MIC INSURANCE

MIllennium Insurance Company Ltd.

SOLVENCY & FINANCIAL CONDITION REPORT

SFCR

For year ending 31TH December 2017

CONTENTS

CONTENTS

Executive Summary

Millennium Insurance Company Limited (also 'MIC' or 'the Company'), is an insurance company licensed in Gibraltar.

The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act ("the Solvency II Act in Gibraltar") including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

The Company has performed well during the year 2017 and has recorded profits for the year per the management accounts of **2.190.217€** and Assets of **164.923.509€.** The profits have been driven from strong underwriting performance and investment returns.

The Company has continuously complied with all aspects of the Solvency II regulations from the date of first implementation on 1 January 2016. As part of this, the Company has taken advantage of the transitional provisions available under Solvency II Act in Gibraltar and continues to work closely with the Gibraltar Financial Services Commission during the transitional period.

The Company's business plans forecast shows that own funds will exceed in the next years solvency capital requirement.

Antonio Morera Vallejo
Chairman

A

Business & Performance

A1. Business

Millennium Insurance Company Ltd is authorized to carry out non-life insurance in the classes below in all the European Union market:

- Accident & health
- Property
- Liability
- Credit & Suretyship
- Legal expenses
- Miscellaneous

At the day, the company is writing business in Spain, Portugal, Italy, France, UK, Lithuania, Hungary, Luxemburg, Poland, Germany, Romania, Belgium and Ireland.

Business is written through selected brokers, underwriters or producers (from now "intermediaries") in a number of European countries. The principals behind the Company have been operating in this market for a number of years initially as brokers and Lloyds cover holders and have considerable experience of this area.

The Company's core strategy is to build a profitable multi-line insurance company which provides capacity to both group and independent intermediaries and builds long-term shareholder value.

The Company pursues the objective of doing business in those countries of the European Union where there are market niches where MIC can contribute with its experience and knowledge.

This same strategy is the one which has been used in the past to allow the Company to achieve its current strong position. The Company expects to achieve carefully controlled growth and underwrite quality business, while always thinking of the needs of its customers.

The Board is committed to managing the business in a risk-focused manner at all times and this philosophy is an integral part of the business culture and the decision-making processes. The ultimate goal of this is to ensure the achievement of the Company's strategic objectives.

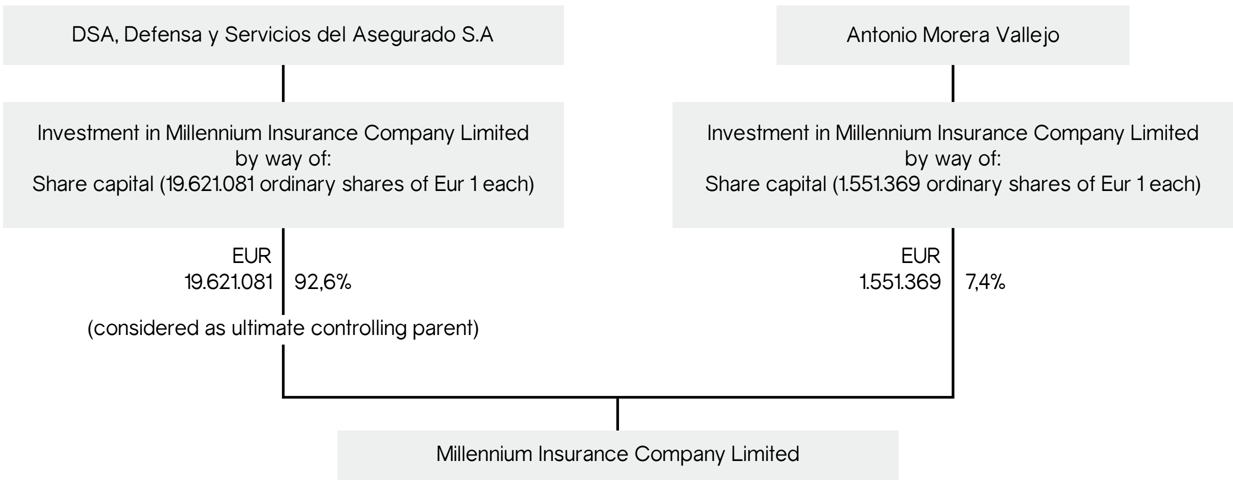
Millennium Insurance Company Ltd is regulated by:
Gibraltar Financial Services Commission
PO Box 940
Suite 3, Atlantic Suites
Gibraltar
Tel: +350 200 40283
www.fsc.gi

MIC accounts external auditor are:
BDO Limited
5.20 World Trade Center
6 Bayside Road
P.O. Box 1200
Gibraltar
www.bdo.gi/

Shareholders:

DSA, Defensa y Servicios del Asegurado S.A	92,6%
Antonio Morera Vallejo	7,4%
	100%

Group Structure:



A2. Underwriting Performance

Millennium operates in the non-life insurance market in different countries like Spain, Portugal, Italy, France, UK, Lithuania, Hungary, Luxemburg, Poland, Germany, Romania, Belgium and Ireland.

At the year end 2016, the Company had 139 million in assets and gross premiums of 74 million; this represents an increase of 21% and 3% in respect to the previous year.

In 2017, MIC has achieved a consolidation in its figures, with a financial strategy more focused on Solvency II and asset growth that can make the company grow consistently in the next years. Those businesses have been maintained in the classes and countries that have been profitable for the Company and have finished with those portfolios that had a high loss rate in recent years, especially in the United Kingdom. This translated into a lower premium written in 2017 compared to the previous year, however, it will be beneficial for the company in the medium and long term. At the close of the year, MIC's assets have grown to 164 million, which translates into an increase of 19% compared to 2016.

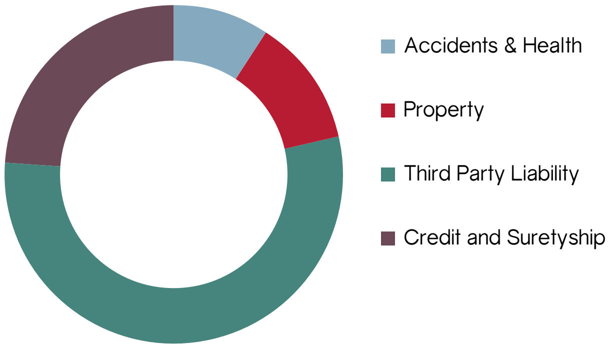
MIC is positioned as a leader in the Spanish market in the suretyship sector with a market share of 21.87%. With these figures, MIC grows 2% over the previous year and reaffirms itself as the leader in Spain in suretyship sector for the fifth year in a row (first position in the ICEA ranking - Investigación Cooperativa entre Entidades Aseguradoras).

For 2018 and beyond, MIC expects to open new markets in the EU with new opportunities that the different markets and together with new agencies and brokers with a knowledge and experience which will enable Millennium to grow not only in premiums and profits, but also in quality and adaptation to the needs of our insureds.

The premium written by class and by territory for the year ended 2017 is as follows:

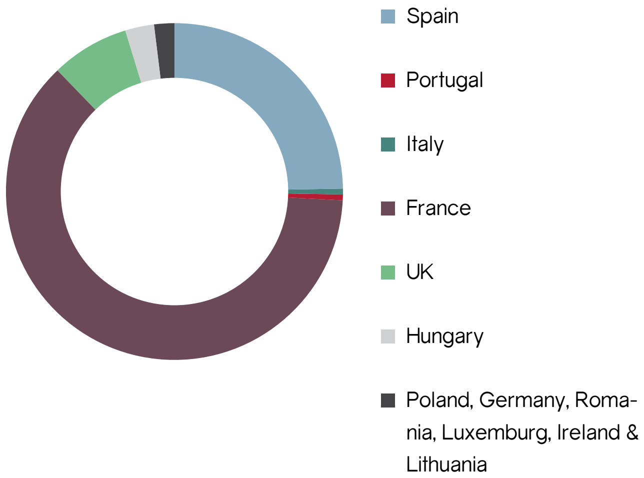
Classes:

Accidents & Health	5.602.754 €
Property	7.288.711 €
Third Party Liability	32.496.175 €
Credit and Suretyship	14.177.260 €
Legal expenses	86.760 €
Miscellaneous Financial Loss	212.372 €
Total	59.864.031€



Territory:

Spain	14.865.667€
Portugal	395.128 €
Italy	347.180 €
France	37.094.585 €
UK	4.364.787 €
Hungary	1.713.238 €
Other countries	1.083.447 €
Total	59.864.031 €



The Claims incurred for the year ended 2017 is as follows:

	2017	2016
Gross Premiums written	59.864.031 €	74.332.203 €
Gross Claims incurred	34.636.696 €	29.745.865 €
% Claims / Premiums	57%	40%

The loss ratio is increased due to the reported losses of the businesses that the Company has closed because they were not profitable. This measure took place in 2017, and it is expected that next year the Company will have a lower loss ratio, which would translate into a lower loss ratio. MIC would continue working to improve together with its agencies to subscribe to the different markets with the lowest possible risk and always based on the experience and knowledge of the different markets in which it operates.

A3. Investment Perfomance

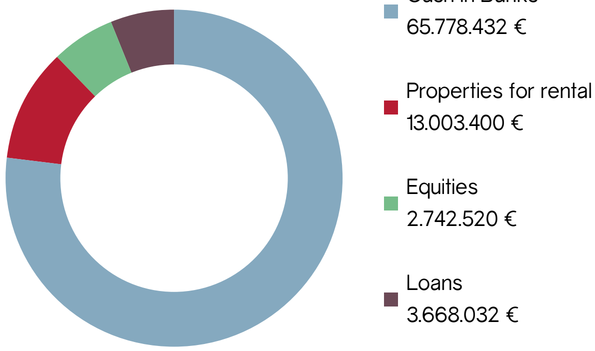
MIC's investment policy is limited to relatively standard and easily-understood investments. Derivatives are not utilised and the company does not undertake any non-routine investment activity or invest in unusual or complex investments including any investments in securities instruments.

The Investment assets held by the Company are as follows:

MIC haves investments assets in a diversified portfolio were most of cash is held in banks with a rating higher than "A". In 2017 it has increased by 29% compared to 2016.

Due to solvency II, the company handles very low risky investments trying always to have a balance between profitability and liquidity risk comfort.
MIC´s equities portfolio in composed of shares in the Spanish regulated market and most of them are blue chips. In 2017, the investment in shares was € 2.7 million compared to € 3.9 million in 2016. This represents 30% less investment risk exposure and practically the same gain has been obtained (€ 340k vs. € 335k of the previous year), assuming this an increase of 8.30% to 11.5%.

In 2017, the Company has not given any loans to third-party companies. The loans granted are maintained and were given in 2016 with the aim of obtaining an interesting return. Most of these loans are secured with properties with a much larger amount than the total borrowed. The Company may request the reimbursement of these amounts at any time, so that by 2018 these loans will be canceled.



Gains and losses of Investments:

Equities (annual)	
Investment	2.742.520 €
Gains/Loss	340.286 €
Equities Bank Expenses	25.451 €
Profitability %	11,5%

Loans (annual)	
Investment	3.668.032 €
Interest received	44.364 €
Profitability %	1,22%

Properties (from 4Q 2017)	
Investment	13.003.400 €
Interest received	415.550 €
Profitability %	3,20%

A4. Performance of Other Activities

There have been no other significant activities undertaken by the Company other than its insurance and related activities.

A5. Performance of Other Activities

There are no other material matters in respect to the business or performance of the Company.

B

System of Governance

B1. General Information on System of Governance

The Company retains the majority of its key functions in-house either via the Board and Sub-Committees or through directly-employed individuals.

MIC sources its business through a network of carefully selected intermediaries and relies on these intermediaries to provide appropriate policy administration and claims handling services, overseen by the Board, Sub-Committees and other members of the management team.

MIC is committed to ensuring that its business is managed in a risk-focused manner at all times. All directors are closely involved in the day-to-day management thus ensuring that the risk management philosophy is an integral part of MIC's business culture and the decision-making processes and drives the manner in which the company seeks to achieve its objectives. The Company has different Committees, like the Underwriting and the Claims committees that meet on a regular basis. Key decisions are made by the board and regular meetings are held in Gibraltar.

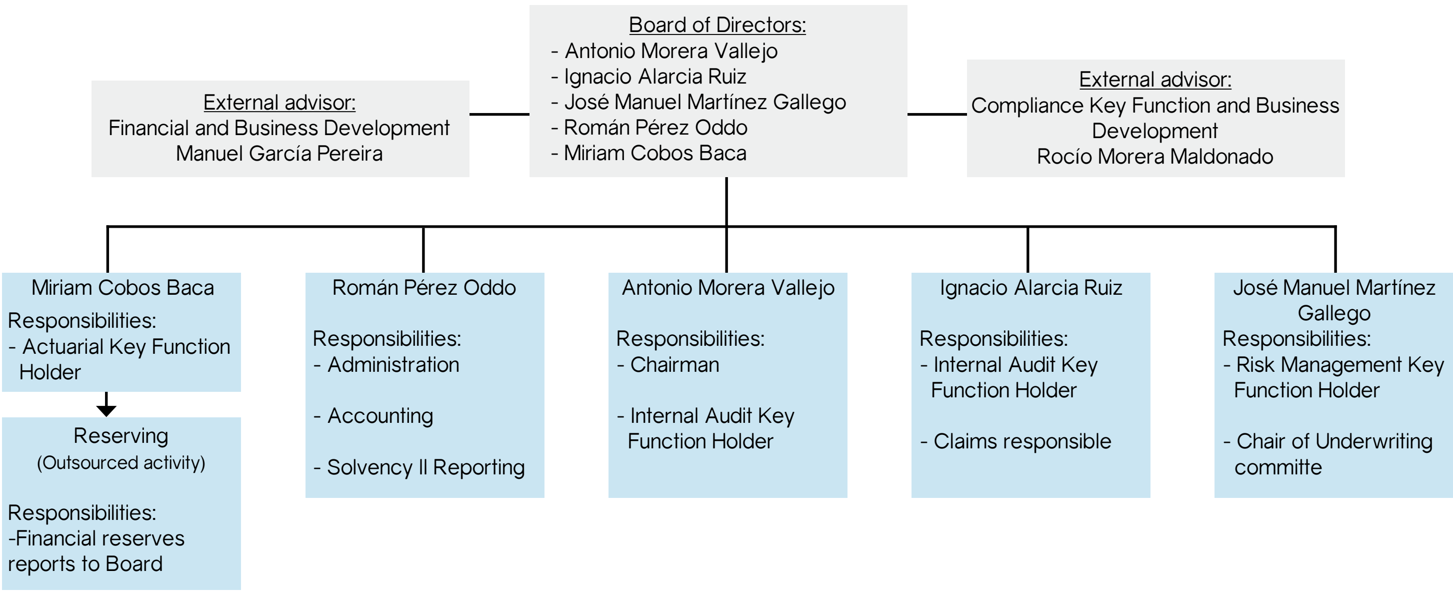
As part of its overall risk management framework, the Company has decided to make use of the Standard Model in the calculation of its regulatory solvency requirement and to use this as the basis, with appropriate consideration of other risk factors and mitigations, together with appropriate stress tests, in the completion of its ORSA. This is considered to be appropriate for the company, as it does not underwrite unusual risks or exposures which could require the use of an internal model.

This document has been approved and adopted by the Board of Directors and is applicable to all functions of the Company.

As in previous years, no dividends have been distributed to shareholders and profit has been destined entirely for the increase of own funds of the Company.

MIC Board of directors:	
Antonio Morera Vallejo	(Chairman and Shareholder)
Ignacio Alarcia Ruiz	(Resp. Claims)
Jose Manuel Martinez Gallego	(Resp. Risk Management)
Román Pérez Oddo	(Resp. Admin, Accounting & Solv II)
Miriam Cobos Baca	(Resp. Actuarial, Accounting & Adm)
External Advisors:	
Manuel García Pereira	(Financial & Business development)
Rocío Morera Maldonado	(Compliance Function & Business development)

Roles and Responsibilities:



Due to its size, the Board of MIC retains responsibility for the Company's remuneration policy.

MIC ensures that it uses service providers who have the required skill and experience. An ongoing dialogue with service providers is maintained and audits are carried out. The different agreements are taken into account as part of the outsourcing policy.

Remuneration of service providers does not depend on performance, volume or other measures. Performance is instead monitored through the audit process and regular, ongoing dialogue. Accordingly, the manner in which service providers are paid does not expose MIC to any additional risk, impact on the Company's risk profile or threaten its capital base.

At least two of the five MIC directors are permanently at headquarters. This team is increased weekly with visits and support from other managers and workers, up to about ten people. All of them are remunerated according to agreement by the Board and according to their skills, knowledge, experience, qualification and function within the Company. The bonds that are granted are based on the overall performance of the Company in the period in question.

Given the philosophy of the Company and its work in the free provision of services, it has about 100 people who are in charge of a directive work in favor of these, and controlled by the permanent audits that the Company oversees.

MIC has one of the most cutting-edge IT platforms in the European insurance sector, which allows real-time insurers to carry out insurance work from anywhere in the world, as well as being able to be connected to any intermediary.

Accordingly, the remuneration of employees does not expose MIC to any additional risk or impact on the Company's risk profile or threaten its capital base.

In order to achieve its strategic objectives, MIC must ensure that it is able to attract and retain individuals and service providers of the quality required to run the company successfully. It therefore must ensure that the necessary skill, qualifications, knowledge and experience are in place and that the rewards offered are appropriate.

As it is mentioned in the remuneration policy of the company, in case of remuneration, it will be approved by the Board. The Director shall abstain from discussion and decisions regarding his/her own remuneration to avoid conflicts of interest.

B2. Fit and Proper Requirements

MIC must ensure that the individuals running the business or fulfilling key functions have the appropriate knowledge and skills to do so. The company must therefore ensure that such individuals are both fit and proper and they have the attitude required.

This assessment takes place prior to appointment to a role and is reviewed annually by the Board. Additionally, the Board will review fitness and propriety on an ad hoc basis when becoming aware of a potential issue.

Members of the Board and sub-committees and those carrying out other significant functions have extensive knowledge and experience across a variety of areas. This ensures that there is an appropriate spread of skills for managing the business.

Individuals are required to ensure their skills and knowledge is kept up-to-date. On an annual basis, each individual involved in the company will be required to complete a self-certification form to evidence ongoing professional development. The Compliance function is responsible for monitoring this process and reporting thereon to the Board at least annually.

B3. Risk Management System including ORSA

Policy

MIC aims to ensure that the business is managed at all times in a risk-focused manner. The policy is intended to identify all material risks, minimize risks wherever possible and manage and control all significant risks within acceptable parameters. The ultimate goal is to ensure policyholder protection, both now and in the future and for the Company to achieve its overall strategic objectives.

MIC underwrites a diversified portfolio of business across a number of license classes and in a number of European jurisdictions. The Company operates through carefully selected intermediaries and ensures that there is sufficient expertise both within MIC and the intermediaries in the relevant business segments. The Company only moves into new areas once it is comfortable as to the historic track record and has satisfied itself that the necessary knowledge and expertise exist.

Responsibility

Risk management is the responsibility of the Board.

MIC's approach to risk management is communicated to all directors, managers, and employees, as well as any others assisting with the management of the Company. Those people have a duty to observe and comply with the Company's risk management philosophy.

It is the responsibility of all Directors, Managers and Employees of the company to consider any issues that may give rise to a risk event that may in turn impact on the Risk Strategy of the business. This is accomplished by full and detailed discussion of a wide range of issues at Board and Committee meetings, which are held at least quarterly.

MIC has formally documented the Company's risk profile, including appetite and tolerances, and has established a risk register to assess key risks. The Company's risk profile is considered at every Board meeting, together with an assessment of any decisions taken and any actions that may be required as a result.

In addition to this, the risk register will be formally reviewed on a minimum of a six-monthly basis.

Risk categories

MIC categorizes its risks as follows:

- Strategic Risk
- Insurance Risk
- Market Risk
- Liquidity Risk
- Credit Risk
- Concentration Risk
- Operational Risk
- Reputational Risk

Risk Management

Risks are identified and recorded in a risk register, which is discussed formally on at least a six-monthly basis. Additionally, at each Board meeting consideration is given to whether the Company's risk profile or risk exposure has changed due to decisions taken.

Once identified, risks are assessed as to their likely impact and the likelihood of their occurrence according to the following matrices:

Impact Rating	Impact	Financial Impact	Operational Impact	Reputational Impact
1	Negligible	Less than €25,000	No impact	No negative publicity
2	Low	Between €25,000 and €100,000	Disruption less than 1 day	Negligible negative publicity
3	Moderate	Between €100,000 and €500,000	Disruption less than 1 week	Negative publicity for a short period of time
4	Significant	Between €500,000 and €1,000,000	Disruption more than 1 week	Negative publicity for up to 1 week
5	Very significant	Between €1,000,000 and €2,500,000	Disruption up to 1 month and needing significant resources to rectify	Negative publicity for more than 1 week, but not permanent
6	Severe	Greater than €2,500,000	Disruption greater than 1 month and needing significant resources to rectify	Negative publicity that creates permanent damage

Probability Rating	Description of Probability
1	Negligible - almost certain not to occur
2	Remote - very unlikely to occur
3	Low - will occur very occasionally
4	Possible - equally likely to occur or not
5	Probable - likely to occur
6	Highly likely - almost certain to occur

This is done both on an inherent basis, i.e. without taking account of controls, and on a residual risk basis, i.e. the risk remaining after the mitigating effect of controls.

Risks are then be allocated a significance based on the combined effect of these ratings:

	Probability					
Impact	1	2	3	4	5	6
1	1	2	3	4	5	6
2	2	4	6	8	10	12
3	3	6	9	12	15	18
4	4	8	12	16	20	24
5	5	10	15	20	25	30
6	6	12	18	24	30	36

- Low risk
- Medium risk
- High risk

Company management structure

MIC operates through a Board of Directors and various management committees, including:

Overall Management

Board of Directors – Overall management and strategic direction of the company; meetings held at least quarterly.

Underwriting and Claims Management and Oversight

Underwriting and Claims Committee – Review of performance, setting of rates, control and monitoring of claims; meetings held quarterly.

Investment Management Oversight

Responsibility is retained by the Board of Directors – Setting of investment objectives and parameters, review of investment performance; meetings held monthly when it is required.

Policy Acquisition, Processing and Record-keeping

Underwriting Agencies – Acquisition and processing of policies, provision of accounting information and other monthly reports/information, which are reviewed internally by MIC.

Provision of Management Information

MIC staff/Underwriting Agencies – Provision of Management Information and portfolio analysis as requested by the Board. It is checked by the agency and by MIC´s team.

Accounting and Financial Reporting

MIC Team – The team checks that all information received from the agencies is correct and is responsible for managing and controlling receipts and payments, day-to-day accounting, production of monthly management accounts, production of solvency returns, and liaison with auditors.

Claims Handling

MIC Team /Intermediaries – Management and oversight of claims on a day-to-day basis, setting of reserves, payment of claims. Independent actuarial review of reserves by external actuaries.

External legal advisory services – Legal advisory services support with regards to claims and premium recoveries in the market.

Due to its size, MIC has decided not to operate via a separate risk management committee. Instead, responsibility for and ownership of the risk management framework rests entirely with the Board of Directors working together with senior members of management.

Risk Management Information

Key Risks

The highest risks currently faced by MIC arise from various sources. As at the last full review of the risk register the highest-rated risks (by residual risk) are:

Risk Description	Risk Category	Residual Risk Rating
Poor reputation of Gibraltar	Reputational	15
Brexit	Reputational	12
Significant drop in value of investments	Investment	12
Inappropriate claims handling	Insurance	10
Poor reputation of key intermediaries	Reputational	8
Failure of IT elements	Operational Risks	8

Risk Categories

Risk Category	Risk Strategy
Strategic Risk	MIC aims to operate an appropriate framework for limiting the possibility of strategic risk which could arise from inappropriate business decisions or manner in which such decisions are implemented or a lack of consideration of the wider markets in which the Company operates.
Insurance Risk	MIC's business is diversified across a number of business lines – accident & health, property, liability, credit & suretyship, legal expenses and miscellaneous – and across a number of European jurisdictions. The Company operates through carefully selected intermediaries and ensures that there is sufficient expertise both within MIC and the intermediaries in the relevant business segments. Claims are handled by External experts. MIC receives the information and forward it to them, they have lawyers that analyse the information and tell us how to proceed. Claims performance is discussed and monitored at the regular Underwriting and Claims Committee meetings. The company ensures it maintains optimum reinsurance protection by acquiring both proportional and non-proportional cover from reinsurers with financial strength rating of A- or better measured by a rating firm. MIC's policy regarding reserves is to carry out the best actuarial estimate. In this way, MIC carries out a review with independent actuaries to avoid deviations.

Market Risk	MIC aims to maintain a balance between capital preservation and investment return. Investment management is retained in-house. The investments are proposed by the directors and discussed in committee. The conclusion is manifested by a signing document to make the movement. It´s the Company's policy to hold investments that are traded regularly and therefore have a ready market value and are highly liquid. MIC's investment policy is limited to relatively standard and easily-understood investments. The Company does not undertake any non-routine investment activity or invest in unusual or complex investments.
Liquidity Risk	MIC aims to build and maintain liquid assets at a level sufficient for ongoing requirements. The requirement for liquidity is balanced with the goal of achieving adequate investment returns while ensuring that additional funds are available should they be required. The majority of investments held are therefore highly liquid and held with banks.
Credit Risk	Premium risk arises from the intermediaries producing the business and this is closely monitored in-house.The management of credit risk is important in ensuring that the Company minimises the possibility of losses from non-payment of amounts due to it. This area is therefore important in building a profitable and sustainable business. Risk with regard to reinsurers is managed through the careful selection of reinsurance counterparties.
Concentration Risk	MIC aims to minimise concentration risk where possible. The Company operates across a number of business lines, European jurisdictions, and intermediaries and have a range of reinsurance counter-parties. However, a higher level of concentration risk is accepted as a result of reliance on a small number of key individual and other companies within the wider group.
Operational Risk	The Company aims to minimize operational risk wherever possible. However, controls and processes are in place and concentrated in the hands of the senior members of the management team.
Reputational Risk	MIC's reputation is of key significance in the overall strategy. This covers consumers / policyholders, the markets in which the company operates distributors & intermediaries, and regulatory authorities. The Company aims to manage adverse perceptions via active and ongoing dialogue with all relevant counterparties. Due to the Brexit is the biggest unknown. At present it is not known what impact Brexit will have on the iinsurance market. In case of Brexit, the Company is working in diferents options to create a separate company based in the EU to write EU policies going forward.

Risk Mitigations

MIC has in place a number of controls and other risk mitigations to assist in the management of risks. These are set out in detail in the risk register, together with identifying the risks which are mitigated by the controls.

Insurance Risk
Key controls in place are:

- Diverse classes of business.
- Different policy with reinsurances depending of the class of business.
- Detailed review of monthly MI to monitor underwriting and claims performance.
- Close oversight/management of the claims handler.
- Periodic audits of the claims handler.
- In-house oversight and control of large claims.

In addition, a further risk transfer mechanism is used in the form of Excess of Loss Reinsurance and Quota Share reinsurance arrangements. These are set at a level consistent with a company of MIC's risk profile.

Market Risk
The key controls in place are:

- Monthly review of investment performance.
- Use of multiple banking counterparties: Diversity of cash in important banks.
- Diversification in the portfolio: Diversify our shares in important companies of the financial market.

Liquidity Risk
The key controls in place are:

- No loans for our own financing.
- No external creditors.
- Monthly review of investment performance.
- Use of multiple banking counterparties.
- Diversification in the portfolio.

Credit Risk
The key controls in place are:

- Continuous control to the agencies.
- Monthly feedback.
- Periodic visits.
- Quarterly control and settlement (Reinsurers).
- Distribution through multiple intermediaries.
- Appropriate rating for reinsurance counterparties.
- Use of an experienced reinsurance brokers.

Concentration Risk
The key controls in place are:

- Range of individuals involved in key areas of the business: Final decisions are taken by the board of directors.
- Multiple product lines and geographical markets: Different countries with a different agency in each of them.
- Various distribution channels utilized by intermediaries: Our business is divided between different intermediaries.
- Reinsurance placed with a panel of counterparties.

Operational Risk
The key controls in place are:

- Data integrity and other IT controls: IT team makes periodic security copies.
- All is double checked by different levels. Four eyes control: MI production and analysis, financial information, payments.
- Detailed analysis and review of monthly MI: Continuous control & feedback from the different agencies.
- Oversight, monitoring and audits of claims handler.
- Disaster Recovery and Business Continuity plans in case of emergencies.

Reputational Risk
The key controls on which reliance is placed are:

- Monitoring and reporting by the Compliance function
- Ongoing individual dialogue with relevant counterparties: they always confirm that the service offe red by MIC to its customers and its geographical location it good.
- Monitoring and control of service providers: Mic is very strict with the agencies in that matter

ORSA:
The objective of the ORSA policy is to ensure that the Board has a thorough understanding of the risks faced by MIC and that the Company maintains appropriate levels of capital to manage and mitigate these risks.

MIC's Own Risk and Solvency Assessment should be carried out in an effective, consistent and reliable manner and should provide the management of the company with the information needed to make appropriate decisions.

The ORSA will be carried out by various members of the management team with appropriate skills and knowledge of the relevant areas. However, the Board of MIC maintains oversight and control at all times, steering how the assessment is performed and challenging the results to ensure they properly take account of the Company's material risks.

Timing and frequency
MIC has been trading for a number of years, with the principals having been involved in the portfolio of risks written for a considerable time.

As a result, the Board believes that it is sufficient for a formal Own Risk and Solvency Assessment to be carried out on an annual basis. This will take place during the final month of the Company's financial year, thus ensuring that the timing is aligned with the business planning process.

In addition, the Board will formally assess on a quarterly basis at least, through accounts, whether any decisions taken, risk events, market factors or other similar items affect MIC's risk profile, risk appetite, free reserves or other relevant matters. In such a case, the impact on the Company's own assessment of its capital needs will be considered and, if required, a further ORSA together with an SCR calculation will be carried out.

ORSA processes and procedures
The ORSA will be conducted as follows:

- Production of annual business plan or revision/re-forecast of existing business plan.
- Forecast or re-forecast of business for the two subsequent years.
- Calculation from historical data for relevant patterns/assumptions.
- Calculation of the SCR based on the business plan and assumptions.
- Discussion by the Board of the business plan, assumptions and other details underlying the SCR calculation.
- Revision of the business plan, assumptions and/or SCR calculation where required following such discussion.
- Consideration of specific risks, MIC's specific risk profile, limits and tolerances as to their impact on the business plan, assumptions and/or SCR calculation.
- Stress and scenario testing of the business plan, assumptions and SCR calculations.

Final discussion and sign-off by the Board.

B4. Internal control System:

MIC is committed to managing its business in a risk-focused manner. In order to achieve this, appropriate controls have been put in place to reduce risks where possible. Risk management and the adherence to the internal controls are an integral part of the business culture.

Responsibility for establishing an appropriate internal control environment rests with the Board as a whole and its Directors individually. Responsibility for adherence to internal controls rests with all individuals involved in the management of the business.

The internal control policy is targeted at ensuring that:

- Procedures exist for the identification and assessment of risks.
- Appropriate processes and procedures are in place to control identified risks.
- Individuals involved in the business are trained and aware of their role with regard to internal controls.
- Appropriate monitoring and review processes are in place.

Compliance Function:

MIC's Compliance Officer is responsible for ensuring that the Company complies with all relevant rules, regulations, and legislation with regard to both Gibraltar requirements and applicable UK requirements. Among other responsibilities this will include:

- Carrying out "Know Your Customers" (KYC) procedures on new counterparties where required.
- Review of policy wordings.
- Monitoring of complaints.
- Monitoring of reports.
- Monitoring of reporting to the FSC.
- Maintenance of compliance monitoring programme.
- Monitoring of legislative or regulatory changes.
- Carrying out annual fitness and propriety checks on all board members and those responsible for key functions.
- Ensuring reviews of the company's risk register are conducted in accordance with the agreed review schedule.
- Monitoring of audit schedules covering any outsourced service providers and others as needed and reporting audit results to risk and/or audit committee.

B5. Internal Audit Function:

Internal Audit is an objective and independent activity, whose role is to help management achieve the Company's objectives by constantly improving the effectiveness of the Company's operations.

It is responsible for evaluating management's approach to risk management and governance, with particular emphasis on systems of internal control. It investigates the manner in which the Company's processes and control operate in order to assess their effectiveness in ensuring compliance with strategy and policies.

Internal Audit aims to assist management by identifying areas of significant risk and proposing improvements where required.

B6. Actuarial Function:

The role of the Actuarial function is to provide the Board with an independent perspective on key insurance aspects of the Company's operations. This will ensure that the Board is fully informed of matters that may impact the business.

MIC employs an in-house actuarial department with 2 actuaries that carries out large elements of the actuarial function tasks. In addition, in order to cover specific requirements which require an independent view, MIC utilize the services of external actuaries.

B7. Outsourcing:

Outsourcing Policy

This sets out the processes and procedures that will be followed when deciding to outsource a particular activity. This includes details on risk management and the contractual arrangements. The individual's allocated oversight of the relevant outsourced functions has the appropriate level of knowledge, skills and experience to oversee the provision of the services.

In addition, it is the Company's policy that all significant outsourced functions should be subject to fitness and propriety requirements; this will be demonstrated following the procedures previously set out and via a separate self-assessment questionnaire.

Material Service Providers in the Reporting Period:

Service Provider	Service Provided	Jurisdiction Located
DSA, Defensa y Servicios al Asegurado S.A	Day by day administration support	Spain
Decennium Investments S.L	Claims handling in Spain	Spain
Talamon Advocats	Legal advice and claims handling in France and Italy	France
Control habitat S.L	Expert loss evaluation	Spain
IMS	Claims Handling	France
Cunningham Lindsey	Claims Handling	France
Fiscal Reps Limited	IPT compliance and Fiscal representation	All E.U.
Artex Limited	Solvency II consulting and reporting	Gibraltar
Knowles Loss Adjusters Limited	Claims and complaints handling in UK	UK & Ireland
BDO Gibraltar Limited	Accounts External audit	Gibraltar
Ernst & Young S.L	Internal control tasks	Spain
Line Management Limited	Secretary and Legal advice	Gibraltar
Price Waterhouse Coopers	France Reserves Review	UK (London)
Grupo Morera & Vallejo S.L.	Financial Support & Compliance function	Spain

Due to its size, the Board of MIC retains responsibility for the Company's outsourcing policy.

B8. Adequacy of the system of Governance:

MIC aims to continuously improve its compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing systems. It also considers relevant industry advice and guidelines, for example, from being part of the Gibraltar Insurance Association (GIA), implementing these as appropriate for the size and complexity of the Company.

Internal audits and external audits provide independent evaluation of MIC´s systems of governance. Recommendations from these audits are considered by the Board and implemented proportionate to the business' risks.

C

Risk Profile

C1. Underwriting Risk

MIC takes a conservative approach to underwriting risk, prioritizing the financial security of the Company, adherence to regulatory requirements, and protection of its policyholders; however it is open to investigating and developing innovative insurance products within these bounds.

Underwriting risk is comprised of underwriting and reserving risk and is the primary risk in the business. Appropriate underwriting and risk selection/pricing are directly linked in a continuous feedback cycle to reserving and claims development and is the fundamental driver in enabling business performance to be managed.

Control over insurance risk is directly linked to the strategy in the need to deliver sustainable underwriting profit through the market cycle.

MIC underwrites a number of different business lines including accident & health, property, liability, credit and suretyship, and legal expenses business in Spain, Portugal, Italy, the UK, France, Belgium, Romania, Germany, Lithuania, Hungary, Luxemburg, Poland and Ireland.

The primary segmentation of business is into:

- Business lines
- Country

Within these segments, further detailed analysis is carried out based on individual risk factors.

The Company operates through carefully selected intermediaries and ensures that there is sufficient expertise both within MIC and the intermediaries in the relevant business segments.

Claims are outsourced to third party handlers with the guidance of expertise advice, giving to MIC the best way to proceed. Claims performance is discussed and monitored at the regular Claims Committee meetings.

Reserving approach and practices are set by MIC, based on own experience and market conditions and based on results arising from the independent external actuarial review.

Developing trends within the industry and the market are kept under constant review to enable an early assessment of any likely impact on performance and ensure changes are promptly reflected in reserving practice and underwriting decisions. The Company employs two in-house actuaries to monitor and carry out detailed analysis of data.

Responsibility for implementing the insurance risk strategy rests with the Underwriting committee, which reports directly to the Board. This Committee meets in regular basis and considers detailed performance data and decides upon rating actions to be taken on the basis of this data. The underwriting process is systems based, and decisions taken are performance led rather than market driven. A profitable result is the key goal at all times.

The Company ensures it maintains optimum reinsurance protection by acquiring both proportional and non-proportional cover from reinsurers with financial strength rating of A- or better as measured by Standard and Poors and other rating firms.

Reserves are determine by the in-house actuaries and are further reviewed by an independent actuary, or vice versa. It is MIC's policy to reserve to at least actuarial best estimate and, where appropriate, carry a further management load to mitigate uncertainty.

The adequacy of premium income to cover expected claims and expenses is the responsibility of the Board based on recommendations from the Underwriting Committee and is achieved by following the Company's agreed pricing mechanism.

At a high level, the Company's risk appetite measure, in line with the standard SCR calculation, indicates that net reserves should never deteriorate by more than 30% of the value of the previous financial year end. This is slightly more conservative than the standard premium and reserve volatility parameters for the business written and equates approximately to a 1 in 200 year event.

The Company reserves would be at least, actuarial best estimate. In addition, the Directors will consider from time to time whether the internal view of ultimate loss ratios differs significantly from that of the external actuary and, if appropriate will assess the need for an additional management load. The Directors will also consider whether an additional management load is required to allow for potential volatility or uncertainty in the result. It is not MIC's policy to set a pre-defined level of reserves load to be held.

Within these high level risk appetite measures, the Board has set further detailed operational limits and tolerances with regard to specific elements of insurance risk. These limits are triggers for review and action by management.

The key operational metrics used to control the above risks are:

Performance measures

- Loss ratios
- Frequency
- Average cost per claim
- Business volumes
- Business mix
- Deterioration in claims experience
- Significant differences between claims settlements and reserves

Operational claims measures

- Legislative changes
- Market changes
- Process changes at claims

C2. Market Risk

MIC aims to maintain a balance between capital preservation and investment return. Investment management is retained in-house. The investments are proposed by the directors and discussed in committee. The conclusion is manifested by a signing document to make the movement.

MIC does not pledge or lend investments and it is the Company's policy is to hold investments that are traded regularly and therefore have a ready market value and are highly liquid.

MIC investment policy is limited to relatively standard and easily-understood investments. The Company does not undertake any non-routine investment activity or invest in unusual or complex investments. Derivatives are not utilized by the Company.

Currency

MIC is exposed to two currencies, the Euro ("EUR") and British Sterling ("GBP"). All investments are held in Euro and therefore present no currency risk to the Company. The Company holds a GBP cash account for GBP premium funds and claims payments, to minimize the number of currency exchanges necessary, however it is exposed to currency risk as its accounting currency is Euro and the exchange rate will affect the value of transactions and balances. MIC haves most of cash held in banks with a rating higher than "A".

Property

MIC has a property investment portfolio, the majority of which consists of commercial properties which are then leased to provide a return on capital. Given the tenant covenants in place, these commercial properties are not subject to the same market fluctuations as residential properties, and therefore are considered to be lower risk. Properties, while all based in the Spain, are still geographically spread to mitigate catastrophe risk, and all have insurance to cover damage.

The property portfolio presents a liquidity risk in that it may take time to sell and realize cash.

The Investment Policy is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

Concentration

The board reviews the investment portfolio and assesses the concentration risk that the Company is exposed to, to ensure that it is within MIC´s risk appetite and in accordance with the Investment Policy. The concentration exposure arises in respect of positions taken in the Company secured loans and property exposure and counterparties in respect of its cash holdings and reinsurance recoveries.

C3. Credit Risk

MIC’s credit risk appetite is medium, and it is exposed from only three sources – premium receipts from intermediaries and policyholders, loans provided and reinsurance recoveries. While these areas are tightly controlled, past leeway given to various parties could potentially result in a loss.

The management of credit risk is important in ensuring that the Company minimises the possibility of losses from non-payment of amounts due to it. This area is therefore important in building a profitable and sustainable business.

MIC aims to minimise credit risk arising from its operations. Premium risk arises from the intermediaries producing the business and this is closely monitored in-house. Risk with regard to reinsurers is managed through the careful selection of reinsurance counterparties. In addition, the Company lends loans to companies which achieve an investment return, but do give rise to an element of credit risk so that by 2018 these loans will be canceled.

Key business control thresholds are:

- No premiums to be overdue.
- Regular audit of underwriting agencies.
- Reinsurance recoveries to be received promptly and within contract terms.
- Interest and capital amounts due on loans to be received within contract terms.
- Minimum rating for XOL reinsurance counterparty to be A.
- Minimum rating for QS reinsurance counterparty to be A.

If any debts due to the Company fall overdue, this will trigger a review by management.

C4. Liquidity Risk

The Company has very limited appetite for illiquid assets.

MIC aims to build and maintain liquid assets at a level sufficient for ongoing requirements. Cash flow evaluations are prepared monthly and formally presented to the Board at least quarterly for review during investment discussions.

Managing the Company's liquidity is necessary in order to ensure that it is able to meet its liabilities as they fall due, while balancing this with achieving returns on the less liquid invested assets.

Control over this area is therefore linked directly to achieving both profitable growth and continuing to ensure the ability to protect policyholder interests.

At the end of the year, MIC has increased the amounts in banks to more than 65 million in cash, assuming a 29% increase compared to the previous year; and 2.7 million in equity investments. This is due to the company's policy of having the most liquid assets possible.

C5. Operational Risk

Operational risk has the potential to impact all areas of the business and thus result in a loss of either profits or capital or both. This area therefore needs to be well controlled if the Company is to achieve its overall strategic aims.

The Company aims to minimise operational risk wherever possible. However, while controls and processes are in place, due to MIC's small size these are concentrated in the hands of a small number of senior members of the management team. It is the Company's policy to record its actual and potential risks in a risk register. This sets out the key risks to which the company is exposed and the controls in place to mitigate this risk. Additionally, a log is maintained to monitor risk events when they occur, recording the cause of the event, the impact and any remedial actions that have been taken.

MIC has various controls in place, as set out in the risk register, to mitigate operational risk. The key controls are:

- Four-eyes processes for review and analysis.
- Detailed analysis and review of monthly accounts.
- Four-eyes processes for financial information.
- Four-eyes processes for payments.
- Oversight, monitoring and audits of claims handler.
- Data integrity and other IT controls.
- Disaster Recovery and Business Continuity plans.

C6. Other Material Risks

Brexit:
Almost two years have passed since the United Kingdom held the referendum and decided to leave the European Union. Although the Government of the United Kingdom has invoked Article 50, it will continue to be a full member of the European Union for at least two more years and therefore, there will be no immediate impact on existing policies, renewals or new policies subscribed during this period of time. Even if we are getting used to the idea that Great Britain will no longer be part of the EU next March 30, 2019 and therefore, the "European passport" that allows operating in the EU and cover the risks located in these territories through the British license will be lost.

The objective of MIC is to provide its customers with the certainty of uninterrupted insurance coverage.

So, MIC has very advanced all the procedures that will allow it to move its headquarters to the Iberian Peninsula and thus conduct the business around the European Community using the community license outside the United Kingdom.

MIC will continue issuing during this period offering the same coverage through the current license in Gibraltar and its policies will not be affected. At the same time, MIC works hard to finalize the authorization process in another European country allowing it to adapt its existing operations and continue with the issue in Europe.

All current policies issued from MIC as well as any obligation and liability arising from its underwriting including open claims are being analyzed for transfer to the new headquarters.

It is an internal process that will not affect or cause any inconvenience to customers.

Likewise, this route of restructuring is an opportunity to expand the services and better study the internal procedures of quality and business development.

D

Valuation for Solvency Purposes

D1. Assets

Cash and cash equivalents

As at the reporting date of the financial statements, the company held 65.778.432€ as cash and cash equivalents in bank accounts in Spain and the United Kingdom. The balances held in Spanish banks accounts are in Euros ("EUR"). No estimation methods, adjustments for future value or valuation judgments are required for these balances. UK bank accounts are kept in pounds sterling ("GBP"); translated into Euros at the end of the period for reporting purposes.

Cash and cash equivalents are valued at fair value by the relevant financial institution and the Company's accounting statement confirms the balances held daily. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset. For Solvency II, total cash and cash equivalents includes the balances held in accounts. The value of these balances is the same for the Company's Solvency II balance sheet.

Properties

Properties are measured based on the most recent external valuation report or acquisition cost if they were acquired less than three years ago. Properties are valued at least every three years.

MIC has a portfolio of property investments aimed at obtaining profitability for its rent and others for its own use.

Properties for rental are commercial properties that are then leased to provide a return on capital. The properties, although established in Spain, are geographically distanced to mitigate the risk of catastrophe, and all have insurance to cover the damages. These properties are valued in the Solvency II balance sheet of the company at 13.003.400€ which is a 75% increase over the previous year.

MIC headquarters are in Gibraltar; this is located in Queensway Quay, one of the best areas of the city. This office is valued in the Solvency II balance sheet of the company at 400.568€ (It has decreased with respect to 2016 which was € 412,331 due to the Amortization of fixed assets).

Listed Equities

MIC has a diversified portfolio of shares in the main Spanish stock market (IBEX 35). This portfolio is made up of shares of major companies of Spanish economy.

Within the investment policy of the Company, it is contemplated to always invest in shares with lower volatility in order to reduce risk, even if the profitability is lower than if it were invested in other, more volatile shares. That is why the Company always tries to invest in the so-called "blue chips".

The total value in the Company's Solvency II balance sheet for investments in listed shares is 2.742.520€.

Loans

The Company has granted loans to third-party companies amounting to 3.668.032€. Most of these loans are secured with properties that are much larger than the loans granted and MIC has complete freedom to request the full repayment of capital when necessary. In 2016, the company decided to repay about 60% of the capital borrowed due to the high capital charge that it represents for the Company due to solvency II. In 2017, the loans amount is maintained, and in 2018 they will be canceled.

D2. Technical Provisions

MIC accounts include provisions for claims incurred based on earned premiums that consider the best reasonably foreseeable estimates. These include the claims reserves incurred plus a provision for Incurred But Not Reported (IBNR) claims. MIC also considers the reinsurance recoveries contracts with respect to its claims and IBNR reserves.

The technical provisions by line of business are as follows:

	Accidents	Property	Liability	Credit & Suretyship	Legal expenses	Miscellaneous	**Total**
Gross Best Estimate	1.122.097	12.509.478	31.784.162	6.580.524	-22.283	-26.124	**51.947.853**
Risk Margin	203.511	2.268.808	5.764.601	1.193.490	-4.041	-4.738	**9.421.631**
Technical Provisions	1.325.608	14.778.285	37.548.764	7.774.014	-26.325	-30.862	**61.369.484**
Recoverables	547.503	1.324.533	1.863.209	9.398.129	-	-	**13.133.374**
Technical Provisions allowing for Recoverables	778.105	13.453.752	35.685.555	-1.624.115	-26.325	-30.862	**48.236.110**

The estimates used to calculate the technical provisions are as follows:

MIC has the following items that make up its technical provisions: Claims reserves, unearned premiums (UPR) and IBNR.

The estimation of losses related to claims incurred but not reported ("IBNR"), since the nature of the claims is not known at the time the reserve is applied. This estimate is calculated by the Company's internal actuary and, at the close of the financial year, an external and independent actuarial analysis is made on the reserves and changes are applied if necessary to adjust the IBNR.

Unearned premium reserves (UPR) are internally calculated by the Company's internal actuary and reviewed during the audit of the financial statements. These are calculated in a coherent and proportional way using the duration of each policy. For the French construction business, due to the special type of reserves that the ACPR indicates, the Company has implemented a review by PwC London and reserves would be adapted to their conclusions.

The estimates of claims reserves are calculated by the Company's staff with extensive experience and backed by expert independent valuations.

The estimate of general expenses is calculated taking into account the historical data of the Company and these have remained stable in last years.

MIC manages the risks associated with these estimates through the following actions:

- Permanent monitoring of claims.
- Maintaining a number of reinsurance agreements to limit the impact of the development of the claims.
- Internal controls through the underwriting committee and actuarial function that monitor the development of claims and reinsurance agreements.
- Review and adaptation of claims reserves annually by independent actuaries.

D3. Other Liabilities

In addition to technical provisions, MIC only has one category in its liability under the Solvency II regulations:

Payables (trade, not insurance)

The "payables (trade, not insurance)" section includes the balances for accruals during the year and taxes generated at the end of the year; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The total for payables (trade, not insurance) as at 31 December 2017 was 1.533.097€ which is 53% lower than the previous year.

D4. Alternative Methods for Valuation

Not applicable for the Company.

D5. Any Other Information

Not applicable for the Company.

E

Capital Management

E1. Own Funds

Management of Own Funds

Objectives, Policies and Processes in Managing Own Funds

MIC has in place a Capital Management Policy to ensure that the Company has the appropriate levels and quality of capital to meet both the SCR and the internal view of capital as determined by the ORSA. The intention is for capital requirements to be met in both the immediate and medium-term future.

While MIC's ORSA process is carried out formally on an annual basis, the capital requirements and own funds to meet these requirements are considered at least quarterly as part of the quarterly regulatory reporting process. The Board reviews the Company's capital position at all meetings as part of its risk management processes and monitors ongoing performance through monthly management accounts.

There have been no changes in capital management policies or processes during the period.

Time Horizon for Business Planning and Material Changes

MIC's business planning period for capital management encompasses a three year time horizon, with emphasis on the current and next year. There have been no changes in the planning time horizon over the year.

Description of Own Funds

Structure, Amount and Quality of own funds

MIC currently only has basic own funds and no ancillary own funds. Own funds are comprised entirely of Share Capital and the Reconciliation Reserve and therefore all qualify as Tier 1 funds. The table below set out MIC's own funds at 31 December 2017, together with movements during the period:

	01/01/2017	31/12/2017	Movement
Reconciliation reserve			
Excess of assets over liabilities	36,029	44,334	8,305
Own shares (held directly and indirectly)			
Foreseeable dividens, distributions and charges			
Other basic own fund items	10,000.00	21,172	11.172
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds			
Reconciliation reserve	26,029	23,162	-2,868

The Company's Reconciliation Reserve effectively represents retained earnings on a Solvency II valuation basis. There are no foreseeable dividends.

Terms and Conditions of Own Funds

At December 2017, MIC's own funds were comprised of Tier 1 and Tier 2 funds and had no terms or conditions attached and there were no restrictions affecting the availability and transferability of the Company's own funds. The own funds were not redeemable and did not carry any guaranteed dividend or other return.

Regarding Tier 2 capital, this is referred to share capital that was called up but not yet paid in at the valuation date of this report, i.e. 31st December 2017. Nevertheless, it is worth pointing out that these amounts were paid in at 30 of April 2018, thus own funds are currently fully comprised of Tier 1.

Difference in Own Funds between Financial Statements and Solvency II Valuation

The difference in the valuation of own funds as shown in the Financial Statements compared to the Solvency II valuation is due to the valuation differences in the underlying assets and liabilities, as set out in the table below:

	Total €´000
Excess of assets over liabilities-attribution of valuation differences	
Difference in the valuation of assets	-56,397
Difference in the valuation of technical provisions	-59,121
Difference in the valuation of other liabilities	-8,886
Total of reserves and retained earnings from financial statements	11,551
Reserves from financial statements adjusted for Solvency II valuation differences	23,162
Excess of assets over liabilities attributable to basic own fund items (excluding the reconciliation reserve)	21,172
Excess of assets over liabilities	44,334

E2. Solvency Capital Requirements & Minimum Capital Required

SCR and MCR

MIC's SCR and MCR coverage is set out below:

Available and eligible own funds	Total €´000	Tier 1	Tier 2
Total available own funds to meet the SCR	44,334	35,577	8,757
Total available own funds to meet the MCR	44,334	35,577	8,757
Total eligible own funds to meet the SCR	44,334	35,577	8,757
Total eligible own funds to meet the MCR	37,556	35,577	1,980
SCR	39,596		
MCR	9,899		
Ratio of Eligible own funds to SCR	112%		
Ratio of Eligible own funds to MCR	379%		

As we can see, it is shown in the table above, the company meets the Solvency Capital Requirement marked by solvency II, in quantitative terms, this means a capital surplus of 4,737,884 € on the required capital.

Regarding the MCR, which is the Minimum Capital Requirement, MIC exceeds this capital by 379%, in quantitative terms, this means a surplus over the MCR of about 27,657,409€.

Since MIC's capital at December 2017 was comprised by Tier 1 and Tier 2, the company has taken into account the restrictions in terms of capital eligibility to cover the MCR, where Tier 1 is fully eligible, while Tier 2 eligibility is based on 20% of the MCR. Nevertheless, it is worth pointing out that MIC's own funds are currently fully comprised by Tier 1.

SCR by Risk Module

	Solvency Capital Requirement €´000
Market risk	5,275
Counterparty default risk	9,814
Life underwriting risk	0.00
Health underwriting risk	0.00
Non-life underwriting risk	30,099
Diversification	-7,363
Intangible asset risk	0.00
Basic Solvency Capital Requirement	37,826
Operational risk	1,770
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	0
Solvency capital requirement excluding capital add-on	39,596
Capital add-on already set	0
Solvency capital requirement	39,596

Simplifications

No material simplifications have been used in the calculation of the SCR and MCR.

Inputs used to Calculate the MCR

The following inputs have been used to calculate the Company's MCR:

	Total €´000	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance	575	5,358
Fire and other damage to property insurance	11,185	5,486
General liability insurance	29,921	30,219
Credit and suretyship insurance	0.00	5,567
Legal expenses insurance	0.00	87
Miscellaneous financial loss insurance	0.00	212

Overall MCR calculation

MCR	9,443
SCR	39,596
MCR cap	17,818
MCR floor	9,899
Combined MCR	9,899
Absolute floor of the MCR	3,700
Minimum Capital Requirement	9,899

Changes over the Period

Solvency Capital Requirement:

	Solvency Capital Requirement (€'000s)		
	2017	2016	Movement
Market risk	5.275	3,566	1,709
Counterparty default risk	9,814	9,165	649
Life underwriting risk	0	0	0
Health underwriting risk	0	0	0
Non-life underwriting risk	30,099	27,090	3,009
Diversification	-7,363	-6,005	-1,358
Intangible asset risk	0	0	0
Basic Solvency Capital Requirement	37,826	33,816	4,010
Operational risk	1,770	1,668	103
Loss-absorbing capacity of technical provisions	0	0	0
Loss-absorbing capacity of deferred taxes	0	0	0
Solvency capital requirement excluding capital add-on	39,596	35,483	4,113
Capital add-on already set	0	0	0
Solvency capital requirement	39,596	35,483	4,113

The table above sets out the SCR comparison between 2017 and 2016.

It can be seen that the total SCR has increased by € 4.1m since 2016. The main driver of this movement has been the non-life underwriting risk as a result of a higher level of net claims reserves seen in 2017. The market risk has also gone up due to more properties owned by the Company.

Minimum Capital Requirement:

The two tables below lay out the MCR calculated in 2017 and 2016, respectively:

2017 Minimum Capital Requirement	Total €´000	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance	575	5,358
Fire and other damage to property insurance	11,185	5,486
General liability insurance	29,921	30,219
Credit and suretyship insurance	0.00	5,567
Legal expenses insurance	0.00	87
Miscellaneous financial loss insurance	0.00	212

Overall MCR calculation

MCR	9,443
SCR	39,596
MCR cap	17,818
MCR floor	9,899
Combined MCR	9,899
Absolute floor of the MCR	3,700
Minimum Capital Requirement	9,899

2016 Minimum Capital Requirement	Total €´000	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance	754	5,674
Fire and other damage to property insurance	8,350	9,382
General liability insurance	13,805	37,919
Credit and suretyship insurance	0	8,729
Legal expenses insurance	0	110

Overall MCR calculation

MCR	9,173
SCR	35,483
MCR cap	15,968
MCR floor	8,871
Combined MCR	9,173
Absolute floor of the MCR	3,700
Minimum Capital Requirement	9,173

It can be seen that the MCR has increased by circa €0.7m.

Based on the standard formula for the MCR calculation, the figure calculated last year was based on the linear MCR (i.e. based on net written premiums and net best estimate provisions), while it has been the MCR floor the figure that has been accounted for in 2017 (25% of the SCR).

E3. Non–Compliance with Minimum Capital Requirement or Solvency Capital Requirement

The Company has reached its SCR and is projected to achieve it in the future, which has not had to take measures to mitigate a capital shortage.

E.4 Any other information

There are no other material matters in respect to the capital management of the Company.

F

Quantitative Reporting Templates (QRT´s)

S.02.01.01 - Balance sheet

		Solvency II value	Statutory accounts value
		C0010	C0020
	Assets		
R0010	Goodwill		
R0020	Deferred acquisition costs		16.447.578
R0030	Intangible assets		
R0040	Deferred tax assets		
R0050	Pension benefit surplus		
R0060	Property, plant & equipment held for own use	400.568	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	15.745.920	16.146.488
R0080	Property (other than for own use)	13.003.400	13.403.968
R0090	Holdings in related undertakings, including participations	0	
R0100	Equities	2.742.520	2.742.520
R0110	Equities - listed	2.742.520	2.742.520
R0120	Equities - unlisted	0	
R0130	Bonds	0	0
R0140	Government Bonds	0	
R0150	Corporate Bonds	0	
R0160	Structured notes	0	
R0170	Collateralised securities	0	
R0180	Collective Investments Undertakings	0	
R0190	Derivatives		
R0200	Deposits other than cash equivalents	0	
R0210	Other investments	0	
R0220	Assets held for index-linked and unit-linked contracts	0	
R0230	Loans and mortgages	3.668.032	3.668.032
R0240	Loans on policies	0	3.668.032
R0250	Loans and mortgages to individuals		
R0260	Other loans and mortgages	3.668.032	0
R0270	Reinsurance recoverables from:	13.133.374	20.071.086
R0280	Non-life and health similar to non-life	13.133.374	20.071.086
R0290	Non-life excluding health	12.585.871	20.071.086
R0300	Health similar to non-life	547.503	
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	0	0
R0320	Health similar to life		
R0330	Life excluding health and index-linked and unit-linked		
R0340	Life index-linked and unit-linked		
R0350	Deposits to cedants	0	
R0360	Insurance and intermediaries receivables		22.458.531
R0370	Reinsurance receivables		10.552.974
R0380	Receivables (trade, not insurance)		
R0390	Own shares (held directly)	0	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	8.757.450	8.757.450
R0410	Cash and cash equivalents	65.778.432	65.778.432
R0420	Any other assets, not elsewhere shown	1.042.939	1.042.939
R0500	**Total assets**	108.526.714	164.923.510
		Solvency II value	**Statutory accounts value**
	Liabilities	C0010	C0020
R0510	Technical provisions – non-life	61.369.484	120.490.290
R0520	Technical provisions – non-life (excluding health)	60.043.876	120.490.290
R0530	Technical provisions calculated as a whole	0	
R0540	Best Estimate	50.825.756	
R0550	Risk margin	9.218.120	
R0560	Technical provisions - health (similar to non-life)	1.325.608	
R0570	Technical provisions calculated as a whole	0	
R0580	Best Estimate	1.122.097	
R0590	Risk margin	203.511	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0	0
R0610	Technical provisions - health (similar to life)	0	
R0620	Technical provisions calculated as a whole		
R0630	Best Estimate		
R0640	Risk margin		
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	0	
R0660	Technical provisions calculated as a whole		
R0670	Best Estimate		
R0680	Risk margin		
R0690	Technical provisions – index-linked and unit-linked	0	
R0700	Technical provisions calculated as a whole		
R0710	Best Estimate		
R0720	Risk margin		
R0730	Other technical provisions		
R0740	Contingent liabilities		
R0750	Provisions other than technical provisions		
R0760	Pension benefit obligations		
R0770	Deposits from reinsurers		
R0780	Deferred tax liabilities	1.290.030	
R0790	Derivatives		
R0800	Debts owed to credit institutions		
R0810	Financial liabilities other than debts owed to credit institutions		
R0820	Insurance & intermediaries payables		1.509.080
R0830	Reinsurance payables		7.978.351
R0840	Payables (trade, not insurance)	1.533.097	1.533.097
R0850	Subordinated liabilities	0	0
R0860	Subordinated liabilities not in Basic Own Funds		
R0870	Subordinated liabilities in Basic Own Funds	0	
R0880	Any other liabilities, not elsewhere shown		688.858
R0900	**Total liabilities**	64.192.611	132.199.676
R1000	**Excess of assets over liabilities**	44.334.103	32.723.834

P.05.01.02.01 - Premiums, claims and expenses by line of business - Table 1

		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	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	5.603	0	0	0	0	0	7.289	32.492	14.182	87	0	212					59.864
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0140	Reinsurers' share	244	0	0	0	0	0	1.803	2.273	8.615	0	0	0	0	0	0	0	12.935
R0200	Net	5.358	0	0	0	0	0	5.486	30.219	5.567	87	0	212	0	0	0	0	46.929
	Premiums earned																	
R0210	Gross - Direct Business	7.623	0	0	0	0	0	11.220	24.605	14.916	96	0	132					58.591
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0240	Reinsurers' share	306	0	0	0	0	0	2.536	2.196	8.214	0	0	0	0	0	0	0	13.252
R0300	Net	7.317	0	0	0	0	0	8.684	22.409	6.702	96	0	132	0	0	0	0	45.339
	Claims incurred																	
R0310	Gross - Direct Business	6.273	0	0	0	0	0	9.368	9.923	9.159	7	0	52					34.782
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	Gross - Non-proportional reinsurance accepted													0	0	0	0	0
R0340	Reinsurers' share	38	0	0	0	0	0	293	1.076	3.926	17	0	0	0	0	0	0	5.350
R0400	Net	6.234	0	0	0	0	0	9.075	8.847	5.233	-9	0	52	0	0	0	0	29.432
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	Gross - Non- proportional reinsurance accepted													0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	1.625	0	0	0	0	0	3.690	7.441	2.131	46	0	44	0	0	0	0	14.977
R1200	**Other expenses**																	0
R1300	**Total expenses**																	14.977

P.05.02.01 - Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
		ES	PT	FR	GB	HU	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written							
Gross - Direct Business	0	14.861	399	37.095	4.365	1.713	58.433
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	0	7.834	242	2.724	820	1.135	12.755
Net	0	7.027	158	34.371	3.545	578	45.679
Premiums earned							
Gross - Direct Business	0	7.027	158	34.371	3.545	578	45.679
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	0	7.739	329	2.724	1.369	166	12.327
Net	0	-711	-172	31.647	2.175	412	33.351
Claims incurred							
Gross - Direct Business	0	11.690	59	16.409	9.598	0	37.756
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	0	5.898	32	0	0	0	5.930
Net	0	5.792	26	16.409	9.598	0	31.825
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers'share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Expenses incurred	0	1.673	44	6.225	3.579	77	11.598
Other expenses							0
Total expenses							11.598

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		0	0	0	0	0	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Premiums earned							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Claims incurred							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Changes in other technical provisions							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Expenses incurred	0	0	0	0	0	0	0
Other expenses							0
Total expenses							0

S.17.02.01 - Non-Life Technical Provisions - By country

Gross TP as a whole and Gross BE for different countries

	Geographical zone		Direct business: Medical expense insurance	Direct business: Fire and other damage to property insurance	Direct business: General liability insurance	Direct business: Credit and suretyship insurance	Direct business: Legal expenses insurance	Direct business: Miscellaneous financial loss
		C0010	C0020	C0080	C0090	C0100	C0110	C0130
R0010	Home country							
R0020	EEA countries outside the materiality threshold - not reported by country			10.509	60.381	203.055	-16.901	-26.124
R0030	Non-EEA countries outside the materiality threshold - not reported by country							

Countries	Direct business: Medical expense insurance	Direct business: Fire and other damage to property insurance	Direct business: General liability insurance	Direct business: Credit and suretyship insurance	Direct business: Legal expenses insurance	Direct business: Miscellaneous financial loss
C0010	C0020	C0080	C0090	C0100	C0110	C0130
FR	1.519.656	5.137.411	28.944.880	4.076		
GB	175.382	7.394.874	0	-553		
ES	-572.942	-33.317	2.778.901	6.373.946	-5.382	

P.19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure)

Total Non-Life Business

Z0020	Accident year / Underwriting year	**Z0020**	Accident year [AY]

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

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
R0100	**Prior**											29		29	29
R0160	**N-9**	0	0	0	90	13	15	18	7	65	12			12	220
R0170	**N-8**	0	0	205	647	199	241	-53	95	23				23	1.356
R0180	**N-7**	0	312	434	267	485	62	31	67					67	1.658
R0190	**N-6**	2.288	3.922	960	1.783	-166	-218	335						335	8.905
R0200	**N-5**	4.604	6.207	1.683	771	67	761							761	14.093
R0210	**N-4**	7.928	6.004	1.502	1.182	335								335	16.952
R0220	**N-3**	10.613	7.859	2.582	873									873	21.927
R0230	**N-2**	9.346	6.905	1.768										1.768	18.019
R0240	**N-1**	10.715	8.588											8.588	19.303
R0250	**N**	13.178												13.178	13.178
R0260													**Total**	25.970	115.639

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
R0100	**Prior**													0
R0160	**N-9**	0	0	0	0	0	0	0	0	-42	459			460
R0170	**N-8**	0	0	0	0	0	0	0	10	-1				-1
R0180	**N-7**	0	0	0	0	0	0	-85	209					209
R0190	**N-6**	0	0	0	0	0	-64	768						768
R0200	**N-5**	0	0	0	0	442	1.282							1.283
R0210	**N-4**	0	0	0	2.592	1.958								1.951
R0220	**N-3**	0	0	4.990	5.858									5.812
R0230	**N-2**	0	12.790	10.761										10.609
R0240	**N-1**	18.319	14.378											14.163
R0250	**N**	18.008												17.692
R0260													**Total**	52.946

S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of					
R0010	Ordinary share capital (gross of own shares)	21.172.450	12.415.000		8.757.450	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	23.161.653	23.161.653			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	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	0				
R0290	**Total basic own funds after deductions**	44.334.103	35.576.653	0	8.757.450	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	44.334.103	35.576.653	0	8.757.450	0
R0510	Total available own funds to meet the MCR	44.334.103	35.576.653	0	8.757.450	
R0540	Total eligible own funds to meet the SCR	44.334.103	35.576.653	0	8.757.450	0
R0550	Total eligible own funds to meet the MCR	37.556.464	35.576.653	0	1.979.811	
R0580	**SCR**	39.596.220				
R0600	**MCR**	9.899.055				
R0620	**Ratio of Eligible own funds to SCR**	1,1197				
R0640	**Ratio of Eligible own funds to MCR**	3,7939				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	44.334.103
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	21.172.450
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	**Reconciliation reserve**	23.161.653
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.01.SF - Solvency Capital Requirement - for undertakings on Standard Formula

Z0010		Article 112	No		
			Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
			C0030	C0040	C0050
R0010	Market risk		5.275.120	5.275.120	0
R0020	Counterparty default risk		9.814.016	9.814.016	0
R0030	Life underwriting risk				0
R0040	Health underwriting risk		0	0	0
R0050	Non-life underwriting risk		30.099.436	30.099.436	0
R0060	Diversification		-7.362.810	-7.362.810	
R0070	Intangible asset risk			0	
R0100	**Basic Solvency Capital Requirement**		37.825.763	37.825.763	

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	1.770.456
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	39.596.220
R0210	Capital add-on already set	
R0220	**Solvency capital requirement**	39.596.220
	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	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment
R0460	Net future discretionary benefits	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	9.442.891

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	574.594	5.358.450
R0080	Fire and other damage to property insurance and proportional reinsurance	11.184.945	5.485.942
R0090	General liability insurance and proportional reinsurance	29.920.954	30.218.785
R0100	Credit and suretyship insurance and proportional reinsurance	0	5.566.837
R0110	Legal expenses insurance and proportional reinsurance	0	86.760
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	212.372

	Overall MCR calculation	C0070
R0300	Linear MCR	9.442.891
R0310	SCR	39.596.220
R0320	MCR cap	17.818.299
R0330	MCR floor	9.899.055
R0340	Combined MCR	9.899.055
R0350	Absolute floor of the MCR	3.700.000

		C0070
R0400	**Minimum Capital Requirement**	9.899.055