Solvency and Financial Condition Report

2017

Liberty Insurance®

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Foreword

1

The introduction from 1 January 2016 of the EU-wide Solvency II Directive is designed to enhance consumer protection, and requires new reporting arrangements to be put in place by insurance companies. This document is the second annual Solvency and Financial Condition Report (SFCR) to be published by Liberty Insurance Designated Activity Company (dac) under these guidelines.

As a member of an organisation headed by a mutual company, Liberty Insurance places integrity and our customers at the centre of our strategy, aligned to our brand values of openness, fairness, transparency, honesty and doing the right thing. We are committed to providing insurance products and services to meet the needs of individuals, families, and businesses, with policies designed to offer our customers safety and security.

Liberty Insurance delivered strong growth and profitability in 2017. The Company has also maintained its strong capital position, with a Solvency Capital Requirement (SCR) ratio of 183.6% at 31 December 2017 (2016: 148.6%). This gives assurance that, even in an extreme 1 in 200 year scenario, the Company has well in excess of the required funds to meet all of its obligations.

Our plans for 2018 reflect our ambition to continue to build a profitable business, and I and my fellow Board members are confident about our future and our business operation in Ireland. We have a solid customer base, we continue to build on our capabilities and competitive advantage, and have improved processes and expense efficiencies.

Most significantly we have talented and dedicated employees who are committed to working collaboratively and who uphold the values and principles of our Company:

- We behave with integrity
- We treat people with dignity and respect
- We attract, develop and engage talent
- We deliver an exceptional customer experience
- We continuously improve and innovate
- We execute thoroughly and seek excellence

Significant progress has been made in stabilising the Irish motor insurance industry and in bringing greater certainty to the market. In 2018 we must ensure this momentum is maintained. We are committed to continue our work to address fraud, and are working closely with Minister Michael Darcy, the Cost of Insurance Working Group, policy makers and industry representatives to make this a sustainable market in which to do business.

Cecil Hayes
Chairman of the Board of Directors,
Liberty Insurance

‘Significant progress has been made in stabilising the Irish motor insurance industry and in bringing greater certainty to the market. In 2018 we must ensure this momentum is maintained.’

Executive Summary

2

Company Background

This document is the Solvency and Financial Condition Report ("SFCR") published by Liberty Insurance dac (the "Company") and is available on the Company's website. The report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The Company's Board of Directors has ultimate responsibility for all of these matters, supported by governance and control functions that are in place to monitor and manage the business.

For the purpose of this report, the reporting date is 31 December 2017.

Liberty Insurance dac

Liberty Insurance dac provides car and home insurance to the Irish and UK consumer market along with commercial insurance to the business sector. The Company operates from offices in Cavan and Dublin. The Company is regarded as High Impact as defined in the Corporate Governance Requirements for Insurance Undertakings 2015.

Liberty Insurance dac is part of a sub-group of companies consolidating into Liberty International European Holdings, S.L.U. (LIEH) whose ultimate parent company is Liberty Mutual Holding Company Inc. (LMHC).

Liberty Mutual Holding Company Inc.

Liberty Mutual's purpose is to help people embrace today and confidently pursue tomorrow. Keeping this promise means we are there when our policyholders throughout the world need us most.

In business since 1912, and headquartered in Boston, Massachusetts, today we are a leading global insurer with operations in 30 countries and economies around the world. We are the fourth largest property and casualty insurer in the U.S. based on 2016 direct written premium data as reported by the National Association of Insurance Commissioners. We also rank 75th on the Fortune 100 list of largest corporations in the U.S. based on 2016 revenue. As of December 31, 2017, we had $39.4 billion in annual consolidated revenue.

We employ more than 50,000 people in over 800 offices throughout the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, commercial multi-peril, property, general liability, commercial automobile, surety, workers compensation, specialty lines, and reinsurance.

On May 1, 2017, Liberty Mutual announced that it had completed the acquisition of 100 percent ownership interest in Ironshore Inc., a premier global specialty company, from Fosun International Limited.

Subsequent to year-end 2017, Liberty Mutual announced that it has entered into a definitive agreement to sell Liberty Life Assurance Company of Boston to Lincoln Financial Group. The sale is expected to be completed by the end of the second quarter of 2018, pending regulatory approvals and other customary closing conditions.

In early 2018, Liberty Mutual announced the realignment of its businesses to enhance the company's ability to meet the changing needs of consumer and business customers. Liberty Mutual's realignment features the following:

- Global Retail Markets (GRM) combining Global Consumer Markets with Business Insurance and Accident and Health organizations formerly in Commercial insurance.
- Global Risk Solutions (GRS) which brings together Liberty's Global Specialty, Ironshore, National Insurance and the Global Reinsurance Strategy Group into a single business.

These actions will allow the organization to focus on property and casualty insurance, and to take full advantage of the Company's scale, products, and capabilities globally.

Strategic developments

Liberty Insurance Dac's go-forward vision is to build a profitable, growing and customer focused business that delivers "Insurance the way it should be" and consistently meets financial plans. During 2017 the Company went through a process of redefining its longer term strategy with the objective of continuing on a path of sustainable profitability and favourable return on equity. The outputs of this exercise formed the basis of the current 5 year plan of sustainable, profitable growth that strives to meet our strategic objectives, enabled by significant investment. The plan comprises a number of key initiatives to deliver an improved loss ratio and growth trajectory.

As part of Liberty's global strategy, the Company has initiated a process which will result in the insurance business transferring to a Spanish affiliate, Liberty Seguros Compania de Seguros y reaguros SA (Liberty Seguros), via a high court approved Portfolio Transfer, and the absorption of the Company into Liberty Seguros through a Cross Border Merger. The Company's plan is that the portfolio transfer and the cross border merger will happen simultaneously. The business will continue to operate in Ireland via an Irish branch, and to be regulated by the Central Bank of Ireland for conduct of business rules. The Company does not envisage any significant changes to the underlying business as a result of the proposed Cross Border Merger. This change will not impact customer policies in any way.

'Liberty Insurance Dac's go-forward vision is to build a profitable, growing and customer focused business that delivers "Insurance the way it should be" and consistently meets financial plans.'

Significant emerging risks

Emerging risk are risks that are newly developing or changing, and are becoming more complex. Emerging risks, including those within the macro-economic environment are monitored by the Risk Committee of the Board on a quarterly basis for timely action. Emerging risks include cyber risk, geopolitical and regulatory change, including Brexit and GDPR. Management consider these risks to be the more significant risks facing the Company over the planning horizon. The success of the Company depends on its ability to react quickly and appropriately to these changes.

Material changes

There are no material changes noted under the relevant sections, business and performance, system of governance, risk profile, valuation for solvency purposes or capital management over the reporting period.

Disclaimer

The information in this document includes "forward-looking statements" with respect to our financial condition, results of operations, plans, objectives, future performance and business, which are usually identified by the use of words such as "will," "may," "anticipates," "believes," "estimates," "expects," "projects," "plans," "predicts," "continues," "intends," "should," "would," or similar expressions. These forward-looking statements reflect our current views and expectations about our plans, strategies and prospects, which are based on various factors and have been derived utilizing numerous assumptions. We cannot give any guarantee that these plans, intentions or expectations will be achieved. You are cautioned that all forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed in the forward-looking statements as a result of various factors.

1. Business and Performance Summary

The Company's Financial Statements have been prepared in compliance with Financial Reporting Standard 102 applicable to the Republic of Ireland and UK (FRS 102), Financial Reporting Standard 103 Insurance Contracts (FRS 103), the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Liberty Insurance commenced writing business in the Republic of Ireland in 2011 and in Northern Ireland and Great Britain in 2012. In 2015 the Company discontinued its operations in Great Britain.

Gross premium written (GPW) increased by 14.4%. The Company experienced a strong increase in premiums written on its motor book in 2017, partly offset by a reduction in property and liability premiums written due to the continued focus on improving underwriting profitability. Earned premium net of reinsurance fell by 18.0% in the year. The main driver of this was the commutation of the Adverse Development Cover (ADC) reinsurance contract in 2016. Excluding the impact of the ADC, the underlying net earned premium increased by €7.6m due to the impact of higher volumes.

The Company's profit on ordinary activities before taxation increased by €10.6m. The main drivers of this improvement are higher net earned premium plus changes in other technical provisions of €4.3m, lower claims incurred net of reinsurance of €10.8m (reflecting favourable prior year development and improved current year performance), and lower foreign exchange losses €6.8m. Other income was €4.0m higher than the prior year, the biggest factors being higher premium financing income and higher reinsurance commission relating to quota share treaties. Net operating expenses increased by €1.6m. The main drivers of this increase are increases in other provisions, and the impairment of buildings, partially offset by positive movement on deferred acquisition costs. Investment interest income reduced by €3.1m reflecting lower reinvestment rates, and unrealised gains have reduced by €10.7m in the year compared with €0.5m in 2016.

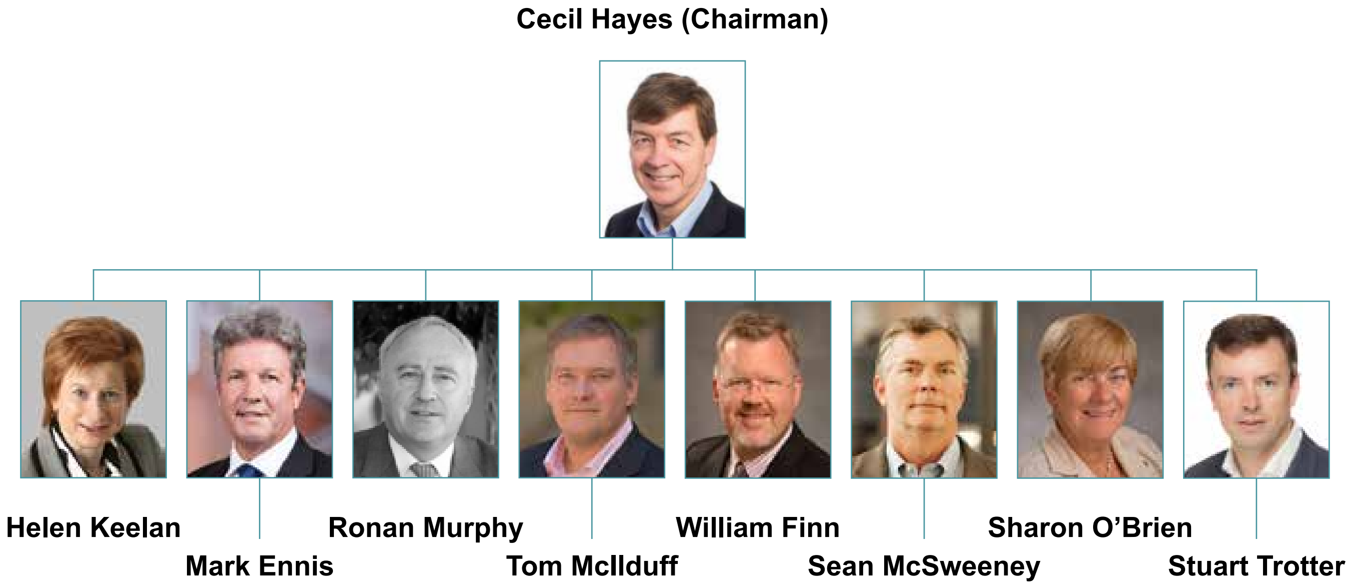
The average number of employees decreased to 388 in 2017 from 472 in 2016, a reduction of 17.8% in the year, predominantly as a result of the restructuring programme announced in 2016. The Company continues to hire staff for key positions as required. Following the restructure, one of the buildings in Cavan was surplus to requirements. The sale of this building was completed in December. In addition the Company leased out four floors of the building in Blanchardstown to new tenants.

Performance Summary

	2017 €'000	2016 €'000	Variance €'000	Variance %
Gross premium written	239,412	209,333	30,079	14.4%
Earned premium net of reinsurance	108,779	132,730	(23,951)	(18.0%)
Profit/(loss) on ordinary activities before taxation	6,073	(4,558)	10,631	233.2%
Average number of employees	388	472	(84)	(17.8%)

2. System of Governance Summary

The Liberty Insurance Board of Directors



The Company's system of governance provides a framework through which the Company is directed and controlled and is considered appropriate with regard to the characteristics of the Company. Routine assessments of this system of governance are completed. The system comprises a clear organisation structure, transparent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it might be exposed, adequate internal control mechanisms and remuneration policies which promote effective risk management.

The Board of Directors is responsible for the governance and control of the Company. In fulfilling these responsibilities, the Board considers the relationships between risk, return and capital. Documented terms of reference on matters to be considered by or notified to the Board are in place. The Board is supported by an organisational structure with clearly defined authority levels and reporting responsibilities. The Board is comprised of two Executive Directors and seven Non-Executive Directors, four of whom are Independent Non-Executive Directors (INED's). All directors comply with the Corporate Governance Requirements for Insurance Undertakings 2015 in relation to Directorships.

Cecil Hayes (Chairman)
Cecil has served as Chairman of Liberty Insurance since May 2014. With over 25 years' experience in senior operational and financial management positions principally in the financial services & technology sectors, he holds non-executive directorships in a number of other companies including Irish Life Assurance and Irish Life Health where he chairs the Board Audit Committee of both companies.

Helen Keelan
Helen was appointed to the Board of Liberty Insurance in May 2013. She has over 25 years' in senior finance and strategic leadership roles in Fortune 500 Companies. She is currently non-executive chair of Barclays Bank Ireland plc, and non-executive director of Standard Life International dac, Barclays Capital Securities Limited (UK), and PM Group Ltd.

Mark Ennis
Mark became a Board Member of Liberty Insurance in October 2013. He was previously non-executive director on the Board of Invest NI, and was appointed as non-executive chairperson of Invest NI in January 2012. He is currently the non-executive chairperson of SSE Ireland, and holds a non-executive directorship in Wilson Bio Chemical Ltd.

Ronan Murphy
Ronan was appointed as a non-executive director of Liberty Insurance in 2016. A former Senior Partner of PwC and a member of the PwC EMEA Leadership Board, Ronan is also a Board member of the UCD Michael Smurfit Business School; non-executive director of Davy Stockbrokers; and a founding Board Member of the British Irish Chamber of Commerce.

Tom McIlduff
Tom was appointed CEO of Liberty's Spanish business, Liberty Seguros in April 2017. He was CEO of Liberty Insurance from March 2015 to April 2017, when he was replaced by Sharon O'Brien. His former roles included Principal of Boston Consulting Group; CEO & Director of Bank of Ireland (UK); Director of Strategic Marketing and Direct Channels at Bank of Ireland (NI); One Bank Transformation Director at Bank of Ireland (NI), and Managing Director for Europa General Underwriters Ltd.

William Finn
William joined Liberty Mutual in 1998, having previously served as Chief Actuary for the National Insurance Business Unit within Commercial Insurance, and Chief Reserving Actuary for the Liberty Mutual Group. He currently serves as Senior Vice President and Chief Actuary of Liberty Mutual's Global Retail Markets East/West regions.

Sean McSweeney
Sean joined the Board of Liberty Insurance in 2017. He currently serves as Senior Vice President and General Counsel of Liberty Global Consumer Markets. He has over 30 years' experience within various roles within Liberty Mutual Legal Counsel.

Sharon O'Brien (CEO)
Sharon was appointed as Chief Executive Officer replacing Tom McIlduff in 2017. She joined Liberty Insurance 3 years ago as Chief Information Officer and was appointed Chief Operating Officer (COO) in 2016. Sharon has over 25 years' experience in Insurance, IT, Operations and Strategic Change at Senior Management and Director Level with Aviva, FBD Insurance, Bank of Ireland and Bord Gáis Energy.

Stuart Trotter (Finance Director)
Stuart was appointed to the role of Finance Director in March 2018. He joined Liberty Insurance in 2013 and since then has held a number of key roles in finance and strategy deployment. Stuart spent 11 years at Aviva Ireland prior to joining Liberty Insurance, and has over 20 years' experience working as a chartered accountant in industry and practice.

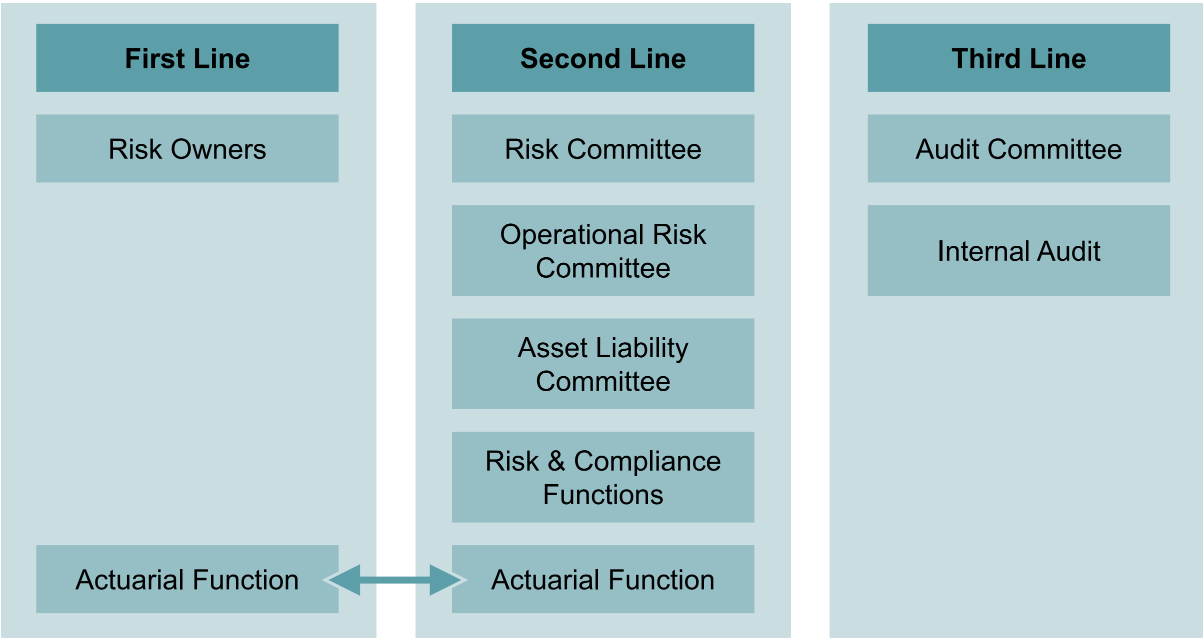
The Board delegates a number of key functions to board committees. Day to day management is delegated to sub-committees and individuals through terms of reference, letters of authority and job descriptions. Furthermore, the Company maintains an Approval Matrix which defines the authority and responsibilities of key individuals and committees in the Company. Through this structure, an effective control system of delegated authority operates from top to bottom within the Company, reporting upwards to the Board. Certain matters pertaining to statutory obligations, strategic and financial management and other specified areas are reserved for the Board and cannot be delegated.

'The Board is supported by an organisational structure with clearly defined authority levels and reporting responsibilities.'

The Company adopts a "Three Lines of Defence" model as a key means to structure responsibilities for decision making, risk and control to achieve effective governance. Risk Owners (First Line) are responsible for ensuring that a risk and control methodology is established as part of day to day operations. The Second Line of defence, which is independent of the First Line, concerns itself with providing challenge, oversight and support with regard to First Line activities. The Third Line of defence entails independent challenge, audit of key controls and formal reporting on assurance. The Actuarial function may be considered first or second line of defence, depending on the nature of the specific tasks being undertaken.

The governance structure of the Company has not materially changed in the year-ended 31 December 2017

"Three Lines of Defence" model



3 Risk Profile Summary

The Solvency Capital Requirement (SCR) is used to assess the Company's ability to meet all of its regulatory capital obligations under normal and stressed conditions. The Company uses the Standard Formula as defined by the European Regulator (EIOPA) to calculate the SCR. The Company's SCR at 31 December 2017 was €130,478k (2016: €151,715k).

In order for the Company to be able to properly reflect its risk profile, all material risks affecting it are considered as part of the Company's risk management framework, in so far as they may adversely impact the achievement of its goals.

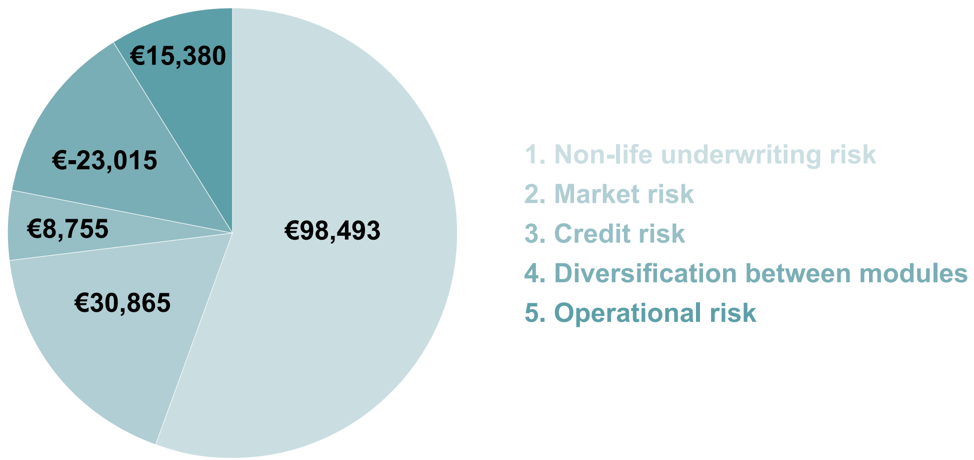
The chart opposite shows the component modules of the SCR.

The Company has undertaken extensive stress testing as part of its annual Own Risk and Solvency Assessment (ORSA) process. The results of same provide assurance that the Company can withstand both plausible and extreme shocks over its planning horizon. Further details in relation to the ORSA process are set out within Section B.3.4.

The risk profile of the Company is described below with regard to the following risk categories:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Other material risks

Component Modules of the SCR (€'000)



Non-life underwriting risk is the largest component of the Company's risk profile. It includes the risk of loss to the Company as a result of an inappropriate or ineffective underwriting process (underwriting risk), the risk of loss as a result of inappropriate or ineffective claims handling (claims risk), the risk that the true value of insurance liabilities will be greater than the estimated value of insurance liabilities (reserving risk), and the risk that inadequate pricing leads to unprofitable results (pricing risk).

The Company takes a conservative approach to managing the above risks through its underwriting strategy, proactive claims handling, robust reserving methodology and its reinsurance arrangements. In this regard, the Company's Underwriting Risk Policy, Reserving Risk Policy and Reinsurance Risk Policy provide relevant guidance to Management as to how underwriting risk is to be managed.

Market risk is the risk of loss to the Company arising from fluctuations in the values of its assets, the amount of its liabilities, or the income from its assets. Sources of market risk for the Company include movements in interest rates (interest rate risk), market prices (price risk), and exchange rates (currency risk). Such movements would potentially affect the value of the Company's cash and investment portfolio and the income derived from the portfolio. Liberty Insurance considers its market risk appetite to be conservative.

The Company's market risk policies set out guidelines for the management of its investments.

The Company's market risk policies include:

- An Investment Risk Policy which sets out an overarching principle of maintaining security and liquidity at all times.
- An Asset Liability Management Policy (ALM) which sets out key principles in terms of asset and liability duration matching and stress testing to be completed.

Credit risk is the risk that one party to a financial instrument or contract causes loss to the other party by failing to discharge an obligation. Liberty Insurance considers its credit risk appetite to be conservative.

The Company's Credit Risk Policy sets out procedures to mitigate exposure to credit risk, including monitoring and reporting of breaches. The Company has considered if there are any financial assets that are either past due or impaired at year-end and can confirm there are none held. The Company does not hold any collateral that is used as security at year end.

Liquidity risk is the risk of loss to the Company arising from the Company being insufficiently liquid to meet all cash-flow commitments as and when they fall due. It is Company policy that all funds are held in cash or in readily-marketable instruments. In order to ensure cash flows are appropriately monitored for available funds, the duration of investment instruments is compared to the anticipated duration of liabilities to policyholders to ensure durations are within tolerance. Key risk metrics are defined with regard to liquidity risk that are reported against on an ongoing basis.

Operational risk is the risk of loss to the Company arising from inadequate or failed internal processes, people, and systems. Control frameworks and assessments are in place to ensure that risks are appropriately mitigated throughout the year. The Company manages operational risk through the three lines of defence governance model as described above.

Processes are in place to reduce the risk of interruption of services that could arise from a major external event. These processes include a formal disaster recovery plan with an off-site facility, to ensure business continuity. Where a loss of key staff arises, appropriate plans and documentation are in place that allow for transfer of responsibilities across operations. The Company also has a cyber security strategy in place as part of its wider IT strategy.

The Company has entered into a number of outsourcing arrangements as detailed in Section B.7. The Company is exposed to specific concentration risks with regard to the respective outsourced service providers. Appropriate arrangements are in place to manage such contracts.

Other material risks - the entity recognises that along with the benefits of being part of the Liberty Mutual Group there is also a risk that matters could arise in one part of the organisation that may negatively impact other parts of the organisation.

Diversification between modules is a feature of the Standard Formula calculation. This has the effect of reducing the SCR by €23,015k at 31 December 2017 (2016: €24,348k).

4. Valuation for Solvency Purposes Summary

As noted above, the Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102), Financial Reporting Standard 103 Insurance Contracts (FRS 103), the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015. Certain balances in the Statement of Financial Position prepared under FRS 102 and FRS 103 are adjusted to Solvency II valuations in accordance with the guidance issued by EIOPA and the Central Bank of Ireland (CBI) and using the valuation principles set out in the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency 2 Technical Standards and Guidelines.

An analysis of the valuation of assets, technical provisions and liabilities per the Solvency II balance sheet is provided in the report in sections D.1, D.2 and D.3 respectively. These sections provide detail of the recognition and valuation basis applied, including inputs and methods used, as well as judgments made and any assumptions, including those about the future and other sources of estimated uncertainty.

5 Capital Management Summary

The Company was in a strong capital position at the reporting date:

- The SCR coverage ratio at 31 December 2017 was 183.6% (2016: 148.6%), with eligible own funds of €239,518k (2016: €225,423k) and an SCR of €130,478k (2016: €151,715k).
- The Minimum Capital Requirement (MCR) coverage ratio at 31 December 2017 was 476.1% (2016: 359.4%), with eligible own funds of €199,518k (2016: €185,423k) and a MCR of €41,905k (2016: €51,593k).

The own funds are underpinned by a conservative investment management strategy and an integrated approach to risk management that protects regulatory capital and policyholder assets.

The SCR coverage ratio includes the benefit of Ancillary Own Funds (AOF) of €40,000k in the form of uncalled and unpaid share capital, callable on demand from the Company's immediate parent Liberty Mutual Ireland Investment Holdings. The AOF was approved by the Central Bank of Ireland (CBI) on the 22 December 2016.

The Company's Capital Management Policy is to hold sufficient capital to cover the statutory requirements including any additional amounts required by the CBI. Consideration of the Company's risk appetite during the formulation and implementation of business strategies is essential to optimize the risk to reward return from the allocation of capital resources.

On an annual basis, the Company's Capital Management Plan is prepared as part of the overall annual planning process. Additionally, the Company's ORSA process is aligned to the annual planning process and aims to inform that process through analysis of capital implications of various business plans and strategies.

Supporting the Capital Management Plan and aligned to the Company's Risk Appetite Statement (RAS), the Company also maintains a Solvency Monitoring Plan. This Plan provides guidance on required Management actions with reference to various levels of the Company's solvency position.

A. Business and Performance

A.1 Business

Liberty Insurance Designated Activity Company (the "Company") is incorporated in the Republic of Ireland. The registered office of the Company is Dublin Road, Cavan.

The immediate parent company of Liberty Insurance dac is Liberty Mutual Ireland Investment Holdings Limited, a company incorporated and registered in the Republic of Ireland.

Liberty Insurance dac consolidates into Liberty International European Holdings, S.L.U. (LIEH). Liberty Mutual Holding Company Inc. (LMHC), is the ultimate parent company, with registered address at 175 Berkley Street, Boston, Massachusetts 02116, US.

The Company's go-forward vision is to build a profitable, growing and customer focused business that delivers "Insurance the way it should be" and consistently meets financial plans. During 2017, the Company went through a process of redefining its longer term strategy with the objective of continuing on a path of sustainable profitability and favourable return on equity. The outputs of this exercise formed the basis of the current 5 year plan of sustainable, profitable growth that strives to meet our strategic objectives, enabled by significant investment. The plan comprises a number of key initiatives to deliver an improved loss ratio and growth trajectory.

As part of Liberty's global strategy, the Company has initiated a process which will result in the insurance business transferring to a Spanish affiliate, Liberty Seguros Compania de Seguros y reaguros SA (Liberty Seguros), via a high court approved Portfolio Transfer, and the absorption of the Company into Liberty Seguros through a Cross Border Merger. The Company's plan is that the portfolio transfer and the cross border merger will happen simultaneously. The business will continue to operate in Ireland via an Irish branch, and to be regulated by the Central Bank of Ireland for conduct of business rules. The Company does not envisage any significant changes to the underlying business as a result of the proposed Cross Border Merger. This change will not impact customer policies in any way.

A.1.1 Supervision of the entity and external audit

The Company is subject to the local supervision of the Central Bank of Ireland (CBI). The CBI is located in Central Bank of Ireland, PO Box 559, New Wapping Street, North Wall Quay, Dublin 1, with its website being www.centralbank.ie.

At the global level the Group supervision is undertaken by the Division of Insurance of the Commonwealth of Massachusetts, located in 1000 Washington Street, 8th Floor, Boston, MA 02118, US. The European sub-group, in accordance with article 247 of directive 2009/138 of the European Parliament and of the Council, is subject to supervision of the Directorate General for Insurance and Pensions Funds (DGS), an agency of the Ministry for Economy and Competition of the Spanish Government. The DGS is located at Paseo de la Castellana, 44, Madrid, Spain, with its website being www.dgsfp.mineco.es.

The Company's external auditors are Ernst & Young, who can be contacted in writing at EY Building, Harcourt Centre, Harcourt Street, Dublin 2.

A.1.2 Income Statement by Material Line of Business

For Solvency II purposes the Company categorises its lines of business as follows:

Class of business per FRS 102	Solvency II class of business
Motor	Motor Vehicle Liability Insurance Other Motor Insurance
Property	Fire and Other Damage to Property
Liability	General Liability
Credit & Suretyship	Credit & Suretyship

In order to determine the split of motor between motor vehicle liability insurance and other motor insurance, a proxy model is used. The best estimate ultimate losses for the most recent accident year are used as a basis to split earned premium and expenses (excluding claims expense) and the best estimate ultimate losses for the most recent accident year adjusted for prior-year booked claims reserves adjustments are used as a basis to split claims incurred and claims expenses.

The Company carries out business in the Republic of Ireland and the United Kingdom.

A.2 Underwriting Performance

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102), Financial Reporting Standard 103 Insurance Contracts (FRS 103), the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

A.2.1 Income Statement by Material Line of Business

The table opposite, (Fig L1) sets out the Net Premium, Claims and Expenses by material line of business as per S.05.01.02. (Ref F.3)

Fig L1 – Net, Premium, Claims and Expenses by Material Line of Business

	Motor vehicle liability insurance €'000	Other motor insurance €'000	Fire and other damage to property insurance €'000	General liability insurance €'000	Credit and suretyship insurance €'000	Total 2017 €'000	Total 2016 €'000
Premiums written							
Gross – Direct Business	185,118	11,376	31,554	11,364	-	239,412	209,333
Reinsurers' share	94,212	5,790	16,849	6,304	-	123,155	76,825
Net	**90,906**	**5,587**	**14,705**	**5,060**	**-**	**116,257**	**132,508**
Premiums earned							
Gross – Direct Business	169,751	10,432	30,677	13,266	-	224,126	219,436
Reinsurer's share	86,468	5,313	16,293	7,273	-	115,347	86,702
Net	**83,284**	**5,119**	**14,385**	**5,992**	**-**	**108,779**	**132,734**
Claims incurred							
Gross – Direct Business	93,539	6,066	9,589	2,079	(219)	111,054	115,041
Reinsurers' share	50,004	3,243	5,884	6,024	-	65,156	62,429
Net	**43,534**	**2,823**	**3,705**	**(3,945)**	**(219)**	**45,898**	**52,612**
Changes in other technical provisions							
Gross – Direct Business	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	28,213
Net	**-**	**-**	**-**	**-**	**-**	**-**	**(28,213)**
Expenses incurred	**69,977**	**4,361**	**15,435**	**11,529**	**100**	**101,403**	110,427
Other expenses							
Total expenses						**101,403**	**110,427**
Net Premium, Claims and Expenses	**(30,227)**	**(2,065)**	**(4,755)**	**(1,592)**	**119**	**(38,522)**	**(58,518)**
Per Financial Statements							
Other Income						**40,643**	**36,593**
Investment Income						**3,952**	**17,366**
Profit/ (loss) on ordinary activities before taxation						**6,073**	**(4,558)**
Tax (charge) / credit on loss on ordinary activities						**(1,422)**	**103**
Profit/ (loss) for the financial year						**4,651**	**(4,455)**

Premiums written Gross – Direct Business of €239,412k (2016: €209,333k) represents an increase of 14.4% primarily due to higher premium written in the Republic of Ireland (ROI) motor line of business.

As can be seen from the reinsurer's share of the premium and claims, the Company reinsures a significant portion of its business. In addition to excess of loss (XOL) reinsurance which protects against large and catastrophic (CAT) losses, a number of quota share (QS) arrangements are in place with Liberty Mutual Insurance Company (LMIC), a group company. In these arrangements LMIC takes a percentage share of the premiums and claims of the relevant business, and pays a reinsurance commission to the Company, which contributes to the expenses incurred in writing the business and managing the claims. 100% quota share arrangements for NI and GB direct private motor business are in place, however these lines are now in run off. A 50% quota share agreement with LMIC was introduced on 1 July 2015 covering all business from that date not covered by the 100% quota share arrangements.

On July 1, 2015 the Company entered into an Adverse Development Cover (ADC) reinsurance contract. The premium for this contract was €34,800k and was recognised in increased outward reinsurance premium in 2015. The ADC was commuted with effect from 1 July 2016. €31,500k of premium was returned and resulted in outward reinsurance premium in 2016 being reduced. The unamortised ADC premium of €28,213k, accounted for in reinsurers' share of other technical provisions was unwound as part of the commutation.

Premiums earned - Net of reinsurance of €108,779k (2016: €132,734k) represents a decrease of 18.0%. The main driver of this was the commutation of the ADC.

The reduction of €3,987k in Claims Incurred Gross – Direct Business to €111,054k compared with €115,041k in 2016 is driven by favourable prior year development and improved current year performance.

Expenses incurred (Fig L2) represent administrative expenses, investment management expenses, claims management, acquisitions expenses and overhead expenses.

Fig L2 – Expenses Incurred

Expenses Incurred	2017 €'000	2016 €'000	Variance €'000	Variance %
Administrative expenses	6,115	4,787	1,328	27.8%
Investment management expenses	2,820	8,558	(5,738)	(67.1%)
Claims management expenses	22,759	26,908	(4,149)	(15.4%)
Acquisition expenses	23,145	29,796	(6,651)	(22.3%)
Overhead expenses	46,564	40,378	6,186	15.3%
Total	**101,403**	**110,427**	**(9,024)**	**(8.2%)**

Administrative expenses relate to expenses which are connected with policy administration such as postage, broker costs and costs relating to customer complaints. These expenses increased by €1,328k in 2017. This increase is due to the Company's outsource provider now providing more administrative services.

Investment management expenses are comprised of investment management fees, salaries costs, telephone costs and foreign exchange movements. Investment management expenses decreased by €5,738k primarily due to a €6,091k movement on foreign exchange on investments, driven by reduced volatility in exchange rates throughout 2017.

Claims management expenses include Motor Insurance Bureau of Ireland (MIBI) costs, movements in the claims handling provision (CHP) and claims handling costs. Claims management expenses have reduced in 2017 by €4,149k due to lower operational costs following the restructures in 2016, primarily salary costs.

Acquisition expenses includes commission expenses and deferred acquisition costs. The acquisition costs reduced compared with 2016 by €6,651k, mainly due to lower commission due to distribution mix.

Overhead expenses have increased in 2017 following an increase in other provisions, and the impairment of buildings.

Fig L3 – Other Income

Other Income	2017 €'000	2016 €'000	Variance €'000	Variance %
Direct debit income / administration charges	9,356	8,408	948	11.3%
Other income	1,087	379	708	186.8%
Affiliate commission	30,200	27,806	2,394	8.6%
Total	**40,643**	**36,593**	**4,050**	**11.1%**

Direct debit income relates to income received from customers for the provision of a facility to pay premiums by instalment. Administration charges relate to income from fees charged for mid-term policy adjustments and the provision of duplicate documents. Direct debit income has increased in line with the growth in ROI motor business.

Other income (Fig L3) includes miscellaneous income and items of a one-off nature. Other income increased in 2017 by €708k. This is mainly due to the increase in the revaluation of the investment property which moved by €631k in 2017.

Affiliate commission income earned by the Company relates to commission received to cover expenses in respect of the quota share reinsurance arrangements in place with LMIC. This has increased in line with increased volumes.

A.2.2 Geographical Analysis

The table opposite, (Fig L4) sets out the Net Premium, Claims and Expenses by geographical area as per S.05.02.01. (Ref F.4)

The Company commenced writing business in ROI in 2011 and in NI and GB in 2012. In 2015, the Company discontinued its operations in GB.

Fig L4 – Net Premium, Claims and Expenses by Geographical Area

	Republic of Ireland 2017 €'000	United Kingdom 2017 €'000	Total 2017 €'000	Republic of Ireland 2016 €'000	United Kingdom 2016 €'000	Total 2016 €'000
Premiums written						
Gross – Direct Business	225,548	13,864	239,412	198,820	10,513	209,333
Reinsurers' share	115,973	7,182	123,155	71,423	5,402	76,825
Net	**109,575**	**6,682**	**116,257**	**127,397**	**5,111**	**132,508**
Premiums earned						
Gross – Direct Business	212,950	11,176	224,126	183,186	36,250	219,436
Reinsurer's share	109,508	5,839	115,347	63,843	22,859	86,702
Net	**103,442**	**5,337**	**108,779**	**119,342**	**13,391**	**132,734**
Claims incurred						
Gross – Direct Business	104,233	6,822	111,055	120,350	(5,310)	115,041
Reinsurers' share	61,440	3,716	65,156	66,192	(3,763)	62,429
Net	**42,793**	**3,106**	**45,898**	**54,159**	**(1,547)**	**52,612**
Changes in other technical provisions						
Gross – Direct Business	-	-	-	-	-	-
Reinsurers' share	-	-	-	28,213	-	28,213
Net	**-**	**-**	**-**	**(28,213)**	**-**	**(28,213)**
Expenses incurred	**95,632**	**5,771**	**101,403**	**96,261**	**14,166**	**110,427**
Other expenses			**-**			**-**
Total expenses			**101,403**			**110,427**
Net Premium, Claims & Expenses	**(34,981)**	**(3,540)**	**(38,522)**	**(59,290)**	**772**	**(58,518)**
Per Financial Statements						
Other Income			**40,643**			**36,593**
Investment Income			**3,952**			**17,366**
Profit/ (loss) on ordinary activities before taxation			**6,073**			**(4,558)**
Tax (charge) / credit on loss on ordinary activities			**(1,422)**			**103**
Profit/ (loss) for the financial year			**4,651**			**(4,455)**

A.3 Investment Performance

A.3.1 Performance Overview

The Company's investment objective is to optimise the capital position and achieve portfolio protection and moderate returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. A safe and stable income stream is achieved by maintaining a broadly based portfolio of investment grade bonds and deposits. The overriding investment principal is that security and liquidity is maintained at all times.

The Company's investment income comprises of interest from listed fixed interest securities. Total investment income by asset class (before realised and unrealised gains and losses) reduced to €13,151k in 2017 from €16,374k in 2016. This was primarily driven by a reduction in invested assets due to the reducing portfolio as the Company continues to liquidate assets to fund the run-off of the claims legacy book. In addition, the continuing low interest rate environment results in available funds being invested at very low yields. The Company expects the low interest rate environment to continue in the short to medium term.

The following table, (Fig L5) shows the breakdown of total investment income earned during the current and prior year by asset class:

Fig L5 – Investment Income

Investment Income by Asset Class	2017 €'000	2016 €'000	Variance €'000	Variance %
Government bonds	6,795	8,202	(1,407)	(17.2%)
Corporate bonds	6,328	8,116	(1,788)	(22.0%)
Collateralised securities	15	34	(19)	(55.9%)
Deposits with credit institutions	13	22	(9)	(40.9%)
Total Investment Income by Asset Class	**13,151**	**16,374**	**(3,223)**	**(19.7%)**
Realised Gains	1,523	1,453	70	4.8%
Unrealised movements	(10,722)	(461)	(10,261)	(2225.8%)
Total Investment Income	**3,952**	**17,366**	**(13,414)**	**(77.2%)**

Income on deposits and fixed interest securities is recognised as interest accrues using the effective interest rate method.

Realised gains or losses arising from the disposal of investments, included in the Financial Statements at fair value, represent the difference between net proceeds of the disposal and their purchase price.

Unrealised movements on investments represent the difference between the fair value as at 31 December 2017 of investments held and their purchase price. Unrealised movements on investments are calculated on an individual security basis. The movement between 2016 and 2017 is due mainly to market fluctuations.

Other than the investment expenses noted within the underwriting performance section, the Company had no other investment related expenses. In addition to this, the Company did not have any investment income or expenses recorded directly in equity during the year.

A.4 Performance of other activities

The Company had no other material income and expenses other than those outlined above.

A.5 Any other information

The Company has no further material information to note other than that outlined above.

B. System of Governance

B.1 General information on the system of governance

B.1.1 System of Governance

The Company is regarded as High Impact by the Central Bank of Ireland as defined in the Corporate Governance Requirements for Insurance Undertakings 2015.

The Company's System of Governance provides a framework through which the Company is directed and controlled. The system comprises a clear organisation structure, transparent lines of responsibility (Board and committee terms of reference), effective processes to identify, manage, monitor and report the risks to which it might be exposed (Risk Management Strategy), adequate internal control mechanism (Internal Control System) and remuneration policies all of which promote effective risk management. An overview of the system of governance is set out below. The system of governance is subject to regular internal review (see Section B.1.5).

B.1.2 Board of directors, responsibilities and roles

The Board is responsible for the governance and control of the Company. In fulfilling these responsibilities, the Board considers the relationships between risk, return and capital. Documented terms of reference on matters to be considered by and /or notified to the Board are in place. These include amongst other things setting and overseeing the following:

- Business strategy
- Capital management
- Risk management
- Organisation structure
- Remuneration policy
- Internal control framework

The Board is supported by an organisational structure with clearly defined authority levels and reporting responsibilities. The Board is comprised of two Executive Directors and seven Non-Executive Directors, four of whom are Independent Non-Executive Directors. All directors comply with the CBI's Corporate Governance Code in relation to directorships.

The Board sets appropriate policies and assesses what constitutes a sound system of risk management and internal control in the particular circumstances of the Company. In doing this, consideration is given to the following:

- The nature and extent of the risks facing the Company
- The extent of the risk it regards as acceptable for the Company to bear
- The likelihood of the risks concerned materialising
- The Company's ability to reduce the incidence and impact of the risks that do materialise
- The costs of operating particular controls relative to the benefit obtained in managing the related risks

All decisions of the Board are documented.

B.1.3 Delegation of authorities, reporting lines and allocation of functions

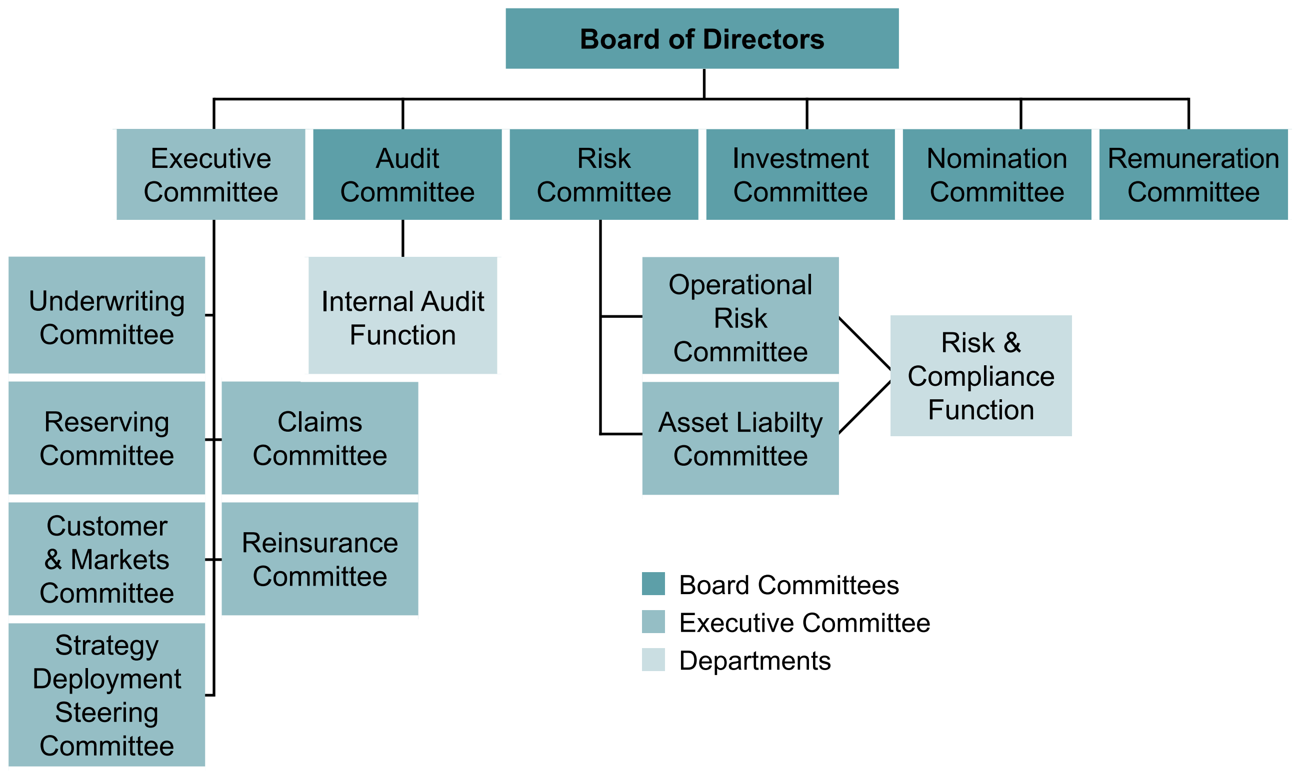
The Board directs the affairs of the Company and is ultimately responsible for the running of the Company. Whilst certain responsibilities are reserved exclusively for the Board, an effective system of delegated authority operates within the Company through terms of reference for committees and sub-committees. The Board delegates specific authority to Board Sub-

Committees with regard to the Board's oversight of Investments, Risk, Audit, Nomination and Remuneration. Additionally, the Board delegates specific authority for the day to day management of the Company to the Chief Executive Officer, who in turn delegates authority to a number of executive committees.

The governance structure of the Company is illustrated in the diagram below. Further details of the Company's governance arrangements and internal control framework are available in the Company's Governance Policy.

This structure is illustrated as follows, (Fig L6):

Fig L6 – Governance Structure



B.1.3.1 Audit Committee

The Audit Committee is responsible for monitoring the effectiveness and adequacy of the internal control framework, internal audit and IT systems. In addition, the Audit Committee is responsible for liaising with external auditors, review of the Financial Statements ensuring they give a true and fair view, and assessing auditor independence. The Company's Internal Audit Function reports to the Audit Committee. In this regard, the Audit Committee ensures the Internal Audit Function has the necessary authority, is appropriately resourced and has operational independence in fulfilling its responsibilities.

B.1.3.2 Risk Committee

The Risk Committee is responsible for oversight and advice to the Board on the risk profile of the business. In addition, the Risk Committee is responsible for advising the Board on the Company's risk appetite and overseeing the effectiveness of the Risk Management System. The Risk Committee also relies on and oversees the performance of the Risk and Compliance Functions in this regard. The Risk Committee ensures the Risk Management and Compliance Functions have the necessary authority, are appropriately resourced and have operational independence in fulfilling their responsibilities. The Risk Committee also advises the Board on the effectiveness of policies with respect to the maintenance of regulatory capital.

B.1.3.3 Investment Committee

The Investment Committee is responsible for setting the investment strategy and reviewing investment performance. This includes oversight of the investment managers, including selection of appropriate performance benchmarks, measurement of performance relative to those benchmarks, and monitoring of the investment manager's compliance with the investment guidelines.

B.1.3.4 Remuneration Committee

The Remuneration Committee is responsible for establishing the remuneration policies of the Company. Further detail in relation to the Company's remuneration policy is set out in section B.1.4.

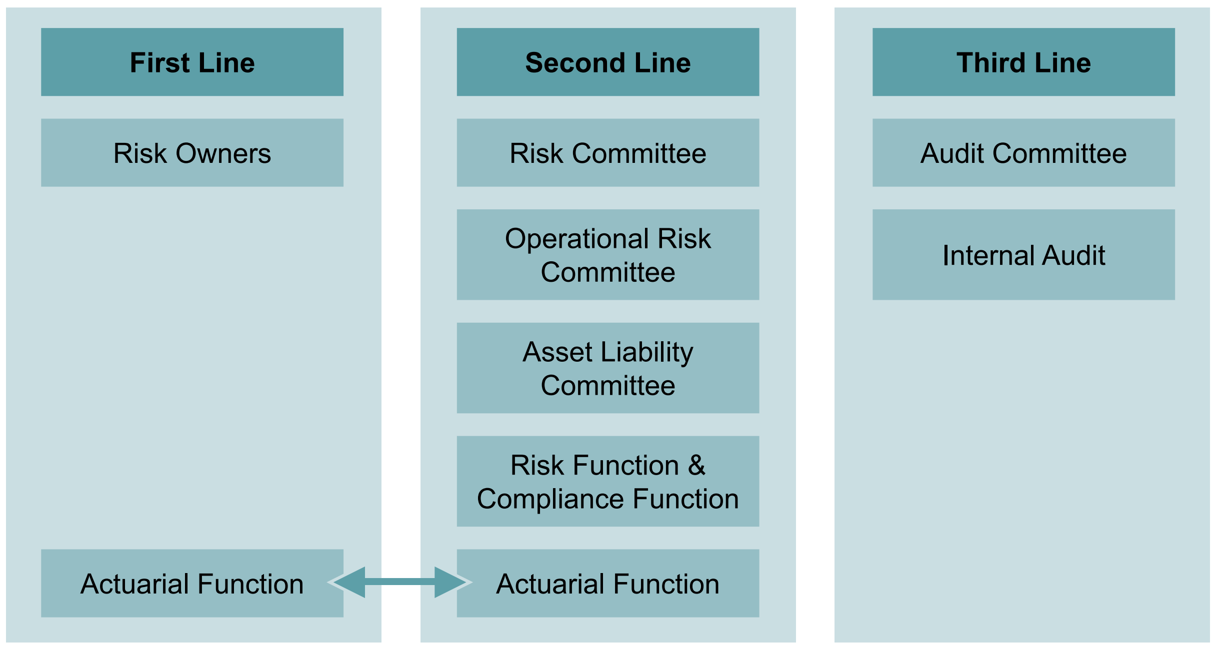
B.1.3.5 Nomination Committee

The Nomination Committee has been delegated the task of identifying and nominating, for approval of the Board, candidates to fill Board vacancies as and when they arise. The Board has put in place a formal skills matrix and Diversity Policy to ensure that there is an appropriate skills mix across members of the Board and potential new members should be assessed against this skills matrix during the appointment process. The Nominations Committee is required to evaluate the balance of skills, knowledge and experience on the Board and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nominations Committee also considers the appointment of individuals to Pre-approval Controlled Functions ("PCF" roles).

B.1.3.6 "Three lines of defence" model

Aligned to the above, the Company adopts a "Three Lines of Defence" model as a key means to structure responsibilities for decision making, risk and control to achieve effective governance. Risk Owners (First Line) are responsible for ensuring that a risk and control methodology is established as part of day to day operations. The Second Line of defence, which is independent of the First Line, concerns itself with providing challenge, oversight and support with regard to First Line activities. The Third Line of defence entails independent challenge, audit of key controls and formal reporting on assurance. The Actuarial function may be considered first or second line of defence, depending on the nature of the specific tasks being undertaken. The second and third lines collectively are known as the control functions. An illustration of the model is provided below, (Fig L7).

Fig L7 – "Three Lines of Defence" model



B.1.4 Remuneration Policy

The remuneration policy applies to all employees. The purpose of the Remuneration Policy is to document the Company's approach in setting remuneration for Management and employees. The adoption of the Company's Remuneration Policy and practices, which are fair, competitive and promote sustainable performance over the long-term, is a key responsibility of the Board. The Remuneration Committee and the Board ensure that the Company's remuneration practices do not promote excessive risk taking but do promote sound risk management. The Company's Remuneration Policy supports the business strategy, objectives, values and long term interests by aligning the objectives and incentives of staff with financial and non-financial performance.

The Company's compensation philosophy is to:

- Be competitive to market
- Pay for performance
- Provide pay growth through promotional opportunities

The Company's remuneration elements for staff typically consist of

- Fixed remuneration (base salary and any allowances)
- Variable pay (short term and long term incentives)
- Retirement & wellbeing
- Other rewards

Variable pay aims to reward high performance based on achievement of individual and Company objectives which are aligned to sustainable performance of the organisation over the short and long term. Such short term incentives link compensation to the Company performance measured against annually established targets which take account of prior year performance, business plans and the operating environment. Individual performance is measured against targets that are established each year and can be both financial and non-financial. The calculations of short term incentives are weighted with regard to individual and Company performance. Management may also be eligible to participate in long term incentive schemes. This scheme is generally referenced to profit and growth achieved relative to plan over a three year period prior to payment.

In keeping with CBI guidelines to promote the right culture and behaviours from staff, a minimum of 50% of factors considered within the bonus schemes for direct sales teams are linked to qualitative metrics. As such, sales volume/ revenue targets do not exceed 50% of the total target set for such staff to ensure a sufficient balance of quality related measures is achieved.

The Company's Independent Non-Executive Board members are paid fees for their services. The calculation of such fees is not referenced to the performance of the Company. The Liberty Mutual Group Non-Executive Board members receive no specific compensation as members of the Company's Board.

B.1.5 System of Governance Policy

The Company's system of governance is subject to regular reviews with recommended enhancements, emanating from these reviews as appropriate. Furthermore, at least on an annual basis, the Risk Function completes a system of governance assessment. The reviews and assessments are intended to ensure that the Company's system of governance remains appropriate in light of the Company's business model, scale of operations and risk profile. Reviews completed in 2017 and 2016 have reported that the Company's system of governance is appropriate. Annual evaluations regarding the performance of the Board have found that the Board and sub-committees of the Board appropriately fulfils its responsibilities.

B.1.6 Reporting governance concerns

The Company's Risk Escalation protocol defines the processes undertaken by the Company in monitoring the system of governance and escalating any relevant concerns, both internally and externally. In cases where the Board determines that a material breach of the Company's Risk Appetite may have occurred, the CEO and Chief Risk Officer (CRO) will be advised by the Board to notify the CBI within five working days of the Board being initially informed.

Company Management are responsible for informing the Compliance, Risk, Actuarial and Internal Audit Functions of any governance concerns which may be relevant for these functions in performing their duties. Furthermore, the Company has a number of policies in place that provide for the required escalation of various matters. These policies include the Company's Code of Business Ethics & Conduct, Whistleblowing Policy, Anti-Corruption Policy, Anti-Fraud Policy and Anti-Money Laundering & Counter Terrorism Policy.

B.2 Fit and proper requirements

The Company's Fit & Proper Policy describes the procedures for assessing the fitness and probity of individuals who effectively run the Company or have other key functions. The Company's Fit & Proper Policy is aligned to the CBI Standards of Fitness and Probity. As required under these Standards, the Company must satisfy itself on reasonable grounds that individuals appointed to PCF roles and Controlled Functions (CFs) are fit and proper. This requires the Company to analyse the competencies and the degree of probity required to discharge relevant functions. The Company must be satisfied on reasonable grounds that a person performing a PCF or CF to be;

- Competent and capable;
- Honest, ethical and to act with integrity; and
- Financially sound.

Relevant individuals are required to demonstrate that he/she has the necessary qualifications, experience, competence and capacity to perform their roles. Relevant individuals are also required to demonstrate that they have managed their own financial affairs in a sound and prudent manner.

'The Company's Fit & Proper Policy is aligned to the CBI Standards of Fitness and Probity.'

Examples of the steps taken by the Company to assess the fitness and probity of relevant individuals include;

- Performing due diligence assessments with regard to the fitness, competence and probity of relevant individuals including interview, confirmation of qualifications, compliance with CBI Minimum Competency Code, CPD, reference checks, time commitment and due diligence in respect of possible criminal records; regulatory actions or judgements.
- Obtaining periodic confirmations that relevant individuals are familiar with the Company's Fitness & Probity requirements and comply with same.
- Requiring relevant individuals to advise of any material changes in their circumstances, from a fitness and probity perspective, that may require disclosure to the Company.

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

The Risk Management System (RMS) provides an integral link for the achievement of the Company's corporate objectives by describing its approach to managing risk that may develop from the implementation of its business strategies. The RMS comprises strategies, processes and reporting procedures necessary to identify, measure, monitor, mitigate and report the risks which the Company is or may be exposed.

The RMS achieves this through:

- Defining the Company's risk universe and establishing the Company's Risk Appetite Statement.
- Establishing risk policies for key risks faced by the Company and that consequently represent the areas of focus for strategic business decisions and risk management activities.
- Detailing the methodology and activities designed to identify measure, manage, monitor and report risks.
- Ensuring timely and relevant risk management information is provided to management to actively monitor and manage risk in alignment with the Company's Risk Appetite Statement.

The Company's risk philosophy aims to channel the risk management capabilities and expertise of its employees used to deliver risk solutions to policyholders, to that of managing the risks faced by the Company. This requires a risk culture that embraces risk through awareness, accountability and maturity. We strive to embed risk-aware culture and values in our business through regular business engagement and employee training and communications.

The Risk Management System forms part of the overall system of governance. The Board holds ultimate responsibility for the effectiveness of the system. The system is comprehensively described in the Risk Management Strategy and Policy. The Board has appointed a CRO who has responsibility for the Risk Function and for monitoring the effectiveness of the Company's Risk Management System.

On an annual basis, the CRO issues an opinion on the effectiveness of the Risk Management System.

B.3.1 Risk Management Policy

The Company's Risk Management Policy defines the key risk principles with regard to risk management in the Company and also the categories of risk faced by the Company, in particular those that develop from the implementation of business strategies. It also defines the requirement for supporting risk policies.

The supporting policies, approved by the Board, set out how risk is managed, procedures and tasks to be undertaken, the implications for capital, risk appetite and frequency of stress testing. It is Company policy that relevant scenario and stress tests are to be completed at least annually. Furthermore, ad hoc stress tests are to be considered when it is anticipated that the risk profile of the Company may significantly change or at any time at the direction of the Board.

B.3.2 Risk Appetite Statement

The Company accepts risk and manages the Company's risk profile in order to deliver an appropriate return on Risk Adjusted Capital while protecting assets backing policyholder liabilities. In this regard, the Board annually approves the Company's Risk Appetite Statement (RAS) on recommendation from the Risk Committee, which forms an integral part of an effective Risk Management System.

The Company's RAS has been developed to reflect the amount and type of risk the Company is willing to accept in pursuit of Company objectives. It specifically defines the Company's appetite for risk, the risk limits outside of which the Company would prefer not to venture and the risk tolerances defining the levels of risk the Company is willing to tolerate in pursuit of Company objectives. The risk appetite is also articulated in the Company's Investment Strategy, Underwriting Strategy, Capital Management Policy and Reinsurance Strategy.

The Board ensures that the Company's remuneration practices do not promote excessive risk taking. This principle is set out in its Remuneration Policy.

B.3.3 Risk Management Function

The Risk Function assists Management and the Board in their oversight of risk, with particular focus on the risk appetite, risk profile and the effectiveness of the Risk Management System. The function provides strong and effective challenge of key assumptions and judgements. The overriding objective is to embed an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, manage, monitor and report, on a continuous basis, the risks to which the Company is or may be exposed to.

The Risk Function reports to the executive risk committees (the Operational Risk Committee and the Asset and Liability Committee) and to the Board Risk Committee. The Risk Function has access to all reports and information which may be relevant to the Risk Function in the pursuit of its activities. The CRO (a PCF role) reports to the CEO of the Company. The Risk Function reports to the Board Risk Committee on its own initiatives, in addition to standard reporting.

B.3.4 ORSA

At least on an annual basis, the Company completes an "Own Risk and Solvency Assessment" (ORSA). In performing the ORSA, Management takes responsibility for considering risk, capital and return within the context of the Company's business strategy on a forward looking basis. The main elements of the ORSA include the business strategy, an assessment of the risk profile, risk tolerances and an assessment of the Company's solvency requirements. The ORSA process performed by the Company considers all relevant Company risks and establishes an "Own View" capital requirement such that these requirements are calibrated to a confidence level no less than 99.5% over a 1 year horizon. The "Own View" process first considers all key risks relevant for the Company and then considers the appropriateness of the Standard Formula with regard to its suitability in determining "Own View" capital requirements. Arrangements are made to include shocks in the "Own View" analysis with regard to those risks that may not be appropriately captured in the Standard Formula. Following on from this, the severity of the Standard Formula shocks are assessed regarding their appropriateness from an "Own View" perspective and relevant shocks are recalibrated where deemed necessary. Stress testing is also completed regarding the Company's resilience to withstand both plausible and extreme shocks over the planning horizon.

The ORSA forms an integral part of the strategic management process and the medium term planning process by taking a holistic view on relevant risks that threaten the achievement of strategic objectives in relation to future capital needs. The Company routinely monitors risk metrics with a view to ensuring continuous compliance with capital requirements. These metrics are focused on the key drivers of risk and risk capital and allow early identification of any potentially significant capital events. The ORSA process is used to review the appropriateness of such capital metrics. The ORSA is also used to inform the Company's RAS, Strategic Solvency Target, the Company's Capital Management Plan and Solvency Monitoring Plan.

The Board has a significant role in directing the ORSA process, determining the selection and calibration of stresses, challenging the results and considering the ORSA Report for approval. The annual ORSA process is coordinated by the Risk Function with significant inputs from both the Company's Finance and Actuarial Departments. Key Company decisions are considered from an ORSA perspective on an ongoing basis.

'At least on an annual basis, the Company completes an "Own Risk and Solvency Assessment" (ORSA).'

B.4 Internal control system

The key components of the Internal Controls Framework are the control environment, control activities, control monitoring and communication. The control environment consists of the standards, processes and structures which provide the basis for carrying out internal control within the Company. The Board of Directors promote a strong internal control environment including expected standards of conduct. Management reinforces these standards at the various levels of the Company.

Ongoing monitoring occurs in the course of normal operations and includes regular management activities and actions taken by all personnel when performing their duties, with oversight by the second and third lines of defence. The effectiveness of operational controls are routinely assessed and graded across the Company by relevant risk owners and documented in various Risk Registers. Transactional quality monitoring is also routinely performed by the first line of defence. In addition, second line of defence undertake key monitoring activities which include;

- The Liberty Attestation Process (LAP) examines and reports on the controls which support the accuracy, completeness, existence, timeliness, validity or the contents and presentation of the Financial Statements. The principles adopted for the LAP framework are emulated in a Data Attestation Process (DAP) which assesses and monitors the accuracy, completeness and appropriateness of Company data.
- The Compliance Attestation Process (CAP) has been implemented to assess and monitor potential control weaknesses with regard to the Company's compliance with applicable laws, regulations and administrative provisions.

Appropriate processes are in place to ensure that relevant reporting is available at all levels with regard to the effectiveness of internal control activities within the Company.

B.4.1 Compliance Function

The Compliance Function provides direction, support, challenge and advice to assist Management to manage and monitor compliance risk. The Compliance Function embeds accountability for regulatory and legislative compliance throughout the business and also supports the business in implementing policy and process enhancements arising from changes to the regulatory environment. The Compliance Function regularly assess the adequacy of measures the Company has put in place to prevent non-compliance.

The Compliance Function in the Company is implemented through the following processes:

- The Compliance Function, is headed up by the Head of Compliance (a PCF role) and is an independent function and assists the Executive and Board in their oversight of compliance risk and the effectiveness of compliance framework in protecting interests of the Company, policyholders and all stakeholders by maintaining compliance with all statutory and regulatory requirements.
- The Function reports to the Operational Risk Committee and Board Risk Committee and has access to all reports / information which may be relevant to the Compliance Function in the pursuit of its activities. The Head of Compliance reports to the CRO of the Company and has direct access to the Chair of the Risk Committee.
- The Compliance Function provides regular reporting to the Board Risk Committee on the adequacy of the Company's compliance framework in managing compliance risk. Reports include an update on performance against the compliance risk based monitoring plan, compliance monitoring completed during the period, regulatory thematic inspections and engagements, upstream regulatory change, status of compliance training and any compliance breaches identified.
- The Company maintains a Compliance Charter which outlines the independence, mission, authority and scope of the Compliance Function and the responsibilities across the Company for managing compliance risk. The Compliance Function reviews the Compliance Charter on an annual basis so as to ensure that it remains relevant and reflective of the changing needs and capabilities of the Company. All changes are subject to review and approval by the Board Risk Committee. There were no significant changes to the Charter in 2017.
- Annually a risk based monitoring plan is created following a risk assessment process, which includes a review of the Company's risk profile, strategic objectives, operating and regulatory environments and upcoming regulatory focus areas. The monitoring plan is flexible and will be reviewed during the year to ensure it continues to remain relevant.
- In determining the proposed monitoring plan, the Head of Compliance also considers relevant work that will be performed by other areas, e.g. Risk and Internal and External Audit, in order to minimise duplication of effort and to mitigate against any assurance gaps over the Company's main compliance risks.

In 2017 the Compliance Function issued regular regulatory updates to the Business advising of regulatory and legislative changes and supported the business in implementing solutions to embed all key changes. In addition, mandatory compliance training courses were issued to employees to further increase awareness of regulatory requirements.

B.5 Internal Audit Function

Internal Audit provides a significant role in monitoring the Company's internal controls and provides independent, objective assurance on the adequacy of the systems of financial, operational and management control. The effectiveness of the internal control system itself is assessed and monitored on an ongoing basis by Internal Audit. Internal Audit has a direct reporting line to the Audit Committee which assists in ensuring the independence of the Internal Audit Function.

Internal Audit is independent from the activities it reviews and is implemented through the following processes:

- The Internal Audit function of the Company is managed by the Head of Internal Audit (a PCF role) who is an employee of the business and has no responsibility for any other function across the business and reports into the Chair of the Audit Committee, who is an Independent Non-Executive Director. All Internal Audit staff report to the Head of Internal Audit. The Head of Internal Audit also reports to the Chief Counsel on human resources and administrative matters as well as to the Senior Vice President and Manager, Corporate Internal Auditing, Liberty Mutual Group.
- The Audit Committee consists of three Independent Non-Executive directors and a Non-Executive director. The Audit Committee is chaired by an Independent Non-Executive director. The Audit Committee reviews the independence, activities, overall effectiveness and organisational structure of the Internal Audit function and approves the annual internal audit work plan.
- Internal Audit provides regular reporting to the Audit Committee on the adequacy of the Company's systems of financial, operational and management control. Reports include an update on performance against the audit plan, key issues and control themes arising from audits, follow-up on Management's remediation of Internal Audit issues and Internal Audit resources.
- The Company maintains an Internal Audit Charter which provides for the independence, mission, authority and responsibilities of Internal Audit. The Internal Audit Charter is subject to annual review to ensure that it remains relevant and reflective of the changing needs and capabilities of the Company. All material changes are subject to review and approval by the Board Audit Committee. There were no material changes to the Internal Audit Charter in 2017.
- An audit plan is created annually following a risk assessment, which includes a review of the Company's risk profile, strategic objectives and operating environment. This helps identify the areas of risk management and internal control that Internal Audit should prioritise for review. The audit plan is flexible and will be reviewed during the year to ensure it continues to remain relevant. Any unplanned audits will be added to

the plan and presented to the Audit Committee for approval before they are incorporated into ongoing work.
- In determining the proposed audit plan, the Head of Internal Audit also considers relevant work that will be performed by other areas, e.g. Risk and Compliance and External Audit, in order to minimise duplication of effort and to mitigate against any assurance gaps over the Company's top risks.

B.6 Actuarial Function

The Actuarial Function has a number of responsibilities including;
- Co-ordination of the calculation of technical provisions. This consists of assessing the adequacy of the provisions, assessing the uncertainty in the estimates and justifying movements between successive periods.
- Review the appropriateness of the models and assumptions, consider the adequacy and quality of data, and interpret deviations of best estimates against actual experience.
- Produce an annual report for the Board. This report covers all of the information necessary for the Board to form its own opinion on the adequacy of the technical provisions. The annual report details potential risks to such calculations. This report also includes Head of Actuarial Function opinions on the adequacy of the Company's underwriting and reinsurance arrangements.
- Contribute to the Risk Management System. This includes oversight of SCR calculations and providing input to the ORSA process.
- Prepare an opinion for the Board which addresses the Technical Provisions.
- Provide an opinion to the Board on the range of risks and the adequacy of the scenarios, including appropriateness of financial projections, considered as part of the ORSA.

The Head of Actuarial Function ensures the Actuarial Function has the necessary authority, resources and operational independence to fulfill its responsibilities. Kevin Cormier held the role of Head of Actuarial Function at year end 31 December 2017.

B.7 Outsourcing

The Company maintains an Outsourcing Policy which aims to ensure that all of the Company's outsourcing arrangements are appropriately managed. The underlying principles of the Outsourcing Policy are that the Company should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations nor impede effective supervision. In particular, the policy provides guidance to Management on the procedures to be adopted regarding the selection of potential outsource providers, required contract terms with service providers and also the responsibilities of Management regarding ongoing oversight of outsourcing arrangements. Furthermore, particular requirements are defined regarding material outsourcing arrangements. All material outsourcing agreements are required to be notified to the CBI in advance. Assessments are also independently completed by the Risk Function on an annual basis regarding the application of the Outsourcing Policy. Governance assessments are also completed by the Company which include reviews of the selection process when choosing a material outsource provider.

The Company had six material outsourcing arrangements throughout the period. Details on each of these arrangements are provided opposite, (Fig L8):

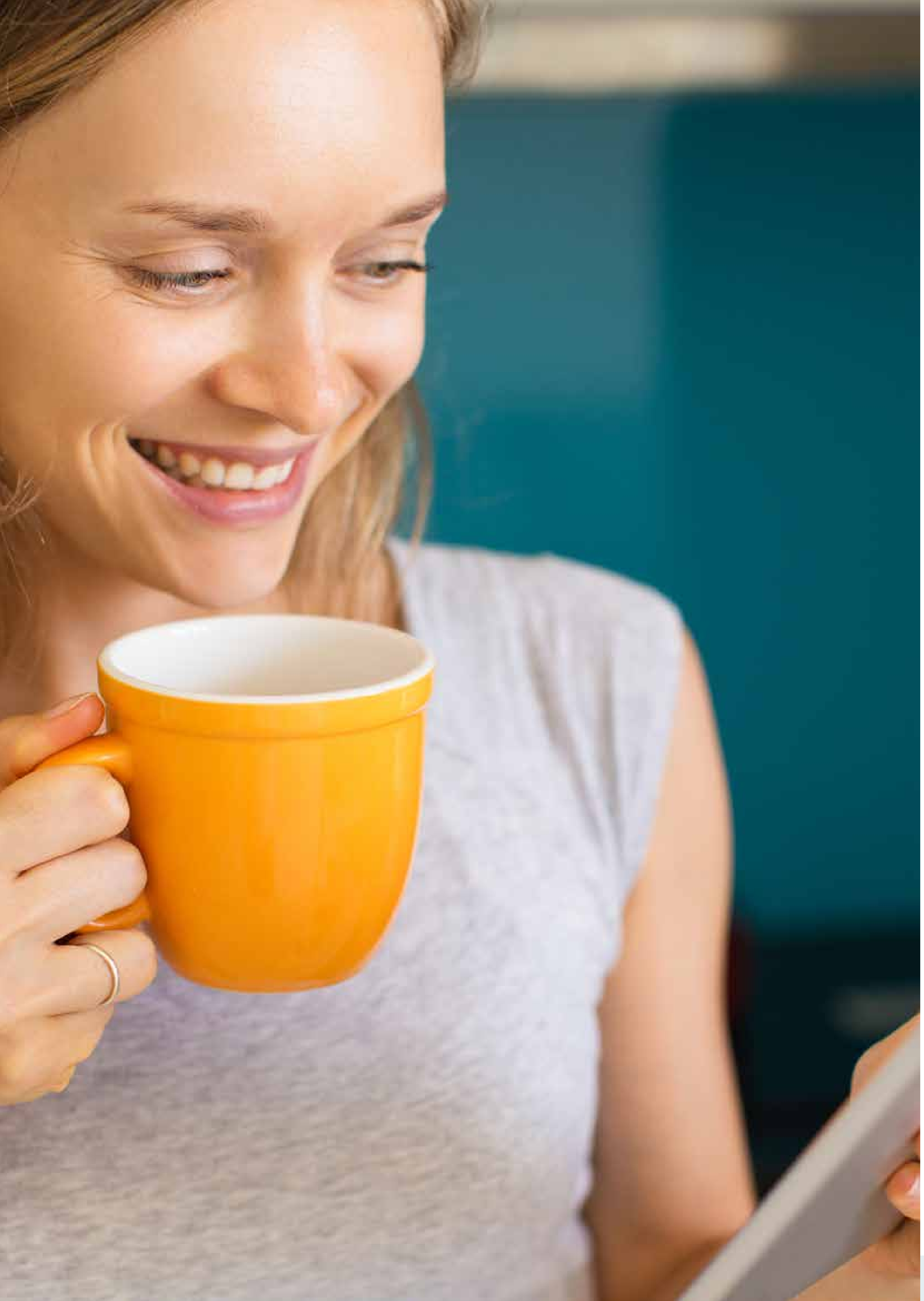
Specific members of Management are responsible for each of the above outsourcing arrangements. Furthermore, the Company's Investment Committee and Operational Risk Committee have specific responsibilities regarding the oversight of such outsourcing.

Fig L8

Activity Outsourced	Details	Service Provide Jurisdiction
Investment Management	The Company has outsourced the management of its investment portfolio to Liberty Mutual Investments, a subsidiary of Liberty Mutual Holding Company Inc.	Boston, United States of America
IT Services	The Company receives data centre services from the Liberty European Regional Data Centre.	Poland, Europe
Documentation Management	The Company has outsourced its outgoing documentation processes to RR Donnelley, one of the world's leading providers of communication solutions.	Ireland, Europe
Contact Centre Operations	The Company has outsourced the operations of a Sales / Service contact centre to Teleperformance, a global leader in outsourced multichannel customer experience management.	Northern Ireland, Europe
Data Management Cloud Services	The Company consumes services from Amazon Web Services in the provision of a hosted cloud platform in support of Company systems.	Ireland, Europe
Delegated Underwriting Authority	The Company has outsourced underwriting authority and claims handlings services for Northern Ireland fleet and liability operations to a third party MGA, AMET Insurance Solutions Ltd.	Northern Ireland, Europe

B.8 Any other information

No other material information as regards the business's system of governance to note.



C. Risk Profile

The risk profile of the Company is described below with regard to the following risk categories:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Company uses a number of measures to assess such risks including stress testing, sensitivity analysis, "Own View" analysis and SCR analysis. As noted in section E.2, the Company has assessed that the Standard Formula, used for determining the Company's SCR, broadly reflects the risks to which the Company is exposed. Relevant results of measures adopted by the Company to assess the above risk categories are provided below in addition to discussion on risk exposures, mitigation, appetite and concentration.

C.1 Underwriting risk

Underwriting risk includes the risk of loss to the Company as a result of an inappropriate or ineffective underwriting process (underwriting risk), the risk of loss as a result of inappropriate or ineffective claims handling (claims risk), the risk that the true value of insurance liabilities will be greater than the estimated value of insurance liabilities (reserving risk), and the risk that inadequate pricing leads to unprofitable results (pricing risk).

The Company's reinsurance programme is concentrated in a single counterparty, LMIC, a Liberty Mutual company. The concentration risk associated with placing the majority of reinsurance with LMIC is deemed to be mitigated on the basis that the risk is held at intra-group level. The Company also monitors the financial strength of LMIC on a quarterly basis.

Concentration risk is the risk of loss due to overdependence on a line of business, counterparty or a particular region. While the Company's business risk is mainly in the Republic of Ireland, it is spread over a wide geographical area with no concentration in any one county.

The Company takes a conservative approach to managing the above risks. Key risk metrics are defined with regard to underwriting risk that are reported against on an ongoing basis. There were no material breaches of the Company's underwriting risk appetite during 2017.

The Company manages the above risks through its underwriting strategy, proactive claims handling, robust reserving methodology and its reinsurance arrangements. In this regard, the Company's Underwriting Risk Policies, Reserving Risk Policy and Reinsurance Risk Policy provide relevant guidance to Management as to how underwriting risk is to be managed. The Company's Underwriting Risk Policies provide details with regard to underwriting appetite, underwriting authority, pricing integrity and catastrophe exposure modelling.

The Company estimates claims reserves on the basis of a claim's ultimate expected value. The Company has an extensive control framework in place so as to ensure that at any given time, claims reserves are adequate, based on available information. Such controls include Management and Claims Committee oversight of claims handling processes.

Claims provisioning and estimation is a significant contributing factor to the Company's financial results. For claims reported and IBNR, provisions are allocated for associated costs expected to be incurred. Any assumptions made in determining the amounts for provision are based on experience, historical trends, pending claims liabilities identified and determination of the likelihood for costs to change due to the economic environment. Statistical and actuarial claims projection techniques are also applied by the Actuarial function which operates independently of general business lines. Estimates for provisioning are reviewed routinely and challenged by the Reserving Committee. Based on these assessments the Company's reserves are deemed to be robust.

Claims provisions include a margin for uncertainty to minimise the risk that ultimate claims paid will exceed amounts provided for. Uncertainty remains regarding the sufficiency of provisions to address unexpected events such as claims inflation or significant court awards.

The Company's insurance risk appetite is reviewed annually for appropriateness but there continues to be a risk in relation to the exposure to additional costs and/or losses due to abnormal weather events, increased claims activity and changes in economic activity within the areas for which underwriting services are provided.

The Company's reinsurance strategy, which is reviewed annually, is aligned to the Company's underwriting risk appetite so as to limit the risk of losses from insurance risk. Reinsurance ceded is placed on both a proportional and non-proportional basis.

Proportional reinsurance is underwritten by Liberty Mutual Insurance Company (LMIC). The 50% quota share agreement introduced on 1 July 2015 for continuing business remains in place. The previous quota share arrangements for NI and GB direct motor business also remain in place, however these books are in run off, with no premium written since 2015. Non-proportional reinsurance is primarily excess of loss, with retention limits varying by product. The Company places all excess of loss business with LMIC, apart from facultative cover, some of which is placed externally.

On an annual basis, the Company's Head of Actuarial Function provides an independent opinion on the adequacy of the Company's reinsurance arrangements and on the overall Underwriting Policy and reports thereon to the Company's Board.

C.1.1 Sensitivity Analysis / Stress Testing

As part of the ORSA process, a number of stress and scenario tests were carried out on the projected Regulatory and Own View solvency position during 2017. The aim of the stress and scenario testing was to capture particular vulnerabilities to the solvency position of the Company by capturing the impact of plausible and extreme events over the business planning horizon.

The approach taken was to consider all input assumptions to and drivers of the Business Plan, the risks facing the industry which may be common to all insurers, and the risks to delivery of the plan, and to identify those that had a material influence on outcomes. Appropriate stresses were considered based on plausible events either evidenced in history (either the Industry's or the Company's) or based on emerging risks the specifics of which remain unknown. Risk appetite tolerance limits have not been used as a guide, to ensure that the stresses are sufficiently rigorous based on both market and internal intelligence. Second order impacts have been considered as part of the stress testing. For example, consideration has been given to counterparty risk associated with claims stresses where reinsurance protection is envoked.

Scenarios were selected across a range of events, informed by the output from the stress testing and analysis of strategic risks. The decision process has been captured in the ORSA record setting out those stresses which were pursued and those which were deselected on the grounds of immateriality or likelihood.

During 2017, the Company completed stress testing with regard to underwriting risks. Examples of selected stress tests included price softening in the Private Motor market, higher expenses, higher leakage rate, catastrophe, claims frequency and severity increases. The completed underwriting stress tests resulted in modelled movements of the Company's capital surplus in the range of €1,000k to €25,000k. None of the underwriting stresses completed in 2017 resulted in a modelled breach of the Company's SCR ratio.

During 2017, the Company also completed stress testing with regard to reserve risks. This testing highlighted the Company's sensitivity to the best estimate of reserves. Further sensitivity analysis was completed in 2018 with regard to the Company's reserves as at 31 December 2017.

This analysis included shocks to both the Claims Provision and the Premium Provision. The Claims Provision shock consisted of base undiscounted cash flows being increased by 5% at all points in time. The modelled impact of the shock to the Company's Solvency Capital Requirement (SCR) ratio as at 31 December 2017 was a movement from 183.6% to 166.9%, equivalent to a movement of €21,787k in surplus capital. The Premium Provision shock consisted of the gross loss ratio underlying the premium provision being increased by 10%. The modelled impact of the shock to the Company's Solvency Capital Requirement (SCR) ratio as at 31 December 2017 was a movement from 183.6% to 180.4%, equivalent to a movement of €4,096k in surplus capital.

The Company's Non-Life Underwriting Risk SCR as at 31 December 2017 was €98,493k (2016: €116,683k) (prior to diversification between modules.)

C.2 Market risk

Market risk is the risk of loss to the Company arising from fluctuations in the values of its assets, the amount of its liabilities, or the income from its assets. Sources of market risk for the Company include movements in interest rates (interest rate risk), market prices (price risk), and exchange rates (currency risk). Such movements would potentially affect the value of the Company's cash and investment portfolio and the income derived from the portfolio. The Company has a conservative market risk appetite. Key risk metrics are defined with regard to market risk that are reported against on an ongoing basis. There were no breaches of the Company's market risk appetite during 2017, other than as approved by the investment committee.

The Company's market risk policies set out guidelines for the management of investments.

The Company's market risk policies include:

- An Investment Risk Policy which sets out an overarching principle of maintaining security and liquidity at all times. The Company invests all assets in accordance with the prudent person principle whose risks the Company can properly monitor, manage and control. In this regard, the Company seeks long term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management that also protects regulatory capital and policyholder assets. The Company achieves this by ensuring funds are allocated to low risk assets with the default option being that of Government Bonds of stable European countries.
- An Asset Liability Management Policy which sets out key principles in terms of asset and liability duration matching and stress testing to be completed.

C.2.1 Interest rate risk and price risk

As indicated previously, the Company's investment portfolio is managed by Liberty Mutual Investments, in accordance with investment guidelines established on behalf of the Company by the Investment Committee of the Board. These guidelines set out limits on asset quality, counterparty exposure, asset concentration, target duration and geographical concentration, which are monitored by the Investment Committee each quarter.

The purpose of the investments is to seek long term returns through disciplined security selection, portfolio diversity and an integrated approach to risk management that also protects Regulatory capital and policyholder assets. The Investment Management Strategy of the Company ensures that sufficient assets are held of the appropriate nature, term and liquidity to meet liabilities as they become due. The asset portfolio seeks to balance income, capital preservation and long term returns so as to allow contractual liabilities to policyholders to be met.

A relatively stable and safe income stream is intended to be achieved by maintaining a broad based portfolio of investment grade bonds and liquid securities. These holdings are to be further supplemented by investments in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns while considering capital charges under Solvency II.

The results of interest rate sensitivity analysis completed in 2017 with regard to the Company's investment portfolio as at 31 December 2017 are provided beow (Fig L9).

The analysis consisted of the risk free rate being increased and decreased by 1% at all points of the yield curve, with no floor or cap.

The Company's interest rate SCR as at 31 December 2017 was €13,464k (2016: €13,653k) (prior to diversification between modules and within the market risk module).

Fig L9 & Fig L10

Interest Rate Sensitivity Analysis 2017	SCR €'000	Available Capital €'000	SCR Ratio €'000
Base @ 31 December 2017	130,478	239,518	183.6%
Interest Rate increase of 1%	128,130	227,182	177.3%
Interest Rate decrease of 1%	132,899	252,979	190.4%

Interest Rate Sensitivity Analysis 2016	SCR €'000	Available Capital €'000	SCR Ratio €'000
Base @ 31 December 2016	151,715	225,423	148.6%
Interest Rate increase of 1%	148,563	213,201	143.5%
Interest Rate decrease of 1%	155,134	239,772	154.6%

C.2.2 Foreign currency risk

The Company operates business lines in ROI and the UK and routinely operates transactions denominated in GBP. A policy of matching foreign currency denominated assets and liabilities is followed so as to minimise the impact of foreign exchange rate movements.

The carrying amount of the Company's foreign currency denominated financial instruments at the reporting date is as follows, (Fig L11).

The Company's Currency SCR as at 31 December 2017 was €3,478k (2016: €4,375k) (prior to diversification between modules and within the market risk module.)

Fig L11

Foreign Currency Risk	2017 €'000	2016 €'000	Variance %
GBP	29,188	45,264	(35.5%)
USD	(68)	(620)	(89.0%)

C.2.3 Concentration risk

The Company follows a strict investment policy and actively manages its investment portfolio to ensure that there is an optimum spread and duration of investments. The investment policy also aims to limit exposure to any one counterparty. A relatively stable and safe income stream is intended to be achieved by maintaining a broad based portfolio of investment grade bonds and liquid securities. The Company continues to review its investment strategy with a view to enhancing the portfolio's diversification and expected returns while considering capital charges under Solvency II.

The Company's Concentration SCR as at 31 December 2017 was €nil (2016: €974k) (prior to diversification between modules and within the market risk module).

C.3 Credit risk

Credit risk is the risk that one party to a financial instrument or contract causes loss to the other party by failing to discharge an obligation when it falls due. The Company has a conservative appetite for Credit Risk. Key risk metrics are defined with regard to credit risk that are reported against on an ongoing basis. There were no material breaches of the Company's credit risk appetite during 2017.

The Company's Credit, Investment and Reinsurance Risk Policies set out procedures to mitigate exposure to credit risk, including monitoring and reporting of breaches.

The Companies largest exposure to credit risk is reinsurance assets. LMIC writes 100% of all reinsurance contracts for the Company with the exception of facultative reinsurance, some of which is placed externally. The Company has considered the risk of default by the parent company and consider this to be remote. This limits the credit risk for reinsurance to facultative covers. The Company has established an Executive Reinsurance Committee which oversees all reinsurance placements, ensures only approved reinsurers are used and monitors concentration limits for individual reinsurance placements.

Fig L12

Bond Rating	2017 €'000	2017 %	2016 €'000	2016 %
AAA	45,614	7.8%	66,026	10.6%
AA+	17,407	3.0%	31,509	5.1%
AA	37,063	6.4%	50,644	8.1%
AA-	59,628	10.2%	64,117	10.3%
A+	132,308	22.7%	23,655	3.8%
A	41,339	7.1%	152,891	24.5%
A-	92,740	15.9%	81,974	13.1%
BBB+	98,256	16.9%	86,766	13.9%
BBB	38,703	6.6%	43,177	6.9%
BBB-	18,284	3.1%	17,077	2.7%
BB+	-	0.0%	3,893	0.6%
BB	1,549	0.3%	1,541	0.2%
B+	-	0.0%	1,065	0.2%
Total	**582,891**	**100.0%**	**624,335**	**100.0%**

The Company determines a need for specific provisions against reinsurer non-performance which are adjusted on a quarterly basis. Changes in the amount of the provisions are reflected in the income statement. No such provision was required at 31 December 2017 (2016: nil).

The Company does not hold any collateral that is used as security at year end.

The breakdown of the portfolio by financial strength is shown on the previous page, (Fig L12).

Bond ratings used are an effective rating which considers ratings from a number of different agencies. The Company has considered if any financial assets exist which are either past due or impaired at year-end. There are no material impairments at 31 December 2017.

During 2017, spread sensitivity analysis was completed with regard to the Company's investment portfolio as at 31 December 2017. The results of this analysis is provided below, (Fig L13).

Fig L13 & Fig L14

Spread Sensitivity Analysis 2017	SCR €'000	Available Capital €'000	SCR Ratio %
Base @ 31 December 2017	130,478	239,518	183.6%
Spread increase of 0.5% and 1 level downgrade in credit quality	137,828	232,937	169.0%

Spread Sensitivity Analysis 2016	SCR €'000	Available Capital €'000	SCR Ratio %
Base @ 31 December 2016	151,715	225,423	148.6%
Spread increase of 0.5% and 1 level downgrade in credit quality	158,987	215,774	135.7%

The analysis consisted of a shock of 0.5% on the yield of all bonds with 1 level credit downgrade across the entire portfolio.

The Company's Spread SCR as at 31 December 2017 was €22,020k (2016: €18,584k) (prior to diversification between modules and within the market risk module.)

C.4 Liquidity risk

The Company's Liquidity Policy sets out overarching principles in terms of maintaining a liquid portfolio so that appropriate levels are maintained to discharge liabilities as they fall due.

Liquidity risk is the risk of loss to the Company arising from the Company being insufficiently liquid to meet all cash-flow commitments as and when they fall due. It is Company policy that all funds are held in cash or in readily-marketable instruments. Key risk metrics are defined with regard to liquidity risk that are reported against on an ongoing basis. There were no material breaches of the Company's liquidity risk appetite during 2017.

In order to ensure cash flows are appropriately monitored for available funds, the duration of investment instruments is compared to the anticipated duration of liabilities to policyholders to ensure the durations are within tolerance.

The table opposite, (Fig L15) shows the maturity analysis of investments as at 31 December 2017.

The table opposite, (Fig L16) shows the maturity analysis of liabilities which are subject to liquidity risk:

Fig L15

Time to Maturity	Weighted market value 2017 €'000	Weighted average interest rate 2017 %	Weighted market value 2016 €'000	Weighted average interest rate 2016 %
In one year or less	75,198	(0.0%)	104,621	0.3%
In more than one year, but not more than two years	97,700	(0.2%)	89,338	(0.1%)
In more than two years, but not more than three years	94,192	(0.1%)	113,295	(0.0%)
In more than three years, but not more than four years	88,782	0.5%	94,656	(0.0%)
In more than four years, but not more than five years	88,937	0.5%	76,865	0.6%
In more than five years	138,082	0.8%	145,560	0.8%
Total	**582,891**	**0.3%**	**624,335**	**0.3%**

Fig L16 & Fig L17

Liabilities 2017	Carrying Value €'000	Contracted Value €'000	Cash flow within 1 year €'000	Cash flow 1-5 years €'000	Cash flow after 5 years €'000
Insurance contract liabilities	614,816	614,816	281,305	288,563	44,948
Bank overdraft	824	824	824	-	-
Creditors - direct insurance	3,555	3,555	3,555	-	-
Creditors - reinsurance	89,551	89,551	89,551	-	-
Other creditors	4,718	4,718	4,718	-	-
Total	**713,464**	**713,464**	**379,953**	**288,563**	**44,948**

Liabilities 2016	Carrying Value €'000	Contracted Value €'000	Cash flow within 1 year €'000	Cash flow 1-5 years €'000	Cash flow after 5 years €'000
Insurance contract liabilities	653,071	653,071	293,968	312,801	46,302
Bank overdraft	4	4	4	-	-
Creditors - direct insurance	1,358	1,358	1,358	-	-
Creditors - reinsurance	77,105	77,105	77,105	-	-
Other creditors	4,438	4,438	4,438	-	-
Total	**735,976**	**735,976**	**376,873**	**312,801**	**46,302**

As part of Asset Liability Management modelling completed by the Company during 2017, it was noted that the duration of assets as at 31 March 2017 was longer than the duration of in-force liabilities at that date, resulting in mismatched cash flows in the near to medium term. Whilst the Investment Committee is reviewing options to manage this mismatch, liquidity risk is not considered a significant source of risk due to the liquid nature of the Company's investment portfolio. The liquidity of the portfolio is stress tested against a 1 in 200 year CAT event at least annually. The results of this stress are monitored monthly against changes in the cash position and the composition of the bond portfolio.

C.4.1 Expected profit in future premiums

The Expected Profit In Future Premium (EPIFP) is disclosed on QRT S.23.01.01 (Own Funds). This is calculated for each line of business and by territory. It is also calculated on a gross and net basis. The methodology used to calculate the EPIFP can be summarised as follows:

- Future premiums are identified by line of business and territory.
- Assumed future loss ratios are applied to these future premiums in order to estimate expected ultimate losses.
- In addition to losses, costs associated with the future premiums are estimated including claims management costs, general management costs, commission costs and investment expenses.
- An allowance is made for Events Not in Data (ENID). The ENID loading allows for possible events that have not been experienced by the Company before, but could happen in the future.
- The EPIFP is calculated as the future premiums less the losses, expenses and ENID.

Key assumptions regarding EPIFP calculations include;

- The loss ratios used are based on those calculated for the purpose of the Company's premium deficiency reserve (PDR) by line of business.
- No default of policyholders assumed.
- ENID is assumed to be 3% of expected losses.

The Expected Profit in Future Premiums as at 31 December 2017 per line of business, was as follows, (Fig L18):

Fig L18

Expected Profit in Future Premiums	2017 €000's	2016 €000's	Variance %
ROI Motor	9,718	6,247	55.6%
ROI Fire	791	757	4.5%
ROI Liability	61	-	N/A
Total	**10,570**	**7,004**	**50.9%**

C.5 Operational risk

Operational risk is the risk of loss to the Company arising from inadequate or failed internal processes, people, and systems. The Company manages operational risk through the three lines of defence governance model (risk ownership, risk control and risk assurance as set out earlier). The Company has limited appetite for operational risk. Key risk metrics are defined with regard to operational risk that are reported against on an ongoing basis. Control frameworks and assessments are in place to ensure that risks are appropriately mitigated throughout the year. There were no breaches of the Company's operational risk appetite during 2017.

Processes are in place to reduce the risk of interruption of services that could arise from a major external event. These processes include a formal business continuity and disaster recovery plan with an off-site facility, to ensure business continuity. Therefore

if a loss of key personnel arises, appropriate plans and documentation are in place that allow for transfer of responsibilities across operations.

Operational risk also extends to cyber related threats whereby the Company may be vulnerable to attack through its networks, including the internet, resulting in fraud, reputational damage, loss of data, data protection and other regulatory breaches.

Cyber risk is managed as a component of the overall IT risk management within the Company. Specifically, the Company's IT Risk and Control Framework is consistent with ISO 27002, and there is a robust set of Information Security Policies in place that form a critical part of the security risk management process. On an annual basis, an independent review of the Company's IT security controls is carried out. In addition, EY completed an Auditor Assurance review on cybersecurity in 2017. All actions identified closed by 31 December 2017.

The Company has entered into a number of outsourcing arrangements as detailed in Section B.7.

Whilst the Company is exposed to specific concentration risks with regard to the material outsourced service providers, appropriate arrangements are in place to manage such contracts.

During 2017, the Company completed sensitivity analysis with regard to Operational Risk. This analysis supported the view that the Operational Risk SCR appropriately reflected the operational risk profile of the Company.

The Company's Operational Risk SCR as at 31 December 2017 was €15,380k (2016: €17,266k).

C.6 Other material risks

The Company has initiated a process which will result in the insurance business transferring to a Spanish affiliate, Liberty Seguros Compania de Seguros y reaguros SA (Liberty Seguros), via a high court approved Portfolio Transfer, and the absorption of the Company into Liberty Seguros through a Cross Border Merger. The business will continue to operate in Ireland via an Irish branch. Processes are in place to manage the execution risk inherent to this project.

Macro-economic risks are the risks faced by the Company as a result of economic changes, such as Brexit, the impact of a global or local economic developments. The success of the Company depends on its ability to react quickly and appropriately to these changes. Emerging risks, including those within the macro-economic environment, are monitored by the Risk Committee of the Board on a quarterly basis for timely action. Emerging risks include cyber risk, digitization, geopolitical and regulatory change, including Brexit and GDPR.

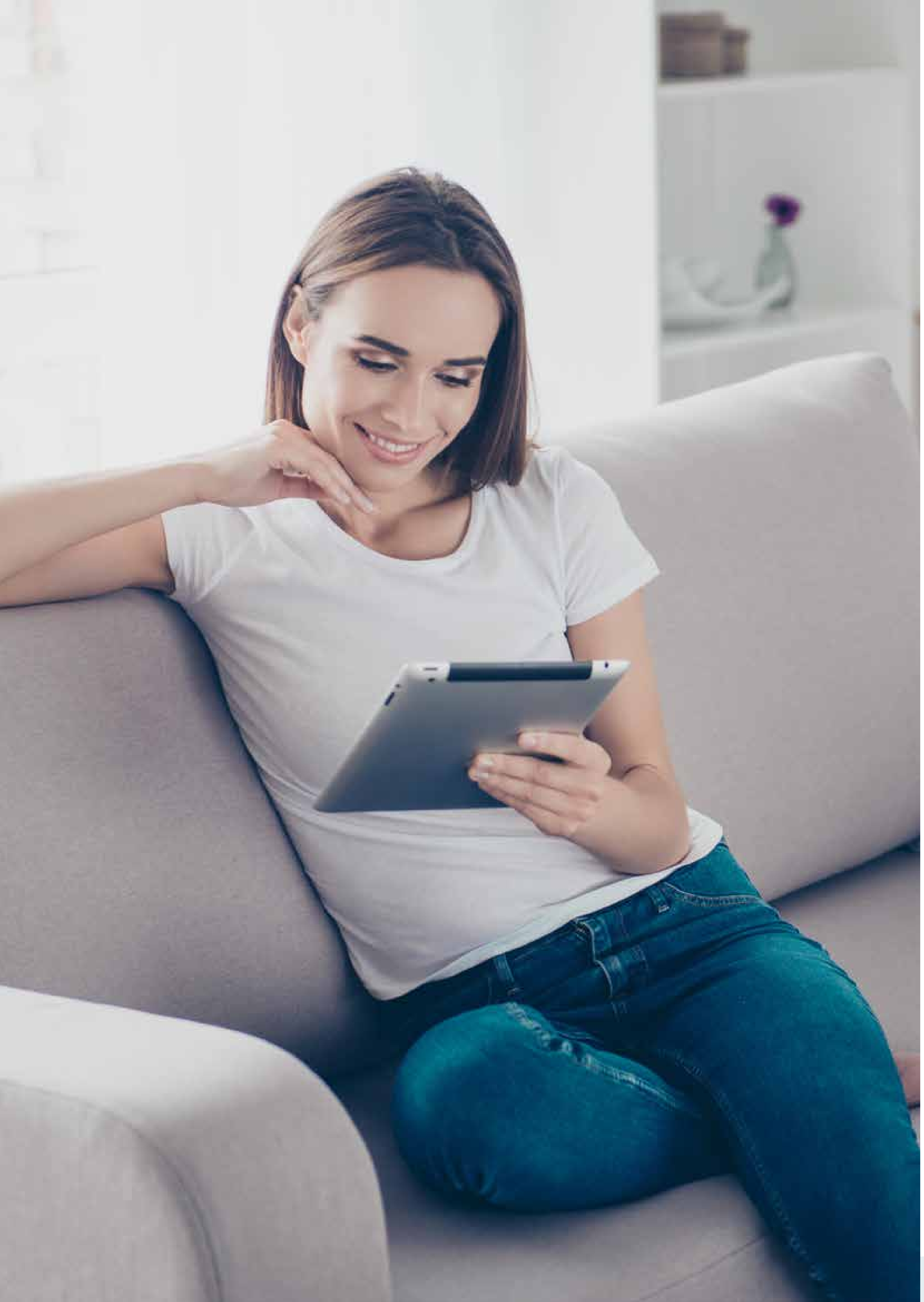
Business sentiment is reasonably strong but clearly the unknowns of Brexit as well as the inflationary pressures and currency fluctuations already being experienced are a major factor. Brexit and geopolitical uncertainty was considered as one of the scenarios that may have an immediate impact on the business. This was subsequently tested as part of the ORSA process. The Company has sufficient capital to sustain such events and the Company has a Brexit Contingency Plan to respond to the specific risks identified.

The Company will need to address new regulation including GDPR, the transposition of the Insurance Distribution Directive into national law and EU cyber regulations. Implementation plans are in progress to address these new regulations.

Digitisation has broadened the reach and acquisition of customers with focus on online distribution. Greater digitisation also creates opportunities for hackers to use interactive technology to access valuable Company data.

C.7 Any other information

The Company has no further material information to note other than that outlined above.



D. Valuation for Solvency Purposes

Fig L19

Assets (Ref D.1)	Solvency II value 2017 €'000	Statutory accounts value 2017 €'000	Solvency II value 2016 €'000	Statutory accounts value 2016 €'000
Goodwill	-	16,493	-	18,325
Deferred acquisition costs	-	14,882	-	12,647
Intangible assets	-	8,738	-	6,814
Deferred tax assets	-	4,347	-	7,750
Property, plant & equipment held for own use	14,535	14,535	20,665	20,665
Property (other than for own use)	9,100	9,100	1,764	1,764
Bonds	589,915	582,891	633,816	624,335
Deposits other than cash equivalents	-	-	2,000	-
Reinsurance recoverables	172,048	213,472	155,364	181,923
Insurance and intermediaries receivables	11,661	56,363	9,696	48,676
Reinsurance receivables	19,778	19,778	16,146	16,146
Receivables (trade, not insurance)	454	454	310	310
Cash and cash equivalents	8,010	8,010	18,531	20,531
Any other assets, not elsewhere shown	3,819	10,844	4,006	13,486
Total assets	**829,321**	**959,907**	**862,298**	**973,373**
Liabilities **Technical provisions (Ref D-2)**				
Claims outstanding	473,493	495,020	529,646	548,561
Provision for unearned premium	39,182	119,796	45,893	104,511
Risk margin	18,294	-	22,868	-
Other Liabilities (Ref - D3)				
Provisions other than technical provisions	5,150	5,150	1,464	1,464
Pension benefit obligations	-	-	-	-
Deferred tax liabilities	-	6,239	-	7,996
Debts owed to credit institutions	824	824	4	4
Insurance & intermediaries payables	3,555	3,555	1,358	1,358
Reinsurance payables	67,200	89,551	55,380	77,088
Payables (trade, not insurance)	4,718	4,718	4,439	4,439
Any other liabilities, not elsewhere shown	17,387	17,387	15,824	15,824
Total Liabilities	**629,803**	**742,240**	**676,876**	**761,245**
Excess of assets over liabilities	**199,518**	**217,667**	**185,423**	**212,129**

The Statement of Financial Position, prepared in accordance with Irish Generally Accepted Accounting Practice (FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 – Insurance contracts), forms the basis of the Solvency II balance sheet. Balances are adjusted to Solvency II valuations in accordance with the guidance issued by EIOPA and the CBI and using the valuation principles set out in the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency II Technical Standards and Guidelines. The table on the previous page, (Fig L19) sets out the Company's Solvency II Balance Sheet as at 31 December 2017.

D.1 Assets

D.1.1 Solvency II valuation for each material class of asset

D.1.1.1 Property, Plant and equipment held for own use

The value of property, plant and equipment (S.02.01.02 R0060) was €14,535k (2016: €20,665k) as at the reporting date. Property decreased compared to 2016 mainly due to a reclass of leased floors to investment property amounting to €6,500k. Property is revalued annually by independent external professionals and carried at the revaluation amount less accumulated depreciation. Plant and equipment is carried at cost less accumulated depreciation and reviewed for impairment when changes in circumstances indicate same.

D.1.1.2 Property (other than for own use)

As at the reporting date, the Company had investment property (S.02.01.02 R0080) valued at €9,100k (2016: €1,764k). The increase from 2016 relates to the increase in leased floors in one of the Company's buildings. The investment property is revalued annually by independent external professionals and carried at the revaluation amount.

D.1.1.3 Bonds

The fair value of bonds (S.02.01.02 R0130) was €589,915k (2016: €633,816k) at the reporting date. The fair value is the market price at the reporting date and includes accrued interest. The reduction in bonds is driven by cash flow requirements mainly due to claims payments as overall all claims reserves reduce.

The portfolio is split between Government Bonds (S.02.01.02 R0140), Corporate Bonds (S.02.01.02 R0150) and Collateralised securities (S.02.01.02 R0170). At the reporting date these had a value of €217,836k (2016: €268,244k), €368,668k (2016: €358,357k) and €3,411k (2016: €7,215k) respectively. The complementary identification codes (CIC) drive the portfolio classification on the Solvency II balance sheet.

D.1.1.4 Deposits other than cash equivalents

As at the reporting date, the Company had €nil (2016: €2,000k) held in deposits other than cash equivalents (S.02.01.02 R0200). These are deposits that cannot be used to make payments before a specific maturity date and that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty. Deposits other than cash equivalents reduced in the year, as attractive deposit interest rates were not available in 2017.

D.1.1.5 Reinsurance recoverable

The value of reinsurance recoverables in the Solvency II balance sheet (S.02.01.02 R0290) was €172,048k (2016: €155,364k) as at the reporting date. Reinsurance recoverables increased in the year due to more business written subject to the 50% quota share reinsurance contracts. The valuation principles and methodologies used to calculate the reinsurance recoverable are consistent with those outlined in section D.2 concerning technical provisions. The amount is composed of the reinsurers' share of technical provisions €144,869k (2016: €125,848k) and the reinsurers' share of premium provisions €27,179k (2016: €29,516k).

D.1.1.6 Insurance and intermediaries receivables

The value of insurance and intermediaries receivables (S.02.01.02 R0360) was €11,661k (2016: €9,696k) as at the reporting date. Under Solvency II, the balance includes the Company's policyholder and intermediary debtors, net of cancelled policies and bad debt provision and is adjusted to remove direct debit premium receivable but not yet due. This is consistent with the valuation principles for technical provisions under Solvency II which require that such balances are deducted from technical provisions.

D.1.1.7 Reinsurance receivables

As at the reporting date, the value of reinsurance receivables (S.02.01.02 R0370) was €19,778k (2016: €16,146k) being balances due in relation to settled insurance claims and commission due from quota share arrangements. The balance is stated at the notified balance and revalued at the month end rate. As the balance is due from within the Group, the Company believe it to be collectable. As all balances are settled every three months, no discounting is required.

D.1.1.8 Cash and cash equivalents

As at the reporting date, the Company had €8,010k (2016: €18,531k) held as cash and cash equivalents (S.02.01.02 R0410) comprising all cash on hand and deposits exchangeable for currency on demand at par, and which are directly usable for making payments without penalty or restriction.

D.1.1.9 Any other assets, not shown elsewhere

The value of any other assets not shown elsewhere (S.02.01.02 R0420) was €3,819k (2016: €4,006k) as at the reporting date. The amount consists of prepayments and other debtors valued at the invoiced or contractual amount and are due within 12 months.

D.1.2 Differences between Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies for each material class of asset

In addition to the explanations below please refer to the table in section E.1.4 for a summary of the valuation differences between the Solvency II and Irish GAAP reporting bases.

D.1.2.1 Goodwill, deferred acquisition costs, intangible assets and deferred tax asset

For Solvency II purposes, goodwill, deferred acquisition costs and intangible assets are valued at nil in line with Delegated Regulation (EU) 2015/35 Article 12. Under the Company's Irish GAAP accounting policies, goodwill is capitalised and amortised over 15 years, deferred acquisition costs are capitalised and amortised on the same basis as the related premiums are earned and intangible assets are capitalised and amortised over their estimated useful life.

For Solvency II, the calculated deferred tax asset has been valued at zero as a measure of prudence by the Company. Under the Company's Irish GAAP accounting policies, a deferred tax asset is recognised in respect of all timing differences arising as a result of differences in recognition of income and expenses between actual tax assessments and the Company's accounting policies.

D.1.2.2 Property, Plant and equipment held for own use

There is no difference between the Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies.

D.1.2.3 Property (other than for own use)

There is no difference between the Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies.

D.1.2.4 Bonds

Bonds are valued at market price at the reporting date for both Solvency II and under the Company's Irish GAAP accounting policies. However, there is a reclassification difference of €7,024k (2016: €9,481k) between the value of Bonds (S.02.01.02 R0130) per Solvency II of €589,915k (2016: €633,816k) and the value shown under the Company's Irish GAAP accounting policies of €582,891k (2016: €624,335k). The difference is accrued interest which is included in the value of Bonds for Solvency II purposes and shown separately as accrued income under the Company's Irish GAAP accounting policies.

D.1.2.5 Deposits other than cash equivalents

There is a reclassification difference between the value of deposits other than cash equivalents (S.02.01.02 R0200) of €nil (2016: €2,000k) and the nil value shown under the Company's Irish GAAP accounting policies. The Company's Irish GAAP accounting policies classify all cash and deposits held for 90 days or less as "Cash at bank or in hand". For Solvency II purposes, any balance which cannot be accessed without restriction or penalty are classified separately as deposits.

D.1.2.6 Reinsurance recoverable

As at the reporting date, the value of reinsurance recoverables in the Solvency II balance sheet (S.02.01.02 R0290) was €172,048k (2016: €155,364k) and the value under the Company's Irish GAAP accounting policies was €213,472k (2016: €181,923k) representing a difference of €41,424k (2016: €26,559k). The reduction in the reinsurance recoverable restriction is due to different valuation basis.

Under Solvency II, the amount recoverable from reinsurers is estimated based upon the Solvency II measurement basis for gross technical provisions, having due regard to recoverability. The methodology used to calculate the Solvency II gross technical provisions is covered in D.2. The Company's Irish GAAP accounting policies classify provisions for claims outstanding based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but not yet reported (IBNR). The Company also considers any ceded amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR.

D.1.2.7 Insurance and intermediaries receivables

As at the reporting date, the value of insurance and intermediaries receivables in the Solvency II balance sheet (S.02.01.02 R0360) was €11,661k (2016: €9,696k) and under the Company's Irish GAAP accounting policies was €56,363k (2016: €48,676k). The difference of €44,702k (2016: €38,980k) relates to the removal of direct debit premium receivable but not yet due for Solvency II purposes. The increase of €5,722k in 2017 is due to the increase of direct debit business written in 2017.

D.1.2.8 Reinsurance receivables

There is no difference between the Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies.

D.1.2.9 Cash and cash equivalents

As at the reporting date, the value of cash and cash equivalents in the Solvency II balance sheet (S.02.01.02 R0410) was €8,010k (2016: €18,531k) and the value under the Company's Irish GAAP accounting policies was €8,010k (2016: €20,531k). The difference of €nil (2016: €2,000k) relates to the reclass to deposits other than cash equivalents noted in D.1.2.5 above.

D.1.2.10 Any other assets, not shown elsewhere

As at the reporting date, the value of any other assets, not shown elsewhere in the Solvency II balance sheet (S.02.01.02 R0420) was €3,819k (2016: €4,006k) and the value under the Company's Irish GAAP accounting policies amounted to €10,844k (2016: €13,486k). The difference of €7,025k (2016: €9,480k) relates to the reclassification of accrued interest to Bonds as noted in D.1.2.4 above. The reduction in accrued interest in the year is due to the reduction in the bond portfolio.

D.2 Technical provisions

The technical provisions reported in the Company's Financial Statements for the year ended 31 December 2017 include a provision for claims outstanding and a provision for unearned premium, as follows, (Fig L20):

D.2.1 Financial Statements – Technical Provisions

The Financial Statements of the Company include provisions for claims outstanding based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but not yet reported (IBNR). The Company also considers any ceded amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR. The booked reserves also include a margin for uncertainty both on a gross and net basis.

Under Solvency II, the technical provisions are valued based on the amount that the Company would have to pay if it were to transfer its insurance obligations to another insurance or reinsurance undertaking.

Fig L20

Financial Statements Technical Provisions	Gross 2017 €'000	Ceded 2017 €'000	Net 2017 €'000	Gross 2016 €'000	Ceded 2016 €'000	Net 2016 €'000
Claims outstanding	495,020	153,231	341,789	548,560	129,499	419,061
Provision for unearned premium	119,796	60,241	59,555	104,511	52,433	52,078
Technical provisions	**614,816**	**213,472**	**401,344**	**653,071**	**181,932**	**471,139**

D.2.2 Reconciliation from Financial Statements to Solvency II Technical Provisions

The table & chart below, (Fig L21 & Fig L22) details the differences between the valuation bases used by the Company for the valuation of technical provisions for Solvency II and those reported in the Financial Statements:

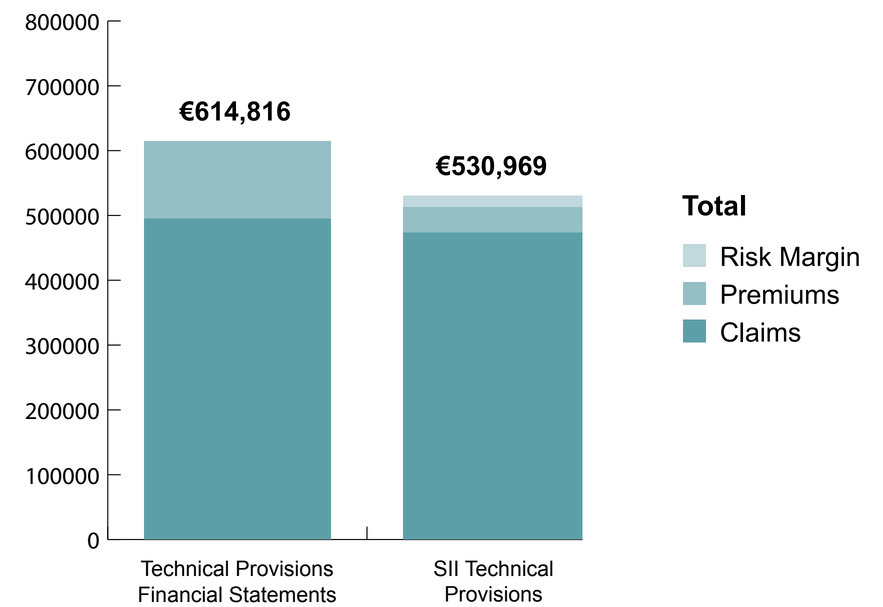
Each of the component adjustments required to transition from the technical provisions reported in the Financial Statements to the Solvency II technical provisions are discussed in more detail below:

- As Solvency II is on a best estimate basis, any surplus amounts (i.e. reserve margin) in excess of the actuarial best estimate are removed from the booked reserves reported in the Financial Statements.

Fig L21

Reconciliation between Local GAAP/ Solvency II Technical Provisions	Gross of Reinsurance 2017 €'000	Gross of Reinsurance 2016 €'000
Gross technical provisions per financial statements	**614,816**	**653,071**
Solvency II adjustments	(102,141)	(77,532)
Inclusion of solvency II risk margin	18,294	22,868
Gross solvency II technical provisions	**530,969**	**598,407**

Fig L22



- Under Solvency II, all future expenses associated with the run-off of the existing obligations need to be included. This includes allowance for additional expenses that would not have been included within the Claims handling provision (CHP) and the MIBI provision reported in the Financial Statements. For example, there is an allowance made for investment expenses associated with holding assets for the duration of the run-off of the insurance obligations.
- As the unearned premium reserve earns through, the associated net cash-flows (premium cash-flows less claims and expense cash-flows) on that business are recognised in the Solvency II technical provisions. Therefore, the greater the assumed profitability of the unearned business then the larger the reduction to the unearned premium reserve. Conversely for loss making business, there would be an increase to the unearned premium reserve for Solvency II purposes.
- Under Solvency II, an explicit loading for Events Not in Data (ENID) is also required. The ENID loading allows for possible events that have not been experienced by the Company before, but could happen in the future.
- Under Solvency II, an allowance is made for the receipt of Direct Debit premium cash-flows based on their underlying schedule of instalments which are expected to be received over the next 12 months. This allowance reduces the premium provision.
- Under Solvency II, the technical provisions are also discounted using the risk free rates from the relevant risk-free interest rate structure published by EIOPA for the reporting date and using a suitable payment pattern which is derived from actuarial reserving analysis.
- Finally, an explicit risk margin, the calculation of which is prescribed under Solvency II, is included in the Solvency II technical provisions.

The charts below, (Fig L23, Fig L24 & Fig L25) outline the overall movements on a gross basis between the Financial Statements and Solvency II technical provisions by material lines of business, split between Claims Provision, Premium Provision and Solvency II risk margin.

Under Solvency II, the Motor lines of business are split into Motor Vehicle Liability and Motor Other classes. Therefore, for illustrative purposes in the chart below, both Solvency II Motor lines of business have been merged into one to provide a more like-for-like comparison between the Motor lines of business used in the Financial Statements.

Fig L23

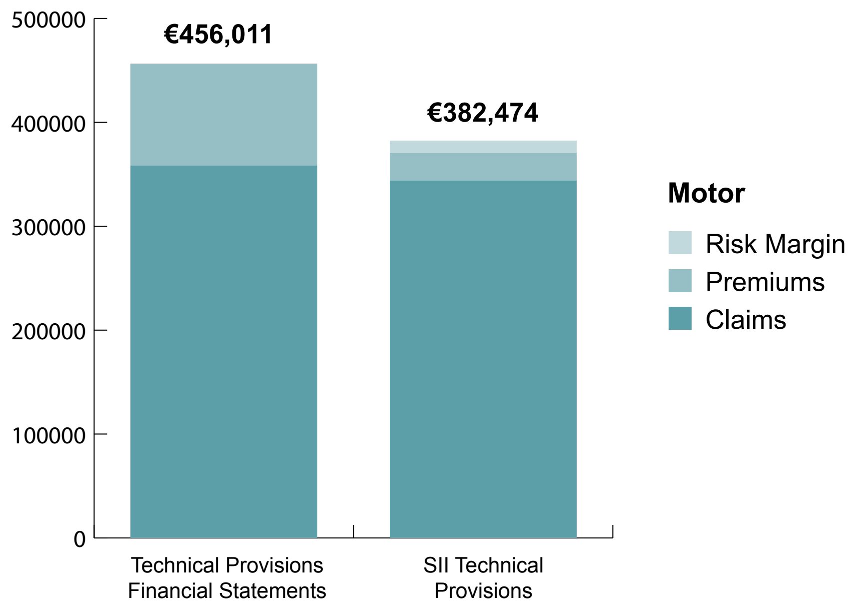
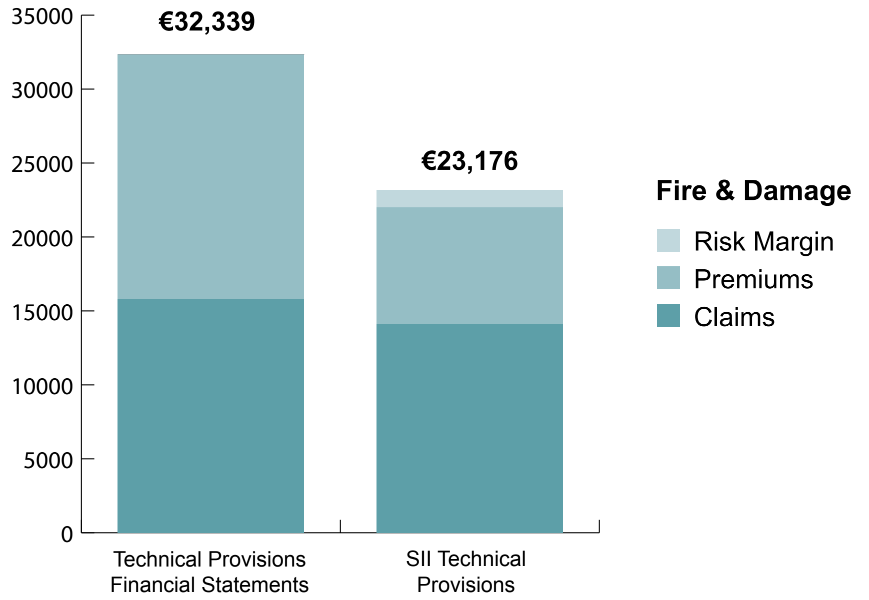
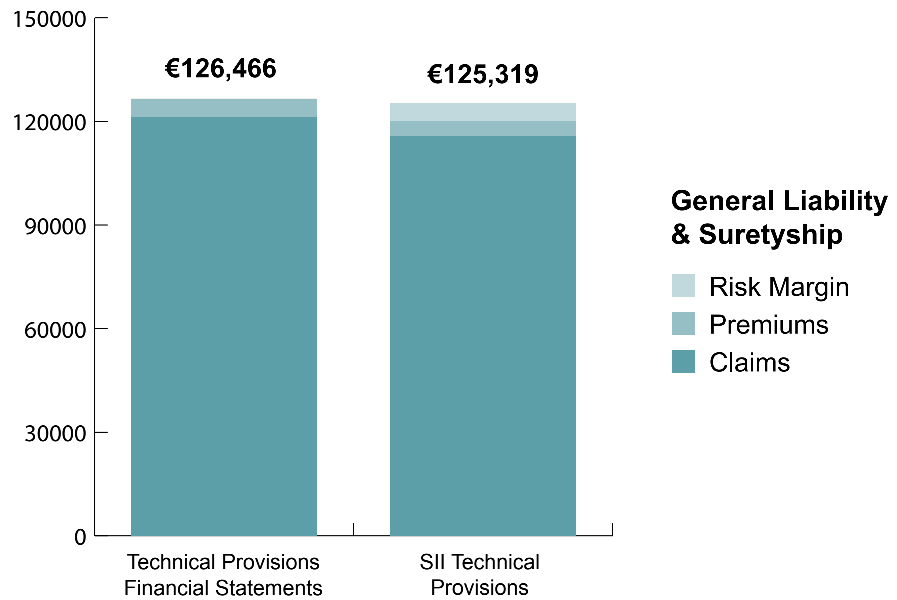


Fig L24



Similarly, both General Liability and Suretyship lines of business have been merged to provide a more like-for-like comparison with the Financial Statements.

Fig L25



D.2.3 Solvency II – Technical Provisions

The Solvency II technical provisions for the Company are equal to the sum of a best estimate and an explicit risk margin. The best estimate is composed of two separate parts: a claims provision and a premium provision, (Fig L26).

For an explanation on the movement see D.2.4 and D.2.5 below.

The technical provisions for the Company are split into the following Solvency II classes, (Fig L27):

Fig L26

Solvency II Technical Provisions	Gross 2017 €'000	Ceded 2017 €'000	Net 2017 €'000	Gross 2016 €'000	Ceded 2016 €'000	Net 2016 €'000
Claims provision	473,492	144,869	328,623	529,646	125,848	403,798
Premium provision	39,182	27,179	12,003	45,893	29,516	16,377
Risk margin	18,294	-	18,294	22,868	-	22,868
Solvency II technical provisions	**530,969**	**172,048**	**358,921**	**598,407**	**155,364**	**443,044**

Fig L27

Class 4	Motor Liability
Class 5	Motor, Other Classes
Class 7	Fire and Other Damage
Class 8	General Liability
Class 9	Credit & Suretyship

The Credit & Suretyship class is in run-off and has no Premium Provision at 31 December 2017.

The valuation of the Solvency II best estimate is carried out separately for both the claims provision and the premium provision and is calculated in line with the Solvency II regulations.

The following sections detail the Solvency II technical provisions by class of business as at 31 December 2017, split between Claims Provision, Premium Provision and Risk Margin.

D.2.4 Claims Provision

The Gross Claims Provision reduced by €56.2m from €529.6m in 2016 to €473.5m in 2017. This is primarily due to the run-off of older reserves and the back book of historic reserves getting smaller over time and also favourable prior year development observed during 2017. There was also foreign exchange movements which served to reduce the Euro value of Sterling denominated reserves.

The best estimate cash-flows underlying the claims provisions are determined using actuarial techniques widely used in non-life insurance businesses. These are principally a range of Chain-ladder, average cost per claim, Bornhuetter-Ferguson and loss ratio techniques supplemented by historic burning cost and exposure trend analyses.

The material cash flows required to settle the insurance obligations over the lifetime of the policies are considered, including premiums, claims payments, salvage and subrogation, allocated and unallocated expenses. An allowance for ENID is also added in order to allow for events that might be expected to occur in the future.

Provision is also made for the Company's share of the 2018 levy payment obligation in respect of uninsured drivers (the MIBI in ROI and MIB in the UK). This provision is calculated using the Company's current market-share and the estimated payment levy obligation. There is no difference between the MIBI/MIB allowance under Solvency II and the Financial Statements.

Fig L28

Claims Provision by Class of Business	Gross 2017 €'000	Ceded 2017 €'000	Net 2017 €'000	Gross 2016 €'000	Ceded 2016 €'000	Net 2016 €'000
Motor liability	342,654	120,518	222,136	362,756	102,353	260,403
Motor, other classes	1,058	467	591	1,220	517	702
Fire and other damage	14,112	6,201	7,911	18,070	7,202	10,868
General liability	110,977	17,683	93,294	138,407	15,776	122,631
Suretyship	4,690	-	4,690	9,194	-	9,194
Total	**473,492**	**144,869**	**328,623**	**529,646**	**125,848**	**403,798**

D.2.5 Premium Provision

The Gross Premium Provision reduced by €6.7m from €45.9m in 2016 to €39.2m in 2017. Despite an increase in the UPR over this period, the impact on the premium provision was largely offset by improvements in the Loss Ratio assumptions used, in particular for motor lines which reflected the improved underwriting performance on these lines during 2017. In addition, there is also a higher level of unearned Direct Debit premium within the UPR compared to last year which further reduces the Premium Provision.

Fig L29

Premium Provision by Class of Business	Gross 2017 €'000	Ceded 2017 €'000	Net 2017 €'000	Gross 2016 €'000	Ceded 2016 €'000	Net 2016 €'000
Motor liability	25,398	18,658	6,740	29,008	19,288	9,720
Motor, other classes	1,406	1,143	263	2,163	1,550	614
Fire and other damage	7,898	4,806	3,092	7,609	4,646	2,964
General liability	4,480	2,572	1,908	7,112	4,033	3,080
Suretyship	-	-	-	-	-	-
Total	**39,182**	**27,179**	**12,003**	**45,893**	**29,516**	**16,377**

The premium provisions relate to claims events occurring after the valuation date but during the remaining exposure period of the policies. For this purpose, the policies considered are those that are consistent with the unearned premium reserve in the Financial Statements, i.e. there is no additional allowance for bound but not incepted business or tacit renewals assumed in respect of policies which are not yet effective on materiality grounds.

The cash flows cover all future expected claim payments and expenses. Future claims payments are calculated by applying an appropriate loss ratio to the unearned premium, with appropriate allowance for expenses (claims and underwriting), direct debit premium and events not in data. The suitable loss ratio is derived from analysis carried out by the actuarial function.

D.2.6 Risk Margin

The risk margin reflects the amount of additional margin that another undertaking would be expected to seek in order to take over and meet the insurance obligations on the statement of financial position. This has been calculated as the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance obligations of the firm over the lifetime of those obligations, (Fig L30).

Fig L30

Risk Margin by Class of Business	Gross 2017 €'000	Ceded 2017 €'000	Net 2017 €'000	Gross 2016 €'000	Ceded 2016 €'000	Net 2016 €'000
Motor Liability	11,734	-	11,734	12,542	-	12,542
Motor, Other Classes	223	-	223	361	-	361
Fire and Other Damage	1,165	-	1,165	2,765	-	2,765
General Liability	4,784	-	4,784	6,229	-	6,229
Suretyship	387	-	387	971	-	971
Total	**18,294**	**-**	**18,294**	**22,868**	**-**	**22,868**

The cost of capital used in calculating the risk margin has been prescribed in legislation and is 6% per annum. This is applied to the projection of the SCR over the remaining lifetime of the insurance liabilities.

The methodology applied to project the SCR models the individual risks or sub-risks within some or all modules and sub-modules and is consistent with that outlined in "Method 2" in the technical specifications for preparatory phase Part I document. The underlying assumptions are also consistent with those outlined in the technical specifications, notably in respect of the following:

- All insurance obligations (and their associated reinsurance arrangements) are transferred to another undertaking ("new undertaking").
- Prior to the transfer, the new undertaking has no insurance liabilities and sets up own funds equal to the SCR after the transfer is complete.
- After the transfer, the new undertaking has assets to cover the SCR and technical provisions after reinsurance, for which the market risk is nil.
- The SCR therefore only covers underwriting risk, counterparty risk and operational risk.
- The risk margin is allocated in line with the allocation of risk capital within the premium and reserve risk module, operational risk module and counterparty default risk module.

D.2.7 Uncertainty associated with the value of the Technical Provisions

Actuarial best estimates are subject to an inherent degree of uncertainty from various sources including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, economic and investment conditions. Actual cash flows will vary from any estimate indicated. In particular, claims development patterns are often unstable and are linked to on-going market trends.

- At an overall level, the outlook for catastrophic injury awards is particularly uncertain. The imminent introduction of PPO legislation in ROI in 2018 may result in a claims environment which makes large claims more costly for insurers.
- The future level and shape of rates from the relevant risk-free interest rate structure (published by EIOPA for discounting the cash-flows) may increase from the historically very low levels used currently which may lead to lower Solvency II technical provisions.
- A substantial measure of judgement is involved in interpreting past claims development experience as part of the process of projecting the undiscounted best estimate of the total claims provision. Certain classes of business, such as General Liability, Credit & Suretyship and Motor Third Party Liability are inherently more uncertain than others due to their long payment tail and accordingly their ultimate cost has greater potential to vary.
- However, it is worth noting that the reinsurance arrangements currently in place such as the quota share will mean that the technical provisions are much less prone to adverse development on a net of reinsurance basis.

In calculating the Company's technical provisions, there are a number of possible adjustments in the regulations which are not required either because they are not relevant to the Company or because they are transitional arrangements. The Company is required to state whether or not these have been applied as follows:

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.
- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.
- The transitional risk-free interest rate-term structure referred to in Article 308c of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.

D.3 Other liabilities

Detail of how each class of liability was valued under the Company's Irish GAAP accounting policies and for Solvency II purposes are listed below.

D.3.1 Solvency II valuation for each material class of other liability

D.3.1.1 Provisions other than technical provisions

The value of provisions other than technical provisions (S.02.01.02 R0750) as at the reporting date was €5,150k (2016: €1,464k.). A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is reviewed at each reporting date and adjusted to reflect the current best estimate of the amount required to settle the obligation.

D.3.1.2 Insurance and intermediaries payable

As at the reporting date, the value of insurance and intermediaries payable (S.02.01.02 R0820) was €3,555k (2016: €1,358k). This amount relates to the Company's claims control account, reinsurance payables along with balances payable to MIBI and the Motor Insurance Bureau (MIB).

D.3.1.3 Reinsurance payables
The value of reinsurance payables (S.02.01.02 R0830) as at the reporting date was €67,200k (2016: €55,380k). Reinsurance payables increased in the year due to more business written subject to the 50% quota share reinsurance contracts. Reinsurance premium payable in respect of reinsurance ceded is recognised in the period in which the reinsurance contract is entered into and includes estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis. These are then adjusted to remove future ceded policy debtor amounts.

D.3.1.4 Payables (trade, not insurance)
As at the reporting date, the value of payables (trade, not insurance) (S.02.01.02 R0840) was €4,718k (2016: €4,439k). This is payable within 12 months and includes amounts due to employees, group companies, suppliers, etc. and are not insurance-related. It also includes tax and other creditor balances.

D.3.1.5 Any other liabilities, not shown elsewhere
As at the reporting date, the value of other liabilities, not shown elsewhere (S.02.01.02 R0880) was €17,387k (2016: €15,824k) and consists of accruals and deferred income. The increase of €1,563k is due to the increase in deferred income driven by higher volumes of business. For Solvency II purposes these balances are assessed as to whether they satisfy the conditions to meet the definition of expenses that can be allocated to technical provisions, if not, they are classified here. These balances are considered payable within 12 months and as a result, no discounting has been applied.

D.3.2 Differences between Solvency II valuation and the Company's Irish GAAP accounting policies for each material class of liability

In addition to the explanations below please refer to the table in section E.1.4 for a summary of the differences between Solvency II valuation and the Company's Irish GAAP accounting policies.

D.3.2.1 Deferred tax liabilities
For Solvency II purposes deferred tax is calculated and shown on a net basis. As at the reporting date this resulted in a net deferred tax asset (see section D.1.2.1 above). As noted above, for Solvency II, the calculated net deferred tax asset has been valued at zero as a measure of prudence by the Company.

D.3.2.2 Reinsurance payables
As at the reporting date the value of reinsurance payables in the Solvency II balance sheet (S.02.01.02 R0830) was €67,200k (2016: €55,380k) and the value under the Company's Irish GAAP accounting policies was €89,551k (2016: €77,088k). The difference of €22,351k (2016: €21,708k) relates to the removal of future ceded policy debtors for Solvency II.

D.3.2.3 Payables (trade, not insurance)
There is no difference between the Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies.

D.3.2.4 Any other liabilities, not shown elsewhere
There is no difference between the Solvency II valuation and the valuation under the Company's Irish GAAP accounting policies.

D.4 Alternative methods for valuation

No alternative methods have been applied by the Company.

D.5 Any other information

The Company has no further material information to note.

E. Capital Management

E.1 Own Funds

E.1.1 Overview

The Company uses the Standard Formula as defined by the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency II Technical Standards and Guidelines to calculate the SCR. The Company deems the Standard Formula appropriate for use, given the risks it is exposed to.

The Company was in a strong capital position at the reporting date:

- The Solvency Capital Requirement coverage ratio at 31 December 2017 was 183.6% (2016: 148.6%), with eligible own funds of €239,518k (2016: €225,423k) and an SCR of €130,478k (2016: €151,715k).
- The Minimum Capital Requirement coverage ratio at 31 December 2017 was 476.1% (2016: 359.4%), with eligible own funds of €199,518k (2016: €185,423k) and an MCR of €41,905k (2016:€51,593k).

The SCR coverage ratio includes the benefit of the Ancillary Own Funds (AOF) of €40,000k. In relation to the MCR, the eligible own funds exclude the AOF on the basis that only basic own funds are permitted for calculating same.

The Company has undertaken extensive stress testing on the SCR as part of its annual ORSA process. The results of same provide assurance that the Company can withstand both plausible and extreme shocks over its planning horizon.

E.1.2 Capital Management Overview

The Company's Capital Management Policy is to hold sufficient capital to cover its statutory requirements including any additional amounts required by the CBI. To optimise the risk to reward return from the allocation of capital resources, consideration of the Company's risk appetite during the formulation and implementation of business strategies is essential.

The Company prepares a capital management plan on an annual basis as part of the overall annual planning process. Additionally, the Company's ORSA process is aligned to the annual planning process and aims to inform that process through analysis of capital implications of various business plans and strategies. The detailed plan considers a two year planning horizon while the strategic plan considers a 5 year planning horizon.

The capital management plan is approved by the Asset Liability Committee, the Risk Committee and the Board. The plan sets out the level of own funds to regulatory capital over the planning horizon. Any mid-year changes to the capital management plan require Board approval. Were a capital shortfall to arise the capital management plan would address this through a variety of options including calling on the AOF of €40,000k, support from group, or portfolio re-structures.

Supporting the Capital Management Plan and aligned to the Company's Risk Appetite Statement (RAS), the Company also maintains a Solvency Monitoring Plan. This Plan provides guidance as to the required management actions with reference to various levels of the Company's solvency position.

E.1.3 Own funds classified by tiers

Own funds as at 31 December 2017 of €239,518k (2016: €225,423k) comprises of Tier 1 capital of €199,518k (2016: €185,423k) and Tier 2 capital of €40,000k (2016:€40,000k) further details of which are set out overleaf.

E.1.3.1 Tier 1 unrestricted:
Total available Tier 1 unrestricted own funds (S.23.01.01 R0290) of €199,518k (2016: €185,423k) consists of €2,270k (2016: €2,270k) of ordinary share capital, €224,730k (2016: €224,730k) of share premium related to ordinary share capital, €50,000k (2016: €50,000k) of capital contribution and is reduced by €77,482k (2016: (€91,577k)) in respect of the reconciliation reserve. All of these are basic own funds and are analysed as follows:

Ordinary share capital
There is €2,270k of called up, issued and fully paid ordinary share capital (S.23.01.01 R0010) at the reporting date. Ordinary share capital is high quality, available and not subordinated or restricted in any way.

Share premium related to ordinary share capital
There is €224,730k of fully paid share premium related to ordinary share capital (S.23.01.01 R0030) at the reporting date. Share premium is high quality, available and not subordinated or restricted in any way.

Capital Contribution
There is €50,000k of capital contribution (S.23.01.01 R0180) from Group at the reporting date. The capital contribution is high quality being an irrevocable payment that the Company has no obligation to repay and is free from any mandatory fixed charges or servicing costs. The capital contribution was approved by the Central Bank as Tier 1 capital under Solvency II.

Reconciliation reserve
The negative reconciliation reserve of €77,482k (2016: (€91,577k)) is made up of the Company's retained earnings €(64,549)k (2016: (€69,200k)), revaluation reserve €5,216k (2016: €4,322k) and differences between the statutory value and the Solvency II value of net assets in the balance sheet €(18,149k) (2016: (€26,699k)) (see detail below). The reconciliation reserve is not subordinated or restricted in any way. For details on the movement on the retained earnings refer to section A. For details on the movement of the restrictions refer to sections D1 and D3.

E1.3.2 Tier 2 and Tier 3:
As indicated previously, the Company holds Ancillary Own Funds (AOF) of €40,000k in the form of uncalled and unpaid share capital, callable on demand from the Company's immediate parent, Liberty Mutual Ireland Investment Holdings. This is currently classified as Tier 2 capital. In the event of the AOF being called and paid, the ordinary share capital would be included in Tier 1 – unrestricted own funds. The Company has no Tier 3 capital.

E.1.4 Material differences between capital and reserves as shown in the Financial Statements and the Solvency II value of excess assets over liabilities

The table below, (Fig L31) details the capital and reserves in the Financial Statements as at the reporting date of €217,667k (2016: €212,122k) and the adjustment to bring it in line with the Solvency II excess of assets over liabilities of €199,518k (2016: €185,423k) (S23.01.01 R0700). This excludes the above noted Tier 2 capital of €40,000k.

Fig L31

Capital and Reserves	2017 €'000	2016 €'000	Movement €'000
2,270,001 ordinary shares of €1 each	2,270	2,270	-
Share premium	224,730	224,730	-
Capital contribution	50,000	50,000	-
Revaluation reserve	5,216	4,322	894
Retained earnings brought forward	(69,200)	(64,745)	(4,455)
Profit/ (loss) for the financial year	4,651	(4,455)	9,106
Capital and reserves per financial statements	**217,667**	**212,122**	**5,545**
Solvency II adjustments	(18,149)	(26,699)	8,550
Excess of assets over liabilities	**199,518**	**185,423**	**14,095**

The table below, (Fig L32), details the Solvency II restrictions making up the €18,149k (2016: €26,699k) (refer to sections D1 and D3 for explanations of movements).

Fig L32

	Solvency II value 2017 €'000	Statutory accounts value 2017 €'000	Difference 2017 €'000	Solvency II value 2016 €'000	Statutory accounts value 2016 €'000	Difference 2016 €'000
Goodwill	-	16,493	(16,493)	-	18,326	(18,326)
Deferred acquisition costs	-	14,882	(14,882)	-	12,647	(12,647)
Intangible assets	-	8,738	(8,738)	-	6,813	(6,813)
Deferred tax assets	-	4,347	(4,347)	-	7,750	(7,750)
Bonds	589,915	582,891	7,024	633,816	624,335	9,481
Deposits other than cash equivalents	-	-	-	2,000	-	2,000
Reinsurance recoverable	172,048	213,472	(41,424)	155,363	181,932	(26,569)
Insurance and intermediaries receivables	11,661	56,363	(44,702)	9,696	48,676	(38,980)
Cash and cash equivalents	8,010	8,010	-	18,531	20,531	(2,000)
Any other assets, not elsewhere shown	3,819	10,844	(7,025)	4,005	13,486	(9,481)
Technical provisions	(530,969)	(614,816)	83,847	(598,407)	(653,071)	54,664
Deferred tax liabilities	-	(6,239)	6,239	-	(7,996)	7,996
Reinsurance payables	(67,200)	(89,551)	22,351	(55,379)	(77,105)	21,726
Total			**(18,149)**			**(26,699)**

The difference between the statutory value and the Solvency II value of net assets in the balance sheet has narrowed since year-end 2016 from (€26,699k) to (€18,149k). This is largely a result of an increase in the difference between the net technical provisions in the financial statements and the Solvency II net technical provisions during 2017 which reflects the improved loss ratio assumptions used in the premium provision calculations.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Under Solvency II, there are two capital measures - the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR").

Solvency Capital Requirement (SCR)

The SCR is the higher of the two measures and represents the amount of capital that must be set aside to ensure that the Company has sufficient capital to withstand an extreme scenario. This indicator measures the capability of an insurance entity to face all the risks, considered inherent to the insurance industry, following the occurrence of an extreme scenario. The extreme scenario is calibrated to be at a level around 1 in 200 years, or expressed with a confidence level of 99.5% over a 1-year time horizon.

Solvency II allows companies to use the following approaches to determine their SCR:

- Standard Formula: defined formula calibrated with a confidence level of 99.5% over a 1-year time horizon by the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency II Technical Standards and Guidelines.
- Undertaking specific parameters: a number of the parameters in the standard formula can be replaced when the entity considers that they are inappropriate for the risk profile of the company. There are prescribed methodologies in place to replace these parameters – the revised parameters are known as undertaking specific parameters.
- Partial/Full Internal Models: when an entity considers that the Standard Formula does not properly measure their risk, they can develop a partial or a full internal model that will show their internal measure of the risk.

The Company has assessed that the Standard Formula broadly reflects the risks it is exposed to and it uses the Standard Formula in determining the Company's SCR. The SCR composition at 31 December 2017 was as follows, (Fig L33):

Fig L33

SCR Composition	2017 €'000	2016 €'000
Non-life underwriting risk	98,493	116,684
Market risk	30,865	27,988
Counterparty risk	8,755	14,125
Intangible asset risk	-	-
Diversification between modules	(23,015)	(24,348)
Basic SCR	**115,098**	**134,449**
Operational risk	15,380	17,266
Adjustment for tax	-	-
SCR	**130,478**	**151,715**

Non-life underwriting risk is clearly the largest driver of the Company's regulatory risk capital. Much of this stems from the large book of reserves on the balance sheet that is not in line with current premium volumes. As these reserves are paid down over time, the underwriting risk capital will reduce. Some of this will be offset by increasing premium volumes and increased CAT exposures as the size of the book increases over time.

Market risk generates the second largest risk capital requirement in 2017. However, similarly to underwriting risk, this will decrease over time as the reserves are paid and bonds are liquidated or mature, resulting in reduced spread and interest rate risk.

Counterparty risk is largely impacted by the Company's reinsurance programmes. It has reduced during the year to reflect the lower limits on the catastrophe treaty. As set out earlier in this report, the majority of the Company's counterparty default exposure relates to LMIC.

Operational risk is based on gross reserves and is therefore anticipated to reduce over time in line with reducing gross reserves as a result of lower volumes and the settlement of the legacy reserves.

The SCR has not been reduced for any deferred tax adjustment. However, the Company may reconsider as profitability and stability returns to the business environment.

A more detailed composition of the SCR as at 31 December 2017 is shown below, (Fig L34):

Fig L34

Detailed SCR Composition	2017 €'000	2016 €'000
Non-life underwriting risk:		
Premium & reserve risk	96,163	112,526
Lapse risk	7,204	6,423
Catastrophe risk	7,256	13,136
Diversification within module	(12,130)	(15,401)
Market risk:		
Interest rate risk	13,464	13,653
Equity risk	1,392	595
Property risk	5,225	5,295
Spread risk	22,020	18,584
Market risk concentration	-	974
Currency risk	3,478	4,375
Diversification within modules	(14,714)	(15,487)
Counterparty risk	8,755	14,125
Intangible asset risk	-	--
Total capital required per module	138,113	158,798
Diversification	(23,015)	(24,348)
Basic SCR	**115,098**	**134,450**
Operational risk	15,380	17,266
Adjustment for tax	-	-
SCR	**130,478**	**151,716**

No simplifications have been applied to any of the main submodules and/or secondary submodules. The parameters used are those provided by the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency II Technical Standards and Guidelines in the Standard Formula, and no undertaking specific parameters have been adopted in the SCR calculation.

All the submodules have been calculated following the Standard Formula. No internal or partial internal models have been used to calculate the SCR.

Minimum Capital Requirement (MCR)

The second capital requirement indicator is the MCR. It represents the minimum amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk were the undertaking allowed to continue operating. A breach of MCR can trigger the ultimate supervisory intervention of the withdrawal of authorisations, should the Company fail to restore own funds to the level of the MCR within an appropriate timeframe.

The MCR for the Company at 31 December 2017 was €41,905k (2016: €51,593k). This is calculated with reference to two other intermediate measures; the MCR Combined and the MCR Linear, which are predefined under Solvency II. MCR is calculated as the sum of a factor(α) applied to net Technical Provisions excluding risk margin and a factor(β) applied to last 12 month net Written Premium for each individual line of business. All factors are prescribed by the Standard Formula and differ by line of business. The resulting MCRs are summed across lines of business to obtain the overall MCR.

Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company is in compliance with both the MCR and the SCR at 31 December 2017.

The Company's Capital Management Policy is to hold sufficient capital to cover its statutory and regulatory requirements. To optimise the risk to reward return from the allocation of capital resources, consideration of the Company's risk appetite during the formulation and implementation of business strategies is essential.

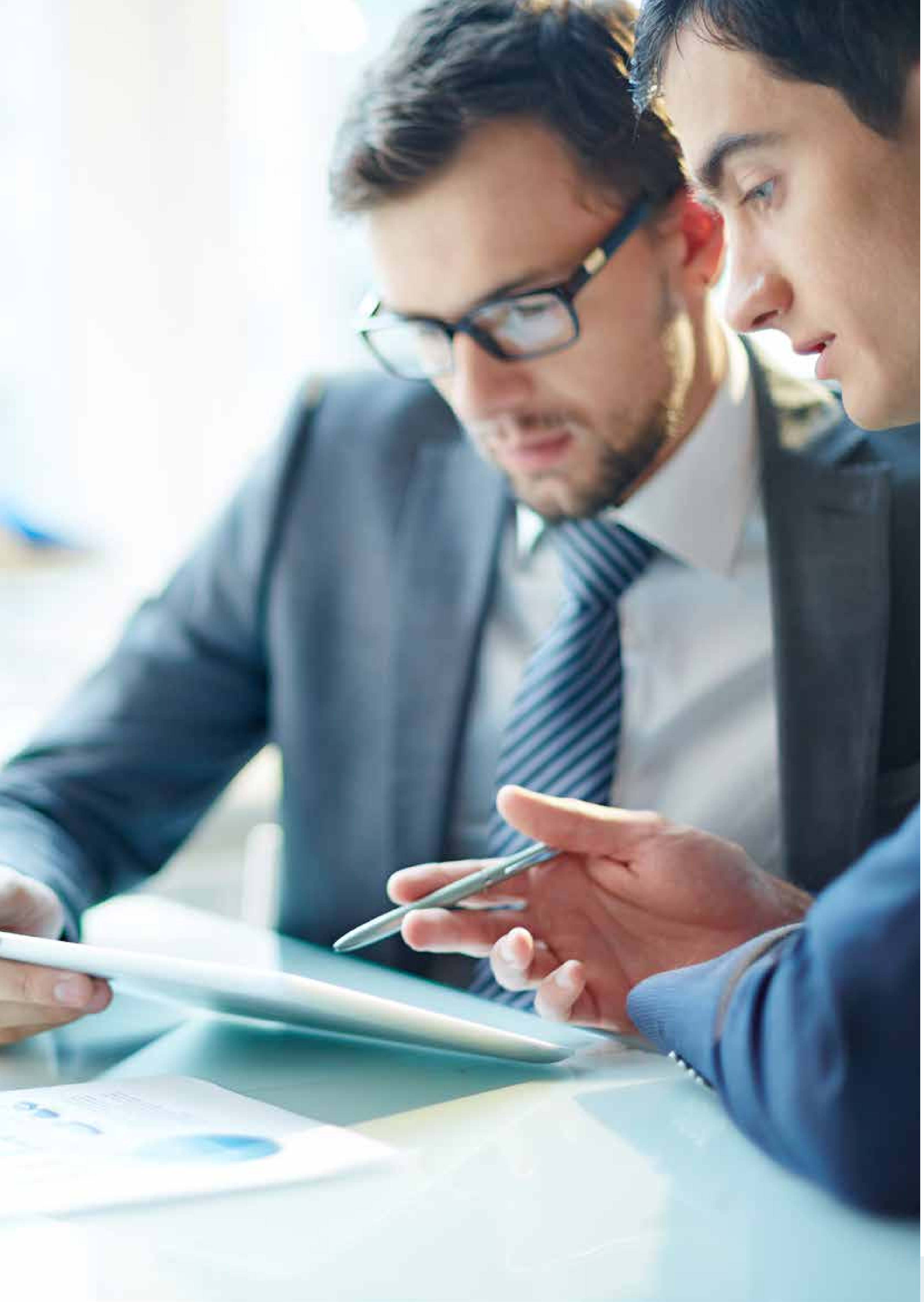
The Company prepares a capital management plan on an annual basis as part of the overall annual planning process. Additionally, the Company's ORSA process is aligned to the annual planning process and aims to inform that process through analysis of capital implications of various business plans and strategies. The detailed Plan considers a two year planning horizon while the strategic plan considers a 5 year planning horizon

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

The Company has opted not to use the duration-based equity risk sub-module of the Solvency II regulations.

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

The Company applies the Standard Formula model and does not use an internal model to calculate the Solvency Capital Requirement.



F. Quantitative Reporting Templates 2017

F.1 General Information

Undertaking name	**Liberty Insurance dac**
Undertaking identification code	**635400ZPBTPGZKL4SO95**
Type of code of undertaking	**LEI**
Type of undertaking	**Non-life undertakings**
Country of authorisation	**IE**
Language of reporting	**en**
Reporting reference date	**31 December 2017**
Currency used for reporting	**EUR**
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

F.2 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	14,535
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	599,015
R0080	*Property (other than for own use)*	9,100
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	589,915
R0140	*Government Bonds*	217,837
R0150	*Corporate Bonds*	368,668
R0160	*Structured notes*	-
R0170	*Collateralised securities*	3,411
R0180	*Collective Investments Undertakings*	-
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	172,048
R0280	*Non-life and health similar to non-life*	172,048
R0290	*Non-life excluding health*	172,048
R0300	*Health similar to non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
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	-
R0360	Insurance and intermediaries receivables	11,661
R0370	Reinsurance receivables	19,778
R0380	Receivables (trade, not insurance)	454
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	8,010
R0420	Any other assets, not elsewhere shown	3,819
R0500	**Total assets**	**829,321**

F.2 S.02.01.02 Balance Sheet

		Solvency II value
	Liabilites	**C0010**
R0510	Techinical provisions - non-life	530,969
R0520	*Technical provisions - non-life (excluding health)*	530,969
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	512,675
R0550	*Risk margin*	18,294
R0560	*Technical provisions - health (similar to non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	5,150
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	-
R0800	Debts owed to credit institutions	824
R0810	Financial liabilities other than debts owed to credit institutions diaries	-
R0820	Insurance & intermediaries payables	3,555
R0830	Reinsurance payables	67,200
R0840	Payables (trade, not insurance)	4,718
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	17,387
R0900	**Total liabilities**	**629,803**
R1000	**Excess of assets over liabilities**	**199,518**

F.3 S.05.01.02 Premiums, claims and expenses by line of business

Non-life		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Worker's compensa-tion insurance	Motor vehicle liability insurance	Other motor insurance	Marine aviation and transport insurance	Fire and other damage to property insurance	General liability insur-ance	Credit and suretyship insurance	Legal expenses insurance	Assis-tance	Misc. financial loss	Heatlh	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
R0110	*Gross - Direct Business*				185,118	11,376		31,554	11,364	-								239,412
R0120	*Gross - Proportional reinsurance accepted*																	-
R0130	*Gross - Non-proportional reinsurance accepted*																	-
R0140	*Reinsurer's share*				94,212	5,790		16,849	6,304	-								123,155
R0200	*Net*				90,906	5,587		14,705	5,060	-								116,257
Premiums earned																		
R0210	*Gross - Direct Business*				169,751	10,432		30,677	13,266	-								224,126
R0220	*Gross - Proportional reinsurance accepted*																	-
R0230	*Gross - Non-proportional reinsurance accepted*																	-
R0240	*Reinsurer's share*				86,468	5,313		16,293	7,273	-								115,347
R0300	*Net*				83,284	5,119		14,385	5,992	-								108,779
Claims Incurred																		
R0310	*Gross - Direct Business*				93,539	6,066		9,589	2,079	-219								111,054
R0320	*Gross - Proportional reinsurance accepted*																	-
R0330	*Gross - Non-proportional reinsurance accepted*																	-
R0340	*Reinsurer's share*				50,004	3,243		5,884	6,024	-								65,156
R0400	*Net*				43,534	2,823		3,705	-3,945	-219								45,898
Changes in other technical provisions																		
R0410	*Gross - Direct Business*																	
R0420	*Gross - Proportional reinsurance accepted*																	
R0430	*Gross - Non-proportional reinsurance accepted*																	
R0440	*Reinsurer's share*																	
R0500	*Net*																	
R0550	**Expenses incurred**				**69,977**	**4,361**		**15,435**	**11,529**	**100**								**101,403**
R1200	**Other expenses**																	**-**
R1300	**Total expenses**																	**101,403**

F.4 S.05.02.01 Premium, claims and expenses by country

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Non-life	**Home Country**	**Top 5 countries (by amount of gross premium written) - non-life obligations**			**Top 5 countries (by amount of gross premiums written) - non-life obligations**		**Total Top 5 and home country**
			GB					
R0010		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
R0110	*Gross - Direct Business*	225,548	13,864					239,412
R0120	*Gross - Proportional reinsurance accepted*							-
R0130	*Gross - Non-proportional reinsurance accepted*							-
R0140	*Reinsurer's share*	115,973	7,182					123,155
R0200	*Net*	109,575	6,682					116,257
Premiums earned								
R0210	*Gross - Direct Business*	212,950	11,176					224,126
R0220	*Gross - Proportional reinsurance accepted*							-
R0230	*Gross - Non-proportional reinsurance accepted*							-
R0240	*Reinsurer's share*	109,508	5,839					115,347
R0300	*Net*	103,442	5,337					108,779
Claims Incurred								
R0310	*Gross - Direct Business*	104,233	6,822					111,054
R0320	*Gross - Proportional reinsurance accepted*							-
R0330	*Gross - Non-proportional reinsurance accepted*							-
R0340	*Reinsurer's share*	61,440	3,716					65,156
R0400	*Net*	42,793	3,106					45,898
Changes in other technical provisions								
R0410	*Gross - Direct Business*							
R0420	*Gross - Proportional reinsurance accepted*							
R0430	*Gross - Non-proportional reinsurance accepted*							
R0440	*Reinsurer's share*							
R0500	*Net*							
R0550	**Expenses incurred**	**95,632**	**5,771**					**101,403**
R1200	**Other expenses**							
R1300	**Total expenses**							**101,403**

F.5 S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and sure-tyship insurance	Legal expenses insurance	Assis-tance	Misc. financial loss	Non-pro-portional health re-insurance	Non-pro-portional casualty reinsur-ance	Non-propor-tional marine, aviation and transport reinsurance	Non-pro-portional property reinsur-ance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**																	
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																	
Technical provisions calculated as a sum of BE and RM Best Estimate																		
Premium Provisions																		
R0060	Gross				25,398	1,406		7,898	4,480	-								39,182
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				18,658	1,143		4,806	2,572									27,179
R0150	**Net Best Estimate of Premium Provisions**				**6,740**	**263**		**3,092**	**1,908**									**12,003**
Claims Provisions																		
R0160	Gross				342,654	1,058		14,112	110,977	4,690								473,492
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for ex-pected losses due to counterparty default				120,518	467		6,201	17,683	-								144,869
R0250	**Net Best Estimate of Claims Provisions**				**222,136**	**591**		**7,911**	**93,294**	**4,690**								**328,623**
R0260	**Total best estimate - gross**				**368,052**	**2,464**		**22,010**	**115,458**	**4,690**								**512,675**
R0270	**Total best estimate - net**				**228,876**	**854**		**11,003**	**95,203**	**4,690**								**340,627**
R0280	**Risk margin**				**11,734**	**223**		**1,165**	**4,784**	**387**								**18,294**
Amount of the transitional on Technical Provisions																		
R0290	Technical provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**				**379,787**	**2,687**		**23,176**	**120,241**	**5,078**								**530,969**
R0330	**Recoverable from reinsurance contract/ SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				**139,176**	**1,610**		**11,007**	**20,255**	**-**								**172,048**
R0340	**Technical provisions minues recoverable from reinsurance/SPV and Finite Re - total**				**240,611**	**1,077**		**12,169**	**99,987**	**5,078**								**358,921**

F.6 S.19.01.21 Non-life insurance claims. Total Non-life business

Z0010 Accident year / underwriting year | Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											**In current year**	**Sum of years (cumulative)**
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
R0100	Prior											7,708	7,708	7,708
R0160	2008	123,394	55,759	41,482	34,944	37,351	28,969	30,740	10,524	13,600	6,442		6,442	383,205
R0170	2009	91,059	58,062	43,074	31,766	30,507	28,764	17,285	10,295	5,727			5,727	316,540
R0180	2010	75,934	46,106	29,692	29,563	24,869	22,382	14,428	5,895				5,895	248,869
R0190	2011	49,410	28,152	21,682	25,355	21,151	14,605	5,399					5,399	165,754
R0200	2012	35,665	21,524	26,700	19,120	14,159	10,363						10,363	127,532
R0210	2013	41,417	31,788	26,696	22,524	15,153							15,153	137,579
R0220	2014	57,678	46,938	33,222	28,988								28,988	166,826
R0230	2015	61,216	41,988	29,016									29,016	132,219
R0240	2016	36,285	24,185										24,185	60,470
R0250	2017	25,730											25,730	25,730
R0260												**Total**	164,605	1,772,431

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											**Year end (discounted data)**
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	
R0100	Prior											18,184	18,213
R0160	2008	-	-	-	-	-	-	-	-	22,024	5,955		5,905
R0170	2009	-	-	-	-	-	-	-	13,701	7,634			7,582
R0180	2010	-	-	-	-	-	-	22,801	13,247				13,194
R0190	2011	-	-	-	-	-	16,856	13,654					13,689
R0200	2012	-	-	-	-	24,931	14,795						14,820
R0210	2013	-	-	-	49,510	29,267							29,293
R0220	2014	-	-	94,058	59,920								59,855
R0230	2015	-	133,132	103,339									102,747
R0240	2016	126,318	93,198										93,022
R0250	2017	115,451											115,172
R0260												**Total**	473,492

F.7 S.23.01.01 Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	2,270	2,270		-	
R0030	Share premium account related to ordinary share capital	224,730	224,730		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	-77,482	-77,482			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	50,000	50,000	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
R0220	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	-				
Deductions						
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	**Total basic own funds after deductions**	199,518	199,518	-	-	-
Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	40,000			40,000	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	

F.7 S.23.01.01 Own Funds

R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	-
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	**Total ancillary own funds**	40,000			40,000	-
Available and eligible own funds						
R0500	Total available own funds to meet the SCR	239,518	199,518	-	40,000	-
R0510	Total available own funds to meet the MCR	199,518	199,518	-	-	
R0540	Total eligible own funds to meet the SCR	239,518	199,518	-	40,000	-
R0550	Total eligible own funds to meet the MCR	199,518	199,518	-	-	
R0580	**SCR**	130,478				
R0600	**MCR**	41,905				
R0620	**Ratio of Eligible own funds to SCR**	183.57%				
R0640	**Ratio of Eligible own funds to MCR**	476.12%				

Reconcilliation reserve		**C0060**
R0700	Excess of assets over liabilities	199,518
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	277,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	**Reconciliation reserve**	**-77,482**
Expected profits		
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	10,570
R0790	**Total Expected profits included in future premiums (EPIFP)**	**10,570**

F.8 S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	30,865		
R0020	Counterparty default risk	8,755		
R0030	Life underwriting risk	-		
R0040	Health underwriting risk	-		
R0050	Non-life underwriting risk	98,493		
R0060	Diversification	-23,015		
R0070	Intangible asset risk	-		
R0100	**Basic Solvency Capital Requirement**	**115,098**		
Calculation of Solvency Capital Requirement C0100				
R0130	Operational risk	15,380		
R0140	Loss-absorbing capacity of technical provisions	-		
R0150	Loss-absorbing capacity of deferred taxes	-		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-		
R0200	**Solvency Capital Requirement excluding capital add-on**	**130,478**		
R0210	Capital add-ons already set	-		
R0220	**Solvency capital requirement**	**130,478**		
Other information on SCR				
R0400	Capital requirement for duration-based equity risk sub-module	-		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	-		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-		

F.9 S.28.01.01 Minimum Capital Requirement – non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010		
R0010	MCR_{NL} Result	41,905		
			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		-	
R0030	Income protection insurance and proportional reinsurance		-	
R0040	Workers' compensation insurance and proportional reinsurance		-	
R0050	Motor vehicle liability insurance and proportional reinsurance		228,876	90,172
R0060	Other motor insurance and proportional reinsurance		854	6,320
R0070	Marine, aviation and transport insurance and proportional reinsurance		-	-
R0080	Fire and other damage to property insurance and proportional reinsurance		11,003	14,705
R0090	General liability insurance and proportional reinsurance		95,203	5,060
R0100	Credit and suretyship insurance and proportional reinsurance		4,690	-
R0110	Legal expenses insurance and proportional reinsurance		-	
R0120	Assistance and proportional reinsurance		-	
R0130	Miscellaneous financial loss insurance and proportional reinsurance		-	
R0140	Non-proportional health reinsurance		-	
R0150	Non-proportional casualty reinsurance		-	
R0160	Non-proportional marine, aviation and transport reinsurance		-	
R0170	Non-proportional property reinsurance		-	

F.9 S.28.01.01 – continued

Linear formula component for non-life insurance and reinsurance obligations		**C0040**		
R0200	MCR_L Result	-		
			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	41,905		
R0310	SCR	130,478		
R0320	MCR cap	58,715		
R0330	MCR floor	32,620		
R0340	Combined MCR	41,905		
R0350	Absolute floor of the MCR	3,700		
R0400	**Minimum Capital Requirement**	**41,905**		

G. Quantitative Reporting Templates 2016

G.1 General Information

Undertaking name	**Liberty Insurance Limited**
Undertaking identification code	**635400ZPBTPGZKL4SO95**
Type of code of undertaking	**LEI**
Type of undertaking	**Non-life undertakings**
Country of authorisation	**IE**
Language of reporting	**en**
Reporting reference date	**31 December 2016**
Currency used for reporting	**EUR**
Accounting standards	**The undertaking is using local GAAP (other than IFRS)**
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

G.2 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	20,665
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	637,580
R0080	*Property (other than for own use)*	1,764
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	633,816
R0140	*Government Bonds*	268,244
R0150	*Corporate Bonds*	358,357
R0160	*Structured notes*	-
R0170	*Collateralised securities*	7,215
R0180	*Collective Investments Undertakings*	-
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	2,000
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	155,364
R0280	*Non-life and health similar to non-life*	155,364
R0290	*Non-life excluding health*	155,364
R0300	*Health similar to non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
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	-
R0360	Insurance and intermediaries receivables	9,696
R0370	Reinsurance receivables	16,146
R0380	Receivables (trade, not insurance)	310
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	18,531
R0420	Any other assets, not elsewhere shown	4,006
R0500	**Total assets**	**862,298**

G.2 S.02.01.02 Balance Sheet

		Solvency II value
	Liabilites	**C0010**
R0510	Techinical provisions - non-life	598,407
R0520	*Technical provisions - non-life (excluding health)*	598,407
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	575,539
R0550	*Risk margin*	22,868
R0560	*Technical provisions - health (similar to non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	1,464
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	-
R0800	Debts owed to credit institutions	4
R0810	Financial liabilities other than debts owed to credit institutions diaries	-
R0820	Insurance & intermediaries payables	1,358
R0830	Reinsurance payables	55,380
R0840	Payables (trade, not insurance)	4,439
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	15,824
R0900	**Total liabilities**	**676,876**
R1000	**Excess of assets over liabilities**	**185,423**

G.3 S.05.01.02 Premiums, claims and expenses by line of business

Non-life		**Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												**Line of Business for: accepted non-proportional reinsurance**				**Total**
		Medical expense insurance	Income protection insurance	Worker's compensa-tion insurance	Motor vehicle liability insurance	Other motor insurance	Marine aviation and transport insurance	Fire and other damage to property insurance	General liability insur-ance	Credit and suretyship insurance	Legal expenses insurance	Assis-tance	Misc. financial loss	Heatlh	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
R0110	*Gross - Direct Business*				145,922	10,861		35,078	17,471	-								209,333
R0120	*Gross - Proportional reinsurance accepted*				-	-		-	-	-								-
R0130	*Gross - Non-proportional reinsurance accepted*																	-
R0140	*Reinsurer's share*				55,710	4,147		17,461	(493)	-								76,825
R0200	*Net*				90,212	6,715		17,617	17,964	-								132,508
Premiums earned																		
R0210	*Gross - Direct Business*				151,596	11,283		37,563	18,993	-								219,436
R0220	*Gross - Proportional reinsurance accepted*				-	-		-	-	-								-
R0230	*Gross - Non-proportional reinsurance accepted*																	-
R0240	*Reinsurer's share*				63,294	4,224		18,988	196	-								86,702
R0300	*Net*				88,302	7,059		18,575	18,797	-								132,734
Claims Incurred																		
R0310	*Gross - Direct Business*				83,894	282		16,008	19,730	(4,873)								115,041
R0320	*Gross - Proportional reinsurance accepted*				-	-		-	-	-								-
R0330	*Gross - Non-proportional reinsurance accepted*																	-
R0340	*Reinsurer's share*				42,096	141		11,123	9,069	-								62,429
R0400	*Net*				41,798	140		4,885	10,661	(4,873)								52,612
Changes in other technical provisions																		
R0410	*Gross - Direct Business*				-	-		-	-	-								-
R0420	*Gross - Proportional reinsurance accepted*				-	-		-	-	-								-
R0430	*Gross - Non-proportional reinsurance accepted*																	-
R0440	*Reinsurer's share*				16,290	1,699		1,378	8,846	-								28,213
R0500	*Net*				(16,290)	(1,699)		(1,378)	(8,846)	-								(28,213)
R0550	**Expenses incurred**				**69,572**	**3,579**		**21,750**	**15,326**	**200**								**110,427**
R1200	**Other expenses**																	**-**
R1300	**Total expenses**																	**110,427**

G.4 S.05.02.01 Premiums, claims and expenses by country

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Non-life	**Home Country**	**Top 5 countries (by amount of gross premium written) - non-life obligations**			**Top 5 countries (by amount of gross premiums written) - non-life obligations**		**Total Top 5 and home country**
			GB					
R0010		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
R0110	*Gross - Direct Business*	198,820	10,513					209,333
R0120	*Gross - Proportional reinsurance accepted*							-
R0130	*Gross - Non-proportional reinsurance accepted*							-
R0140	*Reinsurer's share*	71,423	5,402					76,825
R0200	*Net*	127,397	5,111	-	-	-	-	132,508
Premiums earned								
R0210	*Gross - Direct Business*	183,186	36,250					219,436
R0220	*Gross - Proportional reinsurance accepted*							-
R0230	*Gross - Non-proportional reinsurance accepted*							-
R0240	*Reinsurer's share*	63,843	22,859					86,702
R0300	*Net*	119,342	13,391	-	-	-	-	132,734
Claims Incurred								
R0310	*Gross - Direct Business*	120,350	(5,310)					115,041
R0320	*Gross - Proportional reinsurance accepted*							-
R0330	*Gross - Non-proportional reinsurance accepted*							-
R0340	*Reinsurer's share*	66,192	(3,763)					62,429
R0400	*Net*	54,159	(1,547)	-	-	-	-	52,612
Changes in other technical provisions								
R0410	*Gross - Direct Business*							-
R0420	*Gross - Proportional reinsurance accepted*							-
R0430	*Gross - Non-proportional reinsurance accepted*							-
R0440	*Reinsurer's share*	28,213						28,213
R0500	*Net*	(28,213)	-	-	-	-	-	(28,213)
R0550	**Expenses incurred**	**96,261**	**14,166**					**110,427**
R1200	**Other expenses**							
R1300	**Total expenses**							**110,427**

G.5 S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				**Total Non-Life obligation**
		Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and sure-tyship insurance	Legal expenses insurance	Assis-tance	Misc. financial loss	Non-pro-portional health re-insurance	Non-pro-portional casualty reinsur-ance	Non-propor-tional marine, aviation and transport reinsurance	Non-pro-portional property reinsur-ance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				-	-		-	-	-								-
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																	-
Technical provisions calculated as a sum of BE and RM Best Estimate																		
Premium Provisions																		
R0060	Gross				29,008	2,163		7,609	7,112	-								45,893
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				19,288	1,550		4,646	4,033	-								29,516
R0150	**Net Best Estimate of Premium Provisions**				**9,720**	**614**		**2,964**	**3,080**	**-**								**16,377**
Claims Provisions																		
R0160	Gross				362,756	1,220		18,070	138,407	9,194								529,646
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for ex-pected losses due to counterparty default				102,353	517		7,202	15,776	-								125,848
R0250	**Net Best Estimate of Claims Provisions**				**260,403**	**702**		**10,868**	**122,631**	**9,194**								**403,798**
R0260	**Total best estimate - gross**				**391,764**	**3,383**		**25,679**	**145,519**	**9,194**								**575,539**
R0270	**Total best estimate - net**				**270,123**	**1,316**		**13,832**	**125,711**	**9,194**								**420,176**
R0280	**Risk margin**				**12,542**	**361**		**2,765**	**6,229**	**971**								**22,868**
Amount of the transitional on Technical Provisions																		
R0290	Technical provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**				**404,307**	**3,744**		**28,444**	**151,748**	**10,165**								**598,407**
R0330	**Recoverable from reinsurance contract/ SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				**121,641**	**2,067**		**11,847**	**19,808**	**-**								**155,364**
R0340	**Technical provisions minues recoverable from reinsurance/SPV and Finite Re - total**				**282,665**	**1,667**		**16,596**	**131,940**	**10,165**								**443,044**

G.6 S.19.01.21 Non-Life insurance claims
Total Non-life business

Z0010 Accident year / underwriting year | Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											**In current year**	**Sum of years (cumulative)**
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		
R0100	Prior											4,430	4,430	4,430
R0160	N-9	96,643	47,095	38,891	40,542	31,807	19,304	10,418	10,955	4,526	2,364		2,364	302,545
R0170	N-8	123,394	55,759	41,482	34,944	37,351	28,969	30,740	10,524	13,600			13,600	376,763
R0180	N-7	91,059	58,062	43,074	31,766	30,507	28,764	17,285	10,295				10,295	310,813
R0190	N-6	75,934	46,106	29,692	29,563	24,869	22,382	14,428					14,428	242,975
R0200	N-5	49,410	28,152	21,682	25,355	21,151	14,605						14,605	160,355
R0210	N-4	35,665	21,525	26,700	19,120	14,159							14,159	117,170
R0220	N-3	41,727	32,094	26,797	22,615								22,615	123,233
R0230	N-2	58,503	47,657	33,471									33,471	139,630
R0240	N-1	62,404	42,714										42,714	105,118
R0250	N	36,744											36,744	36,744
R0260												**Total**	209,426	1,919,775

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											**Year end (discounted data)**
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	
R0100	Prior											21,847	21,910
R0160	N-9	-	-	-	-	-	-	-	-	-	4,475		4,483
R0170	N-8	-	-	-	-	-	-	-	-	22,024			22,045
R0180	N-7	-	-	-	-	-	-	-	13,701				13,687
R0190	N-6	-	-	-	-	-	-	22,801					22,800
R0200	N-5	-	-	-	-	-	16,856						16,908
R0210	N-4	-	-	-	-	24,931							25,009
R0220	N-3	-	-	-	49,510								49,599
R0230	N-2	-	-	94,058									94,075
R0240	N-1	-	133,132										132,752
R0250	N	126,318											126,379
R0260												**Total**	529,646

G.7 S.23.01.01 Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	2,270	2,270		-	
R0030	Share premium account related to ordinary share capital	224,730	224,730		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	(91,577)	(91,577)			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	50,000	50,000	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
R0220	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	-				
Deductions						
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	**Total basic own funds after deductions**	185,423	185,423	-	-	-
Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	40,000			40,000	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	-
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	**Total ancillary own funds**	40,000			40,000	-
Available and eligible own funds						
R0500	Total available own funds to meet the SCR	225,423	185,423	-	40,000	-
R0510	Total available own funds to meet the MCR	185,423	185,423	-	-	
R0540	Total eligible own funds to meet the SCR	225,423	185,423	-	40,000	-
R0550	Total eligible own funds to meet the MCR	185,423	185,423	-	-	
R0580	**SCR**	151,715				
R0600	**MCR**	51,593				
R0620	**Ratio of Eligible own funds to SCR**	148.58%				
R0640	**Ratio of Eligible own funds to MCR**	359.39%				
Reconcilliation reserve		**C0060**				
R0700	Excess of assets over liabilities	185,423				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	277,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-				
R0760	**Reconciliation reserve**	**(91,577)**				
Expected profits						
R0770	Expected profits included in future premiums (EPIFP) - Life business	-				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	7,004				
R0790	**Total Expected profits included in future premiums (EPIFP)**	**7,004**				

G.8 S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	27,988		
R0020	Counterparty default risk	14,125		
R0030	Life underwriting risk			
R0040	Health underwriting risk			
R0050	Non-life underwriting risk	116,683		
R0060	Diversification	(24,348)		
R0070	Intangible asset risk	-		
R0100	**Basic Solvency Capital Requirement**	**134,449**		
Calculation of Solvency Capital Requirement C0100				
R0130	Operational risk	17,266		
R0140	Loss-absorbing capacity of technical provisions	-		
R0150	Loss-absorbing capacity of deferred taxes			
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
R0200	**Solvency Capital Requirement excluding capital add-on**	**151,715**		
R0210	Capital add-ons already set			
R0220	**Solvency capital requirement**	**151,715**		
Other information on SCR				
R0400	Capital requirement for duration-based equity risk sub-module			
R0410	Total amount of Notional Solvency Capital Requirements for remaining part			
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds			
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
R0440	Diversification effects due to RFF nSCR aggregation for article 304			

G.9 S.28.01.01 Minimum Capital Requirement - non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010		
R0010	MCR_{NL} Result	51,593		
			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		-	-
R0030	Income protection insurance and proportional reinsurance		-	-
R0040	Workers' compensation insurance and proportional reinsurance		-	-
R0050	Motor vehicle liability insurance and proportional reinsurance		270,123	90,212
R0060	Other motor insurance and proportional reinsurance		1,316	6,715
R0070	Marine, aviation and transport insurance and proportional reinsurance		-	-
R0080	Fire and other damage to property insurance and proportional reinsurance		13,832	17,617
R0090	General liability insurance and proportional reinsurance		125,711	17,964
R0100	Credit and suretyship insurance and proportional reinsurance		9,194	-
R0110	Legal expenses insurance and proportional reinsurance		-	-
R0120	Assistance and proportional reinsurance		-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance		-	-
R0140	Non-proportional health reinsurance		-	-
R0150	Non-proportional casualty reinsurance		-	-
R0160	Non-proportional marine, aviation and transport reinsurance		-	-
R0170	Non-proportional property reinsurance		-	-

G.9 S.28.01.01 – continued

Linear formula component for non-life insurance and reinsurance obligations		C0040		
R0200	MCR_L Result	-		
			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	51,593		
R0310	SCR	151,715		
R0320	MCR cap	68,272		
R0330	MCR floor	37,929		
R0340	Combined MCR	51,593		
R0350	Absolute floor of the MCR	3,700		
R0400	**Minimum Capital Requirement**	**51,593**		

Terminology

Reference	Description
ADC	Adverse Development Cover
ALM	Asset and Liability Matching
AOF	Ancillary Own Funds
CAP	Compliance Attestation Process
CAT	Catastrophic
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CF	Controlled Functions
CHP	Claims Handling Provision
CIC	Complementary Identification Code
COO	Chief Operating Officer
CPD	Continuing Professional Development
CRO	Chief Risk Officer
DAC	Designated Activity Company
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not in Data
EPIFP	Expected Profit In Future Premium
EU	European Union
EUR	Euro
EY	Ernst and Young
FRS	Financial Reporting Standard
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Practices
GB	Great Britain
GBP	Great British Pound
GDPR	General Data Protection Regulation
GPW	Gross Premium Written
GRM	Global Retail Markets
GRS	Global Risk Solutions
IBNR	Incurred But Not Reported
INED	Independent Non-Executive Director
IT	Information Technology
LAP	Liberty Attestation Process
Liberty Mutual	Liberty Mutual Holding Company Inc (LMHC)
Liberty Seguros	Liberty Seguros Compania de Deguros y reaguros SA
LIEH	Liberty International European Holdings, S.L.U
LMIC	Liberty Mutual Insurance Company

Reference	Description
LMHC	Liberty Mutual Holding Company Inc
MCR	Minimum Capital Requirement
MIBI/MIB	Motor Insurance Bureau of Ireland/ Motor Insurance Bureau
NI	Northern Ireland
ORSA	Own Risk and Solvency Assessment
PCF	Pre-approval Controlled Functions
PDR	Premium Deficiency Reserve
PPO	Periodic Payment Orders
QRT	Quantitative Reporting Templates
QS	Quota Share
RAS	Risk Appetite Statement
RMS	Risk Management System
ROI	Republic of Ireland
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
The Company	Liberty Insurance Designated Activity Company
The Holding Company	Liberty International European Holdings, S.L.U (LIEH)
The ultimate parent Company	Liberty Mutual Holding Company Inc (LMHC)
The Group	Liberty Mutual Group
UK	United Kingdom of Great Britain and Northern Ireland
UPR	Unearned Premium Reserve
U.S	United States
U.S.A	United States of America
USD	US Dollars
XOL	Excess of Loss

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