

Solvency and Financial Condition Report

2016



Liberty
Insurance®

Insurance the way it should be.

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Foreword

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

As a mutual organisation, Liberty Insurance places integrity and customers at the centre of our strategy. We are the market leader in the provision of motor insurance to young drivers. Our brand proposition of “Insurance the Way it Should Be” is embodied by our values of openness, fairness, transparency, honesty and doing the right thing, aligned to clearly defined principles:

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

2016 was an important year for Liberty Insurance. We successfully delivered on our turnaround plans while improving our overall profitability. After a number of challenging years, we are now a focussed business that is well placed to deliver future success. The Company has also achieved a strong capital position as at 31 December 2016 with a Solvency Capital Requirement (SCR) ratio of 148.6%. This gives assurance that, even in an extreme 1 in 200 year scenario, the Company has well in excess of the required funds to meet all of its obligations.

Our plans for 2017 reflect our ambition to build a profitable growing business, and I and my fellow Board members are confident about our future. We have a solid customer base; we continue to build on our capabilities and competitive advantage; we have improved processes and expense efficiencies; but most importantly, we have talented and dedicated employees who have

been instrumental in the transformation of our business by working collaboratively; honestly; and by upholding the values and principles of our Company.

“Insurance the Way it Should Be”

We welcome the publication of the Cost of Insurance working group report which is long overdue and necessary for industry reform. We are continuing to work closely with Minister Eoghan Murphy, industry and political representatives to effect real and meaningful change, and make this a stable and predictable market in which to do business.

Finally, on behalf of the Board of Directors I would like to thank Tom McIlduff for his leadership over the last number of years, and wish him every success as he takes the helm of Liberty Seguros in Spain.

Sharon O’Brien, who subject to regulatory approval, succeeds Tom brings over 25 years of senior management experience from the insurance and energy sectors. Her expertise and experience means she is well positioned to lead Liberty Insurance into its next phase of growth.

Cecil Hayes
Chairman of the Board of Directors,
Liberty Insurance

Executive Summary

Company Background

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

For the purpose of this report, the reporting date is 31 December 2016.

Liberty Insurance

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

Liberty Insurance dac is part of the Liberty Mutual Insurance Group.

‘Liberty employs more than 50,000 people in over 800 offices throughout the world.’

Liberty Mutual Insurance

Liberty Mutual Insurance Group (an “A” rated Company) helps people preserve and protect what they earn, build, own and cherish. Keeping this promise means the Company is there to support its policyholders throughout the world when they need it most. In business since 1912, and headquartered in Boston, Massachusetts, today Liberty Mutual is a diversified insurer with operations in 30 countries and economies around the world.

It is the fifth largest property and casualty insurer in the U.S. based on 2015 direct written premium data as reported by the National Association of Insurance Commissioners. It also ranks 73rd on the Fortune 100 list of largest corporations in the U.S. based on 2015 revenue. As of 31 December 2016, Liberty Mutual had \$38.3 billion in annual consolidated revenue.

Liberty employs more than 50,000 people in over 800 offices throughout the world. It offers a wide range of insurance products and services, including personal automobile, homeowners, accident & health, commercial automobile, general liability, property, surety, workers compensation, group disability, group life, specialty lines, reinsurance, individual life and annuity products.

1 Business and Performance Summary

The Company's Financial Statements have been prepared in compliance with Irish Generally Accepted Accounting Practice (GAAP) comprising Financial Reporting Standard 102 (FRS 102) and the Financial Reporting Standard 103 (FRS 103), and Irish Law comprising the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 ('the Regulations').

Liberty Insurance commenced writing business in the Republic of Ireland in 2011 and in Northern Ireland and Great Britain in 2012. In 2015 the Company discontinued its operations in Great Britain and reduced the scale of operations in Northern Ireland in order to concentrate on the market in the Republic of Ireland.

During 2016, Gross Written Premium decreased by 18.3% primarily due to the discontinuing of operations in Great Britain and downscaling in Northern Ireland, and also due to lower volumes in the Commercial Liability book, for which the market has been experiencing adverse loss development over the past number of years. Partly countering the impact of the above, the Company saw an increase in premiums written on its Private and Commercial Motor book in 2016 as the market continued to harden.

The Company's loss on ordinary activities before taxation reduced significantly to a loss of €4,558k in 2016 compared with a loss of €69,023k in 2015. The most significant drivers of this improvement are lower claims incurred net of reinsurance (reflecting lower volumes, favourable prior year development and improved current year

performance), lower net operating expenses, and strong investment performance.

The Company's investment income comprises of interest from listed fixed interest securities and deposits with credit institutions. The Company's investment objective is to optimise the capital position and achieve portfolio protection and moderate returns through disciplined security selection, portfolio diversity and an integrated approach to risk management. A safe and stable income stream is achieved by maintaining a broadly based portfolio of investment grade bonds and deposits. The overriding investment principle is that security and liquidity is maintained at all times. Whilst investment income (before realised and unrealised gains and losses) decreased in 2016 as a result of a reduction in invested assets to fund the run-off of the claims legacy book and the continuing low reinvestment yields, market values of assets held in the investment portfolio performed strongly during 2016, as bond yields trended downwards. This resulted in significantly lower unrealised movements than in 2015 (2016 €461k v 2015 €17,329k).

The cost base of the Company has decreased significantly over the past two years. In 2015, a restructuring programme resulted in the transfer of 208 call centre staff to a third party provider with a further 287 staff being made redundant over the period from August 2015 to October 2016. In 2016, the Company undertook a further restructuring programme which resulted in the redundancy of 75 staff, 17 of whom are due to exit in 2017. The resulting lower net operating expenses are a key driver in the improved profitability of the Company.

2 System of Governance Summary

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

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

Performance Summary

	2016 €'000	2015 €'000	Change %
Gross Written Premium	209,333	256,235	(18.3%)
Loss on Ordinary Activities Before Taxation	(4,558)	(69,023)	(93.4%)
Average number of employees	472	833	(43.3%)

The Liberty Insurance Board of Directors:

Cecil Hayes (Chairman)



Helen Keelan



Mark Ennis



Ronan Murphy



Tom McIlduff



William Finn



Tom Walker



Conor Heery

Cecil Hayes (Chairman)

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

Helen Keelan

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

Mark Ennis

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

Ronan Murphy

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

Tom McIlduff (Out-going CEO)

Tom was appointed CEO of Liberty Insurance dac in March 2015 and has recently been appointed as CEO of Liberty's Spanish business, Liberty Seguros. Pending CBI approval, he will be replaced as CEO of Liberty Insurance dac by Sharon O'Brien. His former roles included Principal of Boston Consulting Group; CEO & Director of Bank of Ireland (UK); Director of Strategic Marketing and Direct Channels at Bank of Ireland (NI); One Bank Transformation Director at Bank of Ireland (NI), and Managing Director for Europa General Underwriters Ltd.

William Finn

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

Tom Walker

Tom is currently Chief of Staff for Latin America/Europe at Liberty Mutual, having previously been appointed as Chief Underwriting Officer for the Latin America region in 2003. Prior to joining Liberty Mutual, he held a number of senior management roles across South America.

Conor Heery

Conor joined the Board of Liberty Insurance in 2016. With over 20 years' experience in senior finance and executive roles, Conor has held board and executive positions with US public companies including Allied World and AIG. Previous roles include Group Chief Accounting Officer and CFO Europe-Asia of Allied World, and Managing Director of Allied World Europe.

Incoming CEO

Sharon O'Brien

Sharon has recently been appointed as Chief Executive Officer replacing Tom McIlduff pending CBI approval. She joined Liberty Ireland 2 years ago as Chief Information Officer and was then appointed Chief Operating Officer (COO) in 2016. Sharon has 25+ years' experience in Insurance, IT, Operations and Strategic Change at Senior Management and Director Level with Aviva, FBD Insurance, Bank of Ireland and Bord Gáis Energy.

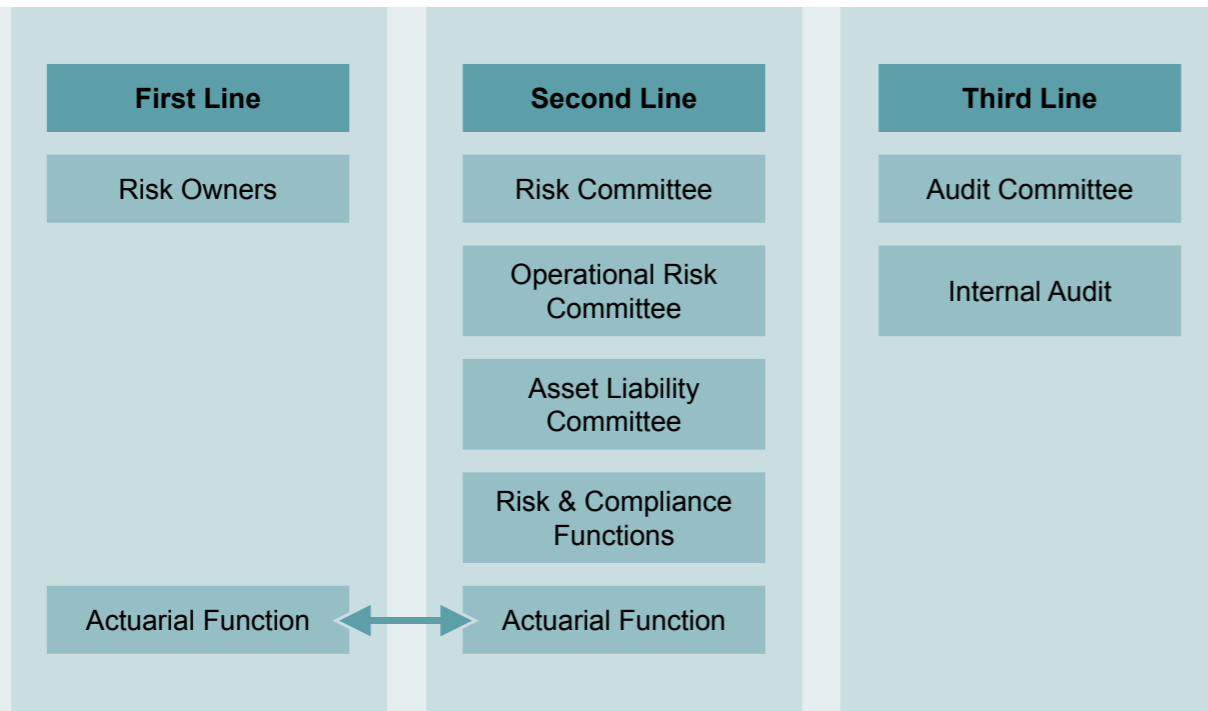
The Board delegates a number of key functions to board committees. Day to day management is delegated to sub-committees and individuals through terms of reference, letters of authority and job descriptions. Furthermore, the Company maintains an Approval Matrix which defines the authority and responsibilities of key individuals and committees in the Company. Through this structure, an effective control system of delegated authority operates from top to bottom within the

Company, reporting upwards to the Board. Certain matters pertaining to statutory obligations, strategic and financial management and other specified areas are reserved for the Board and cannot be delegated.

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

The governance structure of the Company has not materially changed in the year-ended 31 December 2016.

"Three Lines of Defence" model



3 Risk Profile Summary

The Solvency Capital Requirement (SCR) metric is used to assess a Company's ability to meet all of its regulatory capital obligations under normal and stressed conditions. The Company considers that the SCR is largely appropriate for quantifying the risk profile of the Company.

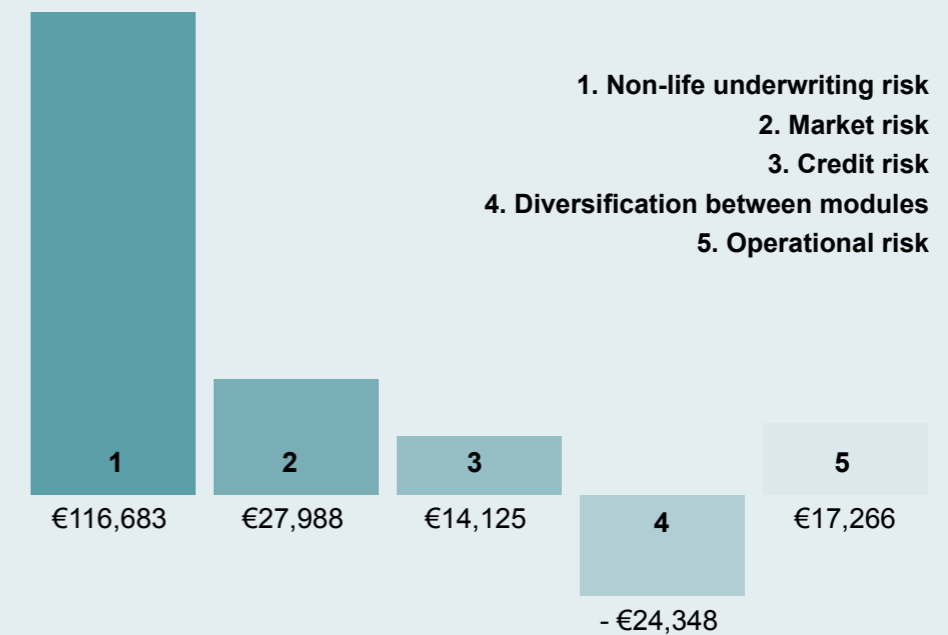
The Company uses the Standard Formula as defined by the European Regulator (EIOPA) to calculate the SCR. The Company's SCR at 31 December 2016 was €151,715k. The chart below shows the component modules of the SCR.

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

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

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

Component Modules of the SCR (€'000)



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

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

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

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

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

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

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

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

Diversification between modules is a feature of the Standard Formula calculation. This had the effect of reducing the SCR by €24,348k at 31 December 2016.

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

4 Valuation for Solvency Purposes Summary

As previously noted, the Company's Financial Statements have been prepared in compliance with Irish Generally Accepted Accounting Practice (GAAP). Certain balances in the Statement of Financial Position prepared under FRS 102 and FRS 103 are adjusted to Solvency II valuations in accordance with the guidance issued by EIOPA and the Regulator and using the valuation principles set out in the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency 2 Technical Standards and Guidelines.

An analysis of the valuation of assets, technical provisions and liabilities per the Solvency II balance sheet is provided in the report in sections D.1, D.2

5 Capital Management Summary

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

- The SCR coverage ratio at 31 December 2016 was 148.6%, with eligible own funds of €225,423k and an SCR of €151,715k
- The Minimum Capital Requirement (MCR) coverage ratio at 31 December 2016 was 359.4%, with eligible own funds of €185,423k and a MCR of €51,593k

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

Whilst the Company had capital in excess of its Solvency II requirements at 31 December 2016, during the year the Company availed of a derogation under Article 147 of the Solvency II Regulations in respect of its compliance with the SCR. Article 147 provides for a derogation for non-compliance with the SCR to 31 December 2017 where an undertaking was in compliance with the required solvency margin under Solvency I immediately before 1 January 2016.

The SCR includes the benefit of Ancillary Own Funds (AOF) of €40,000k in the form of uncalled and unpaid share capital, callable on demand from

and D.3 respectively. These sections provide detail of the recognition and valuation basis applied, including inputs and methods used, as well as judgments made and any assumptions, including those about the future and other sources of estimated uncertainty.

Comparisons to the prior period are not provided as the Solvency II regime only came into force on 1 January 2016, after the end of the prior period as permitted under Article 303 of the Delegated Acts. Comparisons are made between the Financial Statements and Solvency II valuations as at the reporting date.

the Company's immediate parent Liberty Mutual Ireland Investment Holdings. The AOF was approved by the Central Bank of Ireland (CBI) on the 22 December 2016.

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

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

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

A. Business and Performance

A.1 Business

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

The core business of Liberty Insurance dac is the underwriting of motor, property and liability insurance in Ireland. The Company commenced writing business in the Republic of Ireland (ROI) in 2011 and in Northern Ireland (NI) and Great Britain (GB) in 2012. In 2015 the Company discontinued its operations in GB and reduced the scale of operations in NI in order to concentrate on the ROI business. In 2016, the Company has refocused its appetite for commercial business resulting in lower business volumes.

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

The ultimate parent company is Liberty Mutual Holding Company Inc. of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A., a company incorporated in the United States of America. The smallest group of companies for which group accounts are drawn up and of which this Company is a member is Liberty International European Holdings S.L., a company incorporated and registered in Spain.

The Central Bank of Ireland (CBI) is responsible for the financial supervision of the Company. The CBI can be contacted by telephone on 1890-777777 or in writing at Central Bank of Ireland, PO Box 559, New Wapping Street, North Wall Quay, Dublin 1.

As noted above, Liberty Insurance dac consolidates into the Spanish entity Liberty International European Holding S.L. As a result, the Company must also report for consolidation purposes into “Direccion General de Seguros” (DGS, Spanish supervisor) via Liberty International European Holding S.L. Furthermore, the consolidation is under the supervision of The Colleges of Supervisors which includes the CBI, DGS, PRA (UK supervisor) and ASF (Portuguese supervisor).

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

‘The core business of Liberty Insurance dac is the underwriting of motor, property and liability insurance in Ireland.’

A.2 Underwriting Performance

The Company's Financial Statements have been prepared in compliance with Irish Generally Accepted Accounting Practice (GAAP) comprising Financial Reporting Standard 102 (FRS 102) and the Financial Reporting Standard 103 (FRS 103),

and Irish Law comprising the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 ('the Regulations').

A.2.1 Income Statement by Material Line of Business

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

Fig L1

Premiums, claims and expenses by line of business	2016						2015
	Motor vehicle liability insurance €'000	Other motor insurance €'000	Fire and other damage to property insurance €'000	General liability insurance €'000	Credit and suretyship insurance €'000	Total €'000	Total €'000
Premiums written							
Gross – Direct Business	145,922	10,861	35,078	17,471	-	209,333	256,235
Reinsurer's share	55,710	4,147	17,461	(493)	-	76,825	182,607
Net	90,212	6,715	17,617	17,964	-	132,508	73,628
Premiums earned							
Gross – Direct Business	151,596	11,283	37,563	18,993	-	219,436	287,169
Reinsurer's share	63,294	4,224	18,988	196	-	86,702	150,717
Net	88,302	7,059	18,575	18,797	-	132,734	136,452
Claims incurred							
Gross – Direct Business	83,894	282	16,008	19,730	(4,873)	115,041	245,710
Reinsurer's share	42,096	141	11,123	9,069	-	62,429	107,533
Net	41,798	140	4,885	10,661	(4,873)	52,612	138,177
Changes in other technical provisions							
Reinsurer's share	16,290	1,699	1,378	8,846	-	28,213	(28,213)
Net	(16,290)	(1,699)	(1,378)	(8,846)	-	(28,213)	28,213
Expenses incurred	69,572	3,579	21,750	15,326	200	110,427	151,608
Net Premium, Claims and Expenses	(39,357)	1,640	(9,438)	(16,036)	4,673	(58,519)	(125,120)
Per Financial Statements							
Other Income						36,593	52,857
Investment Income						17,368	3,240
Loss on ordinary activities before taxation						(4,558)	(69,023)
Tax credit on loss on ordinary activities						103	5,806
Loss for the financial year						(4,455)	(63,217)

Premiums written Gross – Direct Business of €209,333k represents a decrease of 18.3% on 2015 primarily due to discontinuing operations of the GB business and the downscaling of the NI business. Outside of GB and NI the Company has seen growth in its Private Motor and Commercial Motor lines, which was offset by lower Property and Liability volumes.

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

Premiums earned - Net of €132,734k represents a decrease of 2.7% compared with 2015. This is a much smaller decrease than Premiums Written Gross – Direct Business due to changes in the profile of the business across the Company's different quota share reinsurance arrangements.

The reduction in Claims Incurred Gross – Direct Business compared with 2015 is driven by the lower volumes of business already discussed, favourable prior year claims development and an improvement in current year underwriting performance.

Changes in other technical provisions of €28,213k relates to an Adverse Development Cover (ADC) reinsurance contract, which was originally entered into on 1 July 2015. This provided protection against adverse development on net claims reserves relating to accident years up to and including 30 June 2015. The contract was commuted during 2016 due to a change in reinsurance strategy.

Expenses incurred represent claims management, general management, commission and investment expenses and foreign exchange movements, (Fig L2).

Claims management expenses includes Motor Insurance Bureau of Ireland (MIBI) costs, movements in the claims handling provision (CHP) and claims handling costs.

Claims management and general management expenses have decreased significantly from 2015 to 2016. In 2015 a restructuring programme resulted in the transfer of 208 call centre staff to a third party provider with a further 287 staff being made redundant over the period from August 2015 to October 2016. In 2016, the Company undertook a further restructuring programme which resulted in the redundancy of 75 staff, 17 of whom are due to exit in 2017. The resulting lower expense

Fig L2

Expenses Incurred	2016 €'000	2015 €'000	Variance €'000
Claims management expenses	26,908	33,617	(6,709)
General management expenses	56,239	93,932	(37,693)
Commission costs	18,723	25,047	(6,324)
Investment expenses	803	1,408	(605)
Foreign exchange movements	7,755	(2,396)	10,151
Total	110,427	151,608	(41,181)

base is a key driver in the improved profitability of the Company. Restructuring costs amounted to €22,881k and €2,410k in 2015 and 2016 respectively.

Commission costs for the year also reduced compared with 2015, due to the lower business volumes and changes in the distribution mix, (Fig L3).

Direct debit income relates to income received from customers for the provision of a facility to pay premiums by instalment. Administration charges

relate to income from fees charged for mid-term policy adjustments and the provision of duplicate documents.

Other income includes miscellaneous income and items of a one-off nature.

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

Fig L3

Other Income	2016 €'000	2015 €'000	Variance €'000
Direct debit income/ administration charges	8,409	12,317	(3,908)
Other income	378	10,638	(10,259)
Affiliate commission	27,806	29,902	(2,096)
Total	36,593	52,857	(16,264)

A.2.2 Geographical Analysis

The table on page 22, (Fig L4) sets out the Net Premium, Claims and Expenses by geographical area as per S.05.02.01. (Ref F.4)

The Company commenced writing business in ROI in 2011 and in NI and GB in 2012. In 2015, the Company discontinued its operations in GB and reduced the scale of operations in NI in order to concentrate more on its ROI business.

'In 2015, the Company discontinued its operations in GB and reduced the scale of operations in NI in order to concentrate more on its ROI business.'

Fig L4

Premiums, claims and expenses by line of business	Republic of Ireland €'000	United Kingdom €'000	Total €'000
Premiums written			
Gross – direct business	198,820	10,513	209,333
Reinsurer's share	71,423	5,402	76,825
Net	127,397	5,111	132,508
Premiums earned			
Gross – direct business	183,186	36,250	219,436
Reinsurer's share	63,843	22,859	86,702
Net	119,342	13,391	132,734
Claims incurred			
Gross – direct business	120,350	(5,310)	115,041
Reinsurer's share	66,192	(3,763)	62,429
Net	54,159	(1,547)	52,612
Changes in other technical provisions			
Reinsurer's share	28,213	-	28,213
Net	(28,213)	-	(28,213)
Expenses incurred	96,261	14,166	110,427
Net Premium, Claims and Expenses	(59,291)	772	(58,519)
Per Financial Statements			
Other Income			36,593
Investment Income			17,368
Loss on ordinary activities before taxation			(4,558)
Tax credit on loss on ordinary activities			103
Loss for the financial year			(4,455)

A.3 Investment Performance

A.3.1 Performance Overview

The Company's investment objective is to optimise the capital position and achieve portfolio protection and moderate returns through disciplined security selection, portfolio diversity

and an integrated approach to risk management. A safe and stable income stream is achieved by maintaining a broadly based portfolio of investment grade bonds and deposits. The overriding investment principal is that security and liquidity is maintained at all times.

The Company's investment income comprises of interest from listed fixed interest securities and deposits with credit institutions. Total investment income by asset class (before realised and unrealised gains and losses) reduced from €20,447k in 2015 to €16,374k in 2016. This was primarily driven by a reduction in invested assets due to the reducing portfolio as the Company continues to liquidate assets to fund the run-off of the claims legacy book. In addition, the continuing low interest rate environment results in available funds being invested at very low yields. The Company expects the low interest rate environment to continue in the short to medium term.

Market values of assets held in the investment portfolio performed strongly during 2016, as bond yields trended downwards.

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

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

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

Unrealised movements on investments represent the difference between the fair value as at 31 December 2016 of investments held and their purchase price. Unrealised movements on investments are calculated on an individual security basis.

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

Fig L5

Investment Income by Asset Class	2016 €'000	2015 €'000	Variance €'000
Corporate bonds	8,202	9,186	(984)
Government bonds	8,116	10,656	(2,540)
Collateralised securities	34	292	(258)
Deposits with credit institutions	22	313	(291)
Total Investment Income by Asset Class	16,374	20,447	(4,073)
Realised Gains	1,455	122	1,333
Unrealised movements	(461)	(17,329)	16,868
Total Investment Income by Asset Class	17,368	3,240	14,128

A.4 Performance of other activities

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

A.5 Any other information

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

B. System of Governance

B.1 General information on the system of governance

B.1.1 System of Governance

The Company is regarded as High Impact as defined in the Corporate Governance Requirements for Insurance Undertakings 2015.

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

B.1.2 Board of directors, responsibilities and roles

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

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

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

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

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

All decisions of the Board are documented.

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

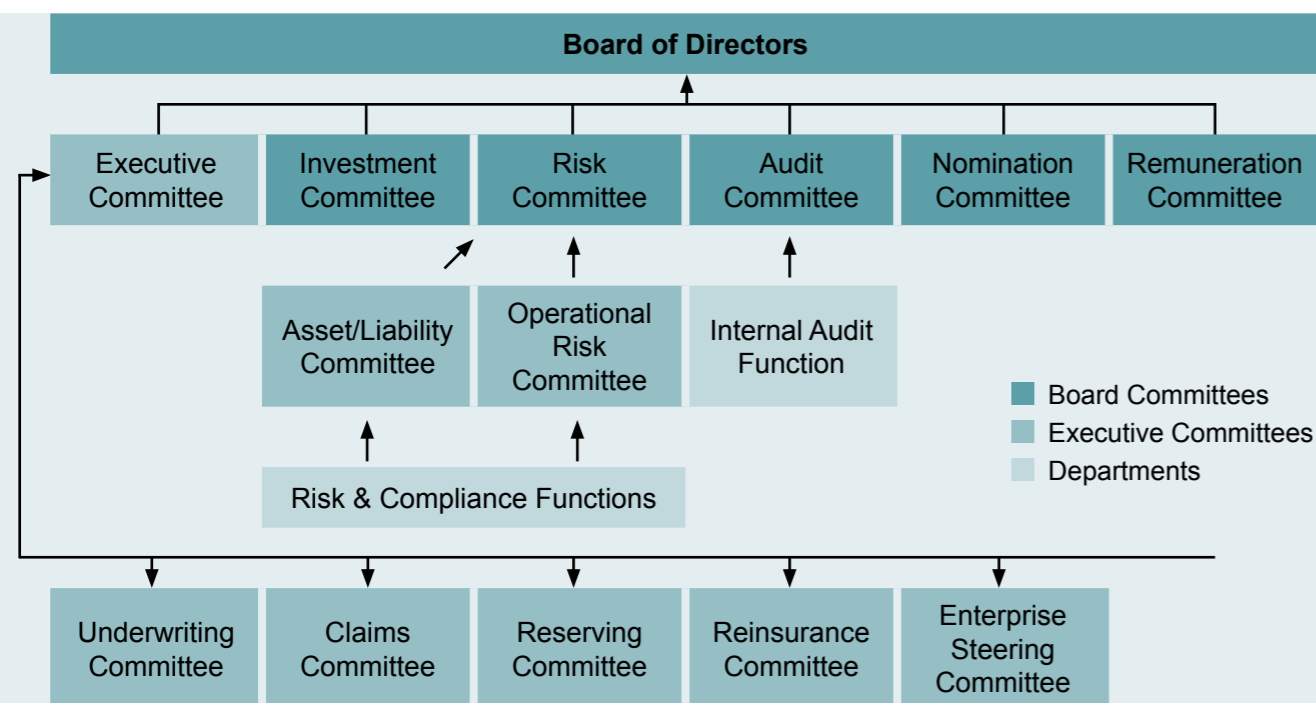
The Board delegates a number of key functions to Board committees. Day to day management is delegated to the CEO who in turn has delegated responsibilities to various sub-committees and individuals through terms of reference, letters of authority and job descriptions. Furthermore, the Company maintains an Approval Matrix which

defines the authority and responsibilities of key individuals and committees in the Company. Through this structure, an effective control system of delegated authority operates from top to bottom within the Company, reporting upwards to the Board. Certain matters pertaining to statutory obligations, strategic and financial management and

other specified areas are reserved for the Board and cannot be delegated. A formal schedule of these matters is documented in the Board terms of reference.

This structure is illustrated below, (Fig L6):

Fig L6



B.1.3.1 Audit Committee

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

B.1.3.2 Risk Committee

The Risk Committee is responsible for oversight and advice to the Board on the risk profile of the business. In addition, the Risk Committee is responsible for advising the Board on the

Company’s risk appetite and overseeing the effectiveness of the Risk Management System. The Risk Committee also relies on and oversees the performance of the Risk and Compliance Functions in this regard. The Risk Committee ensures the Risk Management and Compliance Functions have the necessary authority, are appropriately resourced and have operational independence in fulfilling their responsibilities. The Risk Committee also advises the Board on the effectiveness of policies with respect to the maintenance of regulatory capital.

B.1.3.3 Investment Committee

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

monitoring of the investment manager’s compliance with the investment guidelines.

B.1.3.4 Remuneration Committee

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

B.1.3.5 Nomination Committee

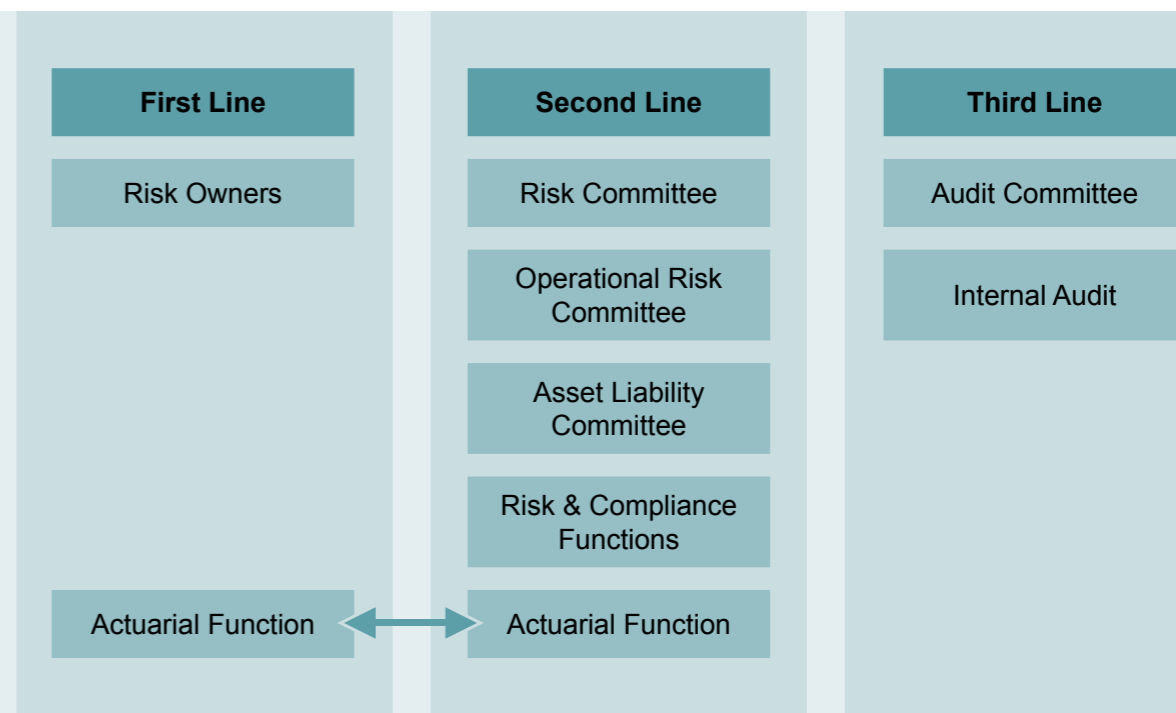
The Nomination Committee has been delegated the task of identifying and nominating, for approval of the Board, candidates to fill Board vacancies as and when they arise. The Board has put in place a formal skills matrix and Diversity Policy to ensure that there is an appropriate skills mix across members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

appointment. The Nominations Committee also considers the appointment of individuals to Pre-approval Controlled Functions (“PCF” roles).

B.1.3.6 “Three lines of defence” model

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

Fig L7



B.1.4 Remuneration Policy

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

The Company's compensation philosophy is to:

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

The Company's remuneration elements for staff typically consist of:

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

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

schemes. This scheme is generally referenced to profit and growth achieved relative to plan over a three year period prior to payment.

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

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

B.1.5 System of Governance Policy

The Company's system of governance is subject to regular reviews with recommended enhancements, as appropriate, emanating from these reviews. Furthermore, at least on an annual basis, the Risk Function completes a system of governance assessment. The reviews and assessments are intended to ensure that the Company's system of governance remains appropriate in light of the Company's business model, scale of operations and risk profile. Reviews completed in 2015 and 2016 have reported that the Company's system of governance is appropriate. Review recommendations included the introduction of the Asset Liability Committee and Operational Risk Committees which are now in place. In addition, recommendations in relation to the oversight of outsourcing were made and have been implemented. Further detail in relation to outsourcing is included in section B.7. Annual evaluations regarding the performance of the Board have found that the Board appropriately fulfils its responsibilities.

B.1.6 Reporting governance concerns

The Company's Risk Escalation protocol defines the processes undertaken by the Company in monitoring the system of governance and

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

Company Management are responsible for informing the Compliance, Risk, Actuarial and

B.2 Fit and proper requirements

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

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

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

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

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

- Performing due diligence assessments with regard to the fitness, competence and probity of relevant individuals including interview, confirmation of qualifications, compliance with CBI Minimum Competency Code 2011, CPD, reference checks, time commitment and due diligence in respect of possible criminal records; regulatory actions or judgements.
- Obtaining periodic confirmations that relevant individuals are familiar with the Company's Fitness & Probity requirements and comply with same.
- Requiring relevant individuals to advise of any material changes in their circumstances, from a fitness and probity perspective, that may require disclosure to the Company.

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

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

The Company has developed, implemented and maintains a Risk Management System. The objectives of the Risk Management System are to:

- Improve decision making by ensuring risk is considered in the formulation and implementation of business strategies so that they are designed to achieve an optimum balance between capital, risk and reward.
- Allow the identification of business activity where risks may arise and effectively manage those exposures to a level consistent with the Company's appetite.

The Risk Management System achieves this through:

- Establishing Risk Policies for key risks faced by the Company which consequently represent the areas of focus for strategic business decisions and risk management activities.
- Establishing the RAS and describing its fundamental importance and relationship to the formulation of business strategies.
- Detailing the methodology and activities designed to identify, measure, manage, monitor and report risks.
- Ensuring timely and relevant risk management information is provided to Management to actively monitor and manage risk in alignment with the Company's RAS.

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

B.3.1 Risk Management Policy

The Company's Risk Management Policy defines the key risk principles with regard to risk management in the Company and also the categories of risk faced by the Company, in particular those that develop from the

implementation of business strategies. It also defines the requirement for supporting risk policies.

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

B.3.2 Risk Appetite Statement

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

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

The Board is responsible for ensuring any material deviation from the defined risk appetite is communicated to the Central Bank no later than five business days of the Board becoming aware of the deviation. The Board ensures that the Company's remuneration practices do not promote excessive risk taking. This principle is set out in its Remuneration Policy.

B.3.3 Risk Management Function

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

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

B.3.4 ORSA

At least on an annual basis, the Company completes an "Own Risk and Solvency Assessment" (ORSA). In performing the ORSA, Management takes responsibility for considering risk, capital and return within the context of the Company's business strategy on a forward looking basis. The main elements of the ORSA include the business strategy, an assessment of the risk profile, risk tolerances and an assessment of the Company's solvency requirements. The ORSA process performed by the Company considers all relevant Company risks and establishes an "Own View" capital requirement such that these requirements are calibrated to a confidence level not less than 99.5% over a 1 year horizon. The "Own View" process first considers all key risks relevant for the Company and then considers the appropriateness of the Standard Formula with regard to its suitability in determining "Own View" capital requirements. Arrangements are made to include shocks in the "Own View" analysis with regard to those risks that may not be appropriately captured in the Standard Formula. Following on from this,

the severity of the Standard Formula shocks are assessed regarding their appropriateness from an "Own View" perspective and relevant shocks are recalibrated where deemed necessary. Stress testing is also completed regarding the Company's resilience to withstand both plausible and extreme shocks over the planning horizon.

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

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

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

B.4 Internal control system

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

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

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

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

B.4.1 Compliance Function

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

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

- The Compliance Function, is headed up by the Head of Compliance (a PCF role) and is an independent function and assists the Executive and Board in their oversight of compliance risk and the effectiveness of compliance framework in protecting interests of the company, policyholders and all stakeholders by maintaining compliance with all statutory and regulatory requirements.
- The Function reports to the Operational Risk Committee and Board Risk Committee and has access to all reports / information which may be relevant to the Compliance Function in the pursuit of its activities. The Head of Compliance reports to the Chief Risk Officer of the Company and has direct access to the Chair of the Risk Committee.
- The Compliance Function provides regular reporting to the Board Risk Committee on the adequacy of the Company's compliance framework in managing compliance risk. Reports include an update on performance against the compliance risk based monitoring plan, compliance monitoring completed during the period, regulatory thematic inspections and engagements, upstream regulatory change, status of compliance training and any compliance breaches identified.
- The Company maintains a Compliance Charter which outlines the independence, mission, authority and scope of the Compliance Function and the responsibilities across the

Company for managing compliance risk. The Compliance Function reviews the Compliance Charter on an annual basis so as to ensure that it remains relevant and reflective of the changing needs and capabilities of the Company. All changes are subject to review and approval by the Board Risk Committee. There were no significant changes to the Charter in 2016.

- Annually a risk based monitoring plan is created following a risk assessment process, which includes a review of the Company's risk profile, strategic objectives, operating and regulatory environments and upcoming regulatory focus areas. The monitoring plan is flexible and will be reviewed during the year to ensure it continues to remain relevant.

B.5 Internal Audit Function

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

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

- The Internal Audit function of the Company is managed by the Head of Internal Audit (a PCF role) who is an employee of the business and has no responsibility for any other function across the business and reports into the Chair of the Audit Committee, who is an Independent Non-Executive Director. All Internal Audit staff report to the Head of Internal Audit. The Head of Internal Audit also reports to the Chief Counsel on human resources and administrative matters as well as to the Senior Vice President and Manager, Corporate Internal Auditing, Liberty Mutual Group.
- The Audit Committee consists of three Independent Non-Executive directors and a Non-Executive director. The Audit Committee

- In determining the proposed monitoring plan, the Head of Compliance also considers relevant work that will be performed by other areas, e.g Risk and Internal and External Audit, in order to minimise duplication of effort and to mitigate against any assurance gaps over the Company's main compliance risks.

In 2016 the Compliance Function issued regular regulatory updates to the Business advising of regulatory and legislative changes and supported the business in implementing solutions to embed all key changes. In addition, mandatory compliance training courses were issued to employees to further increase awareness of regulatory requirements.

reviews the independence, activities, overall effectiveness and organisational structure of the Internal Audit function and approves the annual internal audit work plan.

- Internal Audit provides regular reporting to the Audit Committee on the adequacy of the Company's systems of financial, operational and management control. Reports include an update on performance against the audit plan, key issues and control themes arising from audits, follow-up on Management's remediation of Internal Audit issues and Internal Audit resources.
- The Company maintains an Internal Audit Charter which provides for the independence, mission, authority and responsibilities of Internal Audit. The Internal Audit Charter is subject to annual review to ensure that it remains relevant and reflective of the changing needs and capabilities of the Company. All material changes are subject to review and approval by the Board Audit Committee. There were no material changes to the Internal Audit Charter in 2016.
- An audit plan is created annually following a risk assessment, which includes a review of the Company's risk profile, strategic objectives and operating environment. This helps identify the areas of risk management and internal control that Internal Audit should prioritise for review. The audit plan is flexible and will be reviewed

during the year to ensure it continues to remain relevant. Any unplanned audits will be added to the plan and presented to the Audit Committee for approval before they are incorporated into ongoing work.

- In determining the proposed audit plan, the Head of Internal Audit also considers relevant

work that will be performed by other areas, e.g. Risk and Compliance and External Audit, in order to minimise duplication of effort and to mitigate against any assurance gaps over the Company’s top risks.

B.6 Actuarial Function

The Actuarial Function has a number of responsibilities including;

- Co-ordination of the calculation of technical provisions. This consists of assessing the adequacy of the provisions, assessing the uncertainty in the estimates and justifying movements between successive periods.
- Review the appropriateness of the models and assumptions, consider the adequacy and quality of data, and interpret deviations of best estimates against actual experience.
- Produce an annual report for the Board. This report covers all of the information necessary for the Board to form its own opinion on the adequacy of the technical provisions. This report also includes Head of Actuarial Function opinions on the adequacy of the Company’s underwriting and reinsurance arrangements.

- Contribute to the Risk Management System. This includes oversight of SCR calculations and providing input to the ORSA process.
- Prepare an opinion for the Board which addresses the Technical Provisions.
- Provide an opinion to the Board on the range of risks and the adequacy of the scenarios, including appropriateness of financial projections, considered as part of the ORSA.

The Head of Actuarial Function ensures the Actuarial Function has the necessary authority, resources and operational independence to fulfill its responsibilities. Tom Donlon (Willis Towers Watson) has held the role of Head of Actuarial Function since October 2016. This is part of a mentoring arrangement for Chief Actuary Kevin Cormier to support his transition to the role of Head of Actuarial Function in 2017 subject to CBI approval.

B.7 Outsourcing

The Company maintains an Outsourcing Policy which aims to ensure that all of the Company’s outsourcing arrangements are appropriately managed. The underlying principles of the Outsourcing Policy are that the Company should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations nor impede effective supervision. In particular, the policy provides guidance to Management on the procedures to be adopted regarding the selection of potential outsource providers, required contract terms with service providers and also the responsibilities of Management regarding ongoing oversight of outsourcing arrangements. Furthermore, particular requirements are defined regarding material outsourcing arrangements. All

material outsourcing agreements are required to be notified to the CBI in advance. Assessments are also independently completed by the Risk Function on an annual basis regarding the application of the Outsourcing Policy. Governance assessments are also completed by the Company which include reviews of the selection process when choosing a material outsource provider.

The Company had four material outsourcing arrangements throughout the period. Details on each of these arrangements are provided on page 35, (Fig L8).

Specific members of Management are responsible for each of the above outsourcing arrangements.

Fig L8

Activity Outsourced	Details	Service Provide Jurisdiction
Investment Management	The Company has outsourced the management of its investment portfolio to Liberty Mutual Investments, a subsidiary of Liberty Mutual Holding Company Inc.	Boston, United States of America
IT Services	The Company receives data centre services from the Liberty European Regional Data Centre.	Poland, Europe
Documentation Management	The Company has outsourced its outgoing documentation processes to RR Donnelley, one of the world’s leading providers of communication solutions.	Ireland, Europe
Contact Centre Operations	The Company has outsourced the operations of a Sales / Service contact centre to a third party provider, a global leader in outsourced multichannel customer experience management.	Northern Ireland, Europe

Furthermore, the Company’s Investment Committee and Operational Risk Committee have

specific responsibilities regarding the oversight of such outsourcing.

B.8 Any other information

No other material information regarding the system of governance to note.

C. Risk Profile

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

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

The Company uses a number of measures to assess such risks including stress testing, sensitivity analysis, “Own View” analysis and SCR analysis. As noted in section E.3, the Company has assessed that the Standard Formula, used for determining the Company’s SCR, broadly reflects the risks to which the Company is exposed. Relevant results of measures adopted by the Company to assess the above risk categories are

provided below in addition to discussion on risk exposures, mitigation, appetite and concentration.

C.1 Underwriting risk

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

The Company takes a conservative approach to managing the above risks. Key risk metrics are defined with regard to underwriting risk that are reported against on an ongoing basis. There were no material breaches of the Company’s underwriting risk appetite during 2016.

The Company manages the above risks through its underwriting strategy, proactive claims handling, robust reserving methodology and its reinsurance arrangements. In this regard, the Company’s Underwriting Risk Policies, Reserving Risk Policy and Re-insurance Risk Policy provide

relevant guidance to Management as to how underwriting risk is to be managed. The Company’s Underwriting Risk Policies provide details with regard to underwriting appetite, underwriting authority, pricing integrity and catastrophe exposure modelling.

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

The Company’s reinsurance strategy, which is reviewed annually, is aligned to the Company’s underwriting risk appetite so as to limit the risk of losses from insurance risk. Reinsurance is placed on both a proportional and non-proportional basis. The majority of the Company’s reinsurance is underwritten by Liberty Mutual Insurance Company (LMIC), a Liberty Mutual Group Company.

As set out earlier within this report, on July 1, 2015 an Adverse Development Contract (ADC) was put in place with LMIC on existing reserves as at that date. The ADC was commuted on 30 June 2016.

A 100% quota share arrangement for NI and GB direct private motor business remains in place however the books are now in run off and claims costs are all that remain. A 50% quota share agreement with LMIC was introduced on 1 July 2015 covering all business earned after that date not covered by the existing 100% quota share arrangements.

Non-proportional reinsurance primarily relates to excess of loss. Retention limits vary by product. The Company places all treaty excess of loss business with LMIC. Facultative cover may be placed either internally or externally. Where such cover is placed externally, the Company adheres to the Liberty Group's Reinsurance Security Standards and an Approved Reinsurer List as well as the Company's Reinsurance Management Strategy and Reinsurance Risk Policy.

On an annual basis, the Company's Head of Actuarial Function completes an independent assessment on the effectiveness of the Company's reinsurance arrangements and reports thereon to the Company's Board.

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

The Company's reinsurance programme is concentrated in a single counterparty, LMIC, a Liberty Mutual company. Furthermore, LMIC is the ultimate counterparty with regard to the Company's Ancillary Own Funds (AOF). While the credit

'The Company's reinsurance programme is concentrated in a single counterparty, LMIC,...'

quality of this counterparty is A rated, the Company monitors the strength of this counterparty on an ongoing basis, as required by the Central Bank of Ireland's conditions of AOF approval.

Claims provisioning and estimation is a significant contributing factor to the Company's financial results. The Company's best estimates and claims diagnostics at 30 September 2016 were independently benchmarked against the best estimates of four peer companies. Based on this benchmarking and other assessments, the Company's reserves are deemed to be robust.

C.1.1 Sensitivity Analysis / Stress Testing

During 2016, the Company completed stress testing with regard to underwriting risks. Examples of selected stress tests included policy count decreases, loss ratio increases, catastrophe and claims frequency increases. The completed underwriting stress tests resulted in modelled movements of the Company's capital surplus in the range of €4,000k to €22,000k. None of the underwriting stresses completed in 2016 resulted in a modelled breach of the Company's SCR. A key assumption at this time was that the AOF of €40,000k was to be approved prior to 31 December 2016, as was the case.

During 2016, the Company also completed stress testing with regard to reserve risks. This testing highlighted the Company's sensitivity to the best estimate of reserves. Further sensitivity analysis was completed in 2017 with regard to the Company's reserves as at 31 December 2016.

This analysis included a shock to both the Claims Provision and the Premium Provision. The Claims Provision shock consisted of base undiscounted cash flows being increased by 5% at all points in time. The Premium Provision shock consisted of the gross loss ratio underlying the premium provision being increased by 10%. The modelled impact of these shocks to the Company's Solvency Capital Requirement (SCR) ratio as at 31 December 2016 was a movement from 148.6% to 126.7%, equivalent to a movement of €31,700k in surplus capital.

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

C.2 Market risk

Market risk is the risk of loss to the Company arising from fluctuations in the values of its assets, the amount of its liabilities, or the income from its assets. Sources of market risk for the Company include movements in interest rates (interest rate risk), market prices (price risk), and exchange rates (currency risk). Such movements would potentially affect the value of the Company's cash and investment portfolio and the income derived from the portfolio. The Company has a conservative market risk appetite. Key risk metrics are defined with regard to market risk that are reported against on an ongoing basis. There were no material breaches of the Company's market risk appetite during 2016.

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

The Company's market risk policies include:

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

liability duration matching and stress testing to be completed.

C.2.1 Interest rate risk and price risk

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

The Investment Management Strategy of the Company ensures that sufficient assets are held of the appropriate nature, term and liquidity to meet liabilities as they become due. The asset portfolio seeks to balance income, capital preservation and long term returns so as to allow contractual liabilities to policyholders to be met.

The results of interest rate sensitivity analysis completed in 2017 with regard to the Company's investment portfolio as at 31 December 2016 are provided below, (Fig L9).

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

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

Fig L9

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

C.2.2 Foreign currency risk

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

The carrying amount of the Company's foreign currency denominated financial instruments at the reporting date is shown below, (Fig L10).

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

Fig L10

	2016 €'000	2015 €'000
GBP	45,264	30,140
USD	(620)	(1,326)

C.2.3 Concentration risk

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

while considering capital charges under Solvency II. An analysis of the Company's investment portfolio concentrations is provided below, (Fig L11).

As at 31 December 2016, the Company's concentration of investments with any one group of companies did not exceed €10,000k.

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

Fig L11

Investments Held	2016 €'000	2016 %	2015 €'000	2015 %
Government Bonds	264,510	42%	384,154	53%
Corporate Bonds	352,614	57%	330,451	46%
Collateralised Securities	7,211	1%	10,087	1%
Total	624,335	100%	724,692	100%

C.3 Credit risk

Credit risk is the risk that one party to a financial instrument or contract causes loss to the other party by failing to discharge an obligation. The Company has a conservative appetite for Credit Risk. Key risk metrics are defined with regard to credit risk that are reported against on an ongoing basis. There were no material breaches of the Company's credit risk appetite during 2016.

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

As indicated previously, LMIC writes 100% of all reinsurance contracts for the Company with the exception of some facultative reinsurance which is placed externally. LMIC is also the counterparty with regard to the Company's Ancillary Own Funds. Reviews of the financial status of LMIC are carried out on an ongoing basis. The Company considers the risk of default by the Company's parent company to be remote. The Company's

Reinsurance Committee approves reinsurance arrangements before they are placed. Carriers must be "A" rated or better. The Company determines a need for specific provisions against reinsurer non-performance which are adjusted on a quarterly basis. Changes in the amount of the provisions are reflected in the income statement.

The Company has considered if there are any financial assets that are either past due or impaired at year-end and can confirm there are none held. The Company does not hold any collateral that is used as security at year end, (Fig L12).

Bond values exclude accrued interest as at 31 December and represent bond values per the Company's Financial Statements.

During 2016, the Company completed stress testing with regard to spread movements as part of the ORSA process which highlighted the Company's sensitivity to spread movements.

Fig L12

Bond Rating	2016 €'000	2016 %	2015 €'000	2015 %
AAA	66,026	11%	124,050	17%
AA+	31,509	5%	39,242	5%
AA	50,644	8%	69,955	10%
AA-	64,117	10%	56,960	8%
A+	23,655	4%	23,975	3%
A	152,891	24%	70,412	10%
A-	81,974	13%	182,450	25%
BBB+	86,766	14%	87,808	12%
BBB	43,177	7%	45,381	6%
BBB-	17,077	3%	13,406	2%
BB+	3,893	1%	6,397	1%
BB	1,541	0%	4,656	1%
B+	1,065	0%	-	-
Total	624,335	100%	724,692	100%

During 2017, spread sensitivity analysis was completed with regard to the Company's investment portfolio as at 31 December 2016. The results of this analysis is provided below, (Fig L13).

The analysis consisted of a shock of 0.5% on the

yield of all bonds with 1 level credit downgrade across the entire portfolio.

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

Fig L13

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

C.4 Liquidity risk

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

Liquidity risk is the risk of loss to the Company arising from the Company being insufficiently liquid to meet all cash-flow commitments as and when they fall due for which the Company has limited appetite. It is Company policy that all funds are held in cash or in readily-marketable instruments.

Key risk metrics are defined with regard to liquidity risk that are reported against on an ongoing basis. There were no material breaches of the Company's liquidity risk appetite during 2016.

In order to ensure cash flows are appropriately monitored for available funds, the duration of investment instruments is matched to the anticipated duration of liabilities to policyholders. The following table, (Fig L14) shows the maturity analysis of assets as at 31 December 2016.

Fig L14

	2016 Weighted market value €'000	2016 Weighted average interest rate %
In one year or less	104,621	0.26%
In more than one year, but not more than two years	89,338	(0.09%)
In more than two years, but not more than three years	113,295	(0.04%)
In more than three years, but not more than four years	94,656	(0.02%)
In more than four years, but not more than five years	76,865	0.59%
In more than five years	145,560	0.83%
Total	624,335	0.28%

The table on page 43, (Fig L15) shows the maturity analysis of liabilities which are subject to liquidity risk.

As part of Asset Liability Management modelling completed by the Company during 2016, it was noted that the duration of assets as at 30 June 2016

was longer than the duration of in-force liabilities at that date, resulting in mismatched cash flows in the near to medium term. Whilst the Investment Committee is reviewing options to manage this mismatch, liquidity risk is not considered a significant source of risk due to the liquid nature

of the Company's investment portfolio. Extensive monitoring of anticipated cash flows is performed on an ongoing basis, including stress testing implications of a 1 in 200 year CAT event on the liquidity of the business.

Fig L15

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

C.4.1 Expected profit in future premiums

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

- Future premiums are identified by line of business and territory.
- Assumed future loss ratios are applied to these future premiums in order to estimate expected ultimate losses.
- In addition to losses, costs associated with the future premiums are estimated including claims management costs, general management costs, commission costs and investment expenses.

- An allowance is made for Events Not in Data (ENID). The ENID loading allows for possible events that have not been experienced by the Company before, but could happen in the future.
- The EPIFP is calculated as the future premiums less the losses, expenses and ENID.

Key assumptions regarding EPIFP calculations include;

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

The Expected Profit in Future Premiums as at 31 December 2016 per line of business, was as shown below, (Fig L16).

Fig L16

Business Line	EPIFP €000's
ROI Motor	6,247
ROI Fire	757
ROI Liability	-
Total	7,004

C.5 Operational risk

Operational risk is the risk of loss to the Company arising from inadequate or failed internal processes, people, and systems. The Company manages operational risk through the three lines of defence governance model (risk ownership, risk control and risk assurance as set out earlier). The Company has limited appetite for operational risk. Key risk metrics are defined with regard to operational risk that are reported against on an ongoing basis. Control frameworks and assessments are in place to ensure that risks are appropriately mitigated throughout the year. There were no breaches of the Company's operational risk appetite during 2016.

Processes are in place to reduce the risk of interruption of services that could arise from a major external event. These processes include a formal disaster recovery plan with an off-site facility, to ensure business continuity. Where a loss of key staff arises, appropriate plans and documentation are in place that allow for transfer

of responsibilities across operations. The Company also has a cyber security strategy in place as part of its wider IT strategy.

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

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

During 2016, the Company completed sensitivity analysis with regard to Operational Risk. This analysis supported the view that the Operational Risk SCR appropriately reflected the operational risk profile of the Company.

The Company's Operational Risk SCR as at 31 December 2016 was €17,266k.

C.6 Other material risks

The Company has no other material risks to note other than those outlined above.

C.7 Any other information

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

D. Valuation for Solvency Purposes

The Statement of Financial Position, prepared in accordance with Irish Generally Accepted Accounting Practice (FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and

Fig L17

S.02.01.02	
Assets (Ref D.1)	€'000
Property, plant & equipment held for own use	20,665
Property (other than for own use)	1,764
Bonds	633,816
Deposits other than cash equivalents	2,000
Reinsurance recoverable	155,364
Insurance and intermediaries receivables	9,696
Reinsurance receivables	16,146
Receivables (trade, not insurance)	310
Cash and cash equivalents	18,531
Any other assets, not shown elsewhere	4,006
Total Assets	862,298
Liabilities Technical Provisions (Ref D.2)	
Claims outstanding	529,646
Provision for unearned premium	45,893
Risk margin	22,868
	598,407
Other Liabilities (Ref D.3)	
Provisions other than technical provisions	1,464
Debts owed to credit institutions	4
Insurance and intermediaries payable	1,358
Reinsurance payables	55,380
Payables (trade, not insurance)	4,439
Any other liabilities, not shown elsewhere	15,824
Total Liabilities	676,876
Excess of assets over liabilities	185,423

FRS 103 – Insurance contracts), forms the basis of the Solvency II balance sheet. Balances are adjusted to Solvency II valuations in accordance with the guidance issued by EIOPA and the CBI and using the valuation principles set out in the Directive 2009/138/EC, Delegated Regulation (EU) 2015/35, Solvency II Technical Standards and Guidelines. The table on page 47, (Fig L17) sets out the Company's Solvency II Balance Sheet as at 31 December 2016.

D.1 Assets

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

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

The value of property, plant and equipment (S.02.01.02 R0060) was €20,665k as at the reporting date. Property is revalued annually by independent external professionals and carried at the revaluation amount less accumulated depreciation. Plant and equipment is carried at cost less accumulated depreciation and reviewed for impairment when changes in circumstances indicate same.

D.1.1.2 Property (other than for own use)

As at the reporting date, the Company had investment property valued at €1,764k (S.02.01.02 R0080).

This relates to the lease of a floor in one of the Company's buildings. The investment property is revalued annually by independent external professionals and carried at the revaluation amount.

D.1.1.3 Bonds

The fair value of bonds (S.02.01.02 R0130) was €633,816k at the reporting date. The fair value being the market price at the reporting date and includes accrued interest.

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

D.1.1.4 Deposits other than cash equivalents

As at the reporting date, the Company had €2,000k (S.02.01.02 R0200) held in deposits other than

cash equivalents. These are deposits that cannot be used to make payments before a specific maturity date and that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty.

D.1.1.5 Reinsurance recoverable

The value of reinsurance recoverables in the Solvency II balance sheet (S.02.01.02 R0290) was €155,364k as at the reporting date. The valuation principles and methodologies used to calculate the reinsurance recoverable are consistent with those outlined in section D.2 concerning technical provisions. The amount is composed of the reinsurers' share of technical provisions €125,848k and the reinsurers' share of premium provisions €29,516k.

D.1.1.6 Insurance and intermediaries receivables

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

D.1.1.7 Reinsurance receivables

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

D.1.1.8 Cash and cash equivalents

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

D.1.1.9 Any other assets, not shown elsewhere

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

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

In addition to the explanations below please refer to the table in section E.2.2 for a summary of the differences between Solvency II valuation and under the Company's Irish GAAP accounting policies.

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

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

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

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

There is no difference between the Solvency II

valuation and the valuation under the Company's Irish GAAP accounting policies.

D.1.2.3 Property (other than for own use)

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

D.1.2.4 Bonds

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

D.1.2.5 Deposits other than cash equivalents

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

D.1.2.6 Reinsurance recoverable

As at the reporting date, the value of reinsurance recoverables in the Solvency II balance sheet (S.02.01.02 R0290) was €155,364k and the value under the Company's Irish GAAP accounting policies was €181,932k representing a difference of €26,569k.

Under Solvency II the amount recoverable from reinsurers is estimated based upon the Solvency II measurement basis for gross technical provisions, having due regard to recoverability. The methodology used to calculate the Solvency II gross technical provisions is covered in D.2. The Company's Irish GAAP accounting policies classify provisions for claims outstanding based on earned premiums which consider all reasonably foreseeable best estimates.

This includes reserves for claims incurred plus a provision for claims incurred but not yet reported (IBNR). The Company also considers any ceded amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR.

D.1.2.7 Insurance and intermediaries receivables

As at the reporting date the value of insurance and intermediaries receivable in the Solvency II balance sheet (S.02.01.02 R0360) was €9,696k and under the Company’s Irish GAAP accounting policies was €48,676k. The difference of €38,980k relates to the removal of direct debit premium receivable but not yet due for Solvency II purposes.

D.1.2.8 Reinsurance receivables

There is no difference between the Solvency II valuation and the valuation under the Company’s

Irish GAAP accounting policies.

D.1.2.9 Cash and cash equivalents

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

D.1.2.10 Any other assets, not shown elsewhere

As at the reporting date the value of any other assets, not shown elsewhere in the Solvency II balance sheet (S.02.01.02 R0420) was €4,006k and the value under the Company’s Irish GAAP accounting policies amounted to €13,486k. The difference of €9,481k relates to the reclassification of accrued interest to Bonds as noted in D.1.2.4 above.

D.2 Technical provisions

The technical provisions reported in the Company’s Financial Statements for the year ended 31 December 2016 include a provision for claims outstanding and a provision for unearned premium.

D.2.1 Financial Statements – Technical Provisions

The Financial Statements of the Company include provisions for claims outstanding based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims incurred but

not yet reported (IBNR). The Company also considers any ceded amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR. The booked reserves also include a margin for uncertainty both on a gross and net basis, as shown below, (Fig L18).

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

Fig L18

	Gross €'000	Ceded €'000	Net €'000
Claims outstanding	548,560	129,499	419,061
Provision for unearned premium	104,511	52,433	52,078
Technical provisions	653,071	181,932	471,139

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

The table below, (Fig L19 & Fig L20) details the differences between the valuation bases used by the Company for the valuation of technical provisions for Solvency II and those reported in the Financial Statements:

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

- As Solvency II is on a best estimate basis, any surplus amounts (i.e. reserve margin) in excess of the actuarial best estimate are removed from the booked reserves reported in the Financial Statements.
- Under Solvency II, all future expenses associated with the run-off of the existing obligations need to be included. This includes allowance for additional expenses that would

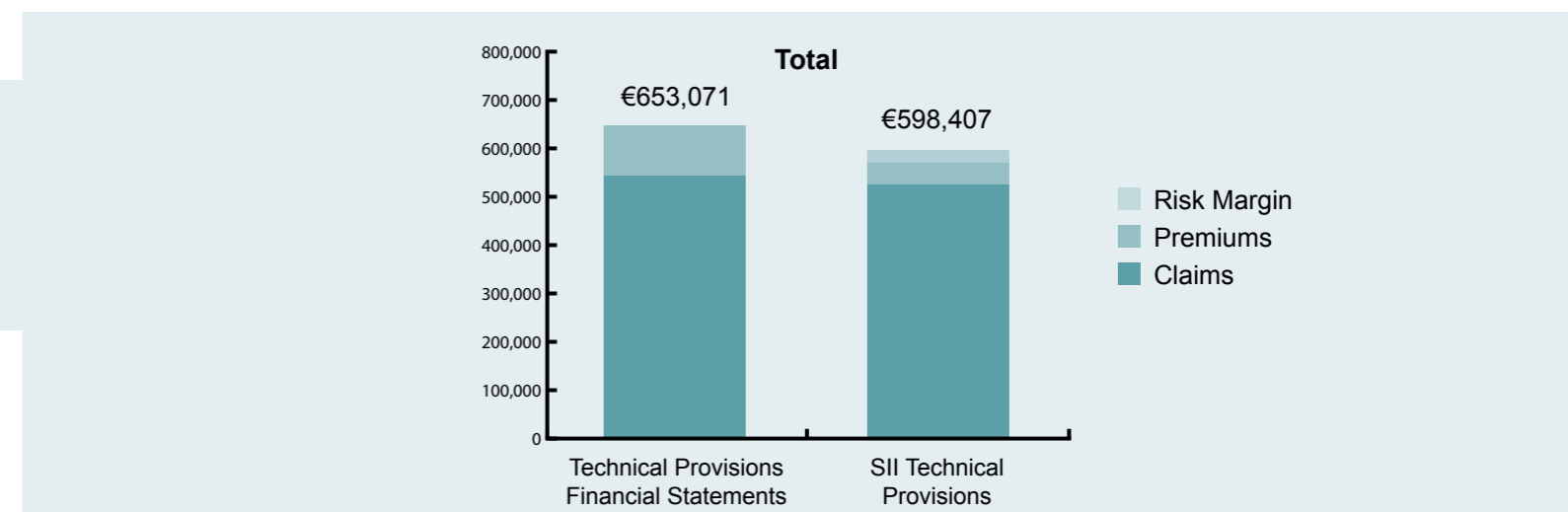
not have been included within the Claims handling provision (CHP) and the MIBI provision reported in the Financial Statements. For example, there is an allowance made for investment expenses associated with holding assets for the duration of the run-off of the insurance obligations.

- As the unearned premium reserve earns through, the associated net cash-flows (premium cash-flows less claims and expense cash-flows) on that business are recognised in the Solvency II technical provisions. Therefore, the greater the assumed profitability of the unearned business then the larger the reduction to the unearned premium reserve. Conversely for loss making business, there would be an increase to the unearned premium reserve for Solvency II purposes.
- Under Solvency II, an explicit loading for Events Not in Data (ENID) is also required. The ENID loading allows for possible events that have not been experienced by the Company before, but could happen in the future.

Fig L19

Reconciliation between Local GAAP/ Solvency II Technical Provisions as at 31st December 2016	Gross of Reinsurance €'000
Gross Technical Provisions per Financial Statements	653,071
Solvency II adjustments	(77,532)
Inclusion of Solvency II risk margin	22,868
Gross Solvency II Technical Provisions	598,407

Fig L20



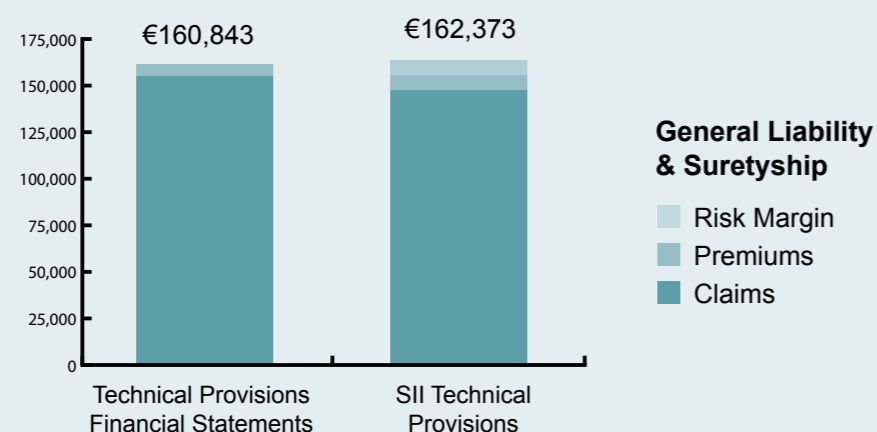
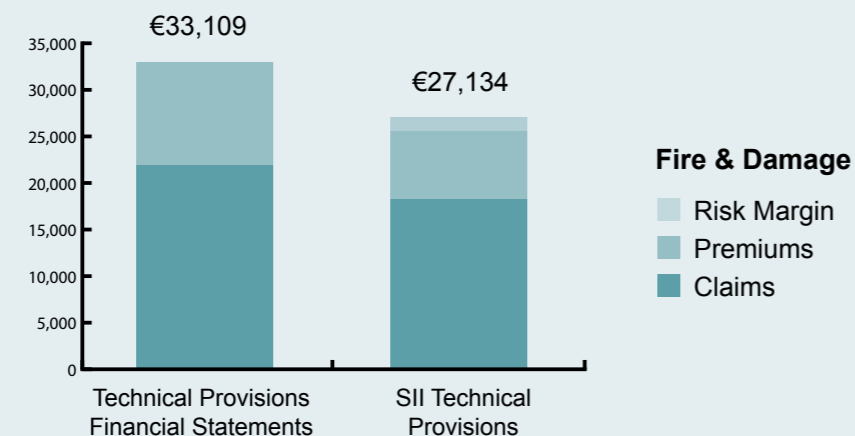
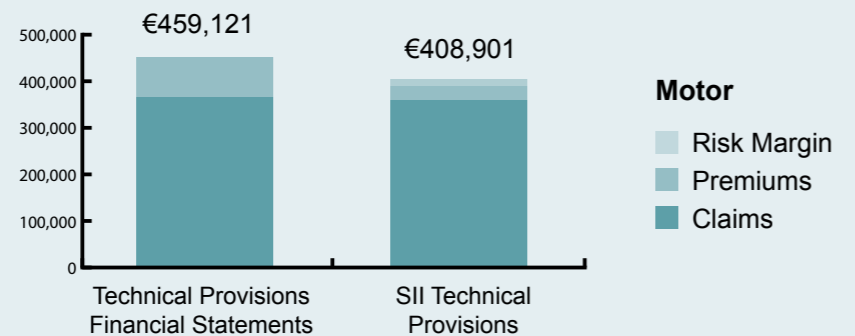
- Under Solvency II, the technical provisions are also discounted using the risk free rates from the relevant risk-free interest rate structure published by EIOPA for the reporting date and using a suitable payment pattern which is derived from actuarial reserving analysis.
- Finally, an explicit risk margin, the calculation of which is prescribed under Solvency II is included in the Solvency II technical provisions.

the Financial Statements and Solvency II technical provisions by material lines of business, split between Claims Provision, Premium Provision and Solvency II risk margin.

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

The charts below, (Figs L21, L22 & L23) outline the overall movements on a gross basis between

Figs L21, L22 & L23



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

D.2.3 Solvency II – Technical Provisions

The Solvency II technical provisions for the Company are equal to the sum of a best estimate and an explicit risk margin. The best estimate is composed of two separate parts: a claims provision and a premium provision, (Fig L24).

The technical provisions for the Company are split into the following Solvency II classes, (Fig L25).

The Credit & Suretyship class is in run-off and has no Premium Provision at 31 December 2016.

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

The following sections detail the Solvency II technical provisions by class of business as at 31 December 2016, split between Claims Provision, Premium Provision and Risk Margin.

Fig L24

	Gross €'000	Ceded €'000	Net €'000
Claims outstanding	529,646	125,848	403,798
Provision for unearned premium	45,893	29,516	16,377
Risk Margin	22,868	-	22,868
Technical provisions	598,407	155,364	443,043

Fig L25

Class 4	Motor liability
Class 5	Motor, Other classes
Class 7	Fire and other damage
Class 8	General Liability
Class 9	Credit & Suretyship

D.2.4 Claims Provision

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

The material cash flows required to settle the insurance obligations over the lifetime of the policies are considered, including premiums, claims

payments, salvage and subrogation, allocated and unallocated expenses. An allowance for ENID is also added in order to allow for events that might be expected to occur in the future.

Provision is also made for the Company's share of the 2017 levy payment obligation in respect of MIBI. This provision is calculated using the Company's current market-share and the outstanding claims liability estimates provided by MIBI. There is no difference between the MIBI allowance under Solvency II and the Financial Statements, (Fig L26).

Fig L26

Class of Business	Gross €'000	Ceded €'000	Net €'000
Motor liability	362,756	102,353	260,403
Motor, other classes	1,220	517	702
Fire and other damage	18,070	7,202	10,868
General liability	138,407	15,776	122,631
Suretyship	9,194	-	9,194
Technical provisions	529,646	125,848	403,798

D.2.5 Premium Provision

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

policies which are not yet effective on materiality grounds, (Fig L27).

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

Fig L27

Class of Business	Gross €'000	Ceded €'000	Net €'000
Motor liability	29,008	19,288	9,720
Motor, other classes	2,163	1,550	614
Fire and other damage	7,609	4,646	2,964
General liability	7,112	4,033	3,080
Suretyship	-	-	-
Technical provisions	45,893	29,516	16,377

D.2.6 Risk Margin

The risk margin reflects the amount of additional margin that another undertaking would be expected to seek in order to take over and meet the insurance obligations on the statement of financial position. This has been calculated as the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance obligations of the firm over the lifetime of those obligations, (Fig L28).

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

The methodology applied to project the SCR models the individual risks or sub-risks within some or all modules and sub-modules and is consistent with that outlined in "Method 2" in the technical specifications for preparatory phase

Fig L28

Class of Business	€'000
Motor liability	12,542
Motor, other classes	361
Fire and other damage	2,765
General liability	6,229
Suretyship	971
Total	22,868

Part I document. The underlying assumptions are also consistent with those outlined in the technical specifications, notably in respect of the following:

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

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

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

- At an overall level, the outlook for catastrophic injury awards is particularly uncertain. The pending introduction of PPO legislation in ROI in 2017 may result in a Claims environment which makes large claims more costly for insurers.

- On the 23 February 2017 the discount rate used by the courts in England and Wales to calculate personal injury damages awards, commonly referred to as the Ogden discount rate, changed from 2.5% to -0.75%. On 27 March 2017, the Scottish Government announced that effective 28 March 2017 the discount rate for Scotland reduced from 2.5% to -0.75%, bringing Scotland in line with England and Wales. With the current political impasse in Northern Ireland this matter has yet to be addressed by the NI Government. This may have an adverse impact on the GB & NI Private Motor run-off reserves however having reviewed all relevant claims outstanding at the balance sheet date the Company is satisfied the net reserves held as at 31 December 2016 are not materially impacted.
- The future level and shape of rates from the relevant risk-free interest rate structure (published by EIOPA for discounting the cash-flows) may increase from the historically very low levels used currently which may lead to lower Solvency II technical provisions.
- A substantial measure of judgement is involved in interpreting past claims development experience as part of the process of projecting the undiscounted best estimate of the total claims provision. Certain classes of business, such as General Liability, Credit & Suretyship and Motor Third Party Liability are inherently more uncertain than others due to their long payment tail and accordingly their ultimate cost has greater potential to vary.
- However, it is worth noting that the reinsurance arrangements currently in place such as the quota share will mean that the technical provisions are much less prone to adverse development on a net of reinsurance basis.

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

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.
- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC was not applied by the Company in calculating its technical provisions.

D.3 Other liabilities

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

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

D.3.1.1 Provisions other than technical provisions

The value of provisions other than technical provisions (S.02.01.02 R0750) as at the reporting date was €1,464k. This relates primarily to a provision for redundancies to be completed in 2017 as part a restructuring programme. A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is reviewed at each reporting date and adjusted to reflect the current best estimate of the amount required to settle the obligation.

D.3.1.2 Insurance and intermediaries payable

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

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

This is the Company's first reporting period under Solvency II. Therefore no commentary is provided around changes in the assumptions made in the calculation of the technical provisions. This will be included in future reports.

D.3.1.3 Reinsurance payables

The value of reinsurance payables (S.02.01.02 R0830) as at the reporting date was €55,380k. Reinsurance premium payable in respect of reinsurance ceded is recognised in the period in which the reinsurance contract is entered into and includes estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis. These are then adjusted to remove future reinsurance payable amounts and ceded policy debtor amounts.

D.3.1.4 Payables (trade, not insurance)

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

D.3.1.5 Any other liabilities, not shown elsewhere

As at the reporting date, the value of other liabilities, not shown elsewhere (S.02.01.02 R0880) was €15,824k and consists of accruals and deferred income. For Solvency II purposes these balances are assessed as to whether they satisfy the conditions to meet the definition of expenses that can be allocated to technical provisions, if not they are classified here. These balances are considered

payable within 12 months and as a result no discounting has been applied.

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

In addition to the explanations below please refer to the table in section E.2.2 for a summary of the differences between Solvency II valuation and the Company's Irish GAAP accounting policies.

D.3.2.1 Deferred tax liabilities

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

D.4 Alternative methods for valuation

No alternative methods have been applied by the Company.

D.5 Any other information

The Company has no further material information to note.

D.3.2.2 Reinsurance payables

As at the reporting date the value of reinsurance payables in the Solvency II balance sheet (S.02.01.02 R0830) was €55,380k and the value under the Company's Irish GAAP accounting policies was €77,105k. The difference of €21,725k relates to the removal of future reinsurance payable amounts and ceded policy debtors for Solvency II.

D.3.2.3 Payables (trade, not insurance)

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

D.3.2.4 Any other liabilities, not shown elsewhere

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

E. Capital Management

E.1 Overview

The Company uses the Standard Formula as defined by the EIOPA to calculate the SCR. The Company deems the Standard Formula appropriate for use, given the risks it is exposed to.

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

- The Solvency Capital Requirement coverage ratio at 31 December 2016 was 148.6%, with eligible own funds of €225,423k and an SCR of €151,715k
- The Minimum Capital Requirement coverage ratio at 31 December 2016 was 359.4%, with eligible own funds of €185,423k and an MCR of €51,593k

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

Whilst the Company had capital in excess of its Solvency II requirements at 31 December 2016, during the year the Company availed of a derogation under Article 147 of the Solvency II Regulations in respect of its compliance with the SCR. Article 147 provides for a derogation for non-compliance with the SCR to 31 December 2017 where an undertaking was in compliance with the required solvency margin under Solvency I immediately before 1 January 2016.

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

E.1.1 Capital Management Overview

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

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

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

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

E.2 Own Funds

E.2.1 Own funds classified by tiers

This is the Company's first reporting period under Solvency II, therefore no commentary is provided around movements in own funds during the reporting period. This will be included in future reports.

Own funds as at 31 December 2016 of €225,423k comprises of Tier 1 capital of €185,423k and Tier 2 capital of €40,000k further details of which are set out below.

E.2.1.1 Tier 1 unrestricted:

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

Ordinary share capital

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

Share premium related to ordinary share capital

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

Capital Contribution

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

Reconciliation reserve

The negative reconciliation reserve of (€91,577k) is made up of the Company's retained earnings (€69,200k), revaluation reserve €4,322k and differences between the statutory value and the Solvency II value of net assets in the balance sheet (€26,699k) (see detail below). The reconciliation reserve is not subordinated or restricted in any way.

E.2.1.2 Tier 2 and Tier 3:

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

E.2.2 Material differences between capital and reserves as shown in the Financial Statements and the Solvency II value of excess assets over liabilities

The table on page 61, (Fig L29) details the capital and reserves in the Financial Statements as at the reporting date of €212,122k and the adjustment to bring it in line with the Solvency II excess of assets over liabilities of €185,423k (S23.01.01 R0700). This excludes the above noted Tier 2 capital of €40,000k.

The table on page 61, (Fig L30) details the Solvency II restrictions making up the €26,699k (refer to sections D1 and D3 for explanations of movements).

Fig L29

Capital and Reserves	€'000
2,270,001 Ordinary shares of €1 each	2,270
Share premium	224,730
Capital Contribution	50,000
Revaluation reserve	4,322
Retained earnings brought forward	(64,745)
Loss for the financial year	(4,455)
Capital and reserves per Financial Statements	212,122
Solvency II adjustments	(26,699)
Excess of assets over liabilities	185,423

Fig L30

	Solvency II value €'000	Financial Statements value €'000	Difference €'000
Goodwill	-	18,326	(18,326)
Deferred acquisition costs	-	12,647	(12,647)
Intangible assets	-	6,813	(6,813)
Deferred tax asset	-	7,750	(7,750)
Bonds	633,816	624,335	9,481
Deposits other than cash equivalents	2,000	-	2,000
Cash and cash equivalents	18,531	20,531	(2,000)
Reinsurance recoverable	155,363	181,932	(26,569)
Insurance and intermediaries receivables	9,696	48,676	(38,980)
Any other assets, not elsewhere shown	4,006	13,486	(9,481)
Technical provisions non-Life	(598,407)	(653,071)	54,664
Deferred tax liabilities	-	(7,996)	7,996
Reinsurance payables	(55,380)	(77,105)	21,726
Total			(26,699)

E.3 Solvency Capital Requirement and Minimum Capital Requirement

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

Solvency Capital Requirement (SCR)

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

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

- Standard Formula: defined formula calibrated with a confidence level of 99.5% over a 1-year time horizon by the European Regulator (EIOPA).
- Undertaking specific parameters: when the entity considers that any of the parameters inside the Standard Formula do not apply correctly to their business model and or the way they manage their risks, and change any of the parameters of the Standard Formula, it is said that their SCR/MCR is calculated with the

use of undertaking specific parameters.

- Partial/Full Internal Models: when an entity considers that the Standard Formula does not properly measure their risk, they can develop a partial or a full internal model that will show their internal measure of the risk.

The Company has assessed that the Standard Formula broadly reflects the risks it is exposed to and it uses the Standard Formula in determining the Company’s SCR. The SCR composition at 31 December 2016 was as shown below, (Fig L31).

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

Market risk generates the second largest risk capital requirement in 2016. However, similarly to underwriting risk, this will decrease over time as the reserves are paid and bonds are liquidated, resulting in reduced spread and interest rate risk.

Counterparty risk is generally stable given that the Company’s reinsurance programmes do not materially change year on year. As set out earlier

Fig L31

	€'000
Non-life underwriting risk	116,683
Market	27,988
Counterparty	14,125
Intangible	-
Diversification between modules	(24,348)
Basic SCR	134,449
Operational risk	17,266
Adjustment for tax	-
SCR	151,715

in this report, the majority of the Company’s counterparty default exposure relates to LMIC.

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

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

A more detailed composition of the SCR as at 31 December 2016 is shown below, (Fig L32).

Fig L32

	€'000
Non-life underwriting risk	116,683
Premium & reserve risk	112,526
Lapse risk	6,423
CAT risk	13,136
Diversification within module	(15,401)
Market	27,988
Interest rate	13,653
Equity	595
Property	5,295
Spread	18,584
Currency	4,375
Concentration	974
Diversification between modules	(15,487)
Counterparty	14,125
Intangible	-
Total capital required per module	158,796
Diversification between modules	(24,348)
Basic SCR	134,449
Operational risk	17,266
Adjustment for tax	-
SCR	151,715

No simplifications have been applied to any of the main submodules and/or secondary submodules. The parameters used are those provided by EIOPA in the Standard Formula, and no undertaking specific parameters have been adopted in the SCR calculation.

All the submodules have been calculated following the Standard Formula. No internal or partial

internal models have been used to calculate the SCR.

Minimum Capital Requirement (MCR)

The second capital requirement indicator is the MCR. It represents the minimum amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable

level of risk were the undertaking allowed to continue operating. A breach of MCR can trigger the ultimate supervisory intervention of the withdrawal of authorisations, should the Company fail to restore own funds to the level of the MCR within an appropriate timeframe.

The MCR for the Company at 31 December 2016 was €51,593k. This is calculated with reference to two other intermediate measures; the MCR Combined and the MCR Linear, which are predefined under Solvency II.

E.4 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

E.5 Differences between the standard formula and any internal model used

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

E.6 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As set out earlier in this section, the Company is in compliance with both the MCR and the SCR at 31 December 2016.

Whilst the Company had capital in excess of its Solvency II requirements at 31 December 2016, during the year the Company availed of a

derogation under Article 147 of the Solvency II Regulations in respect of its compliance with the SCR. Article 147 provides for a derogation for non-compliance with the SCR to 31 December 2017 where an undertaking was in compliance with the required solvency margin under Solvency I immediately before 1 January 2016.

E.7 Any other information

All material information regarding the Company's capital management is disclosed in section E above.

F. Quantitative Reporting Templates

F.1 General Information

Undertaking name	Liberty Insurance Limited
Undertaking identification code	635400ZPBTPGZKL4SO95
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	IE
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	EUR
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

F.2 S.02.01.02 Balance Sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	20,665
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	637,580
R0080	<i>Property (other than for own use)</i>	1,764
R0090	<i>Holdings in related undertakings, including participations</i>	-
R0100	<i>Equities</i>	-
R0110	<i>Equities - listed</i>	-
R0120	<i>Equities - unlisted</i>	-
R0130	<i>Bonds</i>	633,816
R0140	<i>Government Bonds</i>	268,244
R0150	<i>Corporate Bonds</i>	358,357
R0160	<i>Structured notes</i>	-
R0170	<i>Collateralised securities</i>	7,215
R0180	<i>Collective Investments Undertakings</i>	-
R0190	<i>Derivatives</i>	-
R0200	<i>Deposits other than cash equivalents</i>	2,000
R0210	<i>Other investments</i>	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	<i>Loans on policies</i>	-
R0250	<i>Loans and mortgages to individuals</i>	-
R0260	<i>Other loans and mortgages</i>	-
R0270	Reinsurance recoverables from:	155,364
R0280	<i>Non-life and health similar to non-life</i>	155,364
R0290	<i>Non-life excluding health</i>	155,364
R0300	<i>Health similar to non-life</i>	-
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	-
R0320	<i>Health similar to life</i>	-
R0330	<i>Life excluding health and index-linked and unit-linked</i>	-
R0340	<i>Life index-linked and unit-linked</i>	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	9,696
R0370	Reinsurance receivables	16,146
R0380	Receivables (trade, not insurance)	310
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	18,531
R0420	Any other assets, not elsewhere shown	4,006
R0500	Total assets	862,298

F.2 S.02.01.02 Balance Sheet

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

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

Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total	
	Medical expense insurance	Income protection insurance	Worker's compensa- tion insurance	Motor vehicle liability insurance	Other motor insurance	Marine aviation and transport insurance	Fire and other damage to property insurance	General liability insur- ance	Credit and suretyship insurance	Legal expenses insurance	Assis- tance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0200
Premiums written																		
R0110	<i>Gross - Direct Business</i>																	209,333
R0120	<i>Gross - Proportional reinsurance accepted</i>																	-
R0130	<i>Gross - Non-proportional reinsurance accepted</i>																	-
R0140	<i>Reinsurer's share</i>																	76,825
R0200	<i>Net</i>																	132,508
Premiums earned																		
R0210	<i>Gross - Direct Business</i>																	219,436
R0220	<i>Gross - Proportional reinsurance accepted</i>																	-
R0230	<i>Gross - Non-proportional reinsurance accepted</i>																	-
R0240	<i>Reinsurer's share</i>																	86,702
R0300	<i>Net</i>																	132,734
Claims Incurred																		
R0310	<i>Gross - Direct Business</i>																	115,041
R0320	<i>Gross - Proportional reinsurance accepted</i>																	-
R0330	<i>Gross - Non-proportional reinsurance accepted</i>																	-
R0340	<i>Reinsurer's share</i>																	62,429
R0400	<i>Net</i>																	52,612
Changes in other technical provisions																		
R0410	<i>Gross - Direct Business</i>																	-
R0420	<i>Gross - Proportional reinsurance accepted</i>																	-
R0430	<i>Gross - Non-proportional reinsurance accepted</i>																	-
R0440	<i>Reinsurer's share</i>																	28,213
R0500	<i>Net</i>																	(28,213)
R0550	Expenses incurred																	110,427
R1200	Other expenses																	-
R1300	Total expenses																	110,427

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

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

F.5 S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		C0170
R0010	Technical provisions calculated as a whole				-	-		-	-	-								-
R0050	Total Recoverables from reinsurance/SPV and Finite RE after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	-
Technical provisions calculated as a sum of BE and RM Best Estimate																		
Premium Provisions																		
R0060	Gross				29,008	2,163		7,609	7,112	-								45,893
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				19,288	1,550		4,646	4,033	-								29,516
R0150	Net Best Estimate of Premium Provisions				9,720	614		2,964	3,080	-								16,377
Claims Provisions																		
R0160	Gross				362,756	1,220		18,070	138,407	9,194								529,646
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				102,353	517		7,202	15,776	-								125,848
R0250	Net Best Estimate of Claims Provisions				260,403	702		10,868	122,631	9,194								403,798
R0260	Total best estimate - gross				391,764	3,383		25,679	145,519	9,194								575,539
R0270	Total best estimate - net				270,123	1,316		13,832	125,711	9,194								420,176
R0280	Risk margin				12,542	361		2,765	6,229	971								22,868
Amount of the transitional on Technical Provisions																		
R0290	Technical provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	Technical provisions - total				404,307	3,744		28,444	151,748	10,165								598,407
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				121,641	2,067		11,847	19,808	-								155,364
R0340	Technical provisions minues recoverable from reinsurance/SPV and Finite Re - total				282,665	1,667		16,596	131,940	10,165								443,044

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

Z0010 Accident year / underwriting year Accident Year

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

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

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

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

F.7 S.23.01.01 Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	2,270	2,270		-	
R0030	Share premium account related to ordinary share capital	224,730	224,730		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	(91,577)	(91,577)			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	50,000	50,000	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-				
Deductions						
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	
R0290	Total basic own funds after deductions	185,423	185,423	-	-	-
Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	40,000			40,000	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	

F.7 S.23.01.01 Own Funds

R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	-
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	Total ancillary own funds	40,000			40,000	-
Available and eligible own funds						
R0500	Total available own funds to meet the SCR	225,423	185,423	-	40,000	-
R0510	Total available own funds to meet the MCR	185,423	185,423	-	-	
R0540	Total eligible own funds to meet the SCR	225,423	185,423	-	40,000	-
R0550	Total eligible own funds to meet the MCR	185,423	185,423	-	-	
R0580	SCR	151,715				
R0600	MCR	51,593				
R0620	Ratio of Eligible own funds to SCR	148.58%				
R0640	Ratio of Eligible own funds to MCR	359.39%				
Reconciliation reserve		C0060				
R0700	Excess of assets over liabilities	185,423				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	277,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-				
R0760	Reconciliation reserve	(91,577)				
Expected profits						
R0770	Expected profits included in future premiums (EPIFP) - Life business	-				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	7,004				
R0790	Total Expected profits included in future premiums (EPIFP)	7,004				

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

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

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

		Linear formula component for non-life insurance and reinsurance obligations	C0010		
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0020	C0030
R0010	MCR _{NL} Result		51,593		
R0020	Medical expense insurance and proportional reinsurance			-	-
R0030	Income protection insurance and proportional reinsurance			-	-
R0040	Workers' compensation insurance and proportional reinsurance			-	-
R0050	Motor vehicle liability insurance and proportional reinsurance			270,123	90,212
R0060	Other motor insurance and proportional reinsurance			1,316	6,715
R0070	Marine, aviation and transport insurance and proportional reinsurance			-	-
R0080	Fire and other damage to property insurance and proportional reinsurance			13,832	17,617
R0090	General liability insurance and proportional reinsurance			125,711	17,964
R0100	Credit and suretyship insurance and proportional reinsurance			9,194	-
R0110	Legal expenses insurance and proportional reinsurance			-	-
R0120	Assistance and proportional reinsurance			-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance			-	-
R0140	Non-proportional health reinsurance			-	-
R0150	Non-proportional casualty reinsurance			-	-
R0160	Non-proportional marine, aviation and transport reinsurance			-	-
R0170	Non-proportional property reinsurance			-	-

F.9 S.28.01.01 – continued

Linear formula component for non-life insurance and reinsurance obligations		C0040		
R0200	MCR _L Result	-		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			
Overall MCR calculation		C0070		
R0300	Linear MCR	51,593		
R0310	SCR	151,715		
R0320	MCR cap	68,272		
R0330	MCR floor	37,929		
R0340	Combined MCR	51,593		
R0350	Absolute floor of the MCR	3,700		
R0400	Minimum Capital Requirement	51,593		

Terminology

Reference	Description
ADC	Adverse Development Cover
ALAE	Allocated Loss Adjustment Expense
ALM	Asset and Liability Matching
AOF	Ancillary Own Funds
CAP	Compliance Attestation Process
CAT	Catastrophic
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CF	Controlled Functions
CFO	Chief Financial Officer
CIC	Complementary Identification Code
CRO	Chief Risk Officer
DAC	Designated Activity Company
EIOPA	European Insurance and Occupational Pensions Authority
ENID	Events Not in Data
EPIFP	Expected Profit In Future Premium
EU	European Union
EY	Ernst and Young
GAAP	Generally Accepted Accounting Practices
GB	Great Britain
IBNR	Incurred But Not Reported
INED	Independent Non-Executive Director
LAP	Liberty Attestation Process
LMIC	Liberty Mutual Insurance Company
MIBI/MIB	Motor Insurance Bureau of Ireland/ Motor Insurance Bureau
NI	Northern Ireland
ORSA	Own Risk and Solvency Assessment
PCF	Pre-approval Controlled Functions
PDR	Premium Deficiency Reserve
QRT	Quantitative Reporting Templates
QS	Quota Share
RAS	Risk Appetite Statement
ROI	Republic of Ireland
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
The Company	Liberty Insurance Designated Activity Company
The Group	Liberty Mutual Group
UK	United Kingdom of Great Britain and Northern Ireland
ULAE	Unallocated Loss and Adjustment Expense
XOL	Excess of Loss



Insurance the way it should be.