Solvency Financial Condition Report

StarStone Insurance SE

31 December 2021

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About this document

The purpose of the Solvency and Financial Condition Report[1] ("SFCR") is to provide qualitative and quantitative information on StarStone Insurance SE's ("the Company", "SISE" or "StarStone") business and performance, system of governance, risk profile, valuation for solvency purposes and capital management together with standardised Quantitative Reporting Templates ("QRTs"). The SFCR has been prepared based on the requirements and principles of Article 35 of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance commonly referred to as the Solvency II ("SII") Directive as implemented in Liechtenstein and the Solvency II Regulations and Guidelines. The SFCR provides stakeholders with additional information over and above that contained in the annual financial statements.

The quantitative data presented in this report is presented in United States Dollars ("USD") which is the Company's functional and reporting currency.

This report is unaudited. However, the Company's Solvency II balance sheet included in this report is audited. The Company's Solvency Capital Requirement ("SCR") is not subject to audit this year.

[1] The numbers presented in this document may contain rounding differences to the quantitative reporting templates submitted to the regulator

Company Information

Registered Office
Zollstrasse 82
9494 Schaan
Liechtenstein

Company Registered Number
FL-0002.546.357-6

Company Regulator
Financial Market Authority
Landstrasse 109, 9490 Vaduz,
Liechtenstein

Group Supervisor
Bermuda Monetary Authority
43 Victoria Street
Hamilton, PO Box 2447
Bermuda

External Auditors
KPMG (Liechtenstein) AG
Aeulestrasse 2
9490 Vaduz
Liechtenstein

Statement of Directors' Responsibility

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

We are satisfied that:

a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations applicable to the Company, and

b) it is reasonable to believe that the Company has continued to comply subsequently and will continue so to comply in future.

For and on behalf of the Board of StarStone Insurance SE

Ian Poynton	Ee Ling Lim
Member of SISE Board of Directors	Chief Financial Officer
6 April 2022	6 April 2022

Summary

Background

The Company ceased active underwriting in 2020. The Company continues to service polices and manage claims that remain in force as well as write endorsements to existing policies particularly within Construction business and some business written under binding authorities.

The principal activity of the Company was the underwriting of specialty insurance and reinsurance business. The Company offered a broad range of insurance products to large multi-nationals and small to middle-market clients around the world, with the Company writing a diversified portfolio by territory and line of business. The Company's business was also written through its European branch network.

SISE continues to be regulated by the Liechtenstein Financial Market Authority ("FMA") with respect to its entire business and additionally in 2021 by the UK Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") with respect to its UK branch business.

The Company is owned by two companies: StarStone Insurance Bermuda Limited ("SIBL") with 73.74% of the total share capital and StarStone Finance Limited ("SFL") with 26.26% of the total share capital. SIBL owns 100% of the ordinary share capital. The shares owned by SFL are non-voting preference shares and therefore SIBL has 100% of the voting rights. SFL is a wholly owned subsidiary of SIBL.

SIBL is a wholly owned subsidiary of StarStone Specialty Holdings Limited ("SSHL") which is, in turn owned by Kenmare Holdings Ltd (58.98%) ("Kenmare"), Dowling Capital Partners (1.49%), Capital City Partners (0.21%), Trident V Parallel Fund L.P (15.80%), Trident V Professionals Fund L.P. (0.99%) and Trident V L.P (22.53%). Kenmare is wholly owned by Enstar Group Limited ("Enstar"). SISE is consolidated into Enstar. A group structure chart is included in A.1.2.

Developments in the year

The Company's Whole Account intragroup reinsurance arrangement with SIBL is on a risk attaching basis and will continue to protect the existing policies and any endorsements and business written under binding authorities for up to 2020 underwriting year. The intragroup reinsurance cessions under this agreement vary between 65% and 100% depending on the class of business and the underwriting year. This reinsurance arrangement has been terminated for the 2021 underwriting year.

A Strategic Plan has been developed and submitted to the FMA in September 2020 setting out the Company's strategy in managing the orderly and solvent administration of the Company's business until the liabilities of the Company have been settled. The liabilities of the Company vary in duration and the wind down of the Company's activities is expected to occur over a number of years. The Company continues to monitor the appropriateness of various strategies that either reduces risk or enhances the outcome for all stakeholders when compared to the Strategic Plan.

All branches other than the UK and Italian branch were closed or were in the process of being closed at the end of 2021.

Covid-19

The World Health Organization declared COVID-19 to be a global pandemic on 11 March 2020. A COVID-19 Risk Working Group was formed which included representatives from all business functions. This Group initially met daily in March/April 2020 reducing to weekly and later monthly to oversee risk issues arising from COVID-19, namely exposure and loss development, investment risk, operational risk & regulatory issues.

Due to the conservative nature of the investment portfolio, the adverse impact from market volatility has been limited. The Company is also continuing to monitor the impact to customers, suppliers and other key stakeholders and reviewing business continuity plans as appropriate.

All closed offices have now been re-opened in 2021 as per respective country specific regulatory guidelines, with the introduction of an agile working arrangement. There were no issues regarding operational functionality during the period of office closure and working from home.

Brexit

SISE's UK Branch is operating within the UK Temporary Permissions Regime ("TPR") following the end of post-Brexit transition period on 31 December 2020. The TPR allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation. As SISE UK branch is not seeking to write business, no application for full authorisation from the PRA was required. The branch will continue to operate under the TPR and will discuss transition to the Supervised Run-Off Regime ("SROR") with the PRA and the FCA in the second half of 2022.

Branches operating within the TPR are required to comply with the same regulatory requirements that apply to UK third country branches, but with only qualitative reporting requirements applying for the year ended 31 December 2021.

Post Balance Sheet Event - Russian Sanctions

On 24 February 2022, Russia began a full-scale invasion of Ukraine, in an escalation of the Russo-Ukrainian War that began in 2014. The potential impacts of this event on the balance sheet of the Company are highly uncertain and fluid. An action group across all functions of the business has been established to monitor the developing situation. Based on the information available to date, the following is highlighted:

- Since the Company does not underwrite new risks, exposures to live risks are being reviewed on a look-through basis. To date the Company has identified limited downside risk exposure. The Company does not have direct exposure to the leased aircraft or wind turbine market wide issues.
- The Company holds minimal investments directly exposed to the affected areas. There is exposure to macro-economic factors affecting the Company's investment portfolio, and this continues to be monitored regularly.
- No physical assets are held in the affected areas and the Company does not have any staff based in Ukraine or Russia. As such the operations of the Company are not affected in this regard.
- The Company continues to carefully monitor sanctions. There are live policies and open claims where there is a connection or association with sanctioned regions or sectors, or a named sanctioned entity or related sanctioned entity. Management continues to ensure appropriate actions are undertaken to meet sanctions requirements, including asset freezes.

Business and Performance

The principal activity of the Company is the administration of specialty insurance and reinsurance business previously underwritten. The Company offered a broad range of insurance products to large multi-nationals and small to middle-market clients around the world through its European branch network.

The Company has generated a loss after tax for the year of $3.6m (2020: $3.9m loss) which is primarily driven by the servicing of the Company's administrative expenses and foreign exchange loss. These losses were slightly offset by the favourable increase in investment return and the and the write up of investment carried at the lower of cost, as required under Liechtenstein GAAP, to market value upon disposal during the year. The majority of the Company's underwriting results continue to be ceded out to its parent company, SIBL.

The Company's gross written premiums have reduced by 88.7% from the prior year to $16.2m (2020: $143.3m), as a result of ceasing to underwrite new and renewal business in June 2020. The Company's gross written premium during the year is mainly generated from endorsement premiums on Construction business.

Section A sets out further details about the Company's business structure, key operations and financial performance over the reporting period.

Systems of Governance

The Company operates and maintains the system of governance to meet the requirements of the nature, scale and complexity of these activities.

The Board of Directors ("Verwaltungsrat") and the Management Board ("Geschäftsleitung") of the Company comprises a combination of executives and independent non-executives. All executives are selected on the basis of their skills, competence and experience.

During 2021, the Company revised its Governance Structure to consider the optimal structure to adopt post the transition of Starstone to Enstar. The Company is provided services by Enstar (EU) Limited ("EEUL") under Enstar's shared service model. The Terms of Reference for all committees and groups were reviewed to identify whether the previous Starstone committees could be absorbed within the existing Enstar structure. No material gaps were identified.

The Company has identified the following Key Functions in accordance with Solvency II requirements and Liechtenstein law: Risk Management, Compliance, Internal Audit and Actuarial Functions. The respective Key Function Holders are all approved by the regulator for their function and have been assessed to be Fit and Proper ("F&P").

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing (where relevant) and reporting. All governance documentation is reviewed regularly by either an executive committee or the Board according to its nature.

There were no changes to the board of directors during the year or subsequent to the year end. The Board recognises the importance of ensuring there is sufficient knowledge and expertise in the Compliance team following the cessation of writing new and renewal business and ongoing administration of SISE´s business. As such, the Compliance function continues to maintain a presence in the Company´s head office.

The Company's Internal Audit function is provided through the Group function and overseen by the Group Head of Internal Audit.

The Enstar Actuarial team has adopted responsibilities for providing actuarial support to SISE, following the decision to cease underwriting new and renewal business.

The main intra-group outsourcing agreements with EEUL have been continued following closure to new and renewal business. This continues to be under the responsibility of the SISE Key Function Holders reporting to the SISE Board.

Section B provides a more detailed overview of the Company's systems of governance. The Company's IT infrastructure supports all of its key functions.

Risk Profile

The Company's Enterprise Risk Management ("ERM") Framework aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirements. Where risk is considered to be excessive, the Company may mitigate that risk. A key mitigating factor is the purchase of reinsurance which is used to reduce exposure to Underwriting risk.
The distribution of the Company's quantifiable risks, as reflected in the SCR, is as follows:

Standard Formula Risk Categories $000	2021	2021 %	2020	2020 %
Market risk	11,269	14%	19,263	17%
Counterparty default risk	28,875	37%	38,216	35%
Non-life underwriting risk	23,554	30%	30,050	27%
Health underwriting risk	376	0%	2,784	3%
Operational Risk	14,996	19%	20,409	18%
SCR before diversification benefit	**79,071**	**100%**	**110,723**	**100%**
Diversification	(14,087)		(22,282)	
SCR	**64,984**		**88,440**	

The Company considers that the key risk and uncertainties relate to underwriting, market and counterparty default risk.

The 2021 SCR has decreased by $23.4m since 2020 from $88.4m to $64.9m which is in line with the reduction in risk charges in all risk categories as the Company continues to run-off.

- Market Risk has decreased as a result of a reduction in various sub-categories over the year.
- Counterparty Default Risk has reduced since last year due to a fall in counterparty exposures.
- Non-Life underwriting risk has decreased as a result of a fall in both earned premium and technical provision exposure as the portfolio runs off. Since last year lapse risk has also run-off completely.
- Health Risk has decreased significantly as the portfolio is expected to run-off over the coming 12 months.
- Operational Risk has decreased in-line with a fall in all other components mentioned above.

Further commentary on these movements is in included in **Section E.**
Section C provides further details of the risks which the Company is exposed and how we measure, monitor, manage and mitigate these risks, including any changes in the year to our risk exposures.

Valuation for solvency purposes

Solvency II requires a market-consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements which are prepared in conformity with the Liechtenstein Generally Accepted Accounting Principles ("LIE GAAP").

The valuation differences are summarised as follows:

Valuation Differences $000	2021	2020
Assets		
Investments	1,494	9,301
Reinsurance recoverable	(4,954)	(2,784)
Liabilities		
Technical provisions	46,160	46,631
Total Valuation Differences	**(49,620)**	**(40,114)**

The Company's net assets on a Solvency II basis are $49.6m lower than a LIE GAAP basis. This is an increase of $9.5 million compared to the prior year.

Valuation differences on investments relate to differences in the Solvency II fair value valuation basis and LIE GAAP lower of cost or market value basis. The excess of the value of investments on a Solvency

II basis compared to on an LIE GAAP has reduced by $7.8m as a result of the reduction in the size of the investment portfolio.

The excess of the value of net technical provisions on a Solvency II basis compared to their value on an LIE GAAP basis has increased by $1.7m in 2020 from $49.4m in 2020 to $51.1m in 2021. This is due to:

- Lower future profits included in premium provisions by $3.4m (increase)
- Lower costs of future reinsurance by $5.2m (decrease)
- Higher expense provision by $9.0m (increase)
- Higher impact of discounting by $1.2m (decrease)
- Lower risk margin by $3.0m (decrease)
- Lower provision for reinsurance counterparty default by $0.8m (decrease)
- Other adjustments by $0.5m (decrease)

There have been no material changes in the recognition and valuation bases for assets and liabilities under Solvency II over the reporting period.

There have not been any changes to reserving policy and procedures during 2021 or subsequently. The actuarial team recognises the potential for increased uncertainty for estimating premium and claims due to the reducing size of the portfolio going forward for certain lines of business. The Actuarial team will consider this uncertainty in their selections during run-off.

Section D includes information on the valuation basis adopted for each class of assets and liabilities and also provides an explanation of valuation differences arising when moving from the valuation basis used in the Company's financial statements to the Solvency II valuation basis.

Capital Management

The Company uses the standard formula as prescribed by the Solvency II Delegated Regulation to assess its ability to meet its regulatory capital obligations under normal and stressed conditions.

The Company's solvency position as at 31 December 2021 and the prior year is as follows:

SISE Solvency Position $000	2021	2020
Eligible Own Funds to meet the SCR	164,850	177,951
SCR	64,984	88,440
Solvency Surplus	**99,866**	**89,510**
Ratio of Own funds to SCR	**254%**	**201%**

The SCR has decreased by $23.5m since 31 December 2020, consistent with the run-off of the Company's business. The relative weightings of the risk categories within the SCR are consistent between 2021 and 2020.

The Company's Own Funds eligible to meet the SCR measured on a Solvency II valuation basis decreased by $13.1 million. The reasons for the decrease are the LIE GAAP loss for the year after tax of $3.6m and negative movement in Solvency II valuation differences of $9.5m.

The Company maintains sufficient capital to exceed both the SCR and the Minimum Capital Requirement ("MCR").

There were no instances of non-compliance with the SCR or MCR during the reporting period or subsequently. Based on projections for the next 3 years (2022-2024), the Company's Own Funds are expected to exceed its SCR and target level of capital over the three years projection period.

Section E includes further details of the Company's Own Funds and SCR.

Section A Business and Performance

A.1 Business

A.1.1 Company Information

SISE is a European public company incorporated in Liechtenstein. SISE has two shareholders: SIBL with 73.74% of the total share capital and SFL with 26.26% of the total share capital. SIBL owns 100% of the ordinary share capital. The shares owned by SFL are non-voting preference shares and therefore SIBL has 100% of the voting rights. SFL is a wholly owned subsidiary of SIBL.

The smallest higher group of companies of which group accounts are drawn up and of which this Company is a member of is SIBL.

The StarStone group of companies which comprises of SIBL and its subsidiaries including the Company ("the Group") is consolidated into Enstar (majority shareholder). As at 31 December 2021, Enstar had four reportable segments (i) Non-life Run-Off (ii) Enhanzed Re (iii) Investments; and (iv) Legacy Underwriting. The Group is included in the Run-Off segments. Further details of the Enstar Group and its operations and entities are available at www.enstargroup.com.

The Company's supervisor is the FMA, Landstrasse 109, P.O Box 279, 9490 Vaduz, Liechtenstein.

The Company's immediate parent ("SIBL") and ultimate parent's ("Enstar") supervisor is the Bermudan Monetary Authority ("BMA"), BMA House, 43 Victoria Street, Hamilton, Bermuda. Enstar publishes an annual Financial Condition Report ("FCR") prepared on a consolidated basis under BMA rules. For the year ended 31 December 2021 and onwards, this is a single group FCR which also includes the equivalent information for SIBL. Prior to this, SIBL published a separate FCR prepared on a consolidated basis.

As at 31 December 2020, SIBL was a Class-4 insurer domiciled in Bermuda. On 8 January 2021, the BMA approved SIBL's application to re-register as a Class 3A insurer with a Class 3B BSCR (capital requirement) reporting requirement.

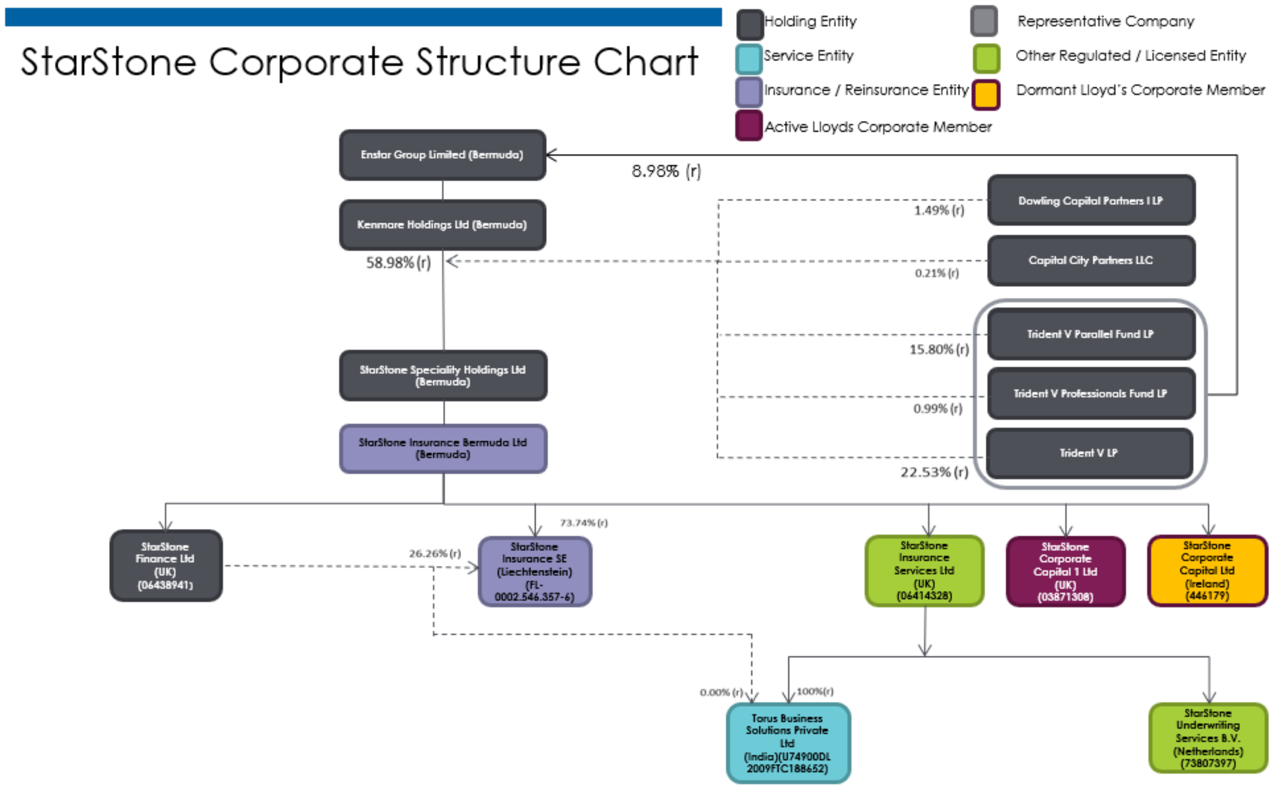
The Company's external auditor is KPMG (Liechtenstein) AG, Aeulestrasse 2, 9490 Vaduz, Liechtenstein.

The Company's financial statements and SFCR are available on the StarStone website: www.starstone.com/financial-reports. SIBL's FCR for year ends 31 December 2020 and prior is also available at this link. The Enstar single group FCR for the year ended 31 December 2021, which includes SIBL is available at this link: https://www.enstargroup.com/corporate-governance/.

SISE and SIBL (together with Lloyd's Syndicate 1301 which SIBL has an economic exposure to) has ceased active underwriting in 2020. See **Section A.1.4** below for further information.

A.1.2 Legal Structure

The Company's ownership structure and the Company's position within the overall StarStone group structure as at 31 December 2021 was as follows:



Notes
Unless otherwise noted, each entity is wholly held by the parent before it. Any ownership % followed by "(r)" rounded to the nearest 100th.
StarStone Finance Limited holds a minority 26.26% non-voting economic interest in StarStone Insurance SE in the form of non-voting preference shares.

2021 Developments

On 1 January 2021, North Bay transferred its shares in SISE's parent, StarStone Specialty Holdings Ltd ("SSHL") to its shareholders Trident V, Kenmare Holdings Limited and Dowling) who then became direct shareholders in SSHL in the same proportions as their previous shareholdings in North Bay.

On 11 February 2021, Starstone Insurance Services Limited ("SISL") completed the sale of Arena N.V., a Belgium-based specialist accident and health managing general agent, to Castel Underwriting Europe B.V.

There were no changes in the ownership structure of SISE subsequent to the year end.

A.1.3 Business

Prior to the Company´s decision to cease active underwriting in 2020, SISE underwrote general insurance business, effecting and carrying out contracts from a network of branches established across the EEA and in the UK. Any active quotes were honoured in accordance with existing terms and conditions and the Company's focus is now on proactively servicing claims on business underwritten. Historically, SISE has primarily underwritten specialty insurance and reinsurance business covering a variety of insureds from large multi-nationals to small and middle-market clients worldwide.

SISE's key classes of business are:

- Marine (Hull, Cargo and Liability)
- Property (Construction and Offshore Energy)

- Casualty (Directors and Officers, Professional Indemnity and Accident and Health)
- Aviation (Airlines and Aviation Products)

Whilst SISE has ceased to actively underwrite, some policies will remain active for several years and will be serviced on the same basis as when the Company was actively underwriting. This mainly applies to the Company's Construction portfolio.

During 2021, the branch network consisted of:
- Paris (France)
- Milan (Italy)
- Rotterdam (Netherlands)
- Embrach, Representative Office (Switzerland)
- Cologne (Germany)
- London (United Kingdom)

Whilst the Company is not actively underwriting, some policies remain active. Therefore, regulators consider the Company as an active insurance undertaking and not a company in run-off. The Company is maintaining a local presence, management in Liechtenstein to support our activity and continue to comply with relevant regulatory requirements.

In line with the Company's succession planning presented to the FMA, the integration with The Enstar Group continues (See **Section 1.4** for further details). The integration enables the StarStone Group to draw on significant strategic and operational support from its majority shareholders: Enstar Group, a global insurance organisation with $24.4 billion in assets as at 31 December 2021, and Stone Point Capital LLC, a leading private equity firm.

A.1.4 Key developments during the year

Succession plan

Following SISE ceasing to actively underwrite in 2020, a further integration of SISE within the Enstar group took place and the composition of the Management Board changed as part of the succession plan implementation. The succession plan outlined proposed reappointments of Key Function Holders and members of the Management Board due to the departure of several directors.

Branches

On 22 April 2021, the Cologne branch in Germany was closed. The Rotterdam branch in The Netherlands was closed on 31 December 2021. The closure of the Paris branch in France was filed as of 31 December 2021 and the branch was closed on 4 February 2022. The Switzerland representation office in Zurich was closed on 15 February 2022. The London branch in the United Kingdom ("UK") and the Milan branch in Italy are the remaining active branches.

The FMA and the respective local regulators have been notified of the above changes and of the closure of relevant branches. All EEA freedom of service licenses remain unchanged until the definitive closure of the branches.

Internal Reinsurance Arrangements

The Company's Whole Account intragroup reinsurance arrangement with SIBL on a risk attaching basis will continue to protect the existing policies, any endorsements and business written under binding authorities. The intragroup reinsurance cessions under this agreement vary between 65% and 100% depending on the class of business and the underwriting year. This reinsurance arrangement has been terminated for the 2021 underwriting year.

Details of intra-group reinsurance arrangement are included in **Section C.3.3**.

Brexit

SISE carries out insurance regulated activities in the UK through its UK branch currently under temporary permission. The United Kingdom withdrew from the European Union ("Brexit") following a transition period that ended on 31 December 2020.

The UK Branch is operating within the UK TPR following the end of post-Brexit transition period on 31 December 2020. The TPR allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation. As the SISE UK branch is not seeking to write business, no application for full authorisation from the PRA was required. The branch will continue to operate under the TPR and will discuss transition to the SROR with the PRA and the FCA in the second half of 2022.

Branches operating within the TPR are required to comply with the same regulatory requirements that apply to UK third country branches, but with only qualitative reporting requirements applying for the year ended 31 December 2021.

Oversight of the branch regulatory status change and on-going engagement with relevant regulators are in place.

Changes in the Board of Directors

There were no changes to the board of directors during the year or subsequent to the year end.

Changes in the Management Board

Stephen Allen was appointed on 18 January 2021 taking on responsibilities for underwriting management. Steven Hennessey was appointed as the Company's Chief Executive Officer ("CEO") taking on responsibilities from Interim CEO Richard Cowling who resigned on 31 August 2021. Erik Zunic was appointed on 31 August 2021 taking on operational responsibilities from Gordan Walters who resigned on 25 June 2021. Ee Ling Lim was appointed on 31 August 2021 as the Company's Chief Financial Officer ("CFO") taking on responsibilities from Richard Cowling. Maxime Ronsmans was appointed on 31 August 2021 taking on responsibilities for risk management. David Matthys was appointed on 31 August 2021 taking on responsibilities for compliance from Udo Pickartz who resigned from the Management Board on 29 November 2021.

A.2 Underwriting Performance

A.2.1 Underwriting performance by line of business

The summary of underwriting performance below is presented in accordance with the Solvency II QRT S.05.01 Premiums, claims and expenses by line business. The numbers reported below are in accordance with LIE GAAP. A more detailed analysis is provided in Appendix 1 (QRT S.05.01).

2021 $000	Medical expense	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Credit & Surety	Non-prop. Property	Total
Gross Written Premium	(510)	3,039	261	11,805	1,280	309	22	**16,204**
Net Written Premium	2	239	1,295	(2,949)	444	24	0	**(946)**
Net Earned Premium	760	511	4,810	(55)	2,660	271	0	**8,957**
Net Claims Incurred	388	(91)	805	3,671	(188)	(87)	1	**4,499**
Expenses	306	897	2,571	4,475	1,402	462	4	**10,117**
Underwriting profit/(loss)	**66**	**(294)**	**1,434**	**(8,202)**	**1,446**	**(103)**	**(5)**	**(5,659)**
Investment Income and expenses								**5,636**
Other income and expenses reported in the financial statements								**(2,914)**
Total loss before tax for the period as reported in the Financial Statements								**(2,937)**
Net Claims Ratio								**50%**
Net Combined Ratio								**176%**

2020 $000	Medical expense	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Credit & Surety	Non-prop. Property	Total
Gross Written Premium	5,073	2,015	67,313	37,339	27,938	3,383	249	**143,310**
Net Written Premium	1,900	1,005	10,374	7,516	8,374	(112)	0	**29,057**
Net Earned Premium	2,149	1,377	17,594	12,491	12,129	1,063	0	**46,804**
Net Claims Incurred	843	245	8,975	5,844	5,584	469	10	**21,970**
Expenses	449	732	13,698	15,300	8,083	2,956	19	**41,236**
Underwriting profit/(loss)	**857**	**400**	**(5,078)**	**(8,653)**	**(1,537)**	**(2,362)**	**(29)**	**(16,403)**
Investment Income								**3,894**
Other income and expenses reported in the financial statements								**6,116**
Total loss before tax for the period as reported in the Financial Statements								**(6,393)**
Net Claims Ratio								**47%**
Net Combined Ratio								**135%**

Investment management expense is included within the 'Expenses' line on the S.05.01 Premiums, claims and expenses by line business QRT and the table above, in compliance with Solvency II reporting requirements, but is presented as 'Investment Expenses' in the Company's financial statements.

The underwriting result of the Company for the year was a net loss of $5.7m (2020: loss of $16.4m). The Company has generated a loss before taxation for the year of $2.9m (2020: $ 6.4m loss) which is primarily driven by the servicing of the Company's administrative expenses and foreign exchange loss. These losses were slightly offset by the favourable increase in investment return and the write up of investment carried at the lower of cost, as required under Liechtenstein GAAP, to market value upon disposal during the year. The majority of the Company's underwriting results continue to be ceded out to its parent company, SIBL.

The Company's gross written premiums continue to reduce from prior year to $16.2m (2020: $143.3m), as a result of ceasing to underwrite new and renewal business in June 2020. The Company's gross written premium during the year is mainly generated from endorsement premiums on Construction business.

The Company's net expenses reduced due to lower acquisition costs of $1.3m (2020: $32.3m) as a result of lower premiums following the decision by the Company to cease writing new and renewal business. This is offset by lower commissions received of $3.1m (2020: $28.4m) due to the same reason. The Company's administrative expenses have also moved favourably comparing to last year as a number of one-off costs were incurred last year but not this year.

The Company reported gross investment income of $5.6m (2020: $3.9m) for the financial year. The increase in investment income is mainly driven by an increase in realised gains due to an increase in realised gains as investments were sold during the year to fund claims payments.

A.2.2 Underwriting performance by geographical area

The following information is presented in accordance with the QRT S.05.02 Premiums, claims and expenses by country which reports the home country and the top 5 geographical locations based on gross written premiums. 'Others' underwriting profit includes all other geographic locations not disclosed within the QRT S.05.02.

2021 ($000)	Liechtenstein	Malaysia	Netherlands	UK	United States	Germany	Other	Total
Gross Written Premium	3,959	3,265	2,222	1,144	1,068	831	3,716	**16,204**
Net Written Premium	363	(92)	1,170	(1,176)	(1,550)	796	(458)	**(946)**
Net Earned Premium	882	(69)	1,892	3,720	(264)	1,449	1,347	**8,957**
Net Claims Incurred	20	54	593	172	675	(486)	3,470	**4,499**
Expenses	882	411	588	3,989	1,467	590	2,190	**10,117**
Underwriting profit/(loss)	**(20)**	**(533)**	**711**	**(442)**	**(2,406)**	**1,345**	**(4,313)**	**(5,659)**

2020 ($000)	Liechtenstein	UK	United States	Germany	Netherlands	France	Other	Total
Gross Written Premium	1,412	62,781	20,669	15,426	15,856	11,267	15,899	**143,310**
Net Written Premium	1,728	11,118	2,324	4,286	3,951	3,564	2,087	**29,057**
Net Earned Premium	2,916	14,457	5,952	5,248	5,837	4,684	7,710	**46,804**
Net Claims Incurred	654	11,267	2,490	1,017	6,366	1,093	(917)	**21,970**
Expenses	702	15,735	8,324	3,989	4,017	3,401	5,069	**41,236**
Underwriting profit/(loss)	**1,560**	**(12,545)**	**(4,862)**	**243**	**(4,546)**	**190**	**3,558**	**(16,403)**

As a result of ceasing to underwrite new and renewal business the geographic composition of the portfolio in 2021 has changed compared to 2020.

A.3 Investment Performance

A.3.1 Investment income by asset class

The Company's investment income by Solvency II asset class[2] is presented in the table below.

2021 $000	Interest	Realised gains/losses	Unrealised gains/losses	Total
Government Bonds	358	137	(1,322)	(828)
Corporate Bonds	741	306	(1,917)	(870)
Collective Investments Undertakings	(5)	3,252	(3,162)	84
Collateralised securities	300	520	(363)	457
Cash and cash equivalents	(7)	0	0	(7)
Total	**1,387**	**4,215**	**(6,764)**	**(1,163)**

2020 $000	Interest	Realised gains/losses	Unrealised gains/losses	Total
Government Bonds	1,072	575	669	2,316
Corporate Bonds	1,751	287	1,282	3,320
Collective Investments Undertakings	29	0	1,798	1,827
Collateralised securities	895	(326)	578	1,147
Cash and cash equivalents	3	0	0	3
Total	**3,750**	**536**	**4,326**	**8,612**

There has been a significant decrease in interest income as income from fixed maturity investments are lower due to the declining size of the portfolio. There has been an increase is realised gains driven by the divestment of assets at a gain during the period to fund the portfolio outflows. There was a significant decrease in unrealised gains due to rising interest rates during the year.

The Company holds the majority of its investments in USD (86%), GBP (13%) and EUR (1%) denominated instruments and in the following proportions.

[2] The figures in the tables above are presented in accordance with the Solvency II QRT S.09.01 Income gains and losses in period. These are different to the figure presented in **Section A2.1** as under LIE GAAP, investments are valued at the lower of cost or market value.

Financial Investments $000	2021 SII Fair Value	2021 Proportion	2020 SII Fair Value	2020 Proportion
Government bonds	87,152	49%	48,658	23%
Corporate bonds	63,815	36%	72,546	35%
Collateralised securities	18,860	11%	25,051	12%
Collective Investment Undertakings	3,221	2%	52,382	25%
Total Investments	**173,048**	**98%**	**198,637**	**95%**
Cash and Cash equivalents	4,371	2%	9,546	5%
Total Cash and Investments	**177,419**	**100%**	**206,489**	**100%**

The Company holds 49% of its investment in Government Bonds, 36% in Corporate Bonds and 11% in securitised securities that are predominantly US Agency mortgaged-backed securities (issued by Federal National Mortgage Association ("Fannie Mae"), Government National Mortgage Association ("Ginnie Mae"), and ("Freddie Mac").

Investment in government bonds increased from 23% to 49% with a comparable reduction in the percentage investment in collective investment undertakings.

A.3.2 Gains and losses recognised directly in equity

There were no investment gains or losses recognised directly in the Company's equity.

A.3.3 Securitised investments

The majority of securitised investments are issued by US Government Sponsored Entities ("GSEs"), including Fannie Mae, Freddie Mac and Ginnie Mae. These securities hold a rating of AAA.

Securitised Investments $000	2021 SII Fair Value	2021 Proportion	2020 SII Fair Value	2020 Proportion
Fannie Mae	6,452	34%	10,839	43%
Freddie Mac	5,163	27%	7,548	30%
Ginnie Mae	6,900	37%	6,298	25%
Other	345	2%	366	1%
Total Securitised Investments	**18,860**	**100%**	**25,051**	**100%**

A.4 Performance of other activities

A.4.1 Other material income and expenses incurred over the reporting period

Other income and expenses relate to a foreign exchange loss of $ 2.9m (2020: foreign exchange gain of $6.1m) due to strengthening of USD against GBP, EUR and AUD.

A.4.2 Leasing arrangements

The Company leases offices under non-cancellable operating lease agreements. The rental cost associated with operating leases is charged to the profit and loss account on a straight-line basis over the life of the lease.

The only operating lease that the company had in place as at 31 December 2020 was with respect to its Cologne branch. The Cologne branch was closed on 22 April 2021 and the lease expired on 31 December 2021.

On 11 March 2021, SISE replaced SISL as the lessor with respect to an operating lease on its Schaan head office.

The operating lease payments recognised as an expense during the year are $0.3m (2020: $0.2m). The Company has no lease agreements that include contingent rent. The Company has no finance leases.

A.5 Any other information

Post Balance Sheet Event - Russian Sanctions

On 24 February 2022, Russia began a full-scale invasion of Ukraine, in an escalation of the Russo-Ukrainian War that began in 2014. The potential impacts of this event on the balance sheet of the Company are highly uncertain and fluid. An action group across all functions of the business has been established to monitor the developing situation. Based on the information available to date, the following is highlighted:

- Since the Company does not underwrite new risks, exposures to live risks are being reviewed on a look-through basis. To date the Company has identified limited downside risk exposure. The Company does not have direct exposure to the leased aircraft or wind turbine market wide issues.
- The Company holds minimal investments directly exposed to the affected areas. There is exposure to macro-economic factors affecting the Company's investment portfolio, and this continues to be monitored regularly.
- No physical assets are held in the affected areas and the Company does not have any staff based in Ukraine or Russia. As such the operations of the Company are not affected in this regard.
- The Company continues to carefully monitor sanctions. There are live policies and open claims where there is a connection or association with sanctioned regions or sectors, or a named sanctioned entity or related sanctioned entity. Management continues to ensure appropriate actions are undertaken to meet sanctions requirements, including asset freezes.

Other than the above, there is no material information to be disclosed.

Section B System of Governance

B.1 General information on the System of Governance

The Company's system of governance is proportionate to the nature, scale and complexity of the company's activities. The Company has a Board of Directors and Management Board comprised of a combination of executives, and independent non-executives. All executives are selected on the basis of their skills, competence and experience.

The SISE Board is ultimately responsible for the oversight of SISE's performance and risk management. There is an established system of governance with defined segregation of duties and delegation of responsibilities to various committees reporting to the Board.

The Board holds quarterly meetings and operates within established Terms of Reference. It is provided with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities, solvency and regulatory compliance. During Covid-19, the Board meetings continued to be held in Liechtenstein with Donat Marxer, who is based in Liechtenstein, currently taking the role of Chair (as the Chairman is based in Switzerland), with others dialling in by videoconference/phone due to travel restrictions in place during the Covid-19 environment. This is permitted by the Articles of Association in exceptional circumstances and is in line with EIOPA guidance as published by the FMA. With Covid-19 travel restrictions beginning to ease the Board is reviewing and transitioning back to in person meetings within a post Covid-19 environment.

The Board retains ultimate responsibility for all aspects of the operation of SISE. A number of matters are reserved specifically for decision by the Board. Other matters are delegated to the Management Board which reports directly to the Board and which is responsible for the day-to-day operation of the company.

B.1.1 Governance Structure

During 2021, the Company revised its Governance Structure to consider the optimal structure to adopt post the transition of StarStone to Enstar. The Company is provided services by EEUL under Enstar's shared service model. The Terms of Reference for all committees and groups were reviewed to identify whether the previous Starstone committees could be absorbed within the existing Enstar structure. No material gaps were identified.

The Company delegates authority to the Management Board to focus on operational matters. The Management Board delegates to Management Committees established to focus on particular areas with appropriate expertise (e.g., claims)

The Company delegated authority to the following Management Committees during the year ended 31 December 2021.

StarStone Insurance SE Claims Meeting: Previously the Starstone Claims Committee. The SISE Claims Meeting has delegated responsibility for claims oversight and management and establishes the Claims philosophy, policies, procedures within the Company's agreed risk appetite and risk tolerances, supported by the Risk Management and Compliance functions.

Group NLRO Reserving Committee: The Committee ensures the Reserve Risk framework is embedded in the business, consistently applied, and ensures that all significant risks have been adequately considered and managed within the parameters of agreed appetite and tolerances.

UK/EU Management Risk Committee: The purpose of the Committee is to assist the Company in reviewing and evaluating the risks to which the Company as well as the Group is exposed, which includes monitoring risk appetite positions, ensuring a robust ERM Framework is in place and considering any emerging risk issues that may affect the Company.

Underwriting Group:
The Underwriting Group, working closely with the Claims Reserving and Reinsurance Committee ("CRR") (where applicable), is responsible to the Head of Underwriting for the oversight and subsequent execution of the Underwriting Plan of activities for the Company and all other former StarStone entities.

Functional business units report directly to the Board (i.e., the Board retains oversight and responsibility for the Company's activities), via the Management Board.

The governance structure provides for effective decision making by allocation of segregated responsibilities and accountability, which provides for operational independence between functional responsibilities.

B.1.2 Key Function Responsibilities

All key functions are adequately resourced and suitably independent from the business to fully execute their responsibilities.

The Company's key functions are:
- Risk management function – dealing with the risk management and internal control systems
- Compliance function – dealing with legal, regulatory, administration and supervisory compliance
- Internal Audit function – dealing with the evaluation of the adequacy and effectiveness of the internal systems and controls
- Actuarial function – dealing with reserving & capital modelling and associated data

Apart from the above mentioned mandatory key functions, the Company has appointed an Outsourcing Manager who carries the overall responsibility for the Company´s outsourcings including due diligence and on-going oversight.

The Company ensures that all persons who effectively run the Company or have other Key Functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience, and are proper by being of good repute and integrity (see **Section B.2**). The key functions organisational charts describe the reporting lines and the level of resources and independence of relevant key functions.

B.1.3 Remuneration

There are currently 6 employees based at the Schaan head office employed directly by the Company.

The Company is a registered employer in Belgium and UK (via UK branch), with 2 employees in the Belgium office, and 3 employees in United Kingdom. The Company's remaining employees based in the United Kingdom are employed by EEUL.

The Company's Remuneration Policy has primarily been developed and implemented at a group level and has the following objectives:

- To attract, develop and retain the appropriate calibre of staff necessary to deliver the Company's key business strategies;
- To provide employees with a competitive and market-aligned remuneration package which includes remuneration made up of an appropriate balance of fixed and variable components;

- To create a strong positive performance ethic within a risk aware environment;
- To reward achievement of meaningful goals and objectives that are aligned with the Company's business and risk management strategy over both the short and long term whilst considering the performance of the Company as a whole; and
- To reflect the Company's objectives for sound corporate governance and risk management including not to encourage excessive risk-taking and to avoid conflicts of interest.

The Company has considered the EIOPA opinion on the supervision of remuneration principles in the course of the annual review of compensation and when defining remuneration packages.

The Company's compensation programme for employees and executives (together "staff members") currently consists of three principal elements: base salaries, annual incentive compensation and long-term incentive compensation. Staff members may also receive employee benefits, pursuant to their employment agreements.

Enstar Compensation Committee

The Enstar Compensation Committee oversees the Enstar Group's approach to remuneration. The Enstar Compensation Committee is comprised entirely of non-executive directors. Annually, the Enstar Compensation Committee conducts a review of group compensation policies and practices.

Fixed Remuneration

Staff members receive a fixed base salary which is determined primarily on the basis of the role and position of the individual employee, reflecting professional experience, responsibility, job complexity, criticality or scarcity of skills and local market conditions. The fixed component represents a sufficiently high proportion of the total remuneration to ensure that conflicts of interest are avoided and excessive risk taking is not encouraged.

Variable Remuneration

The variable component of remuneration is balanced with the fixed component of remuneration to avoid staff members being overly dependent on the variable component. In addition, staff members (in accordance with local employment law) may benefit from various benefit plans. All variable remuneration amounts are awarded in accordance with performance and there is no minimum payment guaranteed.

Annual Incentive Programme

Annual incentives (also known as bonuses) paid are influenced by financial, non-financial and individual performance against objectives. Financial measures selected are aligned with Enstar Group strategy and set so as not to incentivise inappropriate risk taking. Non-financial metrics will also have appropriate weighting in the assessment of performance. The Enstar Group risk function provides input into the assessment and may apply downward adjustments to take into account exposure to current and future risks.

Long-term Incentive Programmes

Some staff members may be eligible for additional variable remuneration programmes, such as long-term incentive programmes. Any long-term incentive plan has a deferral period and is aligned with the nature of the business, the risk appetite and the activities of the employees eligible.

The Company does not operate supplementary pension or early retirement schemes for staff members.

Recoupment Policy

The Enstar Group has a Recoupment Policy applicable to all staff members. The Recoupment Policy provides that the Enstar Compensation Committee may recoup, or "clawback" cash or equity incentive awards granted after 1 April 2016.

B.1.4 Material Transactions

The Company has the following material internal reinsurance arrangements.

Counterparty	Underwriting year	2021	2020
Cavallo Bay (Kayla Re)	2016-2018	35%	35%
SIBL	2018 and prior	100%	100%
SIBL	2019	80%	80%
SIBL	2020	65%	65%

The cession rate for construction line of business is 100% for all underwriting years.

The reinsurance arrangement with SIBL has been terminated for the 2021 underwriting year onwards.

There have been no other material transactions with shareholders during the reporting period.

B.2 Fit and Proper Requirements

The Company places great importance on ensuring that all persons fulfilling Key Function roles are fit and proper for their positions.

Our Human Resources ("HR") cycle supported by our Fit and Proper Policy assesses Key Functions Holders ("KFH") fitness and propriety at different stages:

- Recruitment planning, considering succession planning, where relevant
- Hiring, including background checks,
- Performance management review, and
- Fitness and propriety attestation

In accordance with our Fit and Proper policy, at each stage of the HR cycle, the following are considered:

- Individual competency, skills, experience knowledge and sound judgment to deliver their role,
- Individual propriety, including background checks at the hiring stage,
- Individual capacity to deliver their role,
- Individuals understanding of regulatory requirement and adherence to them, and
- Individual understanding of Conflict of Interest that could affect them and/or the Company

The Company performs an annual self-assessment of all KFH whereby they are required to compete an annual declaration of compliance with our Fit and Proper requirements.

In accordance with the Fit and Proper Policy, the Board of Directors, the Management Board and the KFHs and the appointed Actuary ("Key Individuals"), are assessed against criteria set forth in the Fit and Proper Policy in order to be deemed to have the necessary qualities, competencies and experience to perform their duties and carry out their responsibilities in an effective manner. All Key Individuals also require regulatory approval prior to performing their role.

The Company takes all reasonable steps to ensure that all Key Individuals are aware of and understand, the Company's Fit and Proper Policy as well as their obligation to continue to meet the requirements on an on-going basis.

The Fit and Proper Policy is supported by our Code of Conduct setting our behavioural expectations and personal obligations from all our employees, agency workers and contractors. Requirements that are considered as part of the annual appraisal process.

A whistleblowing policy is also in place to support employees, agency workers and contractors to raise concerns, with appropriate safeguard to prevent victimisation. Concerns raised are taken into account to assess members of staff fitness and propriety, where appropriate.

The HR and Compliance functions continuously monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness and propriety, for example, relevant individuals providing an annual attestation of their continued fitness and propriety for their position and confirmation of continued compliance with the fitness and proper criteria. The Compliance function is responsible for seeking FMA pre-approval for Key Individuals in accordance with the FMA Fit & Proper procedures.

The Company's KFH are:

- David Matthys (Compliance)
- Maxime Ronsmans (Risk Management)
- David Bishop (Actuarial)
- Martina Robinson (Internal Audit)

Notification of failure to meet ongoing Fit and Proper Requirements

Where it has been assessed that a Director or Senior Manager is no longer fit and proper for a position, the Board of Directors will take reasonable steps to remove the person from such position as soon as practicable and implement necessary measures to mitigate risks associated with the person continuing to hold the position.

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

As noted in **Section B.1**, Risk Management is one of the key functions of the Company's corporate governance.

The main responsibilities of the Risk Management Function are:

- Ensure independent review and challenge of first line activities.
- Develop, maintain, and implement the ERM Framework across the Company.
- Oversee the operation of the ERM Framework, ensuring emerged and emerging risks are identified on an ongoing basis.
- Lead and facilitate the ongoing maintenance of a robust Risk Appetite Framework to provide a holistic view and ongoing assessment of risk for the Executives and Board, guiding and informing enterprise risk management.
- Report to the Board analysis of aggregate risk appetite, risk profile and capital adequacy as part of the ORSA where required.
- Identify, measure, manage and, monitor the risk profile of the Company to inform the decision-making process.
- Ensure high rated risks have appropriate controls which are tested on a frequent basis.
- Conduct comprehensive risk assessments on strategic initiatives.
- Investigate, remediate and (where appropriate) escalate both control failures risk appetite breaches to the appropriate governance forums.
- Establish a proactive risk culture within the Company and provide required risk management training.
- Analyse the SCR and develop the risk profile of, and interactions between, different risk categories.
- Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance ("ESG") risks in the business planning and strategic priorities process.
- Oversee, collate and include stress and scenario testing into the wider framework, and where appropriate ensure risk mitigation measures are designed and implemented.
- Perform root cause analysis on reported incidents / risk events (as appropriate).

Effective risk oversight is a priority for the Company Board and the Company strongly emphasises facilitating the operation of a robust ERM Framework to identify, measure, manage, monitor and report risks that affect the achievement of all strategic, operational, and financial objectives.

The overall objective of the ERM Framework is to:

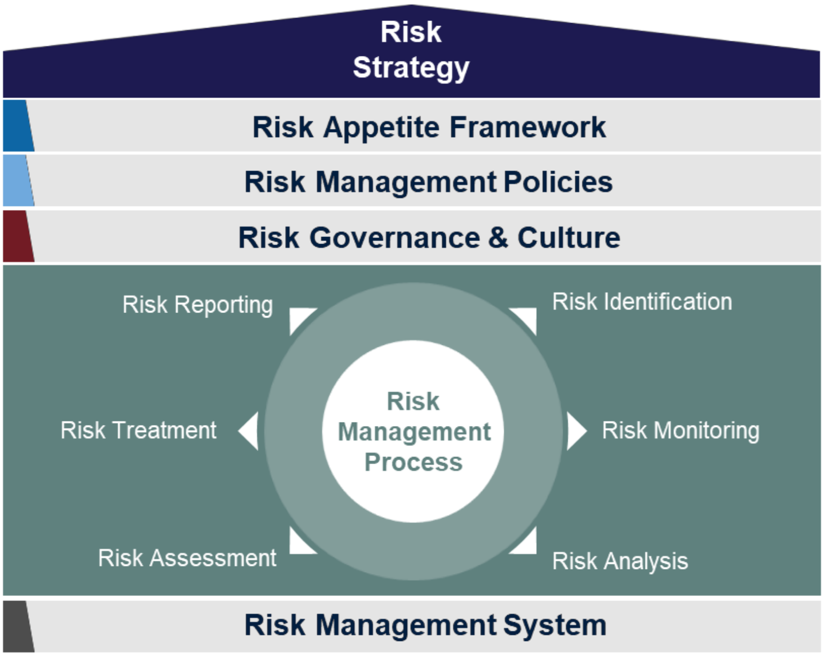
- Support the achievement of business strategy and objectives in accordance with the Board approved risk appetite.
- Ensure appropriate methods for the identification and mitigation of risk are in place and operating as intended.
- Support good risk governance, responsibility, and accountability.
- Ensure a consistent approach to risks management is embedded within the Company.

The Company uses its risk management capabilities in a strategic context to support the following three activities related to its operations:

- Identify, assess, and measure risks to understand value creating and value destroying risks and their associated risk levels for the purpose of capital allocation and business planning.
- Establish a risk appetite and underlying risk tolerances for key risks undertaken for the purpose of maintaining and controlling risk levels to be aligned to the Group's business strategy.
- Monitor and report risk levels to evaluate the Company's performance and appropriateness of the business strategy.

The overarching principle of the ERM Framework is to ensure the Company appropriately assesses and manages risk as it continues to take opportunities to meet its business objectives.

The ERM Framework and its key components are outlined in the schematic below:



Risk Strategy

The main components of the Company's Risk Strategy are:

- To support business objectives by ensuring appropriate solvency levels, liquidity and capital management.
- To ensure that an appropriate risk management framework and system of internal control is maintained according to policies agreed by the SISE Board of Directors.
- To secure appropriate reinsurance coverage, as needed, at a cost that is acceptable to the SISE Board of Directors.
- To oversee the business conduct of SISE in accordance with best practice and applicable regulations.
- Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance ("ESG") risks in the business planning and strategic priorities process.

Several key principles underpin the design of the Company's Risk Management Strategy. These are that Risk Management is:

- an integral part of the organisational processes
- part of decision making
- addresses uncertainty
- systematic, structured and timely
- based on best information
- tailored
- transparent and inclusive
- dynamic, iterative and responsive to change
- facilitating / driving continual improvement, and
- focused on protecting the Company's stakeholders and policyholders.

The Company's Risk Management Strategy enables the proactive management of risks arising in day-to-day operations, primarily through the implementation and maintenance of an effective ERM framework to ensure a robust control environment.

Risk Appetite Framework

The Company's Risk Appetite Framework ("RAF") monitors the Company's risk taking by linking business strategy and planning with available capital and risk. It outlines the amount of risk that the Company is willing to accept based on the Company's shareholders' equity, capital resources, potential financial loss and other risk-specific measures. The framework is designed to:

- Monitor and protect the Company from an unacceptable level of loss, compliance or operational failures and adverse reputational impact.
- Support the wider strategic decision-making process.

A qualitative risk appetite statement is set for each material risk and is supported by quantitative tolerances which align to the Company's business plan. The RAF is reviewed and approved by the Board annually or as determined by the Board outside the annual review cycle in the event of a material change.

Accountability for the implementation, monitoring, and oversight of the RAF is aligned with individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and any deviations from pre-established levels are reported to the Board via the quarterly risk report to facilitate responsive action or acceptance of the evolving risk profile.

Risk Management Policy

The Company maintains several Risk Management Policies which are:

- To proactively and consistently identify, assess, and manage risks across operations.
- To manage risks within the limits of the Company's prescribed risk appetite and as directed by defined corporate policies.
- To notify the Board, where events may have, or are likely to, breach risk appetite.
- To complete annual review of the policies and obtain Board approval.

Risk Governance

The Company uses the "three lines" model as illustrated below:

Board (oversight)		
1st Line	**2nd Line**	**3rd Line**
Risk Owners Control Owners	Risk Management Function Compliance Function	Internal Audit External Audit
Responsibilities		
Board(s)	Business & Risk Strategy Overall Risk Appetite(s) Approves Business Plan(s)	
1st Line	Control & Risk owners – those managing risk on a day-to-day basis	
2nd Line	Risk Management overview Stress & Scenario Testing Risk reports and ORSAs Compliance monitoring activities	
3rd Line	Internal Audit/External Audit reports	

The first line consists of Senior Corporate Executives and their function leaders and risk owners. They are accountable for executing the risk management strategy. They are responsible for the appropriate management of the activities and conduct of the business functions and for ensuring that staff understand the business strategy, risk mitigating policies, and procedures and have in place personal objectives focused on achieving these.

The second line comprises Risk and Compliance. The Risk Management function reports to the Board via the Executive Committee and focuses primarily on facilitating an efficient, effective, and consistent approach to risk management. The management assurance is further complemented by the Compliance function which seeks to mitigate legal and regulatory compliance risks and ensures that appropriate, effective, and responsive compliance services are available to the business units across the Company.

The third line comprises internal audit which independently reviews the effectiveness of the ERM Framework. The results of audits are monitored by the Board. Independent assurance from external Auditors also sits within our third line of defence. Adopting this framework ensures appropriate ownership of the risk from the business and allows for sufficient challenge from the second and third lines.

Risk Management System

The Risk Management team has a system in place to record key ERM related data, such as risk and control assessments.

Emerging Risk Management

Emerging risks are defined as 'risks which may develop, or which already exist but are difficult to quantify.' They are marked by a high degree of uncertainty. Emerging risks are not fully understood or explicitly considered within the day-to-day operations of the business given a lack of quantifiable data. Emerging risks can be expected to crystalise over time and therefore merit further analysis, assessment, monitoring, evaluation and, when appropriate, treatment.

A four-step process is in place for managing emerging risks:

1. **Identify**: All employees within the Company, the Risk Management Function and Risk Committees have responsibility for the initial identification of emerging risks which have the potential to have a financial, reputational and/or regulatory impact.
2. **Analysis**: Risk in conjunction with any identified Subject Matter Experts ("SMEs") have ongoing responsibility for ensuring emerging risks are analysed on an ongoing basis for their relevancy to the business, as well as their impact and speed of emergence.
3. **Assessment**: Emerging risks, once evaluated and adequately assessed, can be added to either the emerging risk or Company risk register. Outputs from emerging risk assessments are included within the quarterly risk report.
4. **Treatment**: Treatment plans are developed for emerging risks where required with a project lead assigned for completing the associated actions.

ORSA

In order to demonstrate appropriate solvency and sound risk management strategies on both a current and forward-looking basis, the ORSA framework incorporates assessment of the following:

Area	Annual Business Processes	Quarterly Business Processes
Current Risk Profile	▪ Strategy Setting & Business Planning ▪ Risk Appetite / Tolerance Setting ▪ Risk Identification & KRIs	▪ Risk Appetite/Tolerance Monitoring ▪ Risk Identification, Assessment & Monitoring ▪ Emerging Risk Identification, Assessment and Management ▪ Internal Control Assessment & Monitoring
Capital Requirements & Solvency	▪ Review of deviations of assumptions between the Internal Capital Model ('Own View of Capital Requirements') and the current risk profile. ▪ Comparison of relevant Regulatory (Solvency II calculation), Rating Agency and Economic Capital measures to determine risk coverage appropriateness and solvency.	▪ Available Funds and Solvency Assessments– ▪ Review of compliance with relevant Regulatory Capital Requirements ▪ Technical Provisions Assessment & Monitoring, including compliance with requirements
Forward Looking Assessments	▪ Strategic opportunity assessment ▪ Available Funds Projections ▪ Capital Management / Liquidity Contingency Planning processes	▪ Ad-hoc, as necessary (e.g. at the time of Transactions)
Stress & Scenario Testing	▪ Sensitivity analysis ▪ Stress & Scenario Analysis ▪ Reverse Stress Testing	▪ Ad-hoc, as necessary (e.g. at the time of Transactions)

Through an iterative process of information gathering, output and use, the Company seeks to develop the ORSA to support its strategic plans and objectives within the context of a consistent and Company-wide view of the potential risks and solvency impacts and the Company's appetite and tolerance to assuming such risks.

The ORSA process and report are an integral part of the business planning cycle; providing an assessment of the key risks associated with the plan. They also provide, from the Company's programme of scenario testing and the risk appetite, the corresponding solvency capital requirements for the short and long term. The ORSA process and report set out the Company's forward looking risk profile and risk drivers and considers them against the Company's risk appetite and the capital resources required to support current and emerging risks.

The ORSA process itself involves a combination processes through which the Board satisfies itself that the Company has appropriate capital (or plans for managing capital) to support the business and its risks on a forward-looking long-term basis and has adequate credible processes for managing risks. The ORSA process and report demonstrates to the Board that the risk profile and risk-based capital position of the Company is clearly reflected and understood and that the results have been validated.

The ORSA policy sets out the process for determining its capital needs linked to its risk profile. The Company's significant risk exposures are discussed in **Section C (Risk Profile)**. The risk profile is determined by the Company with the assistance of the Risk Management function and is recorded in the Risk Management system. The Company uses the Standard Formula in line with regulatory requirements and includes the results in the ORSA report. An analysis of the Standard Formula SCR by risk category as at the year-end is shown in **Section E**. An appropriateness exercise is performed on the main capital drivers to ensure that risks are considered alongside, capital and the appropriateness assessments. A forward-looking assessment of both the capital measures is made and actual performance is compared with forecasts over time.

The ORSA process operates continuously throughout the course of the business year and ORSA reports are produced on an annual and ad hoc basis:

- A full annual ORSA report is produced in line with the annual business planning process and the setting of regulatory capital. The ORSA report will be provided to the Company Board on at least an annual basis.
- Continual ad hoc ORSA reporting – following the occurrence of a trigger event (a major loss event or significant change to the risk profile), the ORSA processes are performed to assess the impact of the event on the risk profile and capital and solvency position. The ORSA processes performed will be proportionate to the significance of the trigger event and may result in an ad hoc ORSA report.

As noted under point A.1.4 Brexit, SISE's UK Branch is operating within the UK TPR following the end of post-Brexit transition period on 31 December 2020. Branches operating within the TPR are required to comply with the same regulatory requirements that apply to UK third country branches, but with only qualitative reporting requirements applying for the year ended 31 December 2021.

The UK branch is required to file an ORSA to the PRA for the UK Branch for the year ended 31 December 2021. As such, it was decided that the ORSA for the year ended 31 December 2021 will have a dual structure incorporating both quantitative and qualitative information on SISE as a legal entity and the UK Branch specifics. The annual dual structured 2021 ORSA will be approved by the Board in May 2022 for submission to the FMA and PRA and is not a public document.

Standard Formula Appropriateness

Standard Formula appropriateness is reviewed annually in conjunction with the ORSA production. Standard Formula appropriateness is evaluated by SMEs, along with Risk Management and Compliance.

To ensure each risk area is considered equally, meetings and detailed reports are produced for each risk area (i.e., Insurance Risk, Counterparty Default Risk, Investment Risk and Operational Risk). A separate report has also been produced for risks explicitly not covered by the Standard Formula (e.g., Liquidity Risk).

The analysis of each area includes qualitative comparison of the risks on the Company's risk register and those explicitly included in the Standard Formula assumptions.

The Company has not identified any material risks that it considers are not fully included in the Standard Formula SCR calculation.

Stress and Scenario Analysis

Integral to the business planning process is the performance of stress and scenario testing around key strategic and business plan assumptions.

The Company maintains a suite of stress scenarios capturing key data and rationale points, which are subject to review for continuing appropriateness as part of the business planning and ORSA process. This suite of scenarios is reviewed by Risk Management.

The Company uses a variety of methods to undertake such analysis:

- Stress tests which shift the values of individual parameters that affect the financial position of the Company and determine the effect on its business;
- Scenario analysis which builds a wide range of parameters that are varied at the same time. Scenario analyses examines the impact of extreme events on the Company's financial position;
- Reverse stress testing assesses scenarios and circumstances that would render the business model unviable. The Company defines unviability as when the Company can no longer meet its obligations or when the projected business plan targets cannot be met. This will not necessarily be the point where the business runs out of capital entirely; and
- High level, forward-looking scenarios which consider the impact of events on a multi-year basis (e.g., from 2022 to 2024). These are typically based on less severe scenarios than are used for stress and scenario testing.

The Company has a defined approach to the development of scenarios, which is coordinated by the Risk Management Function who work closely with business risk owners and subject matter experts to identify scenarios and assess their impact and likelihood.

Assumptions, controls, potential mitigating actions and potential future management actions that could be taken in response to each scenario are also considered. A range of scenarios are considered in the ORSA across all major risk categories.

Based on projections for the next 3 years (2022-2024), the Company's own funds are expected to exceed its SCR and target level of capital over the three-year projection period. SISE's solvency position is sensitive to the credit rating of SIBL due to internal reinsurance arrangements with SIBL and mitigating actions may be required if SIBL were to be downgraded to below BBB.

B.4 Internal Control System

The Company's internal control framework consists of the entirety of policies, procedures and measures in place enabling the appropriate delivery of the Company business model with appropriate oversight from the Board of Directors. The Board sets policies standards supported by underlying procedures and processes. The latter are owned by the relevant business units and support the oversight and reporting on the business model delivery. The reporting to the Board is supported by Board approved risk appetites. Forming part of the Company's group control environment, internal controls are assessed by control owners on a quarterly basis in terms of design and operational effectiveness.

The Company's Internal Control Policy follows the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Framework 2017. In addition, the Company has adopted Enstar's standards including a comprehensive Sarbanes-Oxley ("SOX") framework of financial controls for external financial reporting. The responsibility for ensuring SOX compliance is assumed by the Company's CFO. Where control weaknesses or failings are identified, remedial actions are defined and their completion monitored through the subsequent quarterly risk assessment facilitated by the Risk Management Function.

The Company has an effective internal control environment. Key Functions are required to document their operational procedures, and all relevant controls. These are reflected on the Company's risk management tool supporting the quarterly risk and control self-attestation process. The Internal Audit function assesses the effectiveness and completeness of our internal control framework on a risk-based basis.

On an annual basis, Management attests to both the design and operation effectiveness for all controls tested as part of the annual SOX 404 assessment program. This also follows the objectives and components set out within the COSO Framework 2017. The Board receives quarterly reports outlining control deficiencies noted as part of the controls testing program and where relevant an assessment of the aggregated impact these deficiencies on the Financial Statements.

B.4.1 Compliance function

The Company has developed a comprehensive set of policies, procedures and guidelines to support both employees and management to comply with the local regulatory requirements.

The Compliance function is responsible for:

- Providing advice on the application of legal and regulatory requirements within its scope to the Board and all employees;
- Promote awareness and understanding of regulatory requirements across the Company,
- Provide assurance to the Board that the Company complies with applicable requirements;
- Develop an open and collaborative relationship with relevant regulators; and
- Support prudent regulatory risk management.

The Compliance Function is supported by Enstar's Group Head of Compliance and European Head of Compliance. Whilst maintaining its independence, the Compliance Function works closely with all business divisions to provide prompt and effective support and challenge.

The Compliance Plan is defined on an annual basis by the Compliance Function and approved by the Board. Any proposed changes are then presented to the Board or relevant sub-committee for approval.

The Board recognises the importance of ensuring there is sufficient knowledge and expertise in the Compliance team following the cessation of writing new and renewal business and ongoing administration of SISE´s business. As such, Compliance continues to maintain a presence in the Company´s head office.

B.5 Internal Audit function

The Company's Internal Audit function is provided through the Group function and overseen by the Group Head of Internal Audit. The Group Head of Internal Audit has specific responsibility for leading the Internal Audit function for the Group and the provision of independent and objective assurance to the Enstar Group's Audit Committee, subsidiary Boards and senior management. This is a prescribed Key Function under Solvency II.

Scope of Responsibilities:

- To review, assess and report on the adequacy and effectiveness of the organisation's internal risk management and control environment through audit review and consultancy work. To also assist the SISE Board in discharging its responsibilities in respect of governance;
- To liaise with the external auditors to foster a co-operative and professional working relationship, optimise audit coverage while as far as possible avoiding the duplication of audit efforts; and
- To assist in enabling the Enstar Group Chief Executive Officer and Chief Finance Officer in discharging their Solvency II and SOX responsibilities through review and testing of key control activities.

The Internal Audit function has full and unrestricted access to any and all of Enstar Group records, physical properties, and personnel relevant to any function under review. Internal Audit activities are free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Audit ensures that appropriate controls are in place such that conflicts of interest do not arise. Internal auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Annually, the Internal Audit Function submits to the SISE Board an internal audit plan for approval that takes into account all activities and the complete system of governance. The audit work schedule is developed based on a prioritisation of the audit universe using a risk-based methodology. The plan is flexible and where necessary additional reviews may be added during the year.

The Internal Audit function annually assesses whether the purpose, authority, and responsibility, as defined in its charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. This is completed in the form of an annual review of the Internal Audit function against the IIA Definition of Internal Auditing, the Code of Ethics and the Standards. An external review of the Internal Audit function is completed at least once every five years by an independent body.

The Group Head of Internal Audit is responsible for making sure Internal Audit is sufficiently resourced, or has access to resources, to fulfil its remit and that Internal Audit accesses the expertise necessary to undertake work in respect of specialist business functions. Internal Audit ensures that work is conducted with due professional care.

B.6 Actuarial Function

The actuarial function comprises of two core teams: 'Reserving' and 'Capital Modelling'. Activities are coordinated by the Actuarial Function Holder and external reviews are conducted as required.

The actuaries that comprise the actuarial function are fellows/students of The Institute & Faculty of Actuaries (or equivalent) and operate under the standards set out by The Institute & Faculty of Actuaries and the UK Financial Reporting Council (or equivalent).

The key activities undertaken by the actuarial functions are as follows:

- Set the reserves and perform regular reserve reviews (on both a LIE GAAP and Solvency II basis).
- Assess the appropriateness of technical provisions methodology and assumptions used.
- Setting methodologies and ensure consistency of use.
- Ensuring that data quality and information technology systems meet the required standards.
- Undertake the standard formula calculation and validation of the standard formula appropriateness.
- Provide an opinion on the underwriting policy and the sufficiency of SISE's premium income to meet the ongoing costs of claims and expenses. The scope of this opinion is significantly reduced following the decision to cease underwriting new and renewal business.
- Provide an opinion on the reinsurance policy of SISE based on existing cover purchased and plans for future purchases as detailed in the business plan. Similarly, to the underwriting opinion the scope here is also significantly reduced since ceasing to write new and renewal business.

An actuarial function report containing the Actuarial Function Holder's opinions, recommendations and key activities is prepared and provided to the Board of Directors and the Management Board annually.

The Enstar Actuarial team has adopted responsibilities for providing actuarial support to SISE, following the decision to cease underwriting new and renewal business. We do not anticipate any material changes to actuarial policy and procedures. The actuarial team recognises the potential for increased uncertainty for estimating premium and claims due to the reducing size of the portfolio going forward for certain lines of business. The actuarial team will consider this uncertainty in their selections during this period.

B.7 Outsourcing

The Board considers this to be the most cost-effective means of delivering high quality support operations to the Company's activities, accessing the right level of expertise and allows management to focus to a greater extent on the business' core activities. The outsourcing of certain functions is a central feature of the business's operating model. The business recognises the increased operational risk inherent in outsourcing and seeks to mitigate this risk by implementing strong management oversight based on each individual outsourced arrangement risk profile. The outsourcing assessment considers the level of risk based on the type of outsourcing, size of the activity being outsourced and the third party's size and scale.

The Outsourcing Policy defines a set of risk-based expectations and processes (including composite risk assessments) through which suppliers and outsourced service providers are initially identified, assessed (due diligence process), ultimately selected and overseen. Approval processes in place are based on the materiality of the outsourcing being considered. Once a provider is selected, the risk assessment performed during the selection process determines the extent of the ongoing monitoring programme performed by the business. The Vendor Operation team is responsible to oversee some outsourcing and other are overseen by the business depending on the most appropriate oversight approach. Contingency and exit plans are developed for material outsourcing.

The Company´s Outsourcing Manager oversees all outsourcing matters for the Company.

The main outsourcing agreements are with EEUL and SISL, both UK based associated entities, providing staff to the company´s branches and services like IT services. EEUL also provide the following services:

- Treasury
- Investments
- Tax
- Actuarial Reserving
- Vendor Operations
- Human Resources
- Internal Audit

Further outsourcing agreements include:

- Catastrophe and Exposure Modelling (service provider is based in the US)
- Investment Management activities (service provider is based in the UK)
- Underwriting for specific products and in specific markets to various Managing General Agents ("MGAs"), albeit all agreements expired in 2021 due to non-renewal or cancellation
- Binding Authorities/Coverholder Agreements, albeit all agreements expired in 2021 due to non-renewal or cancellation
- Claims management for specific countries / claims to various Third-Party Agent's ("TPA's") (service providers are based in different countries)

Outsourcing arrangements are notified to the relevant regulators as per local requirements.

B.8 Any other information

Adequacy of the System of Governance

The Board is responsible for establishing an appropriate System of Governance. This has been carried out through discussions with internal and external parties (including the regulator/supervisor). The current system of governance arrangements is considered proportionate to the nature and complexity of the business.

A Board Effectiveness Review is conducted on an annual basis. This review focusses on the following areas:

- Structure, composition and leadership of the Board;
- Formal oversight arrangement, records and responsibilities – including performance management;
- The development of business strategy;
- Culture and values;
- Board and Committee decision-making;
- Risk management, conflicts management and regulatory principles;
- Quality, purpose and distribution of Management Information;
- The overall effectiveness of the Board in terms of its involvement in decision-making, development evaluation and process for appointments to the Board; and
- Board supervision of key functions.

Recommendations are documented following the review and an action plan implemented with actions being labelled as high, medium or low priority. In view of the integration of SISE into Enstar group, a review of the key Company policies is being undertaken.

Section C Risk Profile

The Company's ERM Framework aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirements. Where risk is considered to be excessive, the Company may mitigate that risk. A key mitigating factor is the purchase of reinsurance which is used to reduce exposure to Underwriting risk.

The Company's business model and risk profile has evolved in recent years as a result of the decision to stop writing new and renewal business, offset by the greater retention of risk due to lower whole account quota share cession rate. The risk profile is grouped into the SII risk types. Due to the Company's business the concentration profile is dominated by market, credit, and underwriting risk. See **Section E.2** and QRT S.25.01 for an analysis of the SCR by SII risk category.

EIOPA correlation matrices from the Standard Formula are used for determining and calculating existing dependencies between the risk modules to calculate the SCR.

C.1 Underwriting Risk

C.1.1 Risk description

In accordance with the article 105 of the Solvency II Directive, underwriting risk is defined as 'the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.' Underwriting risk is the risk that insurance premiums and/or reserves are ultimately insufficient to fully settle claims and associated expenses.

Underwriting risk spans many aspects of the insurance operations, including premium risk and risk associated with reserving assumptions. Underwriting risk relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities that have been assumed through the underwriting process. As referenced elsewhere previously, new underwriting has been discontinued, though there remains continued oversight of management of the underwriting portfolio. Exposure levels are monitored across all risk categories in line with the approved risk appetite thresholds.

Premium Risk is the risk that policy terms, premiums and reinsurance protection will not be sufficient to cover ultimate loss and expense costs and achieve target rates of return.

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, and legal and regulatory matters.

C.1.2 Risk management / mitigation

The Company strives to mitigate underwriting risk through controls and strategies including the purchase of reinsurance, ensuring underwriting authority limits and guidelines are adhered to for the duration of contract terms. Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

The purchase of reinsurance plays a pivotal role in the mitigation of Underwriting risk. Details of internal reinsurance arrangements entered during the year are included in **Section C.3.3**. Sufficient underwriting expertise has been retained to support the Construction book which has a longer tail with endorsements to be processed and a small, centralised, team to handle all other risk categories for endorsements or queries.

While new underwriting has been discontinued within the Company, there has been an improved review process relating to any premium adjustments and movements, with material premium movements requiring additional sign off from EEUL.

C.1.3 Risk exposure / concentration

In some business lines, the Company is exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood, or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). The Company models and manages its individual and aggregate exposures to these events and other material correlated exposures in accordance with its risk appetite. The modelling process utilises a major commercial vendor model to measure these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around the Company's ability to measure exposures, which can cause actual exposures and losses to deviate from initial estimates. As noted in **Section C.1.2** above reinsurance plays a pivotal role in mitigating this risk.

To monitor catastrophe risk, the Company reviews exceedance probability curves together with aggregated realistic disaster scenarios. The Company considers occurrence exceedance probability and aggregate exceedance probability which reflect losses resulting from single or multiple events, from individual perils and in the aggregate. Underwriting exposure is also managed through monitoring realistic disaster scenarios for man-made events and certain natural catastrophe risks and applying absolute maximum limits by line of business.

The Company records premium income by both underwriting class of business and risk location. An analysis of premiums by geographical area shown in **Section A.2.2**.

There were no material changes during the financial year in the Company's underwriting risk exposures. The Company's decision to discontinue underwriting as from June 2020 resulted in reduced premium volume as from the 2020 underwriting year onwards and therefore reduced associated underwriting exposures. Conversely, the unexpected nature of COVID-19 related underwriting exposures presents some uncertainty with regards to final loss estimates although these are mitigated by reinsurance in place.

C.1.4 Stress and sensitivity analysis

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported ("IBNR").

A five percent increase or decrease in total net best estimate technical provisions (before risk margin), which is considered reasonably possible, would have the following effect on the Company's own funds:

Underwriting Risk Sensitivity - 2021 $000	5% increase	5% decrease
Medical Expense	106	(106)
Other Motor	66	(66)
Marine, aviation and transport	932	(932)
Fire and other damage to property	2,595	(2,595)
General liability	1,407	(1,407)
Credit and suretyship insurance	92	(92)
Non-proportional property reinsurance	86	(86)
Total	**5,284**	**(5,284)**

Underwriting Risk Sensitivity - 2020 $000	5% increase	5% decrease
Medical Expense	78	(78)
Other Motor	121	(121)
Marine, aviation and transport	2,245	(2,245)
Fire and other damage to property	3,086	(3,086)
General liability	1,531	(1,531)
Credit and suretyship insurance	(15)	15
Non-proportional property reinsurance	0	(0)
Total	**7,045**	**(7,045)**

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

C.2 Investment/Market Risk

C.2.1 Risk description

Market risk is the risk that the fair value or future cash flows of a financial instrument or investment will fluctuate because of changes in market prices. The market risk module shall reflect the risk arising the level or volatility of economic variables which have an impact upon the value of the assets and liabilities of the Company. It shall properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

Market risk may be triggered by multiple economic, political, and regulatory factors such as recessions, political upheavals, structural changes or regulatory changes. Additionally, Market risk may be amplified by excessive concentration and exposure to individual securities, asset types, or asset and fund managers through relative movements in the underlying valuations of the assets).

C.2.2 Risk management / mitigation

The Company manages Market risk in a number of ways, including use of investment guidelines; regular reviews of investment opportunities; market conditions; portfolio duration; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; established tolerance levels; and, where possible, foreign currency asset/liability matching. Investments are primarily managed by the Investment function, which is overseen by the Investment Committee.

The Prudent Person Principle is embedded in Solvency II and is used to guide the Company to invest in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. They are invested in a manner to ensure the security, quality, liquidity, and profitability of the portfolio, and such that they are available to the Company in the relevant currency as required. Assets held to cover technical provisions are also invested in a manner appropriate to the nature and duration of the Company's liabilities. They are invested in the best interest of all stakeholders, taking in particular into account the Company's customers. Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geography, asset class or other risk attribute.

Risk treatment and mitigation strategies are driven by established risk appetite approved by the Board. Risk treatment/mitigation (e.g., establishing controls, procedures and the implementation of modified strategic activities designed to for example rebalance the portfolio into or away from specific asset classes given the underlying risk profile) or accepting risks to the extent at par with Board approved risk appetite is the responsibility of risk owners and oversight by senior management.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

The Company did not invest in derivatives or other risk mitigation techniques during the financial year.

With effect from 31 December 2021, the Company has assigned $139.3m of investments from the Schaan head office to the SISE UK branch, as a form of capital contribution by the head office. This was to help the branch meet its branch SCR and reflect the economic position of the branch more accurately being the largest branch in the Company by reserves. The assignment of investments to the UK branch had no impact on other branches or the legal entity's reporting, nor on Market risk as investments assigned to the UK branch will be consolidated for SISE reporting at a legal entity level. Notional investment income remains allocated to the underlying branches and therefore creates no impact to the individual branch taxable income.

No other material changes have been made to the investment risk management process during the financial year.

C.2.3 Risk exposure

Investments presented in the financial statements are shown in the table below.

Financial Investments by Category - 2021 $000	Amortised Cost	Fair Value
Long Term		
Corporate Securities	61,837	62,589
US Government Securities	78,354	78,639
Non-U.S. Government	9,048	9,161
Mortgage-Backed Securities	18,515	18,811
Other		
Collective Investment Scheme	3,221	3,252
Total	**170,975**	**172,452**

Financial Investments by Maturity - 2021 $000	Amortised Cost	Fair Value
Due in one year or less	58,770	59,039
Due after one through five years	87,605	88,475
Due after five through ten years	6,522	6,591
Due after ten years	18,078	18,347
Total	**170,975**	**172,452**

Financial Investments by Category - 2020 $000	Amortised Cost	Fair Value
Long Term		
Corporate Securities	69,816	72,804
US Government Securities	30,712	31,661
Non-U.S. Government	14,888	16,061
Mortgage-Backed Securities	24,074	24,982
Other		
Collective Investment Scheme	41,553	44,837
Total	**181,043**	**190,344**

Financial Investments by Maturity - 2020 $000	Amortised Cost	Fair Value
Due in one year or less	53,935	57,430
Due after one through five years	99,270	103,901
Due after five through ten years	4,390	4,679
Due after ten years	23,447	24,335
Total	**181,043**	**190,344**

Investments in securities are stated at the lower of cost or market value in the LIE GAAP balance sheet and at market consistent value in the SII balance sheet.

Deposits with banks and cash at bank and on hand include assets of $0.4m (2020: $0.4m) that were pledged as collateral for letters of credit issued in relation to insurance business written and $1.8m (2020: $2.5m) are also used as collateral within individual trust funds or as deposits with regulatory authorities.

The Company has restricted investments of $89.7m (2020: $86.3m) which are used as collateral within trust funds. There were no material changes during the financial year in the Company's market risk exposures.

Interest Rate Risk

Interest rate risk is the risk that movements in interest rates lead to lower-than-expected profitability due to declines in asset valuations and/ or projected cash flows. The Company is exposed to interest rate risk primarily from financial investments, cash, and deposits. The risk of changes in the fair value of these assets is managed by investing in a diversified portfolio of securities. The Company does not invest in derivative instruments. Interest rate risk applies to the whole fixed income portfolio.

Currency Risk

The Company's foreign currency policy is to mainly manage foreign currency risk by matching liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets that are denominated in such currencies. In addition, SISE may selectively utilise foreign currency forward contracts to mitigate foreign currency risk. To the extent the foreign currency exposure is not matched or hedged, the Company may experience foreign exchange losses or gains, which would be reflected in the overall entity results. The assets backing shareholders' funds are largely kept in U.S. Dollars, the Enstar Group's main currency.

Equity Risk

Equity risk is the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or in the volatility of market prices of equities. The capital requirement for equities is equal to the loss in the basic Own Funds that results from an instantaneous decrease in the market value of the equity. The Company does not hold any equities and is therefore not exposed to any equity risk.

Spread Risk

Spread risk is the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The capital requirement for spread risk is equal to the sum of:

- The capital requirement for spread risk on bonds and loans;
- The capital requirement for spread risk on securitization positions;
- The capital requirement for spread risk on credit derivatives

The capital requirement for spread risk on bonds and loans is equal to the loss in the basic own funds that results from an instantaneous relative decrease in the value of each bond or loan. This risk is mitigated by placing limits on its exposure to a single counterparty and by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by prominent rating agencies.

Concentration Risk

Additional risks to an insurance or reinsurance undertaking stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. The capital requirement for market risk concentration is calculated on the basis of single name exposures and equal to the loss in basic own funds that result from an instantaneous decrease in the market value of the assets. The concentration risk is managed by the Enstar Investment team by maintaining an appropriate mix of investment instruments.

C.2.4 Stress and sensitivity analysis

For 2021, the Company observed increased unprecedented uncertainty in relation to its investment portfolio as a result of COVID-19 and its continued impact on the volatility within financial markets.

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

C.3 Credit Risk

C.3.1 Risk description

Reinsurance Credit & Counterparty Risk is defined as the risk relating to a reinsurance counterparty's ability to make timely payments in accordance with the contractual terms of the reinsurance contract.

Reinsurance Credit & Counterparty Risks can be broken down into the following sub risks:

- Dispute risk arising from claims or contractual disputes with reinsurers resulting in lower-than-expected reinsurance recoverables. This risk includes the untimely receipt of recoverables, which may result in balances being time-barred and existing bad debt provisions being increased.
- Default risk arising from default or changes to credit quality of the reinsurer.
- Counterparty Concentration risk arising from the risk of higher total losses from inadequate diversification across counterparties.

The key sources of Credit risk for the Company are:

- Risk of non-recoverable internal reinsurance from the significant internal quota share reinsurance with SIBL. This is the most significant credit risk to the Company;
- Risk of non-recoverable reinsurance assets currently held on balance sheet (outstanding and IBNR) due to Reinsurer failure;
- Risk of failure of external reinsurers on current reinsurance programme and any unexpired risks
- Risk of failure of coverholders, brokers or policyholders; and
- Risk of default or failure of investment counterparties such as banks, investment funds etc.

C.3.2 Credit risk management / mitigation

The Company's objective in managing credit risk is to ensure the risk is managed in a sound and prudent manner in line with the Company's risk profile and risk appetite, and regulatory requirements. The assets are invested in high quality investment grade securities managed by Goldman Sachs Asset Management. The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

The Company mitigates credit risk through the reinsurance purchasing process, where reinsurers are subject to financial security and rating requirements prior to approval and by limiting exposure to individual reinsurers. Thereafter, credit risk is managed by the regular monitoring of reinsurance recoveries and premium due directly or via brokers and other intermediaries. At management level, reinsurer credit risk is monitored and overseen by the Management Board which meets quarterly. The Management Board monitors risk tolerance levels which have been approved by the Board as part of the Risk Appetite Framework.

In fixed maturity and short-term investment portfolios, credit risk is mitigated through diversification and issuer exposure limitation.

The Company's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Company has a policy of investing in mainly investment grade assets (i.e., those rated BBB and above).

The Company limits the amount of cash that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Credit Risk is calculated using the standard formula and using an internal approach and is monitored through the quarterly risk report.

Appropriate controls and procedures are in place and monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

No material changes have been made to the credit risk management / mitigation process during the financial year.

C.3.3 Risk exposure / concentration

The Company has a material counterparty concentration with its SIBL which has arisen due to a number of reinsurance contracts (see **Section B.1.4** above)

All of the above arrangements are fully collateralised.

The following table analyses the credit rating by investment grade of Solvency II balance sheet assets shown in **Section D**.

Financial Assets by Rating - 2021 $000	AAA	AA	A	BBB	Not Rated	Total
Investments	29,746	40,675	91,178	11,449	-	**173,048**
Reinsurance recoverables	-	143,800	357,510	2,774	51,205	**555,290**
Insurance and intermediary receivables	-	-	-	-	19,679	**19,679**
Reinsurance receivables	-	14,114	75,895	272	5,026	**95,307**
Receivables (trade, not insurance)	-	-	-	-	6,670	**6,670**
Cash and cash equivalents	-	-	4,371	-	-	**4,371**
Any other assets	-	-	-	-	1,310	**1,310**
Total	**29,746**	**198,590**	**528,954**	**14,495**	**83,889**	**855,674**

Financial Assets by Rating - 2020 $000	AAA	AA	A	BBB	Not Rated	Total
Investments	67,911	24,740	48,537	12,613	44,837	**198,637**
Reinsurance recoverables	-	96,915	525,415	2,323	58,866	**683,519**
Insurance and intermediary receivables	-	-	-	-	30,730	**30,730**
Reinsurance receivables		9,216	87,156	1	1,559	**97,931**
Receivables (trade, not insurance)	-	-	-	-	6,947	**6,947**
Cash and cash equivalents	-	-	9,546	-	-	**9,546**
Any other assets	-	-	-	-	1,687	**1,687**
Total	**67,911**	**130,871**	**670,653**	**14,937**	**144,626**	**1,028,998**

This analysis shows that on a Solvency II valuation basis 89% (2020: 84%) of the Company's assets have held with counterparties that are rated A or above.

The Company has debtors arising from direct insurance and reinsurance operations and may make a provision (where applicable) for non-recovery after undertaking an assessment of the counterparty's financial position and likelihood of recoverability.

There were no other material changes over the financial year in the Company's credit risk exposures during the reporting period.

C.3.4 Stress and sensitivity analysis

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

C.4 Liquidity Risk

C.4.1 Risk description

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. SISE follows an appropriately conservative investment strategy designed to emphasise the preservation of its invested assets and provide sufficient liquidity for the prompt payment of claims as they fall due and settlement of commutation and policy buyback payments. As the Company decided to discontinue underwriting as from June 2020, future premiums have a decreasing impact on the Company's liquidity position.

C.4.2 Risk management / mitigation

Risk treatment and mitigation strategies are driven by established risk appetite as approved by the Board. Risk treatment/mitigation (e.g., establishing controls, procedures and the implementation of modified strategic activities to either reduce cash demands and/or source additional liquidity capacity) or accepting risks to the extent at par with Board approved risk appetite is the responsibility of risk owners and oversight by senior management.

The Company mitigates this risk by following an investment strategy designed to emphasise the preservation of invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities. The Company maintains banking facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet liabilities when they fall due. In practice, most of the Company's assets are marketable securities which could be converted into cash when required. The assets are invested in liquid government and corporate bonds that more than meet the legal entities liquidity needs.

At management level, Liquidity risk is monitored and overseen by the Management Board which meets at least quarterly. The Management Board monitors liquidity against key risk indicators defined in the risk appetite statement.

Appropriate controls and procedures are monitored for on-going operational effectiveness to ensure that residual risk is maintained within approved risk appetite.

No material changes have been made to the liquidity risk management / mitigation process during the financial year.

C.4.3 Expected profit in future premiums

The Company's expected profit included in future premiums ("EPIFP") gross of reinsurance has been set to nil at year-end 2021 due to the lack of gross future premiums (2020: $2.2m).

C.4.4 Liquidity risk exposure / concentration

There were no material changes in the Company's liquidity risk exposure during the financial year.

C.4.5 Stress and sensitivity Analysis

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

C.5 Operational Risk

C.5.1 Risk description

Operational risk is the risk of a loss arising from inadequate or failed internal processes, people, or systems or from external events.

Operational risk includes outsourcing risk. Outsourcing risk is defined as an arrangement of any form between a firm and a service provider by which that service provider performs a process or activity or provides a service which would otherwise be undertaken by the firm itself.

C.5.2 Operational risk management/ mitigation

All operational risks are assessed via the risk assessment process on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Management Risk Committee and the Board.

Operational risk is mitigated through the application of policies and procedures, internal controls and compliance processes throughout the Company, including but not limited to business continuity planning, information security procedures, change management processes, financial reporting controls and a review process for material third-party vendor usage. Controls which are executed throughout the Company's operations, to mitigate against their associated risks crystalising, are assessed on a quarterly basis. Operational Risk is calculated using the standard formula and is monitored through the quarterly risk report. Operational stress tests are performed annually and reported through the ORSA process.

The business recognises the increased operational risk inherent in outsourcing and seeks to mitigate this risk by implementing strong management oversight over each individual outsourced arrangement, and a greater concentration of oversight for those arrangements which are considered material because of their size, the risks associated with their failure or because of their nature (i.e., the outsourcer is performing a regulated activity).

The Risk Management Function assists the business with these responsibilities by providing the framework and tools, assisting with monitoring risk levels within the defined risk appetite and providing other support as needed.

The Company maintains a business continuity plan outlining the process to minimize the financial, legal, reputational, operational, and other material consequences arising from a natural or unscheduled disruption.

No material changes have been made to the measures for managing and mitigating operational risk during the financial year. Following the outbreak of Covid-19 in March 2020, all closed offices have now been re-opened in 2021 as per respective country specific regulatory guidelines, with the introduction of an agile working arrangement. There were no issues regarding operational functionality during the period of office closure and working from home.

C.5.3 Operational risk exposure / concentration

The key operational risk factors facing our business are as follows:

- The Company is dependent on executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect our business. Retaining sufficiently skilled resource to manage the business is a significant risk. Specific retention approaches and plans have been applied to retain key underwriting, non-underwriting staff, and KFH. In addition, the Company benefits from being majority owned by Enstar Group who have greater scale and may support functions in case of staff losses where a retention is not in place.

- The Company has a number of internal systems and processes that rely on people and technology. These are not immune from potential failure. The Company monitors operational risk through its risk management and internal control system.
- If outsourced providers such as third-party administrators, investment managers or other service providers were to breach obligations owed to the Company, the business and results of operations could be adversely affected. All outsourcing and material supplier contracts have been subject to enhanced monitoring in light of the global COVID-19 pandemic, focusing specifically on the providers business continuity plans and readiness.
- If the Company experiences difficulties with information technology assets or cyber security, its business could be adversely affected.

C.5.4 Stress and sensitivity Analysis

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

C.6 Other Material Risks

C.6.1 Strategic Risk

Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond the Company's control.

All Strategic and Group risks are assessed via the Risk Management system on a quarterly basis. Risk owners must provide an inherent and residual risk rating along with a supporting rationale. Key Risk Indicators are also assessed quarterly and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Board.

No changes have been made to the measures for assessing Strategic and Group risk in the reporting period.

The Company monitors the capital position relative to regulatory, rating agency and internal capital requirements and anticipated liquidity needs. This analysis is periodically subjected to stress testing to determine, amongst other things, what the impact of a significant financial losses within one subsidiary would be on the capital position of the group.

The Company has historically depended on the Group's AM Best A- rating to support underwriting activity and to support the level of capital held for Credit Risk. In the event of a downgrade this would reduce the Company's capital surplus. The rating was re-affirmed in 2021 with a stable outlook.

At management level, Strategic and Group Risk is monitored and overseen by the Risk Management function and the Board which meets at least quarterly.

C.6.2 Group Risk

Group risk arises from the Company being majority owned by Enstar Group. Enstar is a Bermuda-based holding Company, formed in 2001, that offers innovative capital release solutions and specialty underwriting capabilities through its network of Group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR".

Enstar focuses on the acquisition and management of insurance and reinsurance companies in run-off and the acquisition and management of portfolios of insurance and reinsurance business in run-off.

C.6.3 Regulatory and Reputational Risk

Regulatory risk is the risk of legal or regulatory sanctions resulting in a financial loss, or loss of reputation as a result of an insurer's failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct. We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

C.6.4 Tax Risk

Tax risk is the risk requirements are not adhered to accurately or in a timely manner resulting in a financial loss. The Company proactively seeks to identify, evaluate, manage, monitor and mitigate tax risks. SISE is committed to complying with all tax laws, rules and regulations applicable. In evaluating potential transactions, the Company considers the overall commercial, financial and tax aspects. Where there is uncertainty or complexity in relation to a tax risk, the Company may seek external advice and, where appropriate, we may obtain tax clearances from relevant tax authorities.

C.6.5 Pandemic Risk

The World Health Organization declared COVID-19 to be a global pandemic on 11 March 2020. A COVID-19 Risk Working Group was formed which included representatives from all business functions. This Group initially met daily in March/April 2020 reducing to weekly and later monthly to oversee risk issues arising from COVID-19; namely exposure and loss development, investment risk, operational risk & regulatory issues.

Due to the conservative nature of the investment portfolio, the adverse impact from market volatility has been limited. The Company is also continuing to monitor the impact to customers, suppliers and other key stakeholders and reviewing business continuity plans as appropriate.

C.6.6 Brexit

SISE's UK Branch is operating within the UK TPR following the end of post-Brexit transition period on 31 December 2020. The TPR allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation. As SISE UK branch is not seeking to write business, no application for full authorisation from the PRA was required. The branch will continue to operate under the TPR and will discuss transition to the SROR with the PRA and the FCA in the second half of 2022.

Branches operating within the TPR are required to comply with the same regulatory requirements that apply to UK third country branches, but with only qualitative reporting requirements applying for the year ended 31 December 2021.

As SISE is currently compliant with Solvency II regulatory reporting requirements, the financial reporting methodologies, and processes currently in place can be leveraged to meet the SISE UK branch specific reports. In the course of 2021, a UK Branch SII assessment and SCR calculation has been performed to assess the level of UK Branch's eligible own funds to meet the SCR. As explained in C.2.2 above with effect from 31 December 2021, the Company has assigned $139.3m of investments from the Schaan head office to the UK branch to help the branch meet its branch SCR and reflect the economic position of the branch more accurately.

C.6.7 Climate Change

Given the Company has ceased writing new and renewal business, exposure to climate-related risks emanates from existing insurance liabilities and the assets that back those liabilities.

Our ERM Framework defines the roles and responsibilities for effective oversight and management of ESG and climate-related risks and opportunities at the Board and senior management levels.

Climate change presents risks and opportunities to the sustainability of the business. The Company's business strategy is exposed to the following risks over the short (<2030), medium (<2040) and longer (≥2040) term time horizons, across three major types of climate risk:

- Physical risks (Short to Longer term) are the first order risks arising from weather-related events, such as floods and storms. Their impact may be felt directly through property damage, or indirectly through subsequent events such as disruption of global supply chains or resource scarcity. Our operations may be impacted by physical risks affecting key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of this risk is considered low.
- Transition risks (Short to Medium Term) include financial risks deriving from the transition to a carbon net zero economy, and for Enstar include potential swift, adverse repricing of carbon-intensive financial assets. Scenario analysis undertaken during 2021 to assess the impact of transition risk concluded a relatively modest impact to the investment portfolio.

- Liability risks (Short to Medium Term) include third-party exposures such as claimants who have suffered climate-change related losses and damage and seek compensation. Liability risks also include the unknown and potentially high costs of dealing with losses or damage from physical or transition risk factors. Liability risks are particularly high for those directors and officers who do not properly manage and report climate-related risks and commit errors and omissions. Scenario analysis undertaken during 2021 to assess the impact of liability risk concluded a low impact to the liabilities.

C.7 Any Other Information

C.7.1 Stress and Scenario Analysis

Integral to the business planning process is the performance of stress and scenario testing around key strategic and business plan assumptions. A description of Stress and Scenario Analysis performed by the Company is included in **Section B.3**.

Based on projections for the next 3 years (2022-2024), the Company's Own Funds are expected to exceed its SCR and target level of capital over the three-year projection period. SISE's solvency position is sensitive to the credit rating of SIBL due to internal reinsurance arrangements with SIBL and mitigating actions may be required if SIBL were to be downgraded to below BBB.

Section D Valuation for Solvency Purposes

Solvency II requires a market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements. The financial statements are prepared under LIE GAAP. The table below summarises the Solvency II and the LIE GAAP valuation of assets, based on the Solvency II balance sheet headings and the Solvency II approach to classifying assets and liabilities. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under LIE GAAP, is provided in the subsequent sections.

A more detailed Solvency II balance sheet is included in Appendix 1 (QRT S.02.01).

Balance Sheet - 2021 $000	Statutory Value (LIE GAAP)	Reclassification Differences	Valuation Differences	Solvency II Value	Notes
Investments	170,975	577	1,494	173,048	D1.1
Reinsurance recoverables	604,292	(44,049)	(4,954)	555,290	D1.2
Insurance and intermediary receivables	19,679	-	-	19,679	D1.3
Reinsurance receivables	95,307	-	-	95,307	D1.4
Receivables (trade, not insurance)	6,670	-	-	6,670	D1.5
Cash and cash equivalents	4,371	-	-	4,371	D1.6
Any other assets	1,887	(577)	-	1,310	D1.7
Total Assets	**903,182**	**(44,049)**	**(3,460)**	**855,675**	
Technical provisions	629,081	-	46,160	675,242	D2
Reinsurance payables	54,030	(44,049)	-	9,981	D3.1
Payables (trade, not insurance)	4,097	-	-	4,097	D3.2
Any other liabilities	1,505	-	-	1,505	D3.3
Total Liabilities	**688,713**	**(44,049)**	**46,160**	**690,825**	
Excess of Assets over Liabilities	**214,469**	**-**	**(49,620)**	**164,850**	

Balance Sheet - 2020 $000	Statutory Value (LIE GAAP)	Reclassification Differences	Valuation Differences	Solvency II Value	Notes
Investments	181,043	8,293	9,301	198,637	D1.1
Reinsurance recoverables	783,955	(97,652)	(2,784)	683,519	D1.2
Insurance and intermediary receivables	58,257	(27,527)	-	30,730	D1.3
Reinsurance receivables	97,931	-	-	97,931	D1.4
Receivables (trade, not insurance)	6,947	-	-	6,947	D1.5
Cash and cash equivalents	17,091	(7,545)	-	9,546	D1.6
Any other assets	2,435	(748)	-	1,687	D1.7
Total Assets	**1,147,659**	**(125,179)**	**6,517**	**1,028,998**	
Technical provisions	822,687	(27,527)	46,631	841,791	D2
Reinsurance payables	101,018	(97,652)	-	3,366	D3.1
Payables (trade, not insurance)	2,903	-	-	2,903	D3.2
Any other liabilities	2,987	-	-	2,987	D3.3
Total Liabilities	**929,595**	**(125,179)**	**46,631**	**851,047**	
Excess of Assets over Liabilities	**218,064**	**-**	**(40,114)**	**177,951**	

The following table provides a reconciliation of the excess of assets over liabilities reported in the Solvency II balance sheet to equity shareholders' funds reported in the GAAP balance sheet.

Excess Assets over Liabilities $000	2021	2020
Excess of assets over liabilities - GAAP	**214,469**	**218,062**
Profit in Unearned Premium Provision ("UPR")	510	4,161
Profit in bound but not incepted ("BBNI")	-	(240)
Future cost of reinsurance	(8,973)	(14,134)
Events not in Data ("ENIDS")	(450)	(649)
SII Expense provision	(29,813)	(20,776)
Risk Margin	(14,276)	(17,362)
Discounting	1,760	585
Counterparty default	-	(1,787)
Other	129	787
Technical provision adjustments	**(51,114)**	**(49,416)**
Other Solvency II adjustments	1,496	9,304
Excess of assets over liabilities - Solvency II	**164,850**	**177,951**

D.1 Assets

D.1.1 Investments

Investments consist primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration.

Investments are recognised under Solvency II when the Company becomes a party to the contractual provisions of the instrument. Investments are de-recognised if the Company's contractual rights to the cash flows from investments expire or if the Company transfers the investments to another party without retaining control of substantially all risks and rewards of the assets. This is the same recognition basis under LIE GAAP reporting and there has been no change in the recognition criteria during the year.

Valuation differences

Solvency II requires investments to be recognised at fair value which is the amount an asset or liability could be exchanged between willing parties in an arm's length transaction. Under LIE GAAP, investments in securities are stated at the lower of cost or market value. In the Solvency II balance sheet, the carrying value of the assets held at cost is adjusted to fair value. Fair values are determined at prices quoted in active markets. The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilise internationally recognised independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

Investment classification

Classification differences exist between LIE GAAP and Solvency II for certain investment balances.

Cash and cash equivalents are classified differently between LIE GAAP and Solvency II. Under LIE GAAP, an investment qualifies as a cash and cash equivalent only when it has a short maturity of, three months or less from the date of acquisition. Money market funds and deposits less than 90 days are classified as cash and cash equivalents under LIE GAAP, however, they are classified as collective investments undertakings and deposits other than cash equivalents for Solvency II reporting, respectively.

Accrued interest is classified separately as 'Accrued interest and rest' on the balance sheet of the Company's financial statements but for Solvency II, accrued interest is included as part of investment valuation (Solvency II amount).

D.1.2 Reinsurance recoverables

The company uses reinsurance and retrocessional agreements to reduce its exposure to insurance and reinsurance risks assumed. The Company remains liable to the extent that certain reinsurance is finite or that the reinsurers do not meet their obligation under these agreements.

Reinsurance recoverable balances relate to the reinsurance of gross technical provisions which will fall due under the terms of the reinsurance and retrocessional agreements. These amounts have been valued based on amounts that will be contractually due to the Company from cedants and reinsurers if and when claims are settled. They are adjusted for:

i) potentially non-recoverable balances that are disputed or due from reinsurers with a poor credit rating and

ii) the probability weighted average of future cash flows taking into account the time value of money using the latest risk-free discount rates promulgated by EIOPA.

Future cash inflows are determined by calculating reinsurance recoveries on estimated cash outflows of gross technical provisions which are based on an annual actuarial study using appropriate actuarial techniques (see technical provisions below). Reinsurance recoverables reported in the Solvency II balance sheet have also been uplifted for the reinsurance impact of the possibility of extreme events.

There has been no change in the recognition and valuation of this balance during the year. The balances reported in the Solvency II balance sheet differ from amounts reported in statutory financial statements due difference in the valuation methodology between LIE GAAP and Solvency II (see technical provisions below). The valuation adjustment relates to Solvency II adjustments in respect of premium provisions claims, ENIDs, future cost of insurance and discounting.

D.1.3 Insurance and intermediaries' receivables

This balance mainly relates to premiums due from intermediaries and the amounts are recognised in the GAAP balance sheet when the Company becomes a party to the contractual provisions of the asset.

Under LIE GAAP, receivables are valued at undiscounted amortised cost less any adjustment for impairment losses. The LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

As required in the Solvency II guidance, the portion of insurance and intermediary receivables recognised as an asset on the LIE GAAP balance sheet, that are not-yet-due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet whilst the amount over-due (i.e. when they remain unpaid in the first business day after the payment deadline) within 'insurance and intermediaries receivables' in the Solvency II balance sheet. For the current year, all Insurance receivables are deemed overdue and hence, no not-yet-due insurance receivables have been transferred to technical provisions.

There has been no change in recognition basis during the year.

D.1.4 Reinsurance receivables

Reinsurance receivables relate to paid claims recoverable, premium refunds and other amounts due to the Company from reinsurers under the terms of the reinsurance and retrocessional agreements in place with those reinsurers. These balances have been valued based on amounts that are contractually due to the Company by reinsurers adjusted for potentially non-recoverable balances that are disputed or due from reinsurers with a poor credit rating. This is deemed to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

There has been no change in recognition or valuation basis during the year.

D.1.5 Receivables (trade, not insurance)

Under LIE GAAP, receivables are valued at undiscounted amortised cost net of provisions for expected credit losses. Given the short-term maturity of these assets, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes. All material receivables are due within 12 months.

There has been no change in recognition or valuation basis during the year.

D.1.6 Cash and cash equivalents

No valuation differences exist between LIE GAAP and Solvency II. Cash and cash equivalents in the Solvency II balance sheet consist of deposits that can be exchanged for currency on demand at par value and are valued at their par value. Cash and cash equivalents are classified differently between LIE GAAP and Solvency II. Refer to **Section D.1.1** for additional information.

There has been no change in recognition or valuation basis during the year.

D.1.7 Any other assets

These balances include other assets and prepayments. Under LIE GAAP these assets are carried at cost less any adjustment for impairment losses. Given the short-term nature of these assets, this is considered to be a close approximation to the Solvency II fair value. All material other receivables are due within 12 months.

The reclassification adjustment of $0.6m (2020: $0.7m) relates to accrued interest which under SII is reported as part of the financial investments.

Under LIE GAAP, commissions and other direct and indirect costs that are related to, securing new contracts and renewing existing contracts are not capitalised as Deferred Acquisition Costs ("DAC"). DAC is also not recognised as an asset in the Solvency II balance sheet as they are not a separable and saleable asset. Cash flows relating to acquisition costs, attached to future premiums, are included in the Solvency II technical provisions (further details provided in **Section D.2**).

As at 31 December 2021, no deferred tax assets have been recognised in the SII balance sheet.

D.2 Technical Provisions

In accordance with Article 77 of the Solvency II Directive the value of the technical provisions consists of the best estimate of all future cash flows required to settle its insurance and reinsurance obligations, discounted at the risk-free rate of interest using the yield curves published by EIOPA for the reporting date, with the addition of a risk margin.

- The best estimate liabilities are calculated as:
  i. the discounted best estimate of all future cash flows relating to claim events prior to the valuation date ('claims provisions'); and
  ii. the discounted best estimate of all future cash flows relating to future exposure arising from policies that the insurer is obligated to at the valuation date ('premium provisions').

- The Risk Margin is the amount that insurers would require over and above the best estimate liabilities in order to take over and meet the insurance and reinsurance obligations over the lifetime of the policies.

In addition, in determining the cash flows, the following estimations are made:
- Calculation of obligations arising from ENIDs
- Calculation of run-off expenses
- Determination of payment patterns
- Determination of future cost of reinsurance
- Calculation of the counterparty default

An analysis of gross and ceded technical provisions by Solvency lines of business including risk margin is shown below. Further detail is provided in Appendix 1 (QRT S.17.01).

Technical provisions - 2021 $000	**Medical expense**	**Other motor**	**Marine, aviation and transport**	**Fire and other damage to property**	**General liability**	**Credit and suretyship insurance**	**Non-Prop. Property**	**Total**
Premium provisions	-	-	209	40,876	1,431	3,405	-	**45,921**
Claims provisions	6,379	5,995	115,671	292,165	183,251	6,475	5,109	**615,044**
Gross Best estimate	**6,379**	**5,995**	**115,880**	**333,041**	**184,682**	**9,880**	**5,109**	**660,965**
Reinsurance	4,264	4,669	97,250	281,145	156,537	8,040	3,384	**555,289**
Net technical provisions before risk margin	**2,115**	**1,326**	**18,630**	**51,896**	**28,145**	**1,839**	**1,724**	**105,675**
Risk margin	453	135	3,175	4,180	5,752	580	-	**14,276**
Net technical provisions	**2,260**	**1,462**	**21,224**	**58,903**	**32,240**	**2,023**	**1,841**	**119,951**

Technical provisions - 2020 $000	**Medical expense**	**Other motor**	**Marine, aviation and transport**	**Fire and other damage to property**	**General liability**	**Credit and suretyship insurance**	**Non-Prop. Property**	**Total**
Premium provisions	762	1,368	6,695	54,834	7,963	8,748	-	**80,369**
Claims provisions	5,802	13,493	162,396	369,636	181,426	10,923	382	**744,058**
Gross Best estimate	**6,564**	**14,861**	**169,092**	**424,470**	**189,389**	**19,671**	**382**	**824,427**
Reinsurance	5,013	12,438	124,200	362,760	158,771	19,963	374	**683,518**
Net technical provisions before risk margin	**1,551**	**2,423**	**44,892**	**61,710**	**30,618**	**(292)**	**9**	**140,909**
Risk margin	634	397	5,279	3,943	6,143	967	-	**17,362**
Net technical provisions	**2,185**	**2,820**	**50,171**	**65,653**	**36,761**	**674**	**9**	**158,271**

D.2.1 Claims provision

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

Past exposure	Claims Provision						
	Expected present value of:						
	Claims (incurred)	+	Allocated and unallocated claims management expenses	+	Other Expenses (earned element)	-	Future premiums receivable (earned element)

Claims incurred mainly comprises case reserves and IBNR claims.

D.2.1.1 Case reserves and IBNR

Case reserves

Case reserves are made on an individual case basis and are based on the estimated cost of all claims reported but not settled by the balance sheet date.

IBNR

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- any movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries.

The technical provisions are not discounted under LIE GAAP. Under Solvency II the technical provisions are adjusted for the probability weighted average of future cash flows taking into account the time value of money based on the currency of the reserves and the prescribed EIOPA risk-free yield curve.

D.2.1.2 Provision for unearned premium

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date computed separately for each insurance contract. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Unearned outwards reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

UPR is eliminated from the balance sheet and replaced with a provision accounted for on a best estimate basis taking account of all the cash flows (i.e. losses and premium debtors) relating to unearned business. When considering which cashflows to include in the calculation of outwards reinsurance premium and recoveries in the best estimate underlying technical provisions, the Company's key principle is to ensure these are consistent with the inwards policies included in the same valuation subject to certain specific rules on recognising legally obliged reinsurance contracts.

D.2.1.3 Future Premium Cashflow

The Solvency II guidance requires that the best estimate calculation should take account of projections for all potential cash inflows and outflows required to settle insurance / reinsurance obligations. This includes premiums paid in instalments and due in the future (not-yet-due premiums).

The same principle is applied for outwards reinsurance – with reinsurance creditors payable with a due date post the balance sheet date recognised in the reinsurance claims provision to the extent they relate to an earned exposure and the premium provision where they relate to unearned exposure.

D.2.1.4 Events Not in Data

Solvency II best estimates should make an allowance for "all possible events" – this should include high severity, low probability claims. ENIDs are not explicitly modelled as part of the reserving process. The Company performs a separate analysis once a year to derive an ENID event load which is applied to the best estimate reserves and is dependent on the perceived risk within lines of business.

D.2.1.5 Loss adjustment expenses

The Solvency II expense provision includes more costs than the LIE GAAP current unallocated loss adjustment expenses provision as it specifically includes overheads/ admin/ investment management expenses.

The Solvency II guidance requires that the best estimate includes all cash flows arising from expenses that will be incurred servicing existing policies during their lifetime. Allocated loss adjustment expenses directly assignable to individual claims are included in the claims and premium provision. Solvency II guidance details the following examples of expenses that will be incurred servicing all obligations from existing insurance and reinsurance contracts:

- administrative expenses;
- investment management expenses;
- claims management expenses / handling expenses; and
- acquisition expenses including commissions.

Expenses include both overhead expenses and expenses which are directly assignable to individual claims, policies or transactions.

D.2.1.6 Counterparty default

Solvency II requires inclusion of a provision for non-receipt of reinsurance recoveries whether caused by default or dispute. The probability of counterparty default is set based on S&P credit ratings.

D.2.2 Premium provision

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising out of policies that are legally obliged at the valuation date. The premium provisions amount is derived from unearned incepted business and unincepted business.

<table>
<tr><td rowspan="3">Future exposure</td><td colspan="7">Premium Provision</td></tr>
<tr><td colspan="7">Expected present value of:</td></tr>
<tr><td>Claims (unexpired)</td><td>+</td><td>Allocated and unallocated claims management expenses</td><td>+</td><td>Other Expenses (unearned element)</td><td>-</td><td>Future premiums receivable (unearned element</td></tr>
</table>

D.2.3 Risk margin

The SII Directive requires that the risk margin should be calculated at a level such that the value of technical provisions is equivalent to the amount insurance and reinsurance undertakings would expect to require in order to take over and meet the insurance and reinsurance obligations. This is calculated using a "cost of capital" approach using a cost of capital rate as determined by EIOPA (currently prescribed at 6%). The following steps are followed in calculating the risk margin:

i. First, a proxy SCR is calculated in respect of the opening balance sheet, with the proxy SCR incorporating SCRs for reserve risk, counterparty default risk and operational risk, all calculated in accordance with EIOPA's guidelines. Market risk is not considered in the risk margin as the calculation assumes (based on EIOPA guidance) that a potential acquirer would structure its assets in such a way to minimise market risk.
ii. Proxy SCRs are derived for future balance sheets by assuming that the SCR runs off in line with the square root of reserves. The reserves in each future period are estimated by applying the relevant payment patterns to the opening balance sheet.
iii. EIOPA prescribed cost of capital of 6% is applied to the resulting stream of SCRs.
iv. The resulting stream is then discounted using the EIOPA prescribed spot-rate risk-free yield curve for USD and assumed to derive the opening balance sheet risk margin. The USD curve is used because this is the Company's reporting currency and majority of the business is USD denominated.

D.2.4 Other technical provision information

The table below shows the adjustments made to the LIE GAAP technical provisions to estimate the Solvency II technical provisions and the movement in technical provisions year on year.

Reconciliation (LIE GAAP to SII) $000	2021	2020	Movement in TPs
LIE GAAP Net Reserves	**24,789**	**38,732**	**(13,943)**
Removal of UPR	(1,359)	(10,817)	9,458
UPR losses	850	6,656	(5,806)
BBNI Premiums	0	(356)	356
BBNI Losses	0	596	(596)
Inclusion of FCRI costs	8,973	14,134	(5,161)
Provision for ENIDs	450	649	(199)
Debtor and Creditor not yet due reclassification	44,049	70,125	(26,076)
Provision for additional expenses	29,813	20,776	9,036
Discounting	(1,760)	(585)	(1,175)
Provision for risk margin	14,276	17,362	(3,087)
Other adjustments	(129)	1000	1,129
SII Net Technical Provisions	**119,952**	**158,272**	**(38,320)**

The Company does not use any of the following methodologies outlined in Directive 2009/13/EC in determining its technical provisions:

a) Matching adjustment referred to in Article 77b of the Directive;
b) Volatility adjustment referred to in Article 77d of the Directive;
c) Transitional risk-free interest rate-term structure referred to in Article 308c; and
d) Transitional deduction referred to in Article 308d.

The methodology for estimating the unallocated claims handling provision and expense provision were updated following the decision to cease underwriting new and renewal business.

The treatment of reinsurance recoveries was updated to remove the lag between the gross paid claims and reinsurance recoveries.

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

D.3 Other Liabilities

D.3.1 Insurance and intermediaries payables

Insurance and intermediaries payables relate to creditors arising out of direct insurance operations. Under LIE GAAP insurance and intermediary payables are held at amortised cost. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value.

There has been no change in recognition or valuation basis during the year.

D.3.2 Reinsurance payables

Reinsurance payables relates to amounts due to reinsurers for reinsurance arrangements purchased by the Company.

Under LIE GAAP, receivables are valued at undiscounted amortised cost.

As required in the Solvency II guidance, the portion of reinsurance payable that are not yet due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet whilst the amount over-due within 'reinsurance payables' in the Solvency II balance sheet.

The overdue reinsurance payables are materially due within 12 months, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

There has been no change in recognition or valuation basis during the year.

D.3.3 Payables (trade, not insurance)

The Company values payables at undiscounted amortized cost. Given the short-term maturity of these liabilities, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes.

There has been no change in recognition or valuation basis during the year.

D.3.4 Any other liabilities

Other liabilities mainly relate to accruals and balances due to other related companies. Other liabilities are held at amortised costs under LIE GAAP. Given the short-term maturity of these liabilities, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes.

There has been no change in recognition or valuation basis during the year.

D.4 Alternative methods of valuation

All methods of valuation have been outlined in the preceding sections and no other valuation methods of valuation have been adopted.

Below is a summary of assets and liabilities that have been valued using an alternative method of valuation.

All the assets and liabilities below have been valued at their carrying value as they are expected to be received or paid within 1 year, hence any discounting would be immaterial.

Account Name $000	Amount	Section covered
Insurance and intermediary receivables	19,679	D1.3
Reinsurance receivables	95,307	D1.4
Receivables (trade, not insurance)	6,670	D1.5
Any other assets	1,310	D1.7
Reinsurance payables	9,981	D3.1
Payables (trade, not insurance)	4,097	D3.2
Any other liabilities	1,505	D3.3

D.5 Any other information

All material information has been disclosed in the preceding sections.

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Section E Capital Management

E.1 Own Funds

E.1.1 Objectives, policies and processes employed by SISE for managing its own funds

The Company's capital management framework and associated policies and processes are designed to the meet the following objectives:

- to maintain financial strength in adverse conditions;
- to give customers long-term confidence in the Company;
- to satisfy our regulatory obligations;
- to match the profile of our assets and liabilities, taking account of the risk inherent in the business;
- and to allocate capital efficiently to support new business growth.

The Company complies with the regulatory solvency requirements and, where necessary, reviews its solvency needs in accordance with regulatory requirements. The Company adopts conventional actuarial and other methods to assess the risks to its solvency on a forward-looking basis. The Company's capital management strategy is to deploy capital efficiently and to maintain adequate loss reserves to protect against future adverse developments and other risks. Reinsurance is also used as part of risk mitigation and capital management.

The Company monitors projected own funds against SCR requirement over a three-year time horizon using conservative performance assumptions.

Based on projections for the next 3 years the company's own funds are expected to exceed its SCR and SISE's higher target level of capital over the three-year projection period.

The Company's solvency position is set out in the table below:

SISE Solvency Position $000	2021	2020
Eligible Own Funds to meet the SCR	164,850	177,951
SCR	64,984	88,440
Eligible Own Funds to meet the MCR	146,812	164,361
MCR	16,246	22,110
Ratio of Own funds to SCR	**254%**	**201%**
Ratio of Own funds to MCR	**904%**	**743%**

E.1.2 Structure, amount and quality of own funds at the end of the reporting period and analysis of changes over the reporting period

The Company's own funds is analysed in the following extract from the own funds QRT as at 31 December 2021 (S.23.01).

Total Basic Own Funds - 2021 $000	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2
Ordinary Share Capital	140,393	140,393	-	-
Preference Shares	50,000	-	50,000	-
Reconciliation Reserve	(25,542)	(25,542)	-	-
Total basic own funds after deductions	**164,850**	**114,850**	**50,000**	**-**
Total eligible own funds to meet the SCR	164,850	114,850	28,713	21,287
Total eligible own funds to meet the MCR	146,812	114,850	28,713	3,249

Total Basic Own Funds - 2020 $000	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2
Ordinary Share Capital	140,393	140,393	-	-
Preference Shares	50,000	-	50,000	-
Reconciliation Reserve	(12,442)	(12,442)	-	-
Total basic own funds after deductions	**177,951**	**127,951**	**50,000**	**-**
Total eligible own funds to meet the SCR	177,951	127,951	31,988	18,012
Total eligible own funds to meet the MCR	164,361	127,951	31,988	4,422

Own funds are classified into three tiers (Tier 1, 2 and 3). The classification depends on whether they are basic own fund or ancillary own fund items and the extent to which they possess the following characteristics:

(a) The item is available, or can be called upon on demand, to fully absorb losses on a going concern basis, as well as in the case of winding up (permanent availability); and

(b) In the case of winding up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all the obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

The Company's available own fund items have been classified as Tier 1 basic own funds as they are of high quality and are available to absorb losses to enable the Company to continue as a going concern.

Ordinary share capital and the reconciliation reserve are classified as unrestricted Tier 1 within basic own funds and preference shares have been classified as restricted Tier 1. The preference shares qualified as Upper Tier 2 capital under the Solvency I regime but did not meet the full criteria set out in the Solvency II Delegated Regulation to be treated as either Tier 1 or Tier 2 capital under Solvency. The preference shares have transitioned into Solvency II as restricted Tier 1 own funds in accordance with Article 308b (9) of the Solvency II Directive. The transitional period ends on 31 December 2025.

However, eligible own funds have been classified as Tier 1 and Tier 2 i.e. some of the restricted Tier 1 amount has been reclassified to Tier 2. This is because only 20% of Tier 1 own funds can consist of hybrid capital items (restricted Tier 1 own funds), for example, preference shares. The excess over this 20% threshold is classified as Tier 2. In the case of eligible own funds to meet MCR is lower than the amount eligible to meet SCR because of restriction on Tier 2 own funds i.e. at least 80% of the MCR should be covered by Tier 1 eligible own funds with the balance being Tier 2 eligible own funds.

The available and eligible own funds are made up of ordinary share capital, preference shares and the reconciliation reserve.

The reconciliation reserve relates to accumulated retained earnings as reported in the Company's GAAP financial statements, net of adjustments for valuation differences between the GAAP and Solvency II balance sheet and is therefore subject to volatility. These valuation differences are fully explained in **Section D** above. No adjustment has been made in the reconciliation reserve in respect of foreseeable dividends as none were payable subsequent to the year end. No dividends were paid during the year.

The Company's equity as reported in the audited financial statements was $214.5m (2020: $218.1m) compared to own funds as reported above on a Solvency II basis of $164.9m (2020: $214.5m). Details of the movement in basic own funds between 2020 and 2021 is shown in the table below:

$000	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2
Basic own funds as at 31 December 2020	177,951	127,951	50,000	-
GAAP financial statement net loss for the year after tax	(3,596)	(3,596)	-	-
Movement in Solvency II valuation differences	(9,505)	(9,505)	-	-
Basic own funds as at 31 December 2021	**164,850**	**114,850**	**50,000**	**-**

The Company's net assets / basic own funds on a Solvency II basis are $49.6m (2020: $40.1m) lower than a LIE GAAP basis. This is an increase of $9.5 million compared to the prior year and is analysed between a reduction investment valuation differences of $7.8m and an increase in valuation differences on technical provisions of $1.7m both of which have had a negative impact on net assets / own funds on a Solvency II basis.

Valuation differences on investments relate to differences in the Solvency II fair value valuation basis and LIE GAAP lower of cost or market value basis. The excess of the value of investments on a Solvency II basis compared to on an LIE GAAP has reduced by $7.8m as a result of the reduction in the size of the investment portfolio.

The excess of the value of net technical provisions on a Solvency II basis compared to their value on an LIE GAAP basis has increased by $1.7m in 2021 from $49.4m in 2020 to $51.1m in 2021. This is due to:

- Lower future profits included in premium provisions by $3.4m (increase)
- Lower costs of future reinsurance by $5.2m (decrease)
- Higher expense provision by $9.0m (increase)
- Higher impact of discounting by $1.2m (decrease)
- Lower risk margin by $3.0m (decrease)
- Lower provision for reinsurance counterparty default by $0.8m (decrease)
- Other adjustments by $0.5m (decrease)

A full reconciliation of the Company's excess of assets over liabilities calculated on a Solvency II basis as at 31 December 2021 is provided in **Section D**.

E.1.3 Own fund items included under transitional arrangements under Solvency II

As explained in **Section E.1.2**, the preference shares are subject to transitional arrangements under Solvency II.

E.1.4 Ancillary own funds

The Company has not applied for FMA approval of any Ancillary Own Funds items and therefore no such items are included within own funds.

E.1.5 Own funds deductions

The Company does not have any ring-fenced funds and has not identified any other deductions or restrictions which need to be made to own funds.

E.2 SCR and MCR

The Company has complied with the capital requirements imposed by regulators throughout the financial year.

The SCR is determined with reference to the Standard Formula which has been determined to be appropriate given the nature of the Company's underlying risks. Furthermore, it is considered to be consistent and prudent when compared to the Company's Own Economic Assessment of Capital. The SCR is subject to supervisory assessment.

Based on projections for the next 3 years, the Board has concluded that the Company's own funds is expected to exceed its SCR and MCR at all times over this time horizon.

The Company's SCR and MCR are summarised in the following table:

SCR & MCR $000	2021 Value	2021 %	2020 Value	2020 %	Variance
Risk Categories					
Market risk	11,269	14%	19,263	17%	(7,994)
Counterparty default risk	28,875	37%	38,216	35%	(9,341)
Non-life underwriting risk	23,554	30%	30,050	27%	(6,496)
Health underwriting risk	376	0%	2,784	3%	(2,408)
Operational Risk	14,996	19%	20,409	18%	(5,413)
Undiversified Total	**79,071**	**100%**	**110,723**	**100%**	**(31,652)**
Diversification	(14,087)		(22,282)		8,196
SCR	**64,984**		**88,440**		**(23,456)**
MCR	**16,246**		**22,110**		(5,864)
Total eligible own funds to meet the SCR	**164,850**		**177,951**		**(13,101)**
Total eligible own funds to meet the MCR	146,812		164,361		(17,549)
Ratio of Eligible Own funds to SCR	**254%**		**201%**		**56%**
Ratio of Eligible Own funds to MCR	**904%**		**743%**		**299%**

The Company does not use any simplified calculations or undertakings specific parameters to arrive at its SCR.

The MCR represents the minimum level of security below which the amount of financial resources should not fall. The MCR is subject to an absolute minimum floor of a fixed Euro amount depending on the lines of business written. In addition, subject to not falling below the absolute floor, the MCR must be no less than 25% of the SCR and no more than 45% of the SCR.

The MCR is calculated as a linear function of the Company's net technical provisions and net written premiums. Pre-determined factors, as provided by EIOPA, are applied to the net technical provisions and net written premiums for each Solvency II line of business. The Company's calculated linear MCR is usually less than 25% of SCR (floor), but higher than the absolute floor of €3.7m. Hence the reported MCR is set at 25% of the SCR. The low level of MCR is as a result of the low net technical provisions and net written premiums due to high level of ceding to related reinsurers.

The FMA has not imposed any capital add-ons on the Company as set out in third subparagraph of

Article 51(2) of Directive 2009/138/EC.

The 2021 SCR has decreased by $23.4m since 2020 from $88.4m to $64.9m. The analysis below shows the key movements since 31 December 2020:

Market Risk

Overall Market Risk has decreased by $8.0m. All sub-risks have decreased as follows:

- decrease in interest rate risk of $2.9m which is due to much better matching duration for each currency. For example, for the 2020 calculation the USD liabilities had a duration of 2.1 years and the assets had a duration of 4.5 years, whereas for this calculation the USD liabilities have a duration of 2.2 years and the assets have a duration of 2.3 years.
- fall in spread risk of $5.1m which is driven by a move away from BBB and lower-rated assets to AA-rated assets. AA-rated assets comprise 54% of the assets in this risk module, up from 7% last year.
- decrease in concentration risk of $0.4m due to a reduction in the number of counterparties above the threshold at which concentration risk is calculated from three to two.
- reduction in currency risk off $4.4m which follows the reduction in assets and liabilities over the year.

Counterparty Default Risk

The decrease in counterparty default risk of $9.3m (24%) follows the reduction in reinsurance recoveries at 19% and the reduction in overdue balances of 27%.

Insurance Risk (Non-life underwriting risk)

The standard formula calculation for Insurance Risk is based on a combination of Non-Life Underwriting Risk, Cat Risk and Lapse Risk. The $6.5m decrease in Insurance Risk is primarily driven by:

- a decrease in Non-Cat Premium & Reserve Risk of $8.8m (33%), driven by a decrease in both reserve volume and premium volume of 38%;
- a decrease in Lapse Risk of $0.9m given SISE has ceased writing new and renewal business and the risk has expired
- offset by an increase in Cat Risk of $2.8m caused by a linking error in the 2020 calculation. On a corrected basis, Cat Risk falls by c$7m.

Health Risk

Overall, there is a decrease in Health Risk of $2.4m as the business runs off. This is expected due to the short-tailed nature of this risk.

Operational Risk

Decrease in Operational Risk by $5.4m as a result of all other components mentioned above.

E.3 Duration-based equity risk sub-module to calculate the SCR

The Company is not using the duration-based equity risk sub-model set out in Article 304 of the Directive 2009/138/EC for the calculation of its SCR.

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

The Company does not use an internal model to determine its SCR.

The Company does not use any simplified calculations or undertakings specific parameters to arrive at its SCR.

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

The Company remained compliant with the MCR and SCR throughout the year.

E.6 Any other information

There is no other information to report.

Glossary

Abbreviations	Description
3-LoD	Three Lines of Defence
ADC	Adverse Development Cover
BBNI	Bound But Not Incepted
BCP	Business Continuity Plan
BMA	Bermudan Monetary Authority
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Covid-19	Coronavirus pandemic
CRO	Chief Risk Officer
DAC	Deferred Acquisition Cost
EEA	European Economic Area
EEUL	Enstar EU Limited
EIOPA	European Insurance and Occupational Pensions Authority
ENIDs	Events Not in Data
EPIFP	Expected Profit Included in Future Premiums
ERM	Enterprise Risk Management
EUR	Euro
FCA	Financial Conduct Authority (UK Conduct Regulator)
F&P	Fit and Proper
FCRI	Future Cost of Reinsurance
FMA	Financial Market Authority of Liechtenstein
GBP	Great British Pound
HR	Human Resources
IBNR	Incurred But Not Reported
Cavello Bay	Cavello Bay Reinsurance Ltd (Enstar-owned reinsurer) previously known as Kayla Re Limited
KFH	Key Function Holders
LIE GAAP	Liechtenstein Generally Accepted Accounting Principles
MCR	Minimum Capital Requirement
MGA	Managing General Agent
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulatory Authority (UK Prudential Regulator)
PSU	Performance stock unit
QRT	Quantitative Reporting Template
RACE	Risk Appetite, Capital and Exposure
RSU	Restricted stock unit
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SFL	StarStone Finance Limited
SIBL	StarStone Insurance Bermuda Limited
SII	Solvency II
SISE	StarStone Insurance SE

Abbreviations	Description
SISL	StarStone Insurance Services Limited
SME	Subject Matter Expert
SOX	Sarbanes-Oxley
SSHL	StarStone Specialty Holdings Limited
TPA	Third Party Agent
TPR	Temporary Permissions Regime
UPR	Unearned Premium Reserve
USD	United States Dollars

Appendix 1: Quantitative Reporting Templates

General information

Undertaking name	StarStone Insurance SE
Undertaking identification code	213800VYKIQLKVSXWQ46
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LI
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	173,048
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	169,827
R0140	*Government Bonds*	87,152
R0150	*Corporate Bonds*	63,815
R0160	*Structured notes*	0
R0170	*Collateralised securities*	18,860
R0180	*Collective Investments Undertakings*	3,221
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	555,290
R0280	*Non-life and health similar to non-life*	555,290
R0290	*Non-life excluding health*	551,026
R0300	*Health similar to non-life*	4,264
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	19,679
R0370	Reinsurance receivables	95,307
R0380	Receivables (trade, not insurance)	6,670
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,371
R0420	Any other assets, not elsewhere shown	1,310
R0500	**Total assets**	855,675

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S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	675,242
R0520	*Technical provisions - non-life (excluding health)*	668,410
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	654,587
R0550	*Risk margin*	13,823
R0560	*Technical provisions - health (similar to non-life)*	6,832
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	6,379
R0590	*Risk margin*	453
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	9,981
R0840	Payables (trade, not insurance)	4,097
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,505
R0900	**Total liabilities**	690,825
R1000	**Excess of assets over liabilities**	164,850

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of business for: accepted non-proportional	Total
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Property	
		C0010	C0050	C0060	C0070	C0080	C0090	C0160	C0200
	Premiums written								
R0110	Gross - Direct Business	-510	3,039	298	4,809	1,536	791		9,963
R0120	Gross - Proportional reinsurance accepted	0	0	-37	6,996	-256	-483		6,220
R0130	Gross - Non-proportional reinsurance accepted							22	22
R0140	Reinsurers' share	-512	2,800	-1,034	14,754	837	284	22	17,150
R0200	Net	2	239	1,295	-2,949	444	24	0	-946
	Premiums earned								
R0210	Gross - Direct Business	1,655	5,278	25,623	23,652	9,679	1,964		67,851
R0220	Gross - Proportional reinsurance accepted	0	0	505	13,213	188	682		14,588
R0230	Gross - Non-proportional reinsurance accepted							22	22
R0240	Reinsurers' share	895	4,767	21,318	36,920	7,207	2,375	22	73,504
R0300	Net	760	511	4,810	-55	2,660	271	0	8,957
	Claims incurred								
R0310	Gross - Direct Business	2,126	-1,520	-2,962	28,796	20,782	-3,079		44,144
R0320	Gross - Proportional reinsurance accepted	0	-4,960	-2,576	-42,993	1,057	-279		-49,752
R0330	Gross - Non-proportional reinsurance accepted							-233	-233
R0340	Reinsurers' share	1,738	-6,389	-6,343	-17,868	22,027	-3,270	-234	-10,340
R0400	Net	388	-91	805	3,671	-188	-87	1	4,499
	Changes in other technical provisions								
R0410	Gross - Direct Business								0
R0420	Gross - Proportional reinsurance accepted								0
R0430	Gross - Non-proportional reinsurance accepted								0
R0440	Reinsurers' share								0
R0500	Net	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	306	897	2,571	4,475	1,402	462	4	10,117
R1200	**Other expenses**								
R1300	**Total expenses**								10,117

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Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			MY	NL	GB	US	DE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	3,959	0	2,219	373	1,126	960	8,637
R0120	Gross - Proportional reinsurance accepted	0	3,265	2	771	-80	-128	3,830
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	22	0	22
R0140	Reinsurers' share	3,595	3,356	1,051	2,320	2,618	35	12,976
R0200	Net	363	-92	1,170	-1,176	-1,550	796	-488
	Premiums earned							
R0210	Gross - Direct Business	7,191	0	4,766	29,988	10,324	4,742	57,011
R0220	Gross - Proportional reinsurance accepted	0	3,349	27	2,526	1,609	64	7,576
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	22	0	22
R0240	Reinsurers' share	6,308	3,418	2,901	28,794	12,220	3,357	56,998
R0300	Net	882	-69	1,892	3,720	-264	1,449	7,610
	Claims incurred							
R0310	Gross - Direct Business	663	-11	3,800	2,474	17,668	534	25,129
R0320	Gross - Proportional reinsurance accepted	0	-2,605	-190	2,186	-3,646	-1,970	-6,225
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	17	-394	0	-377
R0340	Reinsurers' share	644	-2,670	3,017	4,505	12,953	-951	17,497
R0400	Net	20	54	593	172	675	-486	1,029
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	0	0	0	0	0	0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers' share	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	882	411	588	3,989	1,467	590	7,927
R1200	**Other expenses**							
R1300	**Total expenses**							7,927

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance	
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0060	C0070	C0080	C0090	C0100	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0
	Technical provisions calculated as a sum of BE and RM								
	Best estimate								
	Premium provisions								
R0060	Gross	0	0	209	40,876	1,431	3,405	0	45,921
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	189	28,988	1,126	2,948	0	33,250
R0150	**Net Best Estimate of Premium Provisions**	0	0	21	11,888	305	457	0	12,671
	Claims provisions								
R0160	Gross	6,379	6,648	115,671	292,755	183,251	6,475	3,866	615,045
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	4,264	4,971	97,061	252,433	155,411	5,093	2,807	522,039
R0250	**Net Best Estimate of Claims Provisions**	2,115	1,677	18,610	40,322	27,841	1,382	1,059	93,006
R0260	**Total best estimate - gross**	6,379	6,648	115,880	333,631	184,682	9,880	3,866	660,966
R0270	**Total best estimate - net**	2,115	1,677	18,630	52,210	28,145	1,839	1,059	105,676
R0280	**Risk margin**	453	135	3,175	4,180	5,752	580	0	14,276
	Amount of the transitional on Technical Provisions								
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0
R0320	**Technical provisions - total**	6,832	6,783	119,055	337,812	190,435	10,460	3,866	675,242
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	4,264	4,971	97,250	281,421	156,537	8,040	2,807	555,290
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,568	1,812	21,805	56,391	33,898	2,419	1,059	119,952

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Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

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

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											13,642	13,642	13,642
R0160	2012	5,348	30,455	47,530	20,497	9,141	10,355	11,159	3,281	1,738	9,848		9,848	149,353
R0170	2013	13,544	68,182	28,933	17,553	9,177	12,662	14,828	-94	2,624			2,624	167,410
R0180	2014	3,807	29,567	22,785	16,570	14,109	7,849	8,288	4,433				4,433	107,409
R0190	2015	2,449	12,545	13,793	15,254	11,579	3,289	4,154					4,154	63,064
R0200	2016	4,810	18,522	17,857	12,301	10,616	6,044						6,044	70,149
R0210	2017	4,752	44,110	27,348	30,734	11,528							11,528	118,472
R0220	2018	11,814	61,636	34,419	17,784								17,784	125,654
R0230	2019	7,767	38,012	21,397									21,397	67,175
R0240	2020	8,608	17,354										17,354	25,962
R0250	2021	0											0	0
R0260												Total	108,808	908,291

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											124,627	121,761
R0160	2012	0	0	0	0	38,581	19,240	49,809	46,708	43,839	41,884		41,306
R0170	2013	0	0	0	38,404	14,927	62,123	44,844	33,342	38,829			37,780
R0180	2014	0	0	56,043	21,065	34,850	38,021	41,835	38,072				36,984
R0190	2015	0	37,303	33,533	46,372	38,562	39,971	39,591					38,293
R0200	2016	21,630	18,519	51,328	52,621	57,027	54,312						52,440
R0210	2017	21,278	80,923	84,983	64,936	72,149							69,451
R0220	2018	52,657	123,733	122,261	105,334								101,707
R0230	2019	49,019	96,503	64,967									62,883
R0240	2020	58,777	54,090										52,440
R0250	2021	0											0
R0260												Total	615,045

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	140,393	140,393		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	50,000		50,000	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-25,542	-25,542			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	164,850	114,850	50,000	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	164,850	114,850	50,000	0	0
R0510	Total available own funds to meet the MCR	164,850	114,850	50,000	0	
R0540	Total eligible own funds to meet the SCR	164,850	114,850	28,713	21,287	0
R0550	Total eligible own funds to meet the MCR	146,812	114,850	28,713	3,249	
R0580	**SCR**	64,984				
R0600	**MCR**	16,246				
R0620	**Ratio of Eligible own funds to SCR**	253.68%				
R0640	**Ratio of Eligible own funds to MCR**	903.68%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	164,850
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	190,393
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	-25,542
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	11,269		
R0020	Counterparty default risk	28,875		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	376		
R0050	Non-life underwriting risk	23,554		
R0060	Diversification	-14,087		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	49,988		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	14,996
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	64,984
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	64,984
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	10,734

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	2,115	2
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	1,677	239
R0070	Marine, aviation and transport insurance and proportional reinsurance	18,630	1,295
R0080	Fire and other damage to property insurance and proportional reinsurance	52,210	0
R0090	General liability insurance and proportional reinsurance	28,145	444
R0100	Credit and suretyship insurance and proportional reinsurance	1,839	24
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	1,059	0

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	10,734
R0310	SCR	64,984
R0320	MCR cap	29,243
R0330	MCR floor	16,246
R0340	Combined MCR	16,246
R0350	Absolute floor of the MCR	4,309
R0400	**Minimum Capital Requirement**	16,246

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