosmetic indemnities;
- GAP; and
- WFP.

C.1.2.1 Mechanical Breakdown Insurance

MBI is the largest line of business, representing 81% (2016: 78%) of the Gross Written Premium at £87 million (2016: £76 million). The UK is MICL's largest market at £67 million (2016: £61 million). Material exposures are:

- Systemic component failure for vehicles of specific manufacturers or vehicles;
- Significant dependence on an individual programme or client;

- Future regulatory changes which could impact upon the existing business model, including the ability to offer a multi-country solution, or to exercise EU passporting rights;
- Failure to obtain timely and accurate data; and
- Failure to price accurately and provide appropriate terms.

MICL's MBI portfolio is a large and stable book of business. There has been a small amount of geographic change to the geographic footprint with some growth in Brazil and China. The underlying vehicle mix (brands, models, age mix) remained largely unchanged over the last 12 months. MICL's policy wordings exclude inherent defects and design failures in order to prevent significant losses arising from a catastrophic component failure. In addition, the diverse range of vehicles, including the significant variety of brands, models and ages, means that the risks of any specific component failure impacting significantly upon the underlying profitability of the portfolio is diminished. MICL's largest manufacturer programme represented 26% (2016: 28%) of warranty registrations in 2017 (by GWP).

In 2017, MICL delivered an underwriting surplus on its MBI book, reinforcing its strong track record in this area and in line with its business plan. The underlying loss ratio has been consistent over many years and generally in the region of 80% to 90% on a combined ratio basis.

There were no regulatory changes in 2017, which had any material impact on the current business.

There were no significant programmes lost in 2017 (2016: None).

Reserve Risk is not material for MICL because MICL's loss reserves are very short tailed with over 90% of claims being paid within a year. MBI business is short tail with claims being made during the policy term or shortly after expiration and loss emergence patterns are quickly established. The average period on risk in the UK for policies written in 2017 was 12 months (2016: 12 months).

C.1.2.2 Guaranteed Asset Protection

GAP represented approximately 14% of Gross Written Premium in 2017 (2016: 17%). It is currently only underwritten in the UK and all of the business is administered by MICL's sister company, Car Care Plan Limited (CCPL). MICL has access to all transactional data in a timely manner. Risk premiums grew in 2017 by £0.2 million (2016: £1.2million) to £2.7 million (2016: £2.5million). 2017 profitability on business written in 2017 and prior years reduced to a small underwriting deficit of £0.4million due to a combination of factors, which increased frequency and severity. This was in line with the business forecast. The average period on risk in 2017 was 39 months (2016: 37 months).

MICL has seen a change in the profile of the portfolio which in previous years had been largely based on a sizeable manufacturer programme. By 2016 the mix had moved to a number of large dealer group programmes and an open market product. The risk characteristics of GAP insurance are low frequency, high (relative) value. Severity is higher than warranty but low compared to motor insurance total loss settlements, and risk premiums are therefore significantly lower than for warranty. In 2017 MICL made an underwriting loss on GAP (2016: Small surplus) and the performance was influenced by a number of key market trends:

- Number of vehicle miles driven, increasing frequency to pre-recession levels;
- Higher retail prices and flat residuals, increasing severity;
- Partial refunds and dealer guaranteed commissions reducing premium funding;
- Increasing use of Personal Contract Purchase;
- Increasing cancellation rates; and
- Increasing market share of motor insurers who do not provide a replacement vehicle for new cars in the first year.

C.1.2.3 Wholesale Floorplan (WFP)

MICL has been writing WFP business since 1993. It represented approximately 4% (2016: 4%) of Gross Written Premium in 2017. MICL provides WFP insurance cover to a major motor finance company, either on a direct basis or as specialist reinsurer in markets where MICL does not have a licence to underwrite directly. The policy protects the wholesale finance provider's exposure to losses from damage to, or loss of, vehicle stock whilst in the custody and control of the dealer or at agreed off-site storage sites. Claims patterns can be higher frequency/low severity (e.g. minor theft losses) or lower frequency/higher severity (e.g. hail or fire loss).

MICL underwrites WFP in the UK (15% (2016: 20%)), mainland Europe (58% (2016: 53%)) and Latin America (27% (2016: 27%)). The policy provides material damage cover only, although a small amount of incidental third party liability cover is provided on the policy in Latin America (policy limit $250,000) for vehicles that are being delivered.

UK and European claims are administered by CCPL and MICL has direct access to information from CCPL's claims system. Latin America claims are administered by an appointed local administrator and MICL has an audit programme in place.

All major non-dealer storage sites are surveyed and only accepted onto cover once MICL is satisfied that the appropriate risk management standards are in place and that the site does not have any unacceptable risk characteristics.

WFP policies are renewed annually and vehicles are on risk from either the date the vehicle is delivered or invoiced to the dealer. The cover period for each vehicle is based upon the outstanding finance period for that vehicle and expires when the finance is paid in full or the vehicle is collected by the customer. WFP business is short tail with claims being made during the policy term or shortly after expiry and loss emergence patterns are quickly established. Earnings are based on average stocking periods and risk profile.

The total average monthly outstanding balances remained unchanged globally for 2017 renewal (2016: 20% increase). Pricing is done on a historic loss basis and adjusted to reflect changes in aggregate exposures at a country level.

There is potential for risk accumulation at a single storage site, or on an aggregate event basis at more than one site.

C.1.3 Material Risk concentrations

In the UK, Car Care Plan Group has long term contracts in place with existing manufacturer partners and dealer groups and is actively seeking to diversify further through the acquisition of new accounts.

There have been no material changes in risk concentration in the last 12 months.

C.1.4 Material risk mitigation

MICL has a clearly defined risk appetite, together with a documented underwriting process and set of underwriting standards. The underwriting standards set out the characteristics of acceptable risks and the target loss ratios that should be used to achieve the required level of return. Underwriting protocols allow for a high level of interrogation and investigation work to be carried out and timely underwriting and pricing decisions to be made.

MICL mitigates its exposure to high frequency claims on specific components by specifically excluding losses relating to inherent design or manufacturing defect.

A full review of the GAP portfolio is regularly carried out and there are no material risk concentrations. MICL underwrites a broad portfolio of vehicles and drivers across the UK and products are distributed by a variety of dealers. MICL's exposure to GAP was not a material part of its overall underwriting portfolio as at 31st December 2017 (2016: not material).

The success of these risk mitigation techniques can be demonstrated by the fact that the percentage of claims paid to earned risk premiums has remained within a very narrow band of variance over the last 10 years across the entire MBI portfolio and that timely action has been taken on the GAP portfolio to bring performance into line with KPIs.

For WFP, MICL purchases excess of loss reinsurance with reinsurers with a Standard & Poor's rating of A+ and/or an AM Best rating of A- or better. All new non-dealer storage sites are referred to reinsurers for approval and MICL will also survey smaller storage sites if it feels appropriate. MICL receives a monthly report showing all exposures by main dealer billing address and a quarterly report showing exposure at independent storage sites, enabling MICL and its reinsurers to monitor exposure movements at key sites and at an aggregate level.

WFP policy excesses are also often used to reduce the impact of higher frequency claims such as small theft losses.

MICL has many years' experience upon which to base premiums and terms for all of its current lines of business. All programmes are priced to a target loss ratio and corrective action taken whenever those loss ratio thresholds are exceeded. Corrective action taken in 2017 was a combination of premium adjustments, product eligibility adjustments and claims audits at dealers and administrators. This allowed the overall performance to remain in line with plan.

MICL has recognised the deterioration in performance of its GAP portfolio and has introduced changes to its risk pricing structure, designed to reflect the recent increases in frequency and severity. New business opportunities are only considered where new pricing structures can be implemented.

Over 85% of all business written is currently administered by CCPL and all transactional data is available to MICL. MICL utilises sophisticated data analysis tools to monitor performance and take appropriate and timely action. Throughout 2017 MICL received timely and accurate data from all of its administrators.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness. The Company fulfils the Prudent Person Principle because it is able to properly understand its investment risks

C.1.5 Risk sensitivities

As part of its ongoing capital management and as part of the ORSA process, MICL uses capital modelling to establish losses arising from future exposure and the possibility of the combined ratio exceeding 100%. Reverse stress testing is carried out to assess the implications of potential mispricing, to ensure that the company's capital position cannot be undermined.

MICL uses a frequency severity approach to model large losses on WFP and establish the possibility of the combined ratio exceeding 100% across the entire WFP book. The nature of the portfolio means that traditional CAT modelling techniques are not of use in predicting maximum potential losses arising from weather events. As such, MICL buys a high level of excess of loss reinsurance protection to protect itself against a potential accumulation risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.1.6 Other material Information

There is no other material information.

C.2 Market risk

MICL's market risk capital requirement is split as follows:

	2017 £'000	2016 £'000
Concentration Risk	16,948	5,102
Interest Rate Risk	5,168	5,647
Currency Risk	5,339	2,894
Spread Risk	13,479	15,532
Diversification Benefit	(16,978)	(10,785)
Total	**23,956**	**18,390**

C.2.1 Material risk exposures

Market risk in MICL is the risk of adverse financial impact resulting directly from fluctuations in interest rates, credit spreads, foreign currency exchange rates, and concentrations of assets.

As at December 31st, 2017, market risk comprised 28.2% (2016: 25.5%) of the undiversified SCR.

The Company's exposure to interest rate risk arises predominantly from fluctuations in the Company's bond portfolio and the Company's liabilities.

The Company's exposure to spread risk arises due to sensitivities in the value of investments and loans to volatility of credit spreads.

As at December 31st, 2017 investments are predominantly held in high quality bonds with an overall weighted average portfolio rating of A- and a weighted average duration that is broadly in line with the duration of the liabilities.

The Company entered into two loans with other entities in the AmTrust Group during the year, both of which remain outstanding at the year end. These loans have driven the increase in market risk exposure over the previous year end through material concentration, plus currency risk exposure to US Dollars on one of the loans.

C.2.2 Material risk concentrations

MICL's exposure to concentration risk arises as a result of positions taken in the investment portfolio, loans to other entities in the AmTrust Group and its cash holdings.

The loans to other entities in the AmTrust Group represent the highest concentration of assets and are the driver in the increased concentration risk year on year. In addition, one of the loans is denominated in US Dollars which is driving the increase in currency risk year on year.

In addition, MICL operates internationally and, as a result, is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Approximately 22% (2016: 18%) of the company's premium income arises in currencies other than sterling and 17% (2016: 8%) of the company's net assets are denominated in a variety of foreign currencies, the largest of which are US Dollar and Turkish Lira (2016: US Dollar and Chinese Yuan).

C.2.3 Material risk Mitigation

Interest rate risk is monitored monthly in the Company's management reporting pack. In addition, the MICL Board is responsible for monitoring investment strategy and performance, with formal reporting against a comprehensive set of investment guidelines on a quarterly basis. At least annually stress (where the risk factor is assumed to vary) and scenario testing (where combinations of risk factors are assumed to vary) is used to assess the market risk under stressed conditions.

There have been no material changes in interest rate risk over the course of the year.

MICL monitors currency risk through monthly management reporting information.

The Company has a detailed set of investment guidelines to mitigate exposure to any one entity. These incorporate restrictions on the maximum amounts that can be invested in a single entity.

The Company manages currency risk by aiming to maintain sufficient assets in local currency to meet local currency liabilities. Foreign exchange movements are monitored and managed in monthly management information.

A regular risk identification process is carried out by the Risk Committee which includes the consideration of emerging risks. Key risks, including key market risks, are brought to the attention of the Risk Committee and mitigation strategies applied where appropriate.

Risk Appetites have been established for market risks and these are reviewed and updated by the Risk Committee on a quarterly basis with any breaches being reported as necessary with mitigating actions developed and implemented.

The Company considers the prudent person principle in monitoring the interest rate risk and how the assets match the expected payment profile of the Company's Technical Provisions. A maximum duration limit is imposed on the bond portfolio to ensure that the interest rate exposure is broadly in line with the liability profile.

As noted above the bond portfolio primarily consists of liquid, high quality bonds with an average rating of A-, ranging from BBB to AAA and with modified durations of between 1 and 10 years.

There are no investments in derivative instruments.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.2.4 Risk sensitivities

MICL carries out stress and scenario testing at least annually as part of its ORSA process, which includes stress testing for interest rate risk. A stochastic capital model, which reads in economic data from an Economic Scenario Generator for each simulation, is used to calculate the Company's asset portfolio. In addition, through the Company's reverse stress testing process, more severe market risk shocks are tested – stresses by rating, sector and interest rate shocks. This showed that only a combination of severe interest rate shock and unprecedented cross-sector failure would result in a significant impact on the Company's ability to carry on business.

Exchange rate risk is covered by the modelling process but using a deterministic method to analyse the maximum movements in exchange rates to calculate the resulting loss. The results of this testing showed that the Company can withstand severe exchange rate risk shocks.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C.7.1.

C.2.5 Other Material Information

There is no other material information.

C.3 Credit risk

MICL's credit risk capital requirement is split as follows:

	2017 £'000	2016 £'000
Type 1	620	522
Type 2	2,093	2,207
Diversification Benefit	(122)	(107)
Total	**2,591**	**2,622**

C.3.1 Material risk exposures

Credit risk in the Company is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the company.

As at December 31st, 2017, credit risk in the form of counterparty default risk, comprised 3.1% (2016: 3.6%) of the undiversified SCR.

There have been no material changes in credit risk over the course of the year.

C.3.2 Material risk concentrations

In MICL, the main area of credit risk is in relation to amounts due from insurance intermediaries and amounts held with banks and other financial institutions.

Reinsurance counterparty credit risk is monitored in the Company's quarterly Underwriting Committee and Board meetings. Credit ratings are used to assess credit risks.

Credit risk is also identified, assessed and monitored through the Company's risk register.

C.3.3 Material risk mitigation

Credit risk from insurance contract holders and insurance intermediaries is mitigated by:

- Implementing alternative mitigation measures such as "pay as paid" clauses in the contract;
- The fact that MICL's main insurance intermediary is a connected party (CCPL, MICL's sister company); and
- Carrying out appropriate due diligence on the financial stability of counterparties prior to entering business relationships.

Credit risk with its reinsurers is mitigated by only using reinsurers with very high Standard & Poor's (A minimum) or A M Best (A minus minimum) credit ratings and using a select number of reinsurers to mitigate contagion risk. Credit ratings are monitored on an on-going basis and reviewed at the underwriting committee on a quarterly basis.

MICL generally only uses banks with a minimum credit rating of A.

The Company considers the prudent person principle in monitoring credit risk. Counterparties are selected by taking into account the credit rating and reputation of each entity.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.3.4 Risk sensitives

At least annually, MICL carries out stress and scenario testing as part of its ORSA process, which includes stress testing for credit risk. The company's stochastic capital model recreates the reinsurance programme and then simulates the transition between each reinsurance rating for all future calendar periods. It then calculates the probability that the reinsurer will default in that period.

The fact that MICL only uses reinsurers with high credit ratings and that the excess of loss reinsurance retention is at a reasonably high level means that the probability of default is less than a 1 in 200-year event.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C.7.1.

C.3.5 Other material information

There is no other material information.

C.4 Liquidity risk

C.4.1 Material risk exposures

Liquidity risk in the Company is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company has limited liquidity risk as 87% of its invested assets are held in cash in bank accounts and in relatively liquid high quality bonds. The remaining 13% is held in loans to other entities within the AmTrust Group.

C.4.2 Material risk concentrations

MICL's liquidity risk exposure is concentrated in financial assets (bonds), loans to other entities in the AmTrust Group and reinsurance contracts.

C.4.3 Material risk mitigation

Asset-liability duration matching profiles and tolerance limits as agreed by the Board are monitored and reported to the Risk Committee and the Board on a quarterly basis.

The only material change to liquidity risk during the year is a movement of assets from bonds to loans. Loans account for 13% of invested assets at the balance sheet date. The Company considers that the remaining invested assets are sufficiently liquid to meet the ongoing outwards cash flows needs.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and through the development of its capital and liquidity plan which identifies available financing options and which is reviewed on an annual basis.

In addition, MICL mitigates liquidity risk by developing short term cash flow forecasts and incorporating an appropriate level of buffer.

Premium payments are monitored regularly to ensure they are received within the terms of credit.

A Risk Appetite has been established for liquidity risks and this is reviewed and updated by the Risk Committee on a quarterly basis with breaches being reported as necessary with mitigating actions developed and implemented.

The invested assets are prudently invested taking into account the liquidity requirements of the business and are held in such a way as to properly match the terms or duration of the liability profile.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.4.4 Expected profit in future premiums (EPIFP)

The Company calculates EPIFP by projecting the expected future profits directly, using the insurance receivables not yet due at the reporting date. Due to the MICL business model, monies for policies underwritten are received up-front, and it has been concluded that there is no material Bound but Not Incepted (BBNI) exposure.

The expected profits included in future premiums as calculated in accordance with Article 260(2) for 2017 is £0.4m (2016: £0.7m).

C.4.5 Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for liquidity risk.

C.4.6 Other material information

There is no other material information.

C.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing, integrity and legal issues.

MICL's operational risk capital requirement is split as follows:

	2017 £'000	2016 £'000
Operational Risk	2,798	2,379

C.5.1 Material risk exposures

Whilst operational risks exist within MICL, this is not a risk area determined by the Risk Committee to be material. Operational risk is identified, assessed and monitored by the Risk Committee with oversight from the Board, and recorded on the Risk Register.

A key area of operational risk relates to Outsourcing risk/Group risk. MICL outsources the majority of its policy acquisition, claims management and claims administration processing to its sister company CCPL; its IT, HR and Legal functions to its EU parent company AIL; and its investment management to a group company of its global parent company, AII Insurance Management Limited.

There are various operational risks, which are associated to MICL's outsourced functions, including; claims leakage risk, regulatory risk, cyber risk, data security risk, mis-selling risk and IT infrastructure risk.

Another key operational risk relates to data quality. Significant emphasis is placed on mitigating the risks associated with data quality to ensure that the data within the business complies with the requirements surrounding completeness and accuracy. In addition, the work completed in relation to the introduction of the General Data Protection Regulations from May 2018 has strengthened the data environment and mitigated the risk in this area.

There have been no material changes to the operational risks MICL is exposed to over the reporting period.

C.5.2 Material risk concentrations

There are no material operational risk concentrations.

C.5.3 Material risk mitigation

In addition to the standard risk management and mitigation techniques used within the business, the following additional risk mitigation techniques have been introduced for the Key Operational Risks identified in C.5.1 above:

Outsourcing: The risks relating to outsourcing are mitigated through the maintenance of an Outsourcing policy and the requirement to complete on-going due diligence and regular performance reviews and audits on outsourced providers.

Data: the MICL Board introduced a Data Committee in 2016 to oversee the data quality risk management and mitigation processes.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.5.4 Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for operational risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.5.5 Other material information

Operational Losses, arising from the failure of people, processes or systems are recorded on the Compliance and Regulatory Issues List and reported to the Risk Committee on, at least, a quarterly basis. This allows the Risk Committee to assess the actual losses arising from Operational Risk, implementing appropriate mitigation techniques as appropriate.

C.6 Other material risks

C.6.1 Legal and Regulatory risks

This is the risk of non-compliance with regulation and legislation.

MICL does not seek to take on legal and regulatory risk in order to generate a return. However, it recognises that some degree of legal and regulatory risk is an unavoidable consequence of remaining in business. It therefore seeks to mitigate this risk through its corporate governance and internal control mechanisms. Awareness of the risks and the Company's control mechanisms are maintained through its policies and procedures framework and training programmes.

C.6.2 Strategic risk

This is the risk arising from failure to sufficiently define the direction and objectives of the entity, together with the resourcing and monitoring of the achievement of the same.

MICL has a well-developed business planning process and its business plans are approved by the Board. The business plans are also used in the Own Risk and Solvency Assessment (ORSA) process.

C.6.3 Governance risk

This is the risk arising from the failure to demonstrate independent and proper stewardship of the affairs of the Company in order to safeguard the assets of the Company's shareholders and the overall interests of its stakeholders.

The Company regards a strong governance framework to be vital in the achieving its objectives as well as providing transparency and accountability to its various stakeholders. A system of internal control and governance has been developed using the “three lines of defence” model, which the Board deems to be appropriate to the scale and nature of MICL's activities and risks.

C.6.4 Group risks

This the risk arising from other parts of its group, through parental influence or direct contagion.

MICL maintains a good relationship with its ultimate parent and expects that, at all times, it will remain suitably appraised of all of the material risks within the group that may, if crystallised, have negative impact upon the business strategy and/or cause detriment to its customers.

C.6.5 Solvency risk

This is the risk that the entity fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

MICL ensures it is solvent at all times through: Monitoring of solvency position; Management Accounts; Solvency forecasting in ORSA and prior to any strategic decision making.

C.6.6 Other Material Risk Concentrations

There are no material risk concentrations in this area.

C.6.7 Other Material Risk Sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for operational risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.7 Any other information

C.7.1 Risk sensitivities

MICL has performed sensitivity tests to show the impact on SCR and solvency coverage by changing the assumptions associated with each risk type in the SCR calculation. These are independent stresses to individual risks, although in practice risks may occur in combination, but the impact would differ from the combination of impacts of the individual stresses. No future management actions, which could mitigate the impacts shown, have been taken into account. The impacts of each stress are non-linear and the results shown should not be used to extrapolate the effects of larger or smaller changes in the assumptions.

MICL has performed the following sensitivity tests on its solvency position.

Risk category	Test	Stressed SCR (£m)	Increase / (decrease) in SCR (£m)	Increase / (decrease) in Solvency ratio (% points)
Underwriting	25% increase in volume of GWP in next 12 months	75.2	4.1	(7.4%)
Underwriting	25% decrease in volume of GWP in next 12 months	69.0	(2.2)	4.4%
Underwriting	25% increase in Claims provisions	73.0	1.8	(11.3%)
Underwriting	25% decrease in Claims provisions	69.5	(1.7)	11.6%
Market	25% increase in asset durations	72.3	1.2	(2.2%)
Market	25% decrease in asset durations	70.1	(1.1)	2.1%
Market	10% of investment portfolio moved to the two most concentrated exposures	74.2	3.0	(5.6%)
Market	10% increase in currency exposure for each currency	69.9	(1.3)	0.4%
Market	10% decrease in currency exposure for each currency	72.7	1.5	(0.8%)
Credit	Fall in rating of one credit step for three largest insurers	71.2	0	0%
Credit	Double the proportion of debtors overdue by more than 3 months	71.9	0.7	(1.4%)
Operational	Increase in technical provisions of 25%	73.3	2.1	(34.3%)

The risk with the most material effect on the SCR is underwriting risk, in particular to any increase in the volume of premium written. The Company closely monitors premium volume against its business plan throughout the year.

The tests also show a material sensitivity, in terms of solvency ratio, to increases and decreases in claims provisions. The biggest sensitivity in terms of solvency ratio is to the operational risk charge, which is driven by the level of technical provisions. The Reserve Committee is responsible for ensuring adequate and reasonable reserves are in place, as described in section B.1.1.

Valuation for Solvency Purposes

Section D

D. Valuation for Solvency Purposes

The following is a summary level Solvency II Balance Sheet:

Solvency II Balance Sheet As at 31st December 2017	Notes	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
		£'000	£'000	£'000	£'000
Assets Investments					
Bonds	D 1.1				
Government bonds		6,309	158	-	6,467
Corporate bonds		148,197	2,425	-	150,622
Loans and mortgages		25,375	-	-	25,375
Reinsurance recoverables	D 1.2	1,942	-	57	1,999
Deposits to cedants		573	-	-	573
Insurance & intermediaries receivables	D 1.3	11,480	(7,667)	-	3,813
Cash and cash equivalents	D 1.4	9,241	-	-	9,241
Any other assets	D 1.5	2,583	(2,583)	-	-
Deferred acquisition costs	D 1.6	40,902	-	(40,902)	-
Total Assets		246,602	(7,667)	(40,845)	198,090
Liabilities					
Technical provisions – non-life	D 2	134,333	6,985	(47,981)	93,337
Deferred tax liabilities	D 3.1	-	-	1,356	1,356
Insurance & intermediaries payables	D 3.2	16,233	(14,652)	-	1,581
Payables (trade, not insurance)	D 3.3	4,225	-	-	4,225
Any other liabilities	D 3.4	1,376	-	-	1,376
Total Liabilities		156,167	(7,667)	(46,625)	101,875
Excess of assets over liabilities		90,435	-	5,780	96,215

D.1 Assets

D.1.1 Investments

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Government bonds	6,309	158	-	6,467
Corporate bonds	148,197	2,425	-	150,622
Total Investments	154,506	2,583	-	157,089

The UK GAAP financial statements balance for investments, which is made up entirely of bonds is the market value only. The related accrued interest is disclosed under any other assets under UK GAAP, but is reclassed on the Solvency II balance sheet to be included in the value reported under bonds. The invested assets are all quoted instruments in active markets and therefore the market price at the reporting date has been applied. The bonds are all directly held by the Company.

D.1.2 Loans and mortgages

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Loans and mortgages	25,375	-	-	25,375

Loans and mortgages are measured at fair value using the Income approach though the discounted cash flow method for the purpose of Solvency II. A valuation adjustment may be required from UK GAAP basis.

The Company's discounted cash flow method relies on the use of unobservable market inputs to reflect the assumptions market participants would use in pricing the asset or liability based on sources independent of the entity pricing the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants use in pricing the asset or liability (including assumptions about risk inherent in the asset or liability or inherent in the model used to estimate the price of the asset or liability).

Unobservable inputs are developed based on the best information available in the circumstances, which might include the Company's own data and should take into account all information about market participant assumptions that is reasonably available. In developing unobservable inputs, it does not need to undertake all possible efforts to obtain information about market participant assumptions in pricing the asset or liability.

The Company's own data used to develop unobservable inputs is adjusted if information indicating that market participants would use different assumptions is reasonably available without undue cost and effort. The unobservable valuation inputs are updated only when corroborated by evidence such as market transactions.

There was no valuation adjustment at the balance sheet date.

D.1.3 Reinsurance recoverables

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Reinsurance recoverables	1,942	-	57	1,999

The reclass of balances and valuation differences of this item are covered in the valuation of technical provisions in section D.2.

D.1.4 Deposits to cedants

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deposits to cedants	573	-	-	573

Deposits to cedants are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year.

D.1.5 Insurance and intermediaries receivables

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Insurance & intermediaries receivables	11,480	(7,667)	-	3,813

Receivables from intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to technical provisions.

D.1.6 Cash and cash equivalents

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	9,241	-	-	9,241

Cash balances are valued at the amount held at the period end, translated using year end exchange rates where appropriate. There is no valuation difference between the two bases.

D.1.7 Any other assets

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Any other assets	2,583	(2,583)	-	-

Any other assets are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year. The statutory accounts value includes accrued interest in respect of the Company's investments in bonds, which is re-classed under Solvency II to be included within the value of bonds.

D.1.8 Deferred acquisition costs

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred acquisition costs	40,902	-	(40,902)	-

Under Solvency II deferred acquisition costs are valued at nil, with appropriate associated adjustments made to the calculation of Technical Provisions.

D.2 Technical Provisions

D.2.1 Technical Provisions

The value of MICL's Solvency II Technical Provisions (TPs) at 31 December 2017 was £91.3m (2016: £81.8m). The table below shows how the TPs are broken down by Solvency II class of business:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	692	41	733	-	733
Assistance	375	22	397	-	397
Miscellaneous financial loss	87,119	5,087	92,206	1,999	90,207
Total	88,186	5,150	93,336	1,999	91,337

The company values its TPs as the sum of a best estimate and a Risk Margin and in accordance with the methods prescribed by the Solvency II Directive using standard actuarial techniques.

D.2.2 Solvency II Technical Provisions Methodology

There are significant differences in the way TPs are required to be calculated under Solvency II in comparison with the GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the sections that follow.

D.2.3 Segmentation

The Solvency II Directive requires that firms evaluate their TPs by Solvency II class of business as a minimum. MICL segments its business further in accordance with which external claims administrator handles the claims and the country and currency in which the claims originate. For the Premium Provision calculations, where the average policy duration is subject to change by underwriting year, the business is further segmented into more homogeneous groups before the calculations are performed.

D.2.4 Claims Cash flows

The largest proportion of MICL's TPs are made up of the future claims payments. As required by Solvency II, these are calculated separately for the Claims Provisions and Premium Provisions; the distinction being payments resulting from events before and after the valuation date respectively.

Claims Provisions are calculated on a gross basis from accident year triangles using a combination of standard actuarial techniques, namely the Chain Ladder, Cape Cod and Expected Loss Ratio approaches. Cash flows are generated from the payment patterns from the Chain Ladder calculations.

Premium Provisions are also calculated on a gross basis from underwriting year triangles using the same set of standard actuarial techniques used for the Claims Provisions. Cash flows are generated from the underwriting year triangles using the Chain Ladder analysis performed.

There is significant uncertainty in the future claims cash flows as the probability a claim will occur, the timing of the claim, the speed at which it is reported and paid and the ultimate amount that becomes payable are all unknown. Therefore, expert judgement is required in the selection of the ultimate claims amounts for the actuarial calculations performed. Selections are made on a Solvency II best estimate basis and are back-tested against previous estimates. This feedback loop aids more accurate projections in future estimates of the TPs.

D.2.5 Reinsurance

MICL does not have a material exposure to outward reinsurance from a TPs perspective. On the Other Motor Insurance Class, MICL has an Excess of Loss reinsurance programme in place with a relatively high retention such that on a best estimate basis MICL would not expect to make a claim. There are no outstanding claims on this reinsurance programme at the valuation date. One MBI programme in the Miscellaneous Financial Loss class of business has an outward quota share arrangement. As required by the directive, the TPs are calculated on a gross basis before taking the outward reinsurance into account. Due to the way the reinsurance operates, no provision is made for reinsurance bad debt. Should the programme go into run-off in the future this assumption will be revisited.

D.2.6 Discounting

All TPs cash flows are required to be discounted using the European Insurance and Occupational Pensions Authority (EIOPA) Risk Free Discount Rates by currency. As MICL writes business in multiple currencies, the TPs are segmented in such a way to enable the cash flows to be discounted using the appropriate currency discount rate.

D.2.7 Events Not in Data (ENID)

Solvency II TPs are required to include an allowance for all possible future events. This includes provisions for claims that may have never occurred in the claims history and so standard actuarial techniques will not automatically allow for such events. Estimation of the amount of ENID is not a straightforward process and there are significant expert judgements in the selection of the amount to include in the provisions.

MICL uses a stochastic bootstrapping method to generate a distribution of future claims provisions by class of business. A truncated distribution is selected from what is assumed to be the full distribution and the difference in the mean of the two distributions is considered to be the required ENID loading. 2017 ENID £1.2m (2016: £0.8m).

D.2.8 Future Premium Cash flows

MICL receives all of its premiums at the time of the commencement of the policy or shortly afterwards so there are no material future premium cash flows to take account of in the TPs in this respect. For the inward reinsurance business that MICL accepts, any outstanding premium that is not past due is transferred into the TPs. Any premium that is past due is retained on the SII balance sheet as Insurance and intermediaries receivables.

D.2.9 Expenses

D.2.9.1 Allocated Loss Adjustment Expenses (ALAE)

MICL outsources all of its claims handling to third parties, the majority of which is done by its sister company CCPL. As a result, no allowance for claims handling has been made in the TPs.

MICL does have some ALAE in the form of claim assessment costs for some claims. These are generally small in relation to the size of the claim and are included as part of the claims costs on an individual claim basis, therefore an allowance for them is included in the actuarial projections.

D.2.9.2 Unallocated Loss Adjustment Expenses (ULAE)

ULAE is taken from the business plan, the cash flows associated with the ULAE are required for discounting and are assumed to be in proportion to the run-off of the TPs.

D.2.10 Bound but not incepted (BBNI) business

Using a look-through approach MICL assumes that there is no material BBNI business to take into account in its TPs. MICL does write policies, which have some form of delay before inception for which it receives the premium in advance of the inception of the policy. These polices are included within the Premium Provisions along with those policies which have incepted but still have a period of unexpired risk.

D.2.11 Risk Margin

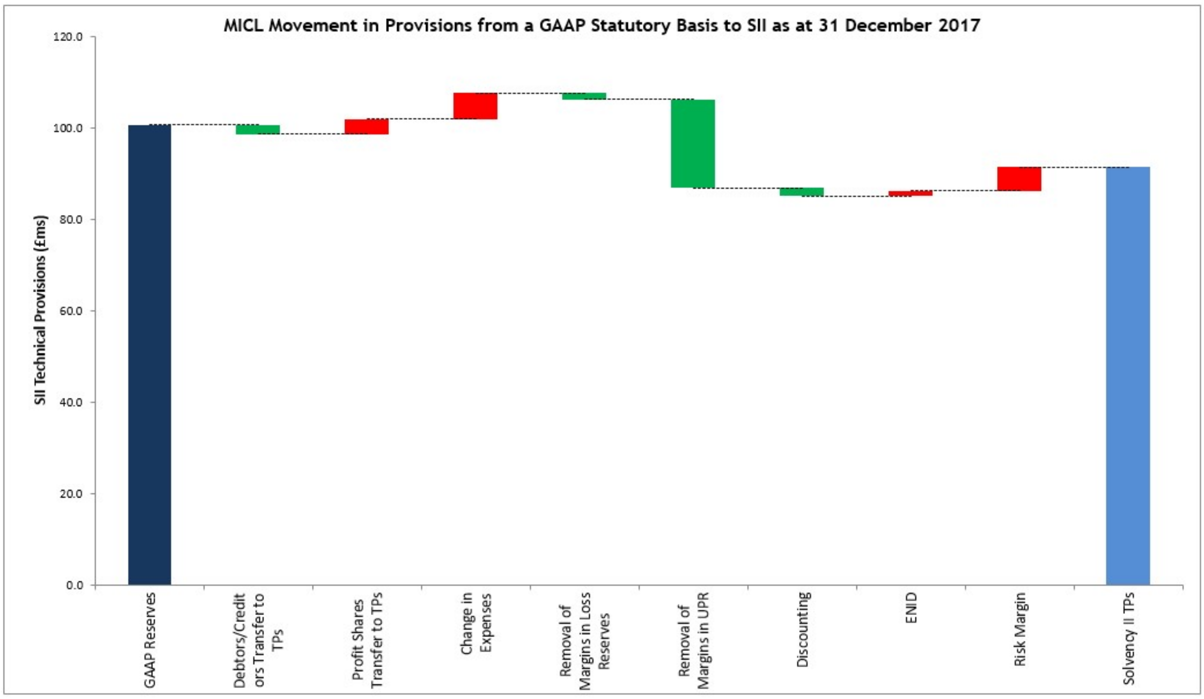
The Solvency II directive requires that a Risk Margin be added to the Best Estimate TPs using a defined cost of capital approach. MICL uses a simplification to the full calculation. The SCR is calculated using the standard formula for the reference undertaking (SCR_RU). The SCR_RU is assumed to run-off in proportion to the TPs in order to complete the calculation.

D.2.12 Other Liabilities

Some of the MBI programmes that MICL writes include some form of profit-sharing provision. Provisions for profit-share payments that are likely to be made in the future are calculated for each individual programme. These provisions are then split between the Claims Provisions and the Premium Provisions dependent on the timing of the accrual of the provision.

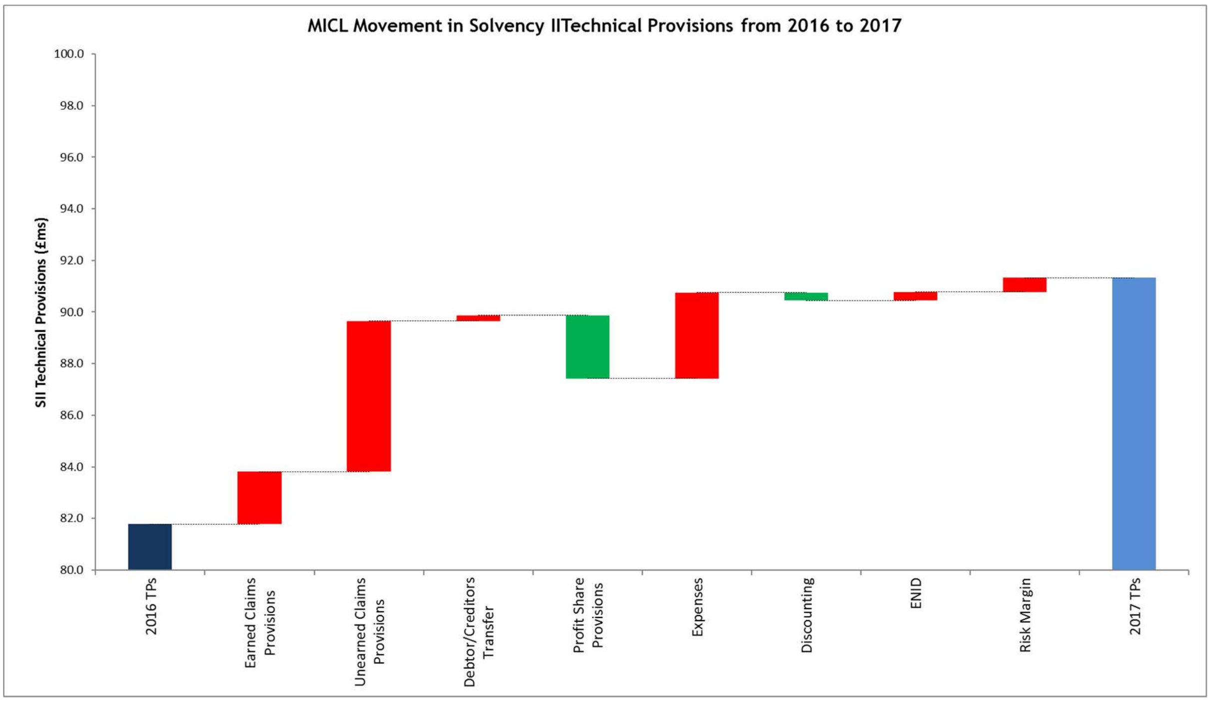
D.2.13 Movement of Provisions from Statutory to Solvency II

The waterfall chart below shows the movement in provisions from the statutory accounts to the Solvency II TPs.



D.2.14 Movement in Solvency II Technical Provisions since the Previous Valuation

The TPs have increased by £9.5m since the last valuation date. The waterfall chart below shows the movement in provisions from the 2016 year end valuation to the current TPs.



The largest movements are due to the increases in the earned and unearned claims provisions. These have increased year on year mainly as a result of larger volumes of business being written and earned as well as claims taking slightly longer to be paid. Expenses have also increased which have resulted from increased consultancy and audit fees. Profit Share provisions have reduced over the period as a result of some large payments made during the year.

The increases in the other elements of the provisions are relatively small and result mainly from the increase in the volume of business between the valuation dates.

D.2.15 Adjustments to Technical Provisions

MICL did not apply the Matching Adjustment, Volatility Adjustment, Transitional Risk-Free Interest Term Structure or the Transitional Deduction when calculating its Solvency II TPs at 31 December 2017 (2016: did not apply).

D.2.16 Material Changes since the last valuation

There are no material changes to the method or assumptions used in the calculation of the TPs to be reported.

D.3 Other liabilities

D.3.1 Deferred tax liabilities

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred tax liabilities	-	-	1,356	1,356

The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance in respect of the increase in own funds due to the recognition of future profits in technical provisions (unearned premium reserve) when calculated on a Solvency II basis.

D.3.2 Insurance and intermediaries payables

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Insurance & intermediaries payables	16,233	(14,652)	-	1,581

Payables to intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the amount payable, and are discounted where it is expected that the balance will be paid after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to technical provisions. The UK GAAP balance also includes amounts owed in respect of profit sharing agreements, which are included in technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

D.3.3 Payables (trade, not insurance)

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Payables (trade, not insurance)	4,225	-	-	4,225

Payables (trade, not insurance) are carried at amortised cost using the effective interest method. The effect of movement in own credit risk on the valuation is not expected to be material, therefore no adjustment to the UK GAAP values are needed.

Trade payables solely comprises of amounts which fall due within 12 months and are considered to be held at fair value under UK GAAP.

Trade payables include amounts due to suppliers, other group companies, public entities, etc. and which are not insurance related.

D.3.4 Any other liabilities

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Any other liabilities	1,376	-	-	1,376

Any other liabilities consists of accruals and deferred revenue. There is no valuation difference between the two bases.

D.4 Alternative methods for valuation

As there are no quoted market prices for the Company's holdings in loans and mortgages alternative valuation methods, as defined in the Solvency II regulations, are used to determine the fair values of these assets.

The details for these alternative valuation methods are disclosed in section D.1.2.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities.

Capital Management

Section E

E. Capital Management

E.1 Own funds

Capital Requirements 31 Dec 2017	2017		2016	
	£000	Coverage	£000	Coverage
Own Funds	96,215		89,351	
SCR	71,184	135%	60,539	148%
MCR	28,555	337%	25,745	347%

The objective of the Company in managing own funds is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate margin. Own funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR is reviewed. The Committees that review solvency are described in more detail in section B.1.1. The responsibility ultimately rests with the Company's Board of directors. As part of own funds management, MICL prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

	Tier 1 – Unrestricted (£000)	
	2017	2016
Ordinary share capital	11,700	11,700
Reconciliation reserve	84,515	77,651
Total basic own funds after deductions	96,215	89,351

MICL's share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital is not subordinated and has no restricted duration. The reconciliation reserve is equal to the excess of assets over liabilities less other basic own fund items at the reporting date. There are no foreseeable dividends or own shares held.

The Company's own funds are all tier 1 unrestricted and are available to cover the SCR and MCR. MICL has no tier 1 restricted own funds, no tier 2 own funds, and no tier 3 own funds.

A reconciliation between equity on a UK GAAP basis and Solvency II value of excess of assets over liabilities is as follows:

	2017 £'000	2016 £'000
Equity per UK GAAP financial statements comprising:		
Ordinary share capital	11,700	11,700
Retained earnings	78,735	69,571
Total Equity	90,435	81,271
Adjustments for Solvency II valuation basis:		
Assets	(40,846)	(34,905)
Technical provisions	47,982	44,759
Deferred tax liability	(1,356)	(1,774)
Solvency II value of excess of assets over liabilities	96,215	89,351

E.2 Solvency capital requirement and minimum capital requirement

At the reporting date MICL's SCR was £71.219m (2016: £60.539m). The table below shows the SCR by risk category.

	2017 £'000	2016 £'000
Counterparty Default Risk	2,591	2,622
Market Risk	23,956	18,390
Non-Life Underwriting Risk	58,331	51,169
Undiversified BSCR	84,878	72,181
Diversification Credit	(15,136)	(12,247)
Basic SCR	69,742	59,934
Operational Risk	2,798	2,379
Adjustment for Deferred Taxes	(1,356)	(1,774)
SCR	71,184	60,539

MICL has not made use of undertaking specific parameters (USPs) in the calculation of any module of the SCR, nor has it used any simplified calculations in any risk module or sub-module in calculating the SCR. The final amount of the SCR remains subject to supervisory assessment.

The significant increase in market risk has been driven by the issue of two loans to other Group entities. This has created significant concentration exposure to a single group. Additionally, one of the loans is in a foreign currency creating exposure to currency fluctuations reflected in the increased Market Risk in the SCR

At the reporting date the MCR was £28.555m (2016: £25.745m). The table below shows the inputs into the MCR calculation.

	2017 £'000	2016 £'000
AMCR (€2,500)	2,196	2,251
Linear MCR	28,555	25,745
SCR	71,184	60,539
Combined MCR	28,555	25,745
MCR	28,555	25,745

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

The duration-based equity risk sub-module is not applicable to MICL.

E.4 Difference between the standard formula and the internal model used

MICL does not utilise an Internal Model, therefore this section is not applicable.

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

The Company has complied with the MCR and the SCR throughout the reporting period.

E.6 Any other information

There is no other material information regarding MICL's capital management.

QRTs

Section F

F. QRTs

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	157,089
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	157,089
Government Bonds	**R0140**	6,467
Corporate Bonds	**R0150**	150,622
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	25,375
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	25,375
Reinsurance recoverables from:	**R0270**	1,999
Non-life and health similar to non-life	**R0280**	1,999
Non-life excluding health	**R0290**	1,999
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	573
Insurance and intermediaries receivables	**R0360**	3,813
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	0
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet	**R0400**	0
Cash and cash equivalents	**R0410**	9,241
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	198,090

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	93,337
Technical provisions – non-life (excluding health)	**R0520**	93,337
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	88,186
Risk margin	**R0550**	5,151
Technical provisions - health (similar to non-life)	**R0560**	0
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	1,356
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	1,581
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	4,225
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	1,376
Total liabilities	**R0900**	101,875
Excess of assets over liabilities	**R1000**	96,215

Annex I
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional**								
		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
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	0	0	0	0	2,980	0	0	0	0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	1,378	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	0	0	0	727	0	0	0	0
Net	**R0200**	0	0	0	0	3,631	0	0	0	0
Premiums earned										
Gross - Direct Business	**R0210**	0	0	0	0	2,974	0	0	0	
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	1,416	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	0	0	0	727	0	0	0	0
Net	**R0300**	0	0	0	0	3,663	0	0	0	0
Claims incurred										
Gross - Direct Business	**R0310**	0	0	0	0	1,878	0	0	0	0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	277	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	2,155	0	0	0	0
Changes in other technical provisions										
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	775	0	0	0	0
Other expenses	**R1200**									
Total expenses	**R1300**									

S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	0	862	82,853					86,695
Gross - Proportional reinsurance accepted	**R0120**	0	0	19,470					20,848
Gross - Non-proportional reinsurance accepted	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	0	0	2,314	0	0	0	0	3,041
Net	**R0200**	0	862	100,009	0	0	0	0	104,502
Premiums earned									
Gross - Direct Business	**R0210**	0	615	69,252					72,841
Gross - Proportional reinsurance accepted	**R0220**	0	0	18,996					20,412
Gross - Non-proportional reinsurance accepted	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	0	0	1,719	0	0	0	0	2,446
Net	**R0300**	0	615	86,529	0	0	0	0	90,807
Claims incurred									
Gross - Direct Business	**R0310**	0	269	41,641					43,788
Gross - Proportional reinsurance accepted	**R0320**	0	0	7,409					7,686
Gross - Non-proportional reinsurance accepted	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	0	0	1,324	0	0	0	0	1,324
Net	**R0400**	0	269	47,726	0	0	0	0	50,150
Changes in other technical provisions									
Gross - Direct Business	**R0410**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	38	29,681	0	0	0	0	30,494
Other expenses	**R1200**								0
Total expenses	**R1300**								30,494

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		DE	BR	TR	CN	CO	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	84,163	1,450	0	0	0	0	85,613
Gross - Proportional reinsurance accepted	R0120	0	6,574	5,903	2,627	1,530	927	17,561
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	2,585	188	0	0	0	125	2,898
Net	R0200	81,578	7,836	5,903	2,627	1,530	802	100,276
Premiums earned								
Gross - Direct Business	R0210	70,042	1,443	0	0	0	0	71,485
Gross - Proportional reinsurance accepted	R0220	0	6,294	6,255	1,779	1,959	969	17,256
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	1,990	188	0	0	0	125	2,303
Net	R0300	68,052	7,549	6,255	1,779	1,959	844	86,438
Claims incurred								
Gross - Direct Business	R0310	42,035	1,469	0	0	0	0	43,504
Gross - Proportional reinsurance accepted	R0320	0	3,961	1,101	383	607	123	6,175
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	1,324	0	0	0	0	0	1,324
Net	R0400	40,711	5,430	1,101	383	607	123	48,355
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	21,485	1,698	4,707	991	462	407	29,750
Other expenses	R1200							0
Total expenses	R1300							29,750

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance									Direct business and accepted			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**
Technical provisions calculated as a whole	**R0010**					0						0	0					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**					0						0	0					0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**					-330						330	65261					65261
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**					0						0	1797					1797
Net Best Estimate of Premium Provisions	**R0150**					-330						330	63464					63464
Claims provisions																		
Gross	**R0160**					1021						45	21859					22925
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**					0						0	202					202
Net Best Estimate of Claims Provisions	**R0250**					1021						45	21657					22723
Total Best estimate - gross	**R0260**					691						375	87120					88186
Total Best estimate - net	**R0270**					691						375	85121					86187
Risk margin	**R0280**					41						22	5087					5150
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**					0						0	0					0
Best estimate	**R0300**					0						0	0					0
Risk margin	**R0310**					0						0	0					0

		Direct business and accepted proportional reinsurance									Direct business and accepted			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**
Technical provisions - total																		
Technical provisions - total	**R0320**					733						397	92207					93336
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**					0						0	1999					1999
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**					733						397	90207					91337

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

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

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
N-9	R0160	28124	2851	14	5	0	0	0	0	-1	0		R0160	0	30994
N-8	R0170	30407	2725	23	17	0	0	0	0	0			R0170	0	33173
N-7	R0180	32611	3170	34	5	8	0	2	0				R0180	0	35830
N-6	R0190	36404	3025	19	26	2	3	0					R0190	0	39480
N-5	R0200	34804	2801	28	7	9	0						R0200	0	37650
N-4	R0210	36125	3002	85	11	4							R0210	4	39226
N-3	R0220	35604	3982	39	12								R0220	12	39637
N-2	R0230	39052	3963	79									R0230	79	43094
N-1	R0240	40569	4865										R0240	4865	45435
N	R0250	45410											R0250	45410	45410
												Total	R0260	50370	389929

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
N-9	R0160									0	0		R0160	0
N-8	R0170								2	0			R0170	0
N-7	R0180							0	0				R0180	0
N-6	R0190						0	0					R0190	0
N-5	R0200					0	0						R0200	0
N-4	R0210				0	0							R0210	0
N-3	R0220			6	0								R0220	0
N-2	R0230		82	13									R0230	13
N-1	R0240	19716	142										R0240	140
N	R0250	22984											R0250	22772
												Total	R0260	22925

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	11,700	11,700		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	84,515	84,515			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	**R0290**	96,215	96,215	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

Annex I

S.23.01.01

Own funds

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	96,215	96,215	0	0	0
Total available own funds to meet the MCR	**R0510**	96,215	96,215	0	0	
Total eligible own funds to meet the SCR	**R0540**	96,215	96,215	0	0	0
Total eligible own funds to meet the MCR	**R0550**	96,215	96,215	0	0	
SCR	**R0580**	71,184				
MCR	**R0600**	28,555				
Ratio of Eligible own funds to SCR	**R0620**	135%				
Ratio of Eligible own funds to MCR	**R0640**	337%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	96,215	
Own shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and charges	**R0720**	0	
Other basic own fund items	**R0730**	11,700	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	84,515	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	306	
Total Expected profits included in future premiums (EPIFP)	**R0790**	306	

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	23,956		
Counterparty default risk	R0020	2,591		
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	58,331	0	0
Diversification	R0060	-15,136		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	69,742		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2,798
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-1,356
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	71,184
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	71,184
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	28,555

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	691	4,358
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	375	862
Miscellaneous financial loss insurance and proportional reinsurance	R0130	85,121	100,009
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	28,555
SCR	R0310	71,184
MCR cap	R0320	32,049
MCR floor	R0330	17,805
Combined MCR	R0340	28,555
Absolute floor of the MCR	R0350	2,196
		C0070
Minimum Capital Requirement	R0400	28,555

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