Golden Arches Insurance DAC

Solvency and Financial Condition Report (“SFCR”)

31 December 2017

Contents

SUMMARY

Golden Arches Insurance DAC ("GAIL" or "the Company") has prepared this report in accordance with the relevant articles of the Commission Delegated Regulation (EU) 2015/35, together with the Guidelines on reporting and public disclosure issued by EIOPA.

There have been no material changes to the scope of business underwritten with regard to risks accepted, geographic scope or class of business. Effective 1st November 2017, the Company added Intellectual Property Liability to its casualty portfolio. There have also been no material changes to the Company's system of governance during the reporting period.

The Company's performance during the year was significantly impacted by Catastrophe losses resulting from Hurricanes which occurred in the Caribbean during 2017. SCR during the reporting period increased from $39,283k to $40,447k. MCR during the period increased from US$9.821M to US$10.632M. Available capital decreased from $53,552k to $43,577k during the reporting period. As a result of this, surplus capital over SCR decreased from $14,269k to $3,130k during that period and the Solvency Ratio % decreased from 136.3% to 107.7%.

The Company received additional capital of $5M from its shareholder in February 2018.

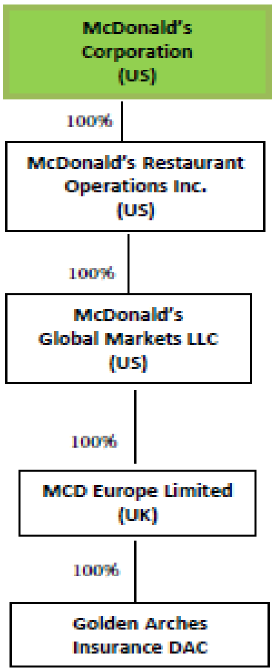
There have been no material changes to the Company's risk profile during the reporting period. Notwithstanding the significant Catastrophe losses that arose in the period, there has been no change to the Company's capital management policy. The GAIL Board are satisfied to maintain their existing capital management policy.

A. BUSINESS & PERFORMANCE

A.1 Business

The Company, which is a designated activity Company incorporated and domiciled in Ireland, insures, on a direct and fronted basis, property damage, business interruption, general and employers' liability and Intellectual Property liability for McDonald's Corporation including some McDonald's restaurants, as well as some Ronald McDonald Charity Houses. Material geographic areas in which GAIL carries out business are Europe, the Middle East, Asia, Australasia and Central and South America. The Company is a wholly-owned subsidiary of MCD Europe Limited (MEL), the beneficial owner of which is McDonald's Corporation Inc.

The Company's ownership structure is as follows:



GAIL is licensed and supervised by the Central Bank of Ireland as an insurance undertaking (contact: Sheila.larkin@centralbank.ie). The Company is subject to the local regulatory and company law requirements. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, for example capital adequacy to minimize the risk of default and insolvency on the part of the Company. GAIL is rated as a medium low rated company for PRISM purposes.

GAIL's overall strategy is to be an appropriate risk management vehicle to monitor, assess and control specific risks. GAIL's strategic objectives are to provide appropriate insurance coverage to selected risks of the McDonald's system and ensure that risk retention capacity and management is available for such risks. GAIL insures certain McDonald's operated restaurants, restaurants operated under a franchise or licence agreement with McDonald's, offices, Ronald McDonald House Charity Houses and supplementary risks including distribution centres and corporate residential property.

The Company's external auditor is EY (contact: Ciara.McKenna@ie.ey.com), who are located at Harcourt Centre, Harcourt Street, Dublin 2.

In respect of relevant quantitative information for this report please see the Annual QRT extract in Appendix 1.

A.2 Underwriting Performance

The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims and underwriting expenses over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the Directors adopt an appropriately prudent approach to the provision and valuation of adequate insurance reserves, with annual support and certification being provided by an external actuary who serves as the Head of Actuarial Function.

Premiums written primarily relate to business incepted during the financial year. Gross premiums written relate to general liability, property damage (including business interruption) located worldwide. All premiums resulted from contracts of (re)insurance concluded in the Republic of Ireland. Gross premium written for the year ended 31 December 2017 amounted to $44,746k (2016: $40,512k).

ANALYSIS OF RESULTS	*Fire and other damage to property*		*Third Party Liability*		*Total*	
	$		*$*		*$*	
Gross Premiums Written:	***2017***	***2016***	***2017***	***2016***	***2017***	***2016***
Risks located in:						
Europe	*29,600k*	*27,248k*	*9,476k*	*9,210k*	*39,076k*	*36,458k*
Asia	*886k*	*724k*	*419k*	*327k*	*1,305k*	*1,051k*
Oceania	*1,841k*	*1,992k*	*823k*	*686k*	*2,664k*	*2,678k*
US	*200k*	*325k*	*1,500k*	-	*1,700k*	*325k*
TOTAL	***32,526k***	***30,289k***	***12,219k***	***10,223k***	***44,746k***	***40,512k***

Gross claims paid during the financial year ended 31 December 2017 totalled $39,809k (2016: $26,682k) with net claims paid of $38,948k (2016: $26,682k). Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers. As at 31 December 2017, the Company held gross claims provisions of $75,597k (2016: $47,875k) and net claims provisions of $58,268k (2016: $46,475k).

ANALYSIS OF RESULTS	*Fire and other damage to property*		*Third Party Liability*		*Total*	
	$		*$*		*$*	
Net technical provisions:	***2017***	***2016***	***2017***	***2016***	***2017***	***2016***
Risks located in:						
Europe	*41,955k*	*32,770k*	*27,517k*	*23,614k*	*69,472k*	*56,384k*
Asia	*506k*	*636k*	*490k*	*643k*	*996k*	*1,279k*
Oceania	*3,935k*	*2,331k*	*1,322k*	*2,874k*	*5,257k*	*5,205k*
US	*99k*	*162k*	*1,248k*	-	*1,347k*	*162k*
TOTAL	***46,495k***	***35,898k***	***30,577k***	***27,132k***	***77,072k***	***63,030k***

The Company's underwriting performance during the year was significantly impacted by catastrophe losses resulting from hurricanes which occurred in the Caribbean during 2017. Underwriting performance by line of business is detailed in the Annual QRT extract in Appendix 1, an extract of which is below.

Underwriting Performance: 2017 Underwriting Year			
	Property	**Third Party Liability**	**Total**
Gross Written Premium	$32,526k	$12,219k	$44,746k
Outward Reinsurance Premium	$4,370k	$1,453k	$5,823k
Net claims incurred	$35,881k	$7,228k	$43,110k
Expenses incurred	$7,679k	$3,185k	$10,864k
Underwriting Result	($16,326k)	($975k)	($17,301k)

Net operating expenses for the year amounted to $5,800k (2016: $7,511k). Loss after tax for the year ended 31 December 2017 amounted to $16,898k (2016: Profit $9,293k).

The Company has unutilised tax losses carried forward of $47,938k at 31 December 2017 (2016: $31,043k) and the Company does not recognise a deferred tax asset in relation to these losses.

A.3 Investment Performance

The Company's investment portfolio consists of cash in varying currencies, and fixed short term USD and GBP deposits, with pre-approved credit institutions.

Investment income of $647k was earned on deposits in the year (2016: $390k), the increase since the prior year being attributable to improved investment rates during the period and additional funds in place in 2017.

A.4 Performance of other activities

There were no other material income and expenses, other than the underwriting and investment income and expense in the reporting period.

A.5 Any other Information

There are related party transactions as the Company is wholly owned within the McDonald's Group. The Company is managed by Aon Insurance Managers (Dublin) Limited (AIMD), under the terms of a Management Agreement. Dermot Finnerty is a director of related Aon companies and a director of Golden Arches Insurance DAC. There is a fixed amount of management fees paid to AIMD under the terms of the Management Agreement. A number of PCF roles are carried out by individuals employed by Outsourced Service Providers. David Bartlett and Karen Matusinec are directors of the Company and are employees of McDonald's Corporation.

In respect of relevant quantitative information for this report please see the Annual QRT extract in Appendix 1.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In order to meet the requirements for sound corporate governance, ensuring efficient conduct of business and to protect the interests of the Company's stakeholders, the Company has a comprehensive Governance and Risk Management system in place.

It is the responsibility of the Board of Directors to ensure that risks are fully understood and appropriately managed in accordance with this framework. Risk management, reporting and auditing processes reflect the requirements set out in this Governance system.

The Governance and Risk Management System of the Company effectively relies on four cornerstones:

1) Governance Framework, aligned with the Company's strategic objectives, providing oversight by the Board and Committees, clear ownership and accountability for risks, as well as clear escalating and reporting channels.

2) Risk Management System which details the Company's strategic objectives in documented risk policies. For each risk, limits and operational checkpoints as well as functional identification mitigation and monitoring processes are documented.

3) A series of Internal Controls, defining the architecture of processes required to manage the Company in accordance with its Governance and risk management framework.

4) A Risk Register combining operational and risk management processes to deliver a quantitative and qualitative analysis of material risks threatening at least one of the Company's strategic objectives.

There have been no material changes to this structure since the prior reporting period. GAIL implemented the above framework in advance of the inception of Solvency II.

Given the nature, scale and complexity of the Company, and having reviewed the risks facing the Company, the Board are satisfied that the system of governance in place is appropriate.

The various functions assisting the Board, including the Compliance Function, have defined lines of reporting directly to the Board. In the event of a violation of a relevant law or regulation by the Company, the Compliance Function as well as reporting to the Board, may also be required to report their findings to outside bodies such as the Central Bank of Ireland and other Regulatory Authorities.

Remuneration and material transactions

The Independent Non-Executive Directors of the Board receive fixed remuneration for their services as directors to the Company. The Company also had one part-time employee in 2017 (2016: 1), who is the Chief Executive Officer and who also receives fixed remuneration for services as director and CEO.

B.2 Fit & Proper requirements

The 'Fit and Proper' requirement is the standard required by the Central Bank of Ireland when appointing control function holders and pre-approved control function holders. GAIL is satisfied that appointed individuals performing such control functions meet all relevant regulatory requirements and have a suitable level of training and qualification in order to enable them to carry out their respective duties.

The Compliance Function also adopts appropriate controls in the registration of individuals ensuring that identified individuals meet the regulators' fit and proper criteria at the point of registration.

Roles and Responsibilities Detail

Key Roles	Outsourcing	Responsible
Board of Directors	No	David Bartlett (Chairman) Karen Matusinec (Non-Executive Director) Michael Brady (Chief Executive Officer) Dermot Finnerty (Non-Executive Director) Dermot Gorman (Independent Non-Executive Director) Seamus Hughes (Independent Non-Executive Director)
Risk Management Function	Yes (External)	Seadna Kirwan (Chief Risk Officer) Aon Insurance Managers (Dublin) Limited Michael Brady (Chief Executive Officer) Risk Committee Mark Malone (Head of Actuarial Function)
Compliance Function	Yes (External)	Aon Insurance Managers (Dublin) Limited John McNamara (Head of Compliance Function)
Operations - Underwriting	Yes (External)	Risk Committee with support from McDonald's, Aon Insurance Managers (Dublin) and Aon Global Risk Consulting.
Operations - Claims Management	Yes (External)	Crawfords, Amber Insurance and Risk Management and Aon Claims Management in conjunction with McDonald's Steve Laughlin (Head of Claims)
Operations - Finance and Accounting	Yes (External)	Aon Insurance Managers (Dublin) Limited

Operations – Investment	Yes (External)	Aon Insurance Managers (Dublin) Limited in conjunction with McDonald's Treasury
Operations – Administration	Yes (External)	Aon Insurance Managers (Dublin) Limited
Internal Audit Function	Yes (External)	Internal Audit Function carried out by EisnerAmper – Ray Kelly (Head of Internal Audit Function)
Actuarial Function	Yes (External)	Actuarial Function carried out by Aon Global Risk Consulting – Mark Malone (Head of Actuarial Function)

In addition to the parties noted above, the CEO provides high level oversight of the key functions.

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

The Risk Management System of GAIL comprises the following:

a) Risk management strategy; which sets out the risk management objectives, principles, risk appetite and tolerance and assignment of risk management responsibilities across all the activities of the Company consistent with the Company's strategic objectives

b) Risk management policies - for each key risk class, which defines the material risks faced by the undertaking, and sets out how the risk management strategy and the relevant risk appetite shall be implemented across that risk class and the controls and mechanisms that will be put in place

c) Risk management processes and procedures - which sets out the processes and procedures that the Company employ to identify, assess, manage and monitor material risks the Company is, or might be exposed to (emerging risks) and how these risks are reported

d) ORSA process – the at least annual process of assessing all the risks inherent in the business and thereby determining the corresponding capital needs

The key risk categories for which the Company has set up specific control, monitoring and reporting mechanisms are:

- Underwriting/Reserving
- Asset Liability Management ("ALM")
- Investment
- Liquidity and concentration
- Operational
- Reinsurance and other risk mitigation techniques
- Strategic Risk

In addition to these policies, an outsourcing policy defining the key rules and criteria to be followed by each service provider has been determined.

At least annually, GAIL produces an Own Risk and Solvency Assessment ("ORSA") report. The approach may be summarized as follows:

Define the Stress Scenarios

Stress testing and scenario analysis are used to assess whether the available and future capital are sufficient in expected and stressed situations.

As part of Own Risk Solvency Assessment process the Company selects the appropriate stress and scenario tests as determined by the Board to be appropriate for the Company taking into account a review of all material quantifiable and non-quantifiable risks, the most significant risks from the risk register, the key capital drivers from the base SCR calculation and potential strategic decisions. The content and conclusions of Board discussions on appropriate stress tests are included in the minutes of meetings.

Stress the Financial Plan

Stress test scenarios are embedded into the projected financial plan under Solvency II. Related SCR/MCR and solvency ratios are then calculated for each year, resulting in the Stressed Financial Plan and the solvency impact of adverse loss scenarios. The tasks of this process are conducted by the Actuarial Function and validated by the Risk Management Function.

Assess prospective solvency needs on the basis of the Stressed Financial Plan

The Risk Management Function identifies potential additional mitigation actions to reduce the potential impact of the Stress Scenarios. Any remaining solvency gap will be covered through a relevant capital plan, i.e. defining the measures to restore the Company's solvency margin should the assumed scenarios occur.

Produce the ORSA Report

The ORSA report brings clarity over projected risk assessments and solvency needs to 3 key stakeholders.

Stakeholder	Expectation	ORSA Report
Board of Directors	Matching projected risks vs the Risk Appetite framework.	Provides a clear and prospective understanding of critical risk exposures and their relationship with Risk Appetite boundaries and solvency capital requirements.
Shareholders	Detailed and prospective understanding about the risk of insolvency and potential need for future additional capital.	Provides a plan for capital needs over the time horizon for financial planning.
Supervisory Authority	Detailed and prospective understanding of potential ORSA deviations compared to the SCR under Pillar I.	Gathers information about: projected Solvency ratios; - explanations about deviations due to specific critical risks exposures.

The ORSA process ensures that the ORSA is integrated in the decision-making and business planning process. Furthermore monitoring procedures as set out in the risk management policies ensure that risk exposures are measured on a regular basis triggering exception reports for the Board and Committees.

In line with Central Bank of Ireland requirements the Head of Actuarial Function provides an actuarial Opinion to the Board of Directors in respect of the ORSA at the same time that the results of the ORSA process are presented to the Board.

The solvency risk appetite is reviewed at each Board meeting. The Company ensures that it meets the Regulatory Solvency Capital Requirement at all times.

B.4 Internal control system

The Internal Control System embedded in the Company's operations is a mix of processes undertaken by the Company to provide reasonable assurance that its strategic objectives will be achieved.

In order to achieve the aforementioned objectives, the Internal Control framework of the Company is structured around five complementary components.

Component	Contents
1) Control environment	A strong "risk and control" culture is embedded within the Company's operations through the continuous oversight by the Board of Directors and the communication to internal stakeholders of all governance and risk principles through the present governance manual.
2) Risk assessment	Policies and procedures are detailed and formalized in order to disclose the way of identifying, managing, controlling, mitigating and reporting issues relating to each risk category.
3) Reporting channels	Clear and structured reporting processes are in place enabling the Board of Directors and Committees to have access to relevant, complete, reliable, correct and timely information related to internal as well as external events.
4) Monitoring process	The appropriate escalation of significant issues to the Board of Directors and Committees, the ongoing involvement of internal stakeholders as well as the Internal Audit and compliance processes enable the Company to continuously monitor and adapt when necessary its Internal Control System.
5) Control activities	The Company has developed a comprehensive set of preventive, detective or corrective control actions embedded in its daily operations.

Detailed Processes and Embedded Control Activities

In order to set out how the Internal Control System is implemented the Company's processes and related control activities are documented, monitored and reviewed on a regular basis.

These items are approved by the Board of Directors and evaluated by the Internal Audit Function. They are reviewed by the Board as often as necessary but at least once a year.

Compliance Function

The Company has a dedicated Head of Compliance reporting directly into the Board of Directors.

The mission of the Compliance Function is:

Assisting in ensuring the long term sustainability of the Company through the effective identification, qualification and management of compliance risks faced by the business.

- The Compliance Function is an integral component part of the internal control system of the Company and is responsible for compliance with the internal control system. The elements of the internal control system are laid out in the Corporate Governance Framework document.
- The Compliance Function identifies and communicates throughout the Company the laws, regulations and codes of conduct to which the Company is subject. The Compliance Function seeks to embed compliance with these laws, regulations and codes of conduct in the way the Company does business.
- The Compliance Function maintains a comprehensive compliance risk management control and reporting system in conjunction with the Risk Management Function to assist in managing the Compliance Risk faced by the Company.
- Any violation of relevant law by the Company is investigated and followed up by the Compliance Function and reported to the Board, and in certain circumstances to outside bodies such as the Central Bank of Ireland.
- The Compliance Function considers possible future changes in the legal environment and their potential effect on the Company.
- The Compliance Function presents an annual Compliance Plan, outlining specific areas which it will focus on during a particular year.
- The Compliance Officer provides an update on compliance at each board meeting.
- Finally, the Compliance Function promotes a culture of compliance throughout the Company

The Company has a Compliance Charter and Compliance Plan in place for the year 2017 which was reviewed and approved during the year.

B.5 Internal audit function

Purpose & Objectives

The purpose of the Internal Audit Function is to serve as an independent function that objectively evaluates and recommends improvements in the Company's Internal Control System by facilitating an objective and independent assessment.

It assists the Company in accomplishing its objectives by bringing an independent, systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control, and governance processes employed by the Company.

The Board develop effective policies and practices and take appropriate corrective action in response to significant weaknesses identified by internal and external auditors.

Independence and Impartiality

The Company's Internal Audit Function is independent of the activities audited and is also independent from the operational Functions and the Board of Directors.

The Internal Audit Function is free to report its findings and appraisals and to disclose them to the Board as required. This principle of independence of the Internal Audit Function entails that the Internal Audit Function operates under the direct control of the Board of the Company.

Internal Audit Policy

GAIL has in place a Board approved internal audit policy.

The policy incorporates the following:

- Purpose and objectives.
- Independence and impartiality. The Internal Audit Function is independent of the activities being audited and of the operational functions and the GAIL Board.
- Scope and responsibilities. The policy requires that the Internal Audit Function take a risk based approach when deciding its planning priorities.
- Tasks to be carried out by the Internal Audit Function include communication with the Audit Committee, submitting reports to the Audit Committee, verifying compliance with decisions made by the Audit Committee and Board in respect of actions to be taken to ensure compliance with recommendations made by the Internal Audit Function.
- Authority of the Internal Audit Function includes unrestricted access to all Functions and records, full and free access to the Audit Committee, Board and, if necessary the whole Company. Authority to obtain assistance of personnel of outsourced service providers where they perform audits.
- Reporting protocols. Internal Audit Function reports directly to the Audit Committee and Board and is accountable to the Audit Committee for the discharge of its duties.

The policy is reviewed by the Board at least annually. The last review took place in October 2017. There were no changes to the policy arising from this review in 2017.

Other Functions

Persons carrying out the Internal Audit Function do not assume any other key functions.

B.6 Actuarial function

The Actuarial Function is carried out by AGRC (Aon Global Risk Consulting).

Role and Responsibility of the Actuarial Function include:

- coordination of the calculation of technical provisions;
- identification of any inconsistency with the requirements set out in Articles 76 to 85 of the Solvency II Directive for the calculation of technical provisions and propose corrections as appropriate;
- explanation of any material effect of change of data, methodologies or assumptions between valuation dates on the amount of technical provisions if already calculated on a Solvency II basis;
- assessment of the consistency of the internal and external data used in the calculation of technical provisions against the data quality standards as set out in Article 82 of the Solvency II

Directive. Where relevant, the Actuarial Function will provide recommendations on internal procedures to improve data quality so as to ensure that the undertaking is in a position to comply with the related Solvency II requirements when implemented;

- consideration of the interrelations between the Underwriting Policy, reinsurance arrangements and technical provisions when providing its opinion should;
- reporting in writing at least annually to the Board of Directors. The reporting should document all material tasks that have been undertaken by the Actuarial Function, and include:
    - i. Details of the Technical Provisions
    - ii. Methodologies & assumptions
    - iii. Data sufficiency & quality
    - iv. Experience analysis
    - v. Report to the Board on reliability & adequacy
    - vi. Opinion on Underwriting policy
    - vii. Opinion on Reinsurance arrangements.

  Their report includes any deficiencies identified and gives recommendations as to how such deficiencies can be remedied
- contribution to the effective implementation of the Risk Management System in particular:
    - i. with regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and MCR; and,
    - ii. the ORSA process.
- provision of an Actuarial Opinion to the Board of Directors in respect of the ORSA

Overview of activities undertaken by the Actuarial Function during the reporting period.

Activity Undertaken	Contribution to effective implementation of Risk Management System
Calculation of Solvency Capital requirement (SCR) at 31st December 2016	Ensure capital adequacy and compliance with regulatory requirements
Calculation of Solvency Capital requirement (SCR) at 30th September 2017	Ensure capital adequacy following catastrophe events in Caribbean and guide Board discussions on solvency and capital adequacy going forward.
Opinion on underwriting policy	Ensure adequacy of system of governance (underwriting and reserving policy)
Opinion on reinsurance arrangements	Ensure adequacy of system of governance (reinsurance and other risk mitigation techniques)
Opinion on the ORSA	Ensure realistic assumptions used in capital planning. Provide advice on treatment of qualitative risks.
Review of and actuarial opinion on technical provisions	Ensure adequacy of technical provisions held
Quarterly and annual Quantitative Reporting Templates	Compliance with regulatory reporting requirements, ongoing monitoring of adequacy of own funds to cover SCR.

B.7 Outsourcing

In order to provide a cost effective service to policy holders and shareholders, GAIL operates on the basis of an outsourced model similar to that typically employed by captive insurance companies.

Prior to appointment of new outsourced service providers (OSPs) to critical or important functions, due diligence is carried out in accordance with the Company's outsourcing policy. The results of the due diligence performed are received, reviewed and collated by the Chief Executive Officer (CEO) and reported to the Board for their consideration.

Annual reviews of existing providers of critical or important functions are conducted by the CEO whereby performance is evaluated against key performance indicators. Self-evaluation is conducted by the OSPs and the results are then subject to further investigation and evidence gathering by the CEO. The results of the reviews are presented to the Board along with any concerns that may be raised and any suggested remedial action if required.

Service level agreements and due diligence procedures are drafted in compliance with Article 274 of Commission delegated Regulation (EU) 2015/35 and the Central Bank's own Notification Process for (Re) Insurance Undertakings when Outsourcing Critical or Important Functions or Activities under Solvency II. In this respect, and taking into account the reviews noted above, the Company is satisfied that it has complied with these regulations/ processes.

The objectives of GAIL's Outsourcing Policy are to ensure that the outsourcing of critical or important operational functions or activities does not lead to:

- Reduction in the Board's, and where applicable a relevant sub committee's responsibility for, or influence over key functions of the Company;
- Material impairment of the quality of the Company's System of Governance;
- Any impairment of the Company's ability to meet its regulatory requirements;
- Non adherence to the Company's approved policies and procedures;
- Undue increases in operational risk or cost;
- Material impairment of the Company's ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest;
- Breach of the Company's data protection obligations.

All functions and activities of the Company are eligible to be outsourced provided that each of the criteria detailed above are satisfied in each instance. Sub-outsourcing is allowable only in exceptional circumstances, on the condition that the sub-outsourced service provider satisfies the above criteria and subject to approval from the Board of Directors.

The Board is responsible for the approval of and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions of the Company's System of Governance and all functions within the Company that are fundamental to carry out its core business.

The Board must decide whether all arrangements with third parties are deemed to fall within the scope of this outsourcing policy. The provision of services which do not form part of the Company's core activities need not be included within the scope of this policy.

The Board is responsible for ensuring notification to the supervisory authorities is made in a timely manner prior to the outsourcing of critical or important functions or activities, and thereafter where there have been material developments in relation to the service provider or the activities they provide.

The Board is responsible for reviewing the performance of outsourced service providers against agreed Service Level Agreements (SLA) and assessing the risks associated with the outsourcing of critical or important functions or activities.

Outsourced services are located in the following jurisdictions:

Dublin, Ireland; Risk Management, Internal Audit, Compliance, Insurance Management
United Kingdom; Claims handling, Actuarial Function
United States of America Risk Management
Australia Claims handling

Outsourced critical or important operational functions or activities are as follows:

Claims handling;
Insurance management;
Actuarial;
Risk management;
Internal audit.

B.8 Any other information

The Board is satisfied, based on its ongoing assessment of the frameworks which have been established and are in use and regular review of its governance structure and policies, that the Company's system of governance is appropriate and adequate for the nature, scale and complexity of the risks inherent in its business operations.

There is no other material information to report regarding system of governance.

C. RISK PROFILE

The Risk Appetite Framework adopted by the Board sets out the level of risk that the Company is prepared to accept in the pursuit of its strategic objectives. It sets out:

- the Company's overall philosophy to risk taking and the expectations of shareholders;
- the Company's tolerance to loss of capital, profit volatility and other specified measures; and
- the risk limits that are acceptable in terms of exposures to different types of risk.

The Company's Risk Register combines operational and risk management processes to deliver a descriptive analysis of material risks threatening at least one of the Company's strategic objectives.

The Board's annual ORSA process is based on the company's current and expected risk profile over the business planning period and supports the Board in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

The CRO reports to the Board on a quarterly basis on the Risk Management Framework. No issues have come to the attention of the Board during the reporting period.

C.1 Underwriting Risk

The Company underwrites contracts that transfer insurance risk. The risk of an insurance contract is the possibility that the insured event occurs and the uncertainty that the premium written does not cover the amounts payable under that contract. The Company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Company's performance in the short term. Whilst considerable judgment is involved, the Directors ensure that suitable processes are in place to ensure the reliability, sufficiency and adequacy of both the statistical and accounting data to be considered in the loss reserve estimation and recording process.

By writing only the risks of the McDonald's system, the Company benefits from the expertise of the parent Company's risk management function from which it has gained a thorough understanding of the risk profile of that system.

Annual support and certification is provided by the Actuarial Function. The Company additionally mitigates its insurance risk exposures through the purchase of appropriate reinsurance cover.

The Company mitigates its exposure to catastrophe type property losses, by purchasing outwards reinsurance with a vertical limit sufficient to cover its maximum probable loss. The Company protects its exposure to large attritional losses through the purchase of outwards reinsurance, excess of an annual aggregate retention, the amount of which the Company can sustain without unduly endangering its capital base. Reinsurance is arranged on a "per occurrence" basis in order to mitigate the effect of loss events affecting McDonald's locations concentrated within any particular geographic location.

Exposure to large liability losses is mitigated through the purchase of outwards reinsurance having an attachment point at a suitable level to protect the Company against the impact of extraordinarily large claims.

Sensitivity analysis is also performed for underwriting risks by selecting conservative movements in the ultimate loss ratios ('ULRs') used in the estimation of claims reserves for financial statements purposes and holding all other assumptions constant. The resultant impact on Gross and Net claims reserves and Profit before Tax (PBT) for the financial period is shown below:

	Adjusted gross claims reserves	Adjusted net claims reserves	Impact on PBT for the year
	$	$	$
31-Dec-17			
Increase in ULRs by 10%	83,156,615	64,094,430	(5,826,766)
Decrease in ULRs by 10%	68,037,231	52,440,898	5,826,766
31-Dec-16			
Increase in ULRs by 10%	52,662,689	51,122,689	(4,647,517)
Decrease in ULRs by 10%	43,087,655	41,827,655	4,647,517

C.2 Market Risk

The risk of future changes in market prices, which would result in devaluation of investable assets, may result from several factors, including, but not limited to, value, liquidity, duration, composition, interest rates, foreign exchange rates and market fluctuations. Management diversifies its portfolio to reduce the exposure to market fluctuations and matches the profile of the assets backing liabilities to those liabilities. The Company currently invests only in cash and short term deposits across a number of credit institutions.

The Company has an investment strategy in place in line with its Risk Appetite Framework and the related 'Prudent Person' regulatory requirements. The Company endeavours to:

- prudently invest with consideration of the prevailing financial market environment;
- ensure the Company invests appropriately so as not to result in the Company failing to meet its Solvency Capital Requirements;
- ensure that the Company holds assets of sufficient value and liquidity to meet all liabilities as they become due;
- maximise investment return within the levels of risk as defined by the Company's Risk Appetite;
- ensure compliance with the Liquidity Strategy and Policy;
- ensure compliance with the Asset-Liability Management Strategy and Policy; and
- ensure effective risk management of investments at all times, with due consideration of the risks associated with investments and procedures to monitor, manage and report these risks in a timely manner as part of the Company's overall Risk Management System.

The Company is exposed to currency risk to the extent its assets and liabilities are denominated in a currency different from its functional currency which is US Dollars. The Company seeks to mitigate currency risk by matching the assets and liabilities which arise in different currencies. The ultimate settlement of loss reserves may be in currencies other than USD and the Company accordingly holds assets in non-USD currencies to seek to hedge against potential currency risks arising from loss reserves on a net of reinsurance basis.

C.3 Credit Risk

Credit risk is the risk that one party to a financial instrument or financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The assets that are exposed to credit risk are:

- Cash and cash equivalents
- Deposits with credit institutions
- Escrow Accounts
- Reinsurers' share of insurance liabilities
- Amounts due from insured
- Amounts due from reinsurers

Amounts due from insured relate to premium receivable from Group companies and companies within the McDonald's system. The S&P credit rating of McDonald's Corporation is BBB+.

The Company utilises custodians deemed to be of high credit quality to hold its cash and cash equivalents and deposits with credit institutions, and additionally has limits in place in relation to the amount of cash which can be held by any one financial institution. The Company's escrow accounts are held with highly rated (credit rating A or higher) bank counterparties.

The Company also recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy that sets out the required minimum security ratings of its reinsurers and the procedures to follow if a financial strength rating of a minimum of A- (S&P) or A (A.M. Best) is not met.

C.4 Liquidity Risk

The Company is exposed, if proceeds from financial assets are not sufficient to fund obligations rising from its insurance contracts. The Company can be exposed to daily calls on its available investment assets, principally from insurance claims. Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost.

Liquidity risk is minimised by investing primarily in highly rated short-term deposits which the Company deems to be very liquid.

C.5 Operational Risk

Operational risk entails the potential exposure of the Company to incidences of fraud, material error or delay in the processes of the Company, regulatory sanction and compliance breaches.

Operational risk is managed by a strong governance structure in place, which includes the extensive oversight of the shareholder, Board of Directors, executive management and key OSPs

In addition, GAIL has established an Audit Committee and a Risk Committee and is subject to Internal Audit and External Audit and compliance reviews.

GAIL uses leading service providers, including Aon, Crawford, Eisner Amper Ireland and Amber Insurance & Risk Management as well as the services of McDonald's to provide its key outsourced functions and to minimise the risk and impact of any material error or delay. The quality of the outsourced functions is maintained by putting in place service level agreements which incorporate key performance indicators (KPIs) and the Board reviews the performance of its outsourced service providers against these KPIs at least annually.

C.6 Other Material Risks

Strategic Risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes i.e. the risk associated with implementing the wrong strategy or failing to correctly implement the chosen strategy.

The control and monitoring of actions/principles underlying the strategic risk management of the Company are:

- Review at least annually the appropriateness of the high level overall objectives for the Company; the major risks facing the Company; the Risk Appetite for each of these major risks identified.

- Ensure the Company Strategy is implemented correctly including approval, review and, monitoring of agreed Key Performance Indicators for the Company.

- Ensure all plans are regularly reviewed to ensure that Risk Tolerances are not exceeded individually or in total.

No other material risks have been identified.

Stress testing on the material risks and events to which the Company is exposed is conducted as part of the ORSA process.

Further quantitative detail on the risk is assessed and outlined in the Annual QRTs as set out in Appendix 1.

C.7 Any other information

There is no other material information to be reported.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

GAIL prepares its financial statements on a going concern basis in compliance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 – Insurance Contracts - (Irish General Accepted Accounting Practice) and in accordance with the provisions of the Companies Act 2014 and the European Union (Insurance undertakings: Financial Statements Regulations 2015).

GAIL uses the historical cost convention. It has 6 classes of assets.

- Cash and cash equivalents of $51,318k (2016: $50,367k)
- Deposits with credit institutions of $66,536k (2016: $60,680k)
- Escrow accounts of $2,326k (2016: $1,598k)
- Amounts due from Insured of $5,964k (2015: $5,516k)
- Amounts due from Reinsurers of $861k (2016: Nil)
- Prepayments, deferred acquisition costs and accrued income of $5,104k (2016: $4,835k)

The valuation of the reinsurers' share of insurance liabilities is detailed in the subsequent section, "Technical Provisions."

Cash and cash equivalents comprise cash at banks and in hand. There are no valuation adjustments for solvency purposes. Deposits with credit institutions comprise sums the withdrawal of which are subject to time restrictions. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments. Accrued interest is included within the Deposit balance under the Solvency II valuation but shown as a separate line in the financial statements.

Amounts due from insured and reinsurance are held at the lower of cost or market value/realizable value.

The only differences in the valuation of these assets between the financial statements and the Solvency II annual Quantitative Reporting Templates ("QRTs") relate to accrued interest on the deposits, and the escrow accounts which are shown separately in the Financial Statements, amounts due from insured and reinsurers within credit terms which are included under Technical provisions in the QRTs, and deferred acquisition costs and prepayments which are not included on the Solvency II balance sheet, instead any actual expected future cash flows associated with any future acquisition cost payments are included with the technical provisions valuation.

Prudent person principle has been applied in assessing investment in the Company's assets.

The Board have prepared an ORSA Report in 2017 outlining the ORSA process which supports the Board in achieving its strategic objectives by taking a structured and combined approach of strategy, risk management and capital management.

D.2 Technical Provisions

The technical provisions of the Company by line of business at the years ending 2017 and 2016, gross and net of reinsurance, are set out below in USD:

2017

Solvency II gross technical provisions ($'000)

SII Class	Claim Provision	Premium Provision	Best Estimate	Risk Margin	Technical Provisions
Property	51,274	12,741	64,016	1,632	65,648
Liability	27,043	2,205	29,248	1,087	30,335
Total	**78,318**	**14,946**	**93,264**	**2,719**	**95,983**

Solvency II net technical provisions ($'000)

SII Class	Claim Provision	Premium Provision	Best Estimate	Risk Margin	Technical Provisions
Property	38,686	6,440	45,126	1,632	46,758
Liability	25,750	2,098	27,848	1,087	28,935
Total	**64,436**	**8,538**	**72,974**	**2,719**	**75,693**

2016

Solvency II gross technical provisions ($'000)

SII Class	Claim Provision	Premium Provision	Best Estimate	Risk Margin	Technical Provisions
Property	14,402	11,520	25,923	1,450	27,373
Liability	28,389	3,632	32,021	2,722	34,743
Total	**42,791**	**15,152**	**57,943**	**4,172**	**62,115**

Solvency II net technical provisions ($'000)

SII Class	Claim Provision	Premium Provision	Best Estimate	Risk Margin	Technical Provisions
Property	14,402	10,588	24,990	1,450	26,440
Liability	27,040	3,507	30,547	2,722	33,269
Total	**41,442**	**14,095**	**55,538**	**4,172**	**59,710**

Provision is made for notified losses on all underwriting years. Provisions are calculated gross of any reinsurance recoveries with a separate estimate being made of amounts recoverable from reinsurers. The Company has regard to the gross and net loss positions as indicated by the claim circumstances reported to date and loss projections carried out under the direction of the Head of Actuarial Function using actuarial techniques.

Reserves for insurance contract liabilities and reinsurance assets are based upon management's best estimate of the ultimate liabilities and are determined with the assistance of, and based on, the results of the analysis performed by the Actuarial Function. The reserves include estimates for case reserves and losses incurred but not reported ("IBNR"). The value of total reserves is no less than 100% of independent actuarial valuation (best estimate). Net technical reserves booked at 31 December 2017 totalled $74,423k compared with the actuarial best estimate of $72,283k.

Solvency II Technical Provisions

The Solvency II Technical Provision is comprised of a Best Estimate of Liabilities (“BEL”) and a Risk Margin (“RM”).

Appropriate techniques and assumptions have been employed in determining the BEL; the actual amounts required to meet future claim payments may differ from the estimates for a number of reasons, such as model specification error, parameter error, random error inherent uncertainty in insurance and external environment risk factors.

The Solvency II BEL is comprised of a provision for claims outstanding (“PCO”) and a premium provision (“PP”). The PCO represents the provision for the unpaid liabilities on claims that have been incurred as of the valuation date. The PP represents the expected profit underlying the unearned portion of policies that have already incepted and any policies that have been bound but not incepted (“BBNI”). The PCO is derived from actuarial estimate of GAIL’s GAAP unpaid claim liabilities. The adjustment of GAAP estimate of unpaid claim liabilities to a Solvency II basis requires that GAAP unpaid claim liabilities are discounted to a present value basis. The actuary utilizes the basic risk free rate (RFR) curves with no volatility adjustment as of 31 December 2017 as published by EIOPA to discount the cash flows underlying the PCO. These interest rates are utilized to discount all cash flows underlying the calculation of the Solvency II TPs. A provision for expenses related to the runoff of these liabilities is then added, as required by Solvency II, as the GAAP estimate of unpaid claim liabilities does not include a provision for the expenses that will be incurred in running off the liabilities.

The methodology adopted implicitly assumes that GAIL will continue to write business into the future and that a portion of the expenses in future years will be attributable to new business. The BEL is calculated as the sum of the PCO and the PP.

Estimates are “best estimates” in the sense that they are intended to be a probability-weighted average of all possible outcomes. GAIL has employed techniques and assumptions that are appropriate for the purpose of calculating its Solvency II technical provisions. The actual amounts required to meet future claim payments may differ from estimates for a number of reasons, such as model specification error, parameter error and random error due to the inherent uncertainty in insurance. External environment risk factors may cause material deviations in estimates of technical provisions, including persistent negative interest rates, inflation and currency exchange rate fluctuations.

Risk Margin

The Solvency II risk margin is intended to represent an amount that GAIL would be required to pay, in excess of the Best Estimate of the Liabilities, for a third party to assume the risk of running off the existing liabilities. The actuarial calculation of the Solvency II risk margin is consistent with the Solvency II regulations, which applies a 6% cost of capital to the amount of capital required at the beginning of each year to support the runoff of the insurance obligations.

In calculating its technical provisions on a Solvency II basis, GAIL has not applied any of the following items:

- matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; and
- transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other Liabilities

Aside from Technical provisions, the valuation of which is detailed above, GAIL has three other principal classes of liabilities:

- Creditors arising out of direct insurance operations of $16,809k (2016: $4,890k)
- Other Creditors of $24k (2016: $161k)
- Accrued expenses of $462k (2016: $276k)

D.4 Alternative Methods of Valuation

No alternative methods were used.

D.5 Any Other Information

There is no other information to report

In respect of relevant quantitative information for this report please see Annual QRT extract in Appendix 1. The Solvency II valuations at 31 December 2017 reported per the Annual QRT forms, compared with the statutory accounts values, are shown in the table below.

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Assets				
Deferred acquisition costs	R0020		2,298,017.00	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	66,676,812.71	66,535,903.24	0.00
Deposits other than cash equivalents	R0200	66,676,812.71	66,535,903.24	
Reinsurance recoverables from:	R0270	20,290,206.76	19,564,987.84	
Non-life and health similar to non-life	R0280	20,290,206.76	19,564,987.84	
Non-life excluding health	R0290	20,290,206.76	19,564,987.84	
Insurance and intermediaries receivables	R0360	245,384.72	5,963,892.62	
Reinsurance receivables	R0370	0.00	860,717.63	
Cash and cash equivalents	R0410	53,643,680.24	53,643,680.24	
Any other assets, not elsewhere shown	R0420	0.00	2,805,684.47	
Total assets	R0500	140,856,084.44	151,672,883.05	0.00
Liabilities				
Technical provisions – non-life	R0510	95,983,065.44	96,636,737.74	
Technical provisions – non-life (excluding health)	R0520	95,983,065.44	96,636,737.74	
Technical provisions calculated as a whole	R0530	0.00		
Best Estimate	R0540	93,264,024.89		
Risk margin	R0550	2,719,040.55		
Deferred tax liabilities	R0780	833,769.42	0.00	
Insurance & intermediaries payables	R0820	0.00	16,833,060.64	
Reinsurance payables	R0830	0.00	222.91	
Any other liabilities, not elsewhere shown	R0880	461,965.84	461,965.84	
Total liabilities	R0900	97,278,800.70	113,931,987.13	0.00
Excess of assets over liabilities	R1000	43,577,283.74	37,740,895.92	

E. CAPITAL MANAGEMENT

E.1 Own Funds

The Solvency II Directive and the Delegated Acts identify the criteria own funds items must possess in order to be classified in one of the three Tiers (Tier 1, Tier 2 and Tier 3) of eligible capital. The Delegated Acts provide lists of items that fall into each of the three Tiers.

The Company assess material risks that may threaten the accomplishment of the Company's strategic objectives or might have a substantial impact on the available qualifying own funds. These risks could result from either internal or external events.

Management has identified Underwriting Risk, Reserve Risk, and Investment Risk as the material risks to which GAIL is exposed. Management has investigated the magnitude of each of these risks as well as sought to determine any potential correlations that may exist within, or between, these risk categories based on review of historical experience.

In relation to Investment Risk, a clear strategy has been developed to manage risk in a manner which limits exposure to investment volatility for those assets matching insured liabilities.

All other risks are managed through a framework of internal controls supported by monitoring by management, internal audit, governance groups and the various functions of the board.

GAIL's capital structure is composed of ordinary share capital and retained earnings, as below.

	2017	2016
Authorised		
20,000,000 ordinary shares of $1 each	20,000,000	20,000,000
Allotted, called-up and fully paid		
2,000,000 ordinary shares of $1 each	2,000,000	2,000,000
Retained earnings	35,740,896	52,639,148

Loss for the year ended 31 December 2017 amounted to $16,898k.

Solvency II own funds

Under Solvency II valuation principles, the eligible own funds available to meet the SCR and MCR requirements is $43,577k.

Own funds available to meet the SCR is comprised solely of Tier 1 capital.

GAIL has no ancillary own funds.

The equity position as shown in the Company's 2017 and 2016 year-end financial statements can be reconciled to the basic own funds balance under Solvency II as follows:

	2017 USD'000	2016 USD'000
Equity per the Company's financial statements	**37,741**	**54,639**
Adjustments to technical provisions and reinsurance recoverables	1,379	3,320
Removal of insurance debtors and creditors	10,254	163
Removal of deferred costs	(4,963)	(4,725)
Net deferred tax liability	(834)	155
Own funds (excess of assets over liabilities for solvency purposes)	**43,577**	**53,552**

Capital management

The total capital of the Company as at 31 December 2017 consists of shareholder's equity of $37,741k (2016: $54,639k).

Management reviews capital on an ongoing basis with a view to maintaining a level of capital sufficient to cover significant risks and regulatory requirements. As at 31 December 2017 the Company has adequate capital to meet these objectives.

E.2 Solvency Capital Requirement & Minimum Capital Requirement

GAIL's Solvency Capital Requirement ("SCR") as at 31 December 2017 totals $40,447k. GAIL's Solvency II recognised own funds totalling $43,577k is sufficient to meet its SCR and results in a surplus of $3,130k and a Solvency Ratio of 107.7%. GAIL's Minimum Capital Requirement ("MCR") as at 31 December 2017 totals $10,632k.

SCR Results comparison ($'000)

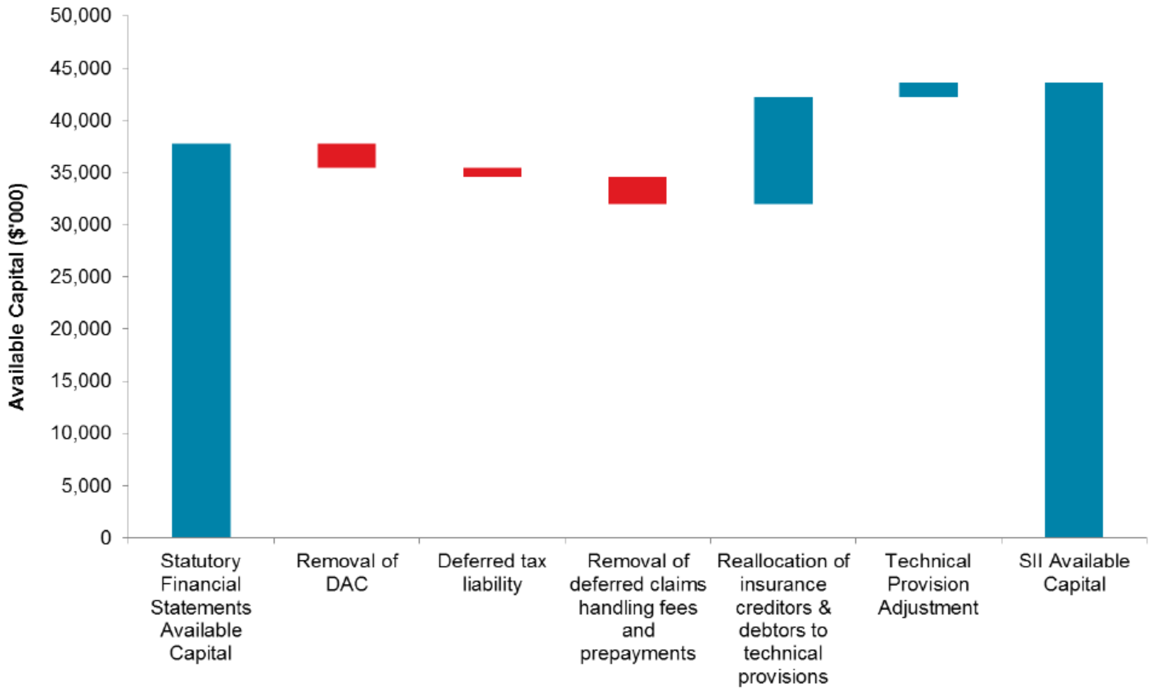
Risk charge	31-Dec-17	31-Dec-16	Movement
Premium/Reserve Risk	16,305	12,436	3,869
Catastrophe Risk	21,227	25,539	(4,312)
Lapse Risk	3,167	1,037	2,131
Diversification Benefit	*(10,707)*	*(7,919)*	*(2,789)*
Non-Life Underwriting Risk	**29,992**	**31,093**	**(1,101)**
Counterparty Default Risk	**3,949**	**3,714**	**235**
Interest Rate Risk	1,872	1,159	713
Equity Risk	-	-	-
Spread Risk	990	907	83
Currency FX Risk	8,294	8,292	2
Property Risk	-	-	-
Concentration Risk	8,652	6,408	2,244
Diversification Benefit	*(7,086)*	*(5,739)*	*(1,347)*
Market Risk	**12,722**	**11,027**	**1,695**
Diversification Benefit	*(9,096)*	*(8,290)*	*(805)*
BSCR	**37,567**	**37,545**	**23**
Operational Risk	**2,879**	**1,738**	**1,141**
Tax Adjustments	-	-	-
SCR	**40,447**	**39,283**	**1,164**
Available Capital	43,577	53,552	(9,975)
Surplus/Deficit	**3,130**	**14,269**	**(11,139)**
Solvency Ratio	107.7%	136%	-28.3%

There was a minimal movement in the SCR compared with the prior year, reflecting the fact that the underlying exposures driving the SCR are relatively consistent with the prior year. The primary drivers of the overall movement in GAIL's SCR are:

- Premium-Reserve Risk: The movement in the Premium and Reserve risk charge is the main driver behind the increase in the SCR. The reserve risk has increased due to an increase in the net claims provision primarily due to the catastrophe losses that occurred in 2017. The claims provision includes premium, claims and expense cashflows relating to earned business, and has increased due to a reduction in the unpaid premium, which is offset against the claims provision provided it is within credit terms.

- Catastrophe Risk: The catastrophe risk charge has decreased as a consequence of refining the approach to calculating risk mitigation to better reflect the erosion of the aggregate for the remaining half of the year. The decrease in the catastrophe risk charge has been partially offset by an allowance for a catastrophe risk charge associated with the Intellectual Property business.
- Lapse Risk: Due to the adverse claims experience for the 2017/18 policy year, the best estimate allowance of reinsurance recoveries has been refined on unearned business to reflect the actual experience to date. This increases lapse risk due to the higher expected recoveries on the unexpired exposure, which leads to an increase in net profitability on policies that may lapse.
- Market Risk: Spread and concentration risk have increased in line with the increase in GAIL's invested assets.
- Operational Risk: The Operational Risk charge has increased because of the increase in technical provisions. The increase in technical provisions is driven by the reduction in unpaid premium, which offsets the expense and claims cash flows.

GAIL's Solvency II balance sheet equity as at 31 December 2017 totals $43,577k (2016: $53,552k). Provided below is a reconciliation of GAIL's GAAP balance sheet equity as at 31 December 2017 totalling $37,741k (2016: $54,639k) and the Solvency II balance sheet equity.



Noted below are the main adjustments to convert GAIL's GAAP balance sheet to a Solvency II balance sheet:

Removal of Deferred Acquisition Costs and Deferred Statutory Financial Statements Balance Sheet Items: On a Solvency II valuation basis, there is no concept of accruals, but instead all assets and liabilities are held at a market consistent value for expected future cash flows. Therefore, items such as deferred acquisition costs are not included on the balance sheet. Instead the actual expected future cash flows associated with any future acquisition cost payments are included within the technical provision valuation. This impacts both the Gross and Reinsurance elements of the deferred acquisition costs, plus other deferred balance sheet items.

Creditors and Debtors: Under the Solvency II valuation basis GAIL's debtor items relating to unpaid premium balances are included within the Technical Provision calculation. Whilst this appears to have a significant impact in isolation, it is offset by a similar movement in the opposite direction within the technical provisions. Prepaid assets are not admissible under Solvency II because there is no associated future cash flow.

Deferred SII Tax Liability: Under SII, insurance and reinsurance undertakings should recognise and value deferred tax assets and liabilities in relation to all items that are recognised for solvency purposes or in the tax balance sheet in order to ensure that all amounts which could give rise to future tax cash flows are captured. On conversion from a statutory financial statements basis to a SII valuation basis a profit is created therefore the corresponding tax impact must be reflected. For GAIL this results in a deferred tax liability**.**

Technical Provision Adjustments: The Solvency II technical provisions consist of a claim provision, premium provision and a risk margin.
The claim provision includes the premium and claim cash flows associated with periods of exposure prior to the valuation date. Premium provisions include the premium and claim cash flows associated with periods of exposure post the valuation date. The provisions are calculated per line of business using discounted expected cash flows. All claim estimates are on a best estimate basis, with no allowance for prudence. Risk free yield curves as at 31st December 2017, published by EIOPA, have been used to discount the cash flows to the valuation date.

There are a number of other specific changes:

Premium Cash flows: Under Solvency II, technical provisions are calculated on a discounted cash flow basis so unpaid premium cash flows are included within the valuation.

Bound but Unincepted Contracts: Under Solvency II, the contract recognition basis is different to the current Statutory Financial Statements basis. That is, under Statutory Financial Statements the technical provisions only consider contracts that have incepted as at the valuation date, whereas, under Solvency II all contracts that are legally bound need to be considered, even if they have not yet incepted. Expected profit on these contracts will reduce net technical provisions.

Expenses: Technical provisions are expected to allow for all future expenses that would be incurred in running-off the existing business. Under Solvency II these expense provisions would include additional items such as an allocation of investment manager's costs and other overheads; it is therefore expected that expense provisions will be higher under Solvency II than under the current technical provision basis. An additional allowance of 10% has been applied to the gross reserves to allow for additional expenses that could be allocated to the technical provisions on a Solvency II basis.

Events Not In Data: Solvency II technical provisions should be the best estimate of all future possible outcomes. An adjustment must therefore be made to allow for items not captured within the undertaking’s data, e.g. latent claims or extremely high severity, low probability events. These items have been termed ‘Events Not in Data’ (“ENID”). A loading of 1% has been added to the gross reserves to allow for the expected cost of ENID.

Risk Margin: The technical provisions include a risk margin, which will bring the best estimate provisions into line with a market consistent valuation. The risk margin covers the discounted cost of capital that would be needed to support the full run-off of the liabilities, and is intended to represent the ‘market premium’ that would need to be paid in order to transfer the portfolio of liabilities to another party. For this exercise, the risk margin calculation has been based on the Level 3 simplification given in the latest technical specifications. The calculation is relatively complex process, but can be split into the following steps:

1. An SCR is calculated in relation to the technical provisions on the opening solvency II balance sheet.
2. It is assumed that the future SCRs are proportional to the best estimate claim provisions. Therefore the future SCRs decrease in line with claim provisions run-off.
3. A cost of capital for each future SCR is derived by applying a 6% charge to SCR.
4. These future costs of capital are then discounted to the valuation date.
5. These discounted costs of capital are then summed to calculate the risk margin.

For GAIL the risk margin has been calculated as **$2,719k (2016: $4,172k).**

E.3 Use of Duration Based Equity Risk Sub Model in calculation of the SCR

There was no use of duration based equity risk sub model in the calculation of the SCR.

E.4 Differences between the Standard Model & Any Internal Model

GAIL used the Standard Model in determining the SCR and MCR and did not rely on any internal model.

E.5 Non-Compliance with MCR and SCR

There were no issues with non-compliance with the MCR and SCR during the reporting period.

E.6 Any Other Information

There is no other information to report.

In respect of relevant quantitative information for this report please see Annual QRT extract in Appendix 1.

APPENDIX 1 - QUANTITATIVE REPORTING TEMPLATES

The following quantitative data has been added to Appendix 1.

S.02.01.02 – Balance sheet*

S.05.01 – Premiums, claims and expenses by line of business

S.05.02 – Premiums, claims and expenses by line of business

S.17.01.02 – Non Life technical provisions*

S.19.01.21 – Claims Developments*

S23.01.01 – Own Funds*

S25.01.21 – SCR using standard formula*

S28.01.01 – MCR*

*templates subject to external audit.

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	66,677
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	66,677
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	20,290
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	245
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	53,644
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	140,856

Annex I
S.02.01.02
Balance sheet

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	**R0510**	95,983
Technical provisions – non-life (excluding health)	**R0520**	95,983
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	93,264
Risk margin	**R0550**	2,719
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	834
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	462
Total liabilities	**R0900**	97,279
Excess of assets over liabilities	**R1000**	43,577

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**							14,035	5,546	
Gross - Proportional reinsurance accepted	**R0120**							18,492	6,673	
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**							4,370	1,453	
Net	**R0200**							28,156	10,766	
Premiums earned										
Gross - Direct Business	**R0210**							13,798	4,066	
Gross - Proportional reinsurance accepted	**R0220**							17,761	6,729	
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**							4,325	1,357	
Net	**R0300**							27,235	9,438	
Claims incurred										
Gross - Direct Business	**R0310**							10,184	2,992	
Gross - Proportional reinsurance accepted	**R0320**							42,488	4,236	
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**							16,790		
Net	**R0400**							35,881	7,228	
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**							7,679	3,185	
Other expenses	**R1200**									
Total expenses	**R1300**									

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**								19,581
Gross - Proportional reinsurance accepted	**R0120**								25,165
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								5,823
Net	**R0200**								38,922
Premiums earned									
Gross - Direct Business	**R0210**								17,865
Gross - Proportional reinsurance accepted	**R0220**								24,490
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								5,682
Net	**R0300**								36,673
Claims incurred									
Gross - Direct Business	**R0310**								13,176
Gross - Proportional reinsurance accepted	**R0320**								46,724
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								16,790
Net	**R0400**								43,110
Changes in other technical provisions									
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers'share	**R0440**								
Net	**R0500**								
Expenses incurred	**R0550**								10,864
Other expenses	**R1200**								244
Total expenses	**R1300**								11,109

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

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**									
Net	**R1700**									
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									

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

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		CH	GB	SE	NL	AU	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	2,507		3,622	1,802	1,566	2,190	11,687
Gross - Proportional reinsurance accepted	R0120		25,165					25,165
Gross - Non-proportional reinsurance accepted	R0130							-
Reinsurers' share	R0140							-
Net	R0200	2,507	25,165	3,622	1,802	1,566	2,190	36,851
Premiums earned								
Gross - Direct Business	R0210	1,173		3,663	1,764	1,607	2,172	10,381
Gross - Proportional reinsurance accepted	R0220		24,142					24,142
Gross - Non-proportional reinsurance accepted	R0230							-
Reinsurers' share	R0240		4,367	1,263			44	5,674
Net	R0300	1,173	19,776	2,400	1,764	1,607	2,129	28,849
Claims incurred								
Gross - Direct Business	R0310	576		847	1,178	1,130	1,790	5,521
Gross - Proportional reinsurance accepted	R0320		42,879					42,879
Gross - Non-proportional reinsurance accepted	R0330							-
Reinsurers' share	R0340		16,790					16,790
Net	R0400	576	26,089	847	1,178	1,130	1,790	31,610
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550	177	7,665	432	260	283	589	9,405
Other expenses	R1200							
Total expenses	R1300							9,405

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

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610							
Reinsurers' share	R1620							
Net	R1700							
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900							
Other expenses	R2500							
Total expenses	R2600							

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**							12,741	2,205	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**							6,301	107	
Net Best Estimate of Premium Provisions	**R0150**							6,440	2,098	
Claims provisions										
Gross	**R0160**							51,274	27,043	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**							12,589	1,293	
Net Best Estimate of Claims Provisions	**R0250**							38,686	25,750	
Total Best estimate - gross	**R0260**							64,016	29,248	
Total Best estimate - net	**R0270**							45,126	27,848	
Risk margin	**R0280**							1,632	1,087	
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions - total										
Technical provisions - total	**R0320**							65,648	30,335	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**							18,890	1,400	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**							46,758	28,935	

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**								14,946
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								6,408
Net Best Estimate of Premium Provisions	**R0150**								8,538
Claims provisions									
Gross	**R0160**								78,318
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								13,882
Net Best Estimate of Claims Provisions	**R0250**								64,436
Total Best estimate - gross	**R0260**								93,264
Total Best estimate - net	**R0270**								72,974
Risk margin	**R0280**								2,719
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions - total									
Technical provisions - total	**R0320**								95,983
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								20,290
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**								75,693

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	2

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

		Development year										
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											91
N-9	**R0160**	864	6608	5534	3127	3168	1458	120	167	189	119	
N-8	**R0170**	748	5135	5861	5886	1059	1073	696	310	231		
N-7	**R0180**	697	10378	23152	3255	1798	984	627	612			
N-6	**R0190**	9819	-171	10173	3924	2,039	646	846				
N-5	**R0200**	1795	16988	9065	6,361	897	876					
N-4	**R0210**	3039	15745	6,075	1,946	986						
N-3	**R0220**	1355	8,782	3,475	1,766							
N-2	**R0230**	901	9,880	5,122								
N-1	**R0240**	1,939	9,989									
N	**R0250**	13,862										

		In Current year	**Sum of years (cumulative)**
		C0170	**C0180**
	R0100	91	91
	R0160	119	21,354
	R0170	231	20,999
	R0180	612	41,502
	R0190	846	27,276
	R0200	876	35,984
	R0210	986	27,790
	R0220	1,766	15,378
	R0230	5,122	15,904
	R0240	9,989	11,928
	R0250	13,862	13,862
Total	**R0260**	34,500	232,068

Annex I
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											597
N-9	**R0160**									306	235	
N-8	**R0170**								709	585		
N-7	**R0180**							2,900	666			
N-6	**R0190**						4,285	4,489				
N-5	**R0200**					2,364	1,793					
N-4	**R0210**				3,919	3,008						
N-3	**R0220**			7,464	6,337							
N-2	**R0230**		8,442	4,171								
N-1	**R0240**	13,092	14,231									
N	**R0250**	45,549										

		Year end (discounted data)
		C0360
	R0100	535
	R0160	191
	R0170	518
	R0180	607
	R0190	4,282
	R0200	1,664
	R0210	2,751
	R0220	6,175
	R0230	3,870
	R0240	13,561
	R0250	44,165
Total	**R0260**	78,318

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	2,000	2,000			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	41,577	41,577			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	43,577	43,577			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	43,577	43,577			
Total available own funds to meet the MCR	**R0510**	43,577	43,577			
Total eligible own funds to meet the SCR	**R0540**	43,577	43,577			
Total eligible own funds to meet the MCR	**R0550**	43,577	43,577			
SCR	**R0580**	40,447				
MCR	**R0600**	10,632				
Ratio of Eligible own funds to SCR	**R0620**	108%				
Ratio of Eligible own funds to MCR	**R0640**	410%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	43,577	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	2,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	41,577	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	3,982	
Total Expected profits included in future premiums (EPIFP)	**R0790**	3,982	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	12,722		
Counterparty default risk	R0020	3,949		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	29,992		
Diversification	R0060	- 9,096		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	37,567		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2,879
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	40,447
Capital add-on already set	R0210	
Solvency capital requirement	R0220	40,447
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	10,632

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080	45,126	28,156
General liability insurance and proportional reinsurance	R0090	27,848	10,766
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	10,632
SCR	R0310	40,447
MCR cap	R0320	18,201
MCR floor	R0330	10,112
Combined MCR	R0340	10,632
Absolute floor of the MCR	R0350	4,437
Minimum Capital Requirement	**R0400**	**10,632**