TOKIO MARINE KILN

Solvency and Financial Condition Report 2020

Tokio Marine Kiln Insurance Limited

Contents

1. Summary

1.1 Business summary

Tokio Marine Kiln Insurance Limited (TMKI) was originally established as a controlling company of The Tokio Marine & Nichido Fire Insurance Company Limited (TMNF) for policies written in the UK and European Union, with a network of offices and agency representation in continental Europe.

Following a review of the Tokio Marine Group's European operations, a strategic decision was taken in 2019 to restructure the legal entities within the Group to better align them for sustainable and profitable growth. One of the key changes within this new strategy was to place company platform business previously written by TMKI into run-off with effect from 1 January 2020. As a result:

- Renewal of the historically unprofitable UK Regional Business was stopped 1 July 2019;
- The UK Japanese Business (J-Business) is now offered for renewal through a sister company within the Tokio Marine HCC Group;
- Tokio Marine Kiln Syndicates Limited is now focused on leveraging its competitive advantages on the Lloyd's platform;

Following a Part VII transfer on 1 January 2019, business underwritten in Continental Europe is now serviced by Tokio Marine Europe S.A., which is incorporated in Luxembourg. Despite being placed into run-off, TMKI remains a commercial insurer with financial strength and an excellent credit rating, and it benefits from being a member of the Tokio Marine Holdings (TMHD), one of the largest insurance groups in the world, which enabled it to offer substantial amounts of coverage to selected corporate clients, supported by significant intra-group reinsurance. TMKI benefits from a parental guarantee issued by TMNF and, consequently, it is rated A+ by S&P.

On 23 March 2020, the PRA announced that COVID-19 should be treated as a "major development" as per Article 54(1) of the Solvency II Directive. As a result, further information on the expected impact of COVID-19 on the Company's performance is provided in section 1.2 below, and in sections A5.1, B8.1, C7.1, D4.1 and E1.1 of this report.

1.2 Performance summary

TMKI's operating result for the year-ended 31 December 2020 was a loss before tax of £59.1 million, which represented a deterioration on the loss before tax of £47.0 million for the year-ended 31 December 2019. Similarly, the loss after tax of £46.6 million in 2020 was a deterioration on the £39.9 million loss in 2019. This deterioration against the performance for 2019 was due to expected losses arising from the COVID-19 global pandemic.

The underwriting result in 2020 was a £67.7 million loss following a £54.2 million loss in 2019.

In 2020, the Property line of business, which historically was the largest line within TMKI, finished the year with an underwriting loss of £54.4 million, compared with the £34.8 million loss in 2019. This was primarily due COVID-19 losses from business interruption extensions to property business, engineering and event cancellation portfolios. Due to the transition into run-off during 2019, net earned premium decreased by 80% to £9.8 million.

The underwriting performance of the other parts of the portfolio were as follows: Marine – £11.2 million loss, which was an improvement on the £20.2 million loss in 2019; General Liability– £11.7 million profit compared with an £8.8 million profit in 2019; Medical Expense - £4.6 million loss, a deterioration on the £2.7 million loss in 2019.

TMKI's performance in terms of each geographical territory is provided in section A2.3 of this report.

TMKI achieved a net investment return of £6.4 million in 2020 against a net return of £6.2 million in 2019. With over half of investment assets comprising Sterling-denominated fixed income securities, total investment performance is materially affected by movements in UK yields.

Due to potential COVID-19 related claims, and a prudent forward-looking assessment of losses yet to occur, TMKI was technically in breach of its SCR and MCR on 31 March 2020 by £42.4 million or 40.3% of the SCR and £25.0 million or 71.0%

of the MCR respectively. The calculation of the 31 March 2020 position was based on loss estimates adopted by the Board in May 2020. A capital injection of £70 million was made in May 2020 to allow TMKI to meet all regulatory capital requirements on a forecast basis.

This is the first year that the Company has prepared financial statements in accordance with FRS 102 and FRS 103. For financial years ending 31 December 2015 onwards the Company prepared financial statements in accordance with FRS 101 'Reduced Disclosure Framework' and prior to that with previous UK GAAP.

There were no other significant business or other operating events with material impact on the solvency and financial condition of the business in 2020.

1.3 System of governance summary

TMKI operates within the regulatory framework of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Following the strategic decision to put TMKI into run-off, an updated governance structure has been in place since 1 January 2020.

Although TMKI remains part of the Tokio Marine Kiln Group, a separate Board was constituted for the Company to ensure a successful and orderly run-off, which protects policyholders' interests and is consistent with upholding the Group's "Good Company" philosophy. To ensure continuity of Board accountability, the Board is comprised of executive directors and independent non-executive directors, who were officers of the company before it was put into run-off. Furthermore, the appointment of an additional Executive Director focussed on Operations relating to the run-off has occurred in the year.

An Own Risk and Solvency Assessment (ORSA) report, Responsibilities Map and Board and committees' Terms of Reference have been produced and maintained for the Company.

TMKI operates a Three Lines of Defence model for risk ownership, management, and oversight and assurance, while the Risk Management, Compliance and Internal Audit Functions provide regular reporting to management, the Board and parent company.

The Risk Management function is organised at the TMK level, and the risk reporting process fully aligned, with quarterly and annual ORSA processes. Risk information is reported through the quarterly ORSA Lite report to Board Risk, Capital & Compliance Committee (RCCC). The forward-looking assessments of risk and capital within the annual ORSA report are also used for the Board's strategic decision-making, which includes medium-term planning.

The Company uses a five-tier system of performance grading and senior managers calibrate performance ratings to ensure that ratings are allocated on a fair, objective and consistent basis, and to reduce the likelihood of bias.

In addition to the changes mentioned above, the TMK Chief Executive Officer stepped down with effect from 1 January 2020 and was replaced by the deputy Chief Executive Officer. In addition, a new deputy Chief Executive Officer was appointed.

1.4 Risk profile summary

TMKI's risk profile is as summarised in section C of this report.

As TMKI was placed into run-off from 1 January 2020, the risk profile of the company changed over the course of the year, as unearned exposures expired and non-insurance areas of the company's operation have been de-risked – most notably non-investment credit risk.

In term of underwriting risk, TMKI now has significantly reduced natural catastrophe exposures, with only a small number of exposures remaining in force. TMKI still carries significant reserves and hence, reserving risk, which is now the main driver of underwriting risk. Section C contains the full risk profile breakdown as mentioned above.

Counterparty credit default risk has reduced as reinsurance recoveries are made and live exposures expire; premium debt has also reduced significantly over 2020.

Market risk's contribution to the overall risk profile is low due to TMKI's conservative investment strategy, which has capital protection as the overriding aim.

Liquidity risk is mitigated through the overall strategy of ensuring that TMKI holds sufficient liquid assets in order to settle any financial obligation as they fall due. Asset liquidity is monitored by the Investment Committee and is core part of risk appetite reporting to the Run-off Committee and RCCC.

Other material risks to TMKI are Regulatory risk, Conduct risk and Reputational risk.

There were no other material changes to TMKI's risk profile between 31 December 2020 and 31 December 2019.

1.5 Valuation for solvency purposes summary

The majority of asset and liability classes within TMKI's balance sheet are valued identically under both Solvency II and GAAP. The key differences are the valuation of the technical provisions, the reclassification of non-overdue debtor and creditor balances to technical provisions, and certain small differences on some fixed asset classes. These differences changed the amount of capital held between 31 December 2020 and 31 December 2019 as follows:

Description	31 Dec 2020 (£'000s)	31 Dec 2019 (£'000s)
Total equity per GAAP financial statements	**132,547**	**109,195**
Difference in net technical provisions including DAC	(14,043)	(10,655)
Difference in net (re)insurance debtors and creditors	(6,833)	(9,699)
Difference in other items	(1)	(1)
SII Basic Own Funds	**111,670**	**88,840**
Ancillary Own Funds	**62,500**	**59,322**
Total available Own Funds to meet the SCR	**174,170**	**148,162**

There were no material changes to the valuation methodologies for solvency purposes between 31 December 2020 and 31 December 2019.

1.6 Capital management summary

TMKI has adopted the Standard Formula (SF) approach to calculating its SCR. No Undertaking Specific Parameters (USPs) are utilised within this calculation.

To ensure that the SF SCR is appropriate for the risks faced by TMKI, an assessment of SF appropriateness is undertaken annually, looking at the assumptions underlying the SF versus TMKI's risk profile. The SCR is reviewed and signed off by the Board annually.

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and Minimum Capital Requirement (MCR) such that the solvency ratio, as measured against the SCR and referred to as the Regulatory Solvency Ratio (RSR), remains within risk appetite. The own funds are to be of sufficient quality to meet the eligibility requirements in Article 82 of the Solvency II's Delegated Regulation 2015/35. Separate to the RSR risk appetite, the TMKI Board sets a target buffer of own funds to be held above the economic capital requirement (ECR) as determined by the TMKI capital model.

The Board is provided with a quarterly capital update in which the eligible own funds to cover the RSR is reviewed.

As part of own funds management, TMKI maintains a run-off plan, which sets out annual solvency projections and includes the structure of, and requirements for, own funds over the foreseeable run-off period.

The amount of the SCR, MCR and the eligible amount of own funds to cover these requirements classified by tiers as at 31 December 2020 are as provided in the tables below:

Description (£'000s)	31 Dec 2020				31 Dec 2019	2020 Mvt
	Tier 1	Tier 2	Tier 3	Total	Total	
Basic Own Funds						
Ordinary share capital	35,000	-	-	35,000	35,000	-
Share premium account	186,000	-	-	186,000	116,000	70,000
Reconciliation reserve	(109,413)	-	-	(109,413)	(62,252)	(47,161)
Net deferred tax assets	-	-	84	84	92	(8)
Total Basic Own Funds	**111,587**	**-**	**84**	**111,671**	**88,840**	**22,831**
Ancillary Own Funds						
Letters of credit	-	62,500	-	62,500	59,322	3,178
Available and Eligible Own Funds						
Total available own funds to meet SCR	111,587	62,500	84	174,171	148,162	26,009
Total available owns funds to meet MCR	111,587	-	-	111,587	88,748	22,839
Total eligible own funds to meet SCR	111,587	42,789	-	154,376	140,957	13,419
Total eligible own funds to meet MCR	111,587	-	-	111,587	88,748	22,839

Description	31 Dec 2020 (£'000s)	31 Dec 2019 (£'000s)
MCR	**25,643**	**30,175**
SCR	**85,578**	**104,418**
Ratio of Eligible Own Funds to SCR	**180.4%**	**135.0%**
Ratio of Eligible Own Funds to MCR	**435.2%**	**294.1%**

The changes in the SCR or MCR between 31 December 2020 and 31 December 2019 reflects the changes in business composition and the resultant risk profile.

Due to potential COVID-19 related claims, and a prudent forward-looking assessment of losses yet to occur, TMKI was technically in breach of its SCR and MCR on 31 March 2020 by £42.4 million or 40.3% of the SCR and £25.0 million or 71.0% of the MCR respectively. A capital injection of £70 million was made in May 2020 to allow TMKI to meet all regulatory capital requirements on a forecast basis.

TMKI has in place Ancillary Own Funds (AOF) held in the form of a Letter of Credit for €70 million (equivalent to £62.5 million). The PRA's approval to take this AOF into account in determining TMKI's total own funds was given on 13 December 2019 and is valid until 31 December 2022.

TMKI has no volatility, matching or transitional arrangements.

A Business and performance

A1 Business

A1.1 Name and legal form of the company

Tokio Marine Kiln Insurance Limited (TMKI) is a non-life insurer incorporated in England and Wales under the registered number 989421 and operating in the United Kingdom (UK). Since 1 January 2020 the Company has been in run-off.

A1.2 Name and contact details of the authorities responsible for financial supervision of TMKI

TMKI is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA under firm reference number 202574. The contact details for the PRA and the FCA are as follows:

- PRA: 20 Moorgate, London EC2R 6DA
- FCA: 12 Endeavour Square, London E20 1JN

A1.3 Name and contact details of the external auditors to TMKI

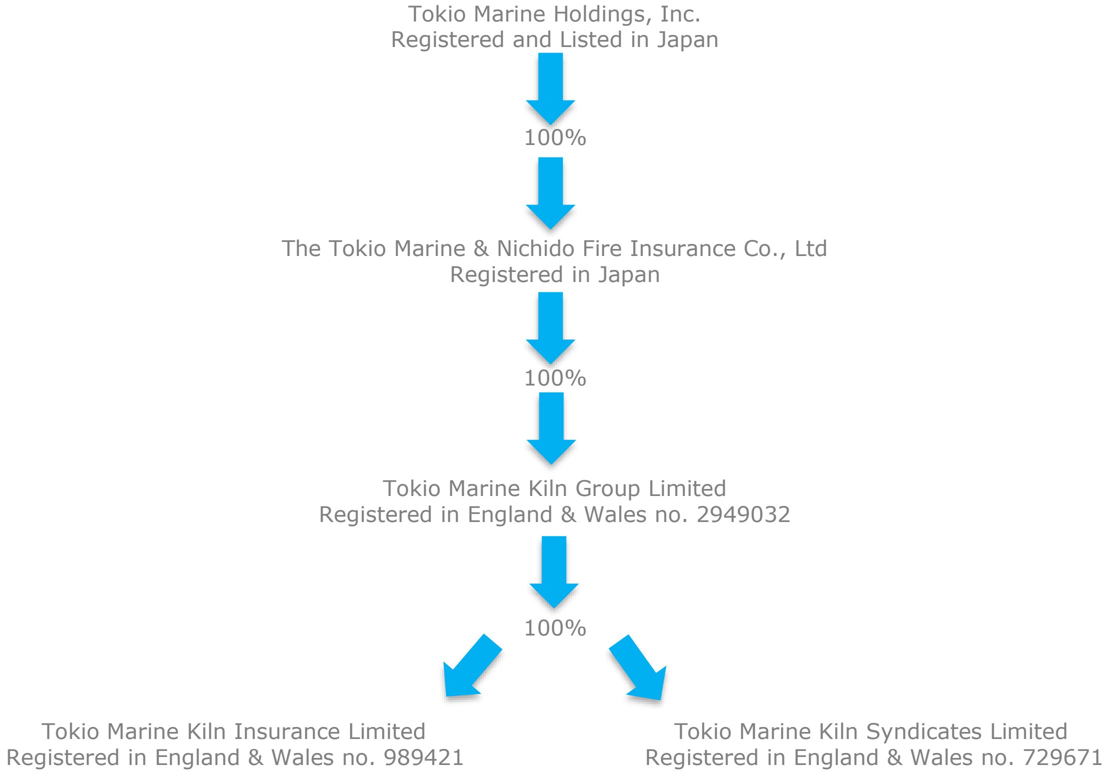
The external auditors are PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT.

A1.4 Holders of qualifying holdings in TMKI and its position within the Tokio Marine Group

The ultimate parent company and controlling party is Tokio Marine Holdings, Inc. (TMHD) incorporated in Japan. Copies of the consolidated financial statements of TMHD are available from 1-2-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan.

The immediate Parent company is Tokio Marine Kiln Group Limited (TMK), which is incorporated and registered in England and Wales. Copies of the consolidated financial statements of TMK are available from 20 Fenchurch Street, London EC3M 3BY.

The schematic of the group structure below shows TMKI's link to the ultimate holding company, TMHD:



There are no natural persons with direct or indirect qualifying holdings in TMKI.

A1.5 Material lines of business and geographical areas

Prior to run-off, TMKI's principal activity was the underwriting of predominantly short-tailed commercial marine cargo, property and liability insurance business in the London market, across the UK regions, and through local branches in continental Europe. Central to TMKI's strategy was the insurance of large Japanese corporates.

In run-off, the Company is focused on servicing the clients existing on its books and ensuring a successful and orderly run-off.

A1.6 Significant business or other events during the reporting period

TMKI was placed into run-off effective 1 January 2020.

TMKI has in place Ancillary Own Funds (AOF) held in the form of a Letter of Credit for €70 million (equivalent to £62.5 million). The PRA's approval to take this AOF into account in determining TMKI's total own funds was given on 13 December 2019 and is valid until 31 December 2022.

Due to potential COVID-19 related claims, and a prudent forward-looking assessment of losses yet to occur, TMKI was technically in breach of its SCR and MCR on 31 March 2020 by £42.4 million or 40.3% of the SCR and £25.0 million or 71.0% of the MCR respectively. A capital injection of £70 million was made in May 2020 to allow TMKI to meet all regulatory capital requirements both at that time and on a forecast basis.

A2 Underwriting performance

A2.1 Comparison of underwriting performance between 2020 and 2019

The overall summary of TMKI's underwriting performance on a UK GAAP basis is provided in the table below for the years ended 31 December 2020 and 2019.

	2020 (£'000s)	2019 (£'000s)	Variance %
Gross premiums written	**21,585**	146,281	(85%)
Outward reinsurance premiums	**(12,892)**	(68,616)	(81%)
Net premiums written	**8,693**	77,665	(89%)
Earned premiums, net of reinsurance	**32,343**	124,740	(74%)
Claims incurred, net of reinsurance	**(72,369)**	(102,181)	(29%)
Change in unexpired risks provision	**(6,754)**	(619)	991%
Net acquisition costs	**(12,634)**	(47,240)	(73%)
Other operating expenses	**(8,332)**	(28,885)	(71%)
Underwriting result	**(67,746)**	(54,185)	25%
Investment income (loss)	**6,450**	6,217	4%
Foreign exchange gain/(loss)	**(674)**	717	(194%)
Other income	**2,895**	288	905%
Loss before tax	**(59,075)**	(46,963)	26%
Tax	**12,464**	7,080	76%
Loss after tax	**(46,611)**	(39,883)	17%
Net claims ratio [1]	***244.6%***	*82.4%*	*(162.2%)*
Net acquisition cost ratio [2]	***39.1%***	*37.9%*	*(1.2%)*
Net expense ratio [3]	***25.8%***	*23.2%*	*(2.6%)*
Net combined ratio [4]	***309.5%***	*143.4%*	*(166.0%)*

[1] Net Claims Incurred and change in unexpired risks provision as a percentage of Net Earned Premium
[2] Net Acquisition Costs as a percentage of Net Earned Premium
[3] Other Operating Expenses as a percentage of Net Earned Premium
[4] Underwriting Result as a percentage of Net Earned Premium

TMKI produced a loss before tax of £59.1 million (2019: loss of £47.0 million) with a 74% decrease in net earned premium and a combined ratio of 309.5% (2019: 143.4%). The underwriting loss of £67.7 million in 2020 was worse than the £54.2

million loss reported in the prior year, with deteriorations in Fire & other Property Damage and Miscellaneous Financial Loss claims experience due to COVD-19 related losses, partially offset by improvements in General Liability claims performance.

Gross written premium of £21.6 million represents a decrease of 85% due to the Company being in run-off with effect from 1 January 2020.

The net claims ratio of 245% in 2020 was 162 points worse than the prior year, mainly due to COVID-19 related losses impacting the Property and Miscellaneous Financial Loss lines of business. The higher combined ratio was a result of the higher loss ratio due to the lower premium base in run-off.

Due to the reduced premium earned and higher loss ratio, the underwriting loss was £67.7 million this year compared to £54.2 million last year.

Investment income, foreign exchange gains/losses and other income increased this year to £8.7m compared to £7.2m in 2019 mainly due to additional income receivable on premium owed but not due for payment. The overall loss before tax of £59.1 million was a £12.1 million deterioration on the prior year due to the decrease in premium due to the transition into run-off during 2019 and an increase in the loss ratio.

A2.2 Analysis of underwriting performance by Solvency II Line of Business

The following tables show TMKI’s underwriting result, broken down by Solvency II lines of business:

2020	GWP[1] (£’000s)	NEP[2] (£’000s)	NIC[3] (£’000s)	NAQ[4] (£’000s)	Op Exp[5] (£’000s)	Underwriting result (£’000s)
Medical Expense	987	1,766	(4,728)	(680)	(947)	(4,589)
Marine, Aviation & Transport	18,269	19,393	(6,426)	(11,267)	(12,892)	(11,192)
Fire & other Property Damage	3,908	9,810	(63,905)	(3,432)	3,152	(54,375)
General Liability	(5,198)	(2,196)	3,195	4,884	5,821	11,704
Credit & Suretyship	-	13	-	2	-	15
Assistance	8	102	18	(1)	(8)	111
Miscellaneous Financial Loss	3,408	3,082	(7,836)	(2,084)	(3,266)	(10,104)
Non-Proportional Casualty	(2)	23	50	(3)	3	73
Non-Proportional Property	206	351	509	(53)	(196)	611
	21,586	**32,344**	**(79,123)**	**(12,634)**	**(8,333)**	**(67,746)**

[1] Gross Written Premium (‘GWP’)
[2] Net Earned Premium (‘NEP’)
[3] Net Incurred Claims and change in unexpired risks provision (‘NIC’)
[4] Net Acquisition Costs (‘NAQ’)
[5] Operating Expenses (‘Op Exp’)

2019	GWP[1] (£’000s)	NEP[2] (£’000s)	NIC[3] (£’000s)	NAQ[4] (£’000s)	Op Exp[5] (£’000s)	Underwriting result (£’000s)
Medical Expense	9,638	11,443	(3,771)	(6,830)	(3,585)	(2,743)
Marine, Aviation & Transport	47,590	21,006	(24,659)	(8,649)	(7,891)	(20,193)
Fire & other Property Damage	59,344	49,259	(59,624)	(15,700)	(8,779)	(34,844)
General Liability	19,131	33,650	(8,053)	(12,031)	(4,754)	8,812
Credit & Suretyship	70	26	-	9	(8)	27
Assistance	74	270	171	(60)	(28)	353
Miscellaneous Financial Loss	9,057	5,573	(3,645)	(3,292)	(3,368)	(4,732)
Non-Proportional Casualty	184	265	(77)	(36)	(68)	84
Non-Proportional Property	1,192	3,247	(3,141)	(651)	(404)	(949)
	146,280	**124,739**	**(102,799)**	**(47,240)**	**(28,885)**	**(54,185)**

[1] Gross Written Premium (‘GWP’)
[2] Net Earned Premium (‘NEP’)
[3] Net Incurred Claims and change in unexpired risks provision (‘NIC’)
[4] Net Acquisition Costs (‘NAQ’)
[5] Operating Expenses (‘Op Exp’)

The key performance indicator is the underwriting result which drives the objective of achieving an orderly run-off and which is shown in the table above.

For 2020, TMKI's book separates into four main Solvency II lines of business: Marine, Aviation & Transport (Marine), Fire & other Property Damage (Property), General Liability and Miscellaneous Financial Loss. These four classes represent 95% of the total net incurred claims in 2020 and 94% of the final underwriting result of £67.7 million loss.

Commentary is provided below for these four classes:

Marine

The Marine Solvency II line of business achieved an underwriting loss of £11.2 million, an improvement on the underwriting loss of £20.2 million reported in 2019. The net claims ratio improved by 84 points to 33% in 2020 due to a reduced incidence of large losses and the short tail nature of this account in run-off.

Property

The Property Solvency II line of business reported an underwriting loss of £54.4 million, which was a deterioration compared to the £34.8 million loss reported in the prior year. The net claims ratio deteriorated by 530 points to 651% due to COVD-19 related losses and a large Engineering claim arising from a dam breach in Texas together with reduced net earned premium.

General Liability

The General Liability Solvency II line of business achieved an underwriting profit £11.7 million compared to a profit of £8.8 million in 2019.

Miscellaneous Financial Loss

The Miscellaneous Financial Loss Solvency II line of business reported an underwriting loss of £10.1 million, a deterioration on the underwriting loss of £4.7 million achieved in 2019. The net claims ratio deteriorated by 189 points to 254% due to COVD-19 related losses.

A2.3 Analysis of underwriting performance by material geographical areas

The following tables show TMKI's underwriting result, broken down by key geographical territories as determined by Solvency II classification:

2020	GWP (£'000s)	NEP (£'000s)	NIC (£'000s)	NAQ (£'000s)	Op Exp (£'000s)	Underwriting result (£'000s)
United Kingdom	**3,495**	**21,191**	**(56,388)**	**(5,395)**	**(5,994)**	**(46,586)**
Luxembourg	**8,629**	**13,823**	**(14,551)**	**(6,356)**	**(1,862)**	**(8,947)**
United States of America	**1,633**	**2,206**	**(10,383)**	**(238)**	**(594)**	**(9,009)**
United Arab Emirates	**684**	**409**	**(127)**	**(76)**	**(110)**	**96**
South Africa	**509**	**507**	**611**	**(146)**	**(137)**	**835**
Germany	**474**	**(64)**	**(125)**	**16**	**(17)**	**(190)**
Other (Rest of World)	**6,162**	**(5,728)**	**1,840**	**(439)**	**383**	**(3,944)**
	21,586	**32,344**	**(79,123)**	**(12,634)**	**(8,333)**	**(67,746)**

2019	GWP (£'000s)	NEP (£'000s)	NIC (£'000s)	NAQ (£'000s)	Op Exp (£'000s)	Underwriting result (£'000s)
United Kingdom	76,142	64,241	(39,121)	(11,191)	(19,919)	(5,990)
Luxembourg	48,007	55,445	(37,484)	(33,516)	(6,524)	(22,079)
United States of America	5,915	8,835	(20,134)	(565)	(2,079)	(13,943)
Finland	2,370	2,700	(2,329)	(559)	(636)	(824)
France	1,348	533	(10)	(102)	(125)	296
South Africa	849	612	(3,887)	(117)	(72)	(3,464)
Other (Rest of World)	11,649	(7,627)	165	(1,190)	470	(8,182)
	146,280	124,739	(102,800)	(47,240)	(28,885)	(54,186)

United Kingdom

The UK, which is TMKI's largest underwriting territory under Solvency II, produced an underwriting loss of £46.6 million, a deterioration on the £6.0 million loss reported in the prior year due to the impact of COVID-19 losses. Net earned premium decreased to £21.2 million from £64.2 million due to the Company being in run-off with effect from 1 January 2020.

Luxembourg

Business written in Luxembourg is due to the Company transferring its EU branch business to an EU domiciled sister company on 1 January 2019 and reinsuring part of the business back into the Company as assumed reinsurance. The net earned premium was £13.8 compared to £55.4 million in 2019 due to this business also being run-off. The underwriting result was a loss of £8.9 million compared to £22.1 million in the previous year.

United States

The US produced an underwriting loss of £9.0 million, an improvement on the £13.9 million loss reported in the prior year. Net earned premium in 2020 was £1.6 million compared to £5.9 million in 2019.

A3 Investment performance

A3.1 Income and expenses from investments by asset class

The investment portfolio consists of investment grade fixed income securities, a fixed income Absolute Return Fund, a bond Exchange-Traded Fund, money market funds, fixed deposits and cash. Investment performance in terms of income and expenses is summarised by asset class in the table below on a UK GAAP basis.

	2020 (£'000s)	2019 (£'000s)
Government bonds	**1,357**	797
Corporate/agency bonds	**5,152**	4,916
Securitised	**-**	38
Money market funds and cash	**300**	917
Absolute Return Fund	**24**	21
Gross investment return	**6,833**	6,689
Investment management fees	**(384)**	(470)
Net investment return	**6,449**	6,219

Investment income comprises interest receivable and dividends receivable, together with realised and unrealised investment gains or losses. Investment fees consist of asset management and custody fees.

Information relating to investments is reported on a fair value basis within the income statement. They are initially recorded at cost, which equates to fair value and subsequently re-measured at fair value through profit and loss. No gains or losses are recognised directly in equity.

The net investment return for 2020 was a gain of £6.4 million compared to a gain of £6.2 million in the previous year. With over half of investment assets comprising Sterling denominated fixed income securities, total investment performance is materially affected by movements in UK yields. TMKI's investment performance is also exposed to global spreads and yields through its allocation to Funds, mostly comprising of a position in a Euro denominated BlackRock Absolute Return Fund (ARF).

A3.2 Investment in securitised assets

TMKI currently has a small allocation of directly held securitised assets, which are Sterling-denominated, AAA-rated, and are in aggregate are less than 1% of TMKI's total investment assets. A small portion of securitised assets are also indirectly held via the ARF positions. The materiality of such securities is monitored and reviewed quarterly.

A4 Performance of other activities

A4.1 Other material income and expenses

Other income increased to £2.9 million in 2020 from £0.3 million in 2019 mainly due to additional income receivable on premium owed but not due for payment.

A4.2 Material leasing arrangements

TMKI has no material financial or operating lease agreements.

A5 Any other information

A5.1 Additional information on the impact of COVID-19 pandemic on the business

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected countries have imposed measures designed to contain the outbreak, including business closures, travel restrictions, stay-at-home orders and cancellations of gatherings and events.

The pandemic has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and decline in financial markets.

As a writer of general insurance business, the Company has insurance liability exposures to potential COVID-19 related losses. However, the investment portfolio is cautiously positioned with high-grade short-dated fixed income assets, absolute return bond funds and no equities.

TMKI's capital and liquidity position are monitored in line with the existing framework and reported to the Board on a regular basis.

Additional information on the impact of COVID-19 are provided below and in sections B8.1, C7.1, D4.1 and E1.1 of this report.

A5.2 Additional information on the impact of COVID-19 pandemic on performance

The information presented above in section A of this report represents the performance of the business as reported in the Company's financial statements for the 12-month period to 31 December 2020.

The COVID-19 loss estimates are £79.6 million gross of reinsurance and £55.6 million net of reinsurance which includes £2.4 of million reinstatement premiums.

Credit spreads initially widened and interest rates fell as the COVID-19 pandemic took hold in Q1, but over the remainder of the year credit spreads tightened back to pre-pandemic levels and interest rates closed lower than the start of the year. The overall effect of market movements was positive for the investment performance.

B System of governance

B1 General information on the system of governance

B1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

TMKI is TMK's company platform in the UK, operating within the regulatory framework specified by the PRA and the FCA as set out in section A1.2 of this report.

The TMKI Board has established oversight of the business and its operations, setting the strategy and ensuring that liaison has taken place in conjunction with the regulators to ensure appropriate corporate governance and control, including risk management, are in place to ensure the Company can meet its obligations to all stakeholders, in particular, policyholders.

The TMKI Board and its sub-committees hold regular meetings to consider various items, such as the overall business strategy, risk management and control framework, and financial reporting, including adequacy of the business capital and reserves. These are standing items on the TMKI Board agenda.

A TMKI specific Responsibilities Map and Board and committee Terms of Reference have been produced, and an ORSA report is maintained to reflect TMKI's run-off status.

The following departments and functions operate at the TMK level, with group heads of department to support both entities: Actuarial, Claims, Compliance, Finance, Legal, Company Secretariat, Human Resources, Internal Audit, Operations, and Enterprise Risk Management.

Role and responsibilities of the TMKI Board

The role of the Board is to set the Company's standards and values, determine the strategic direction and management of the Company within the context of the wider TMK Group strategy, monitor the effectiveness of the run-off of the Company, provide leadership, to ensure that the control framework enables the required assessment and appropriate management of risk, and to ensure that the Company has sufficient human resources to meet its objectives within the Company's budget.

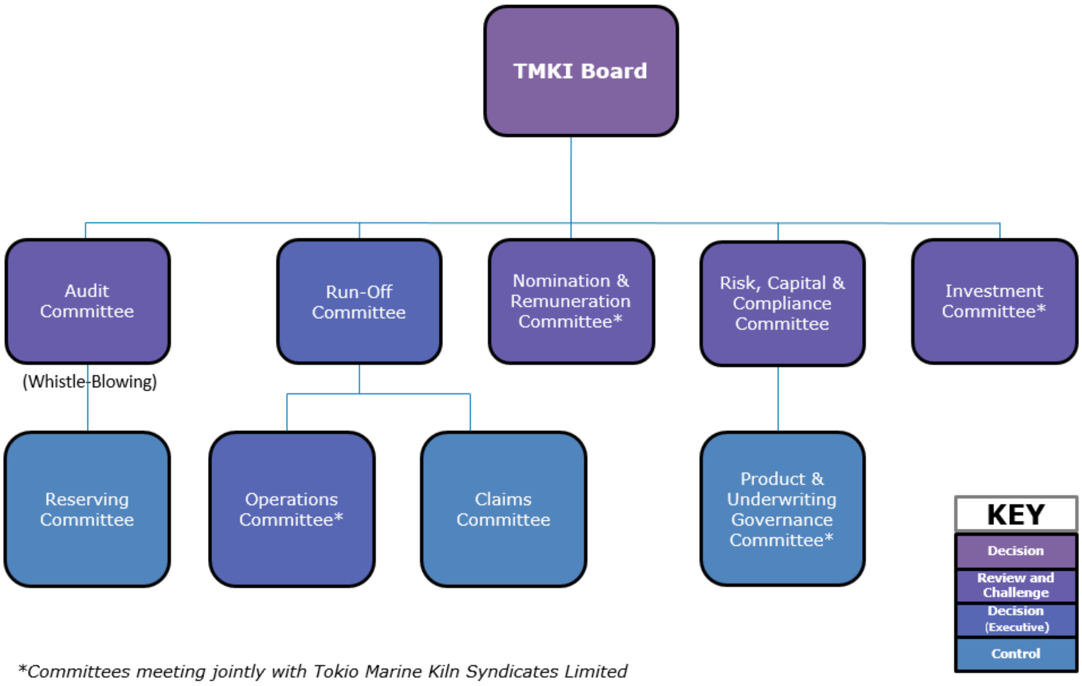
The Terms of Reference specify the matters reserved for decision by the Board. These include items relating to:

- strategy and management;
- management of the run-off;
- dividends and capital;
- financial reporting controls;
- appointments;
- business plan and associated capital requirements;
- underwriting;
- reserving;
- aggregate exposures and realistic disaster scenarios;
- risk management policies and procedures; and
- the establishment of any committee of the Board and its composition.

The Board may delegate responsibility for particular matters to one or more Board committees, the Board Chair, Group Chief Executive Officer or otherwise, as it sees fit.

TMKI's governance model sets out the Board's key responsibilities and promotes its core values with the overarching aim of, ensuring a successful and orderly run-off which protects policyholder interests, whilst acting with respect and integrity.

TMKI is committed to high standards of corporate governance and believes that the Board and committee structure in place supports those requirements and the provision of an adequate flow of information from the business functions into the committees and ultimately up to the Board. The schematic below shows the Company's Board and committee structure:

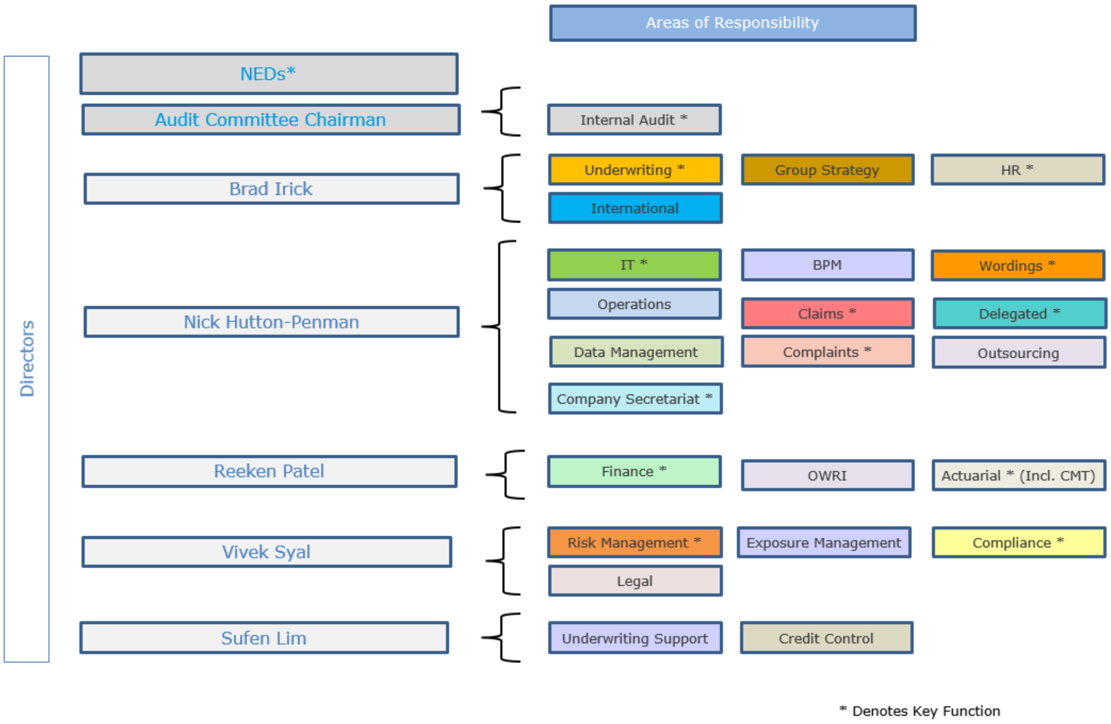


B1.2 Key Functions

Key functions are those functions whose operation "*if not properly managed and overseen, could, depending on the nature and complexity of the business, potentially lead to significant losses being incurred or to a failure in the ongoing ability of the firm to meet its obligations to policyholders*".

In accordance with the rules in the Conditions Governing Business part of the PRA Rulebook and the European Union's Solvency II Delegated Regulation 2015/35, the following business functions have been designated as key functions: Risk Management, Compliance, Internal Audit, and Actuarial.

Following an internal assessment, TMKI has also designated the following as key functions: Underwriting; Claims; Complaints; Finance; Governance; Wordings; IT; and Human Resources. The Non-Executive Directors have also been designated as a key function. All business functions have a reporting line to the Board as shown below in the Management Responsibilities Map:



B1.3 Roles and responsibilities of the Key Functions

Actuarial Function

The Actuarial function coordinates the calculation of the technical provisions as set out in Article 82 of the Solvency II Directive: comparing best estimates against experience; ensuring that methodologies, models and the assumptions underlying the technical provisions are appropriate; calculating the ultimate loss ratios and GAAP technical provisions; assessing uncertainties underlying reserves estimates; and assessing the continued appropriateness and suitability of the standard formula to TMKI's risk business and risk profiles for calculating regulatory capital requirements.

The Actuarial function also supports the development and maintenance of an effective risk management system through supporting the ORSA process; providing the Board and management with information on risk and capital profiles; and assessing the appropriateness of reinsurance programmes.

Enterprise Risk Management Function

The Enterprise Risk Management function facilitates the establishment and implementation of the risk strategy, risk policies and risk process; ensuring a consistent approach for identifying, assessing, mitigating, monitoring and reporting material risks; challenging risk management practice; and helping to embed a culture of risk awareness and proactive risk management. In addition, the function assists with the setting of risk appetite limits and reporting against them, providing the Board and management committees with timely reporting on risks at the aggregated level.

The Enterprise Risk Management function has oversight of TMKI's internal control environment, supporting regular departmental risk assessments, conducting special risk assessments, and providing the Board and management with training on risk matters.

Compliance Function

The Compliance function supports the business in managing Regulatory and Financial Crime risk.

The function undertakes a number of activities, such as providing advice to the business, maintaining oversight of the financial crime framework, carrying out horizon scanning focused on regulatory and financial crime risks, incident management, delivering compliance training and education, managing relationships with regulators, and reporting on regulatory and compliance risk exposure to the Board and management.

Within the function there is an independent 2nd line of defence Oversight & Assurance (O&A) team that monitors whether existing business processes and practice are being operated in a compliant manner. O&A also conducts regular monitoring and oversight of the business to identify areas of potential breaches of regulations.

Internal Audit Function

The Internal Audit function evaluates the appropriateness, adequacy, operation and effectiveness of the system of governance, including the internal control system. Internal Audit's remit covers review of processes and controls, how these are being adhered to and implemented by all business areas, and the timing and frequency of reports. The function provides reports of their reviews with findings and recommendations, deadlines for completion and assigned action owners. The function also monitors completion of the agreed actions and reports on these quarterly to the Audit Committee.

The roles of the other designated as key functions (as detailed in the Responsibilities Map) are as set out in their internal departmental documentation.

B1.4 Authority, resourcing and operational independence of Key Functions

All the designated key functions are provided with the necessary authority, resource and independence they require to effectively fulfil their roles. They each report to the Board, either directly or through designated Board committees. Their reports are standing items on the Board and Board committees' agendas.

B1.5 Material changes in the system of governance over the reporting period

Following the decision to put TMKI into run-off, a run-off plan was implemented for TMKI in 2019 and agreed with the PRA. The updated governance structure has been in place since 1 January 2020. Although TMKI remains part of the Tokio Marine Group, the separate board was constituted for the company to consider specific matters to ensure an orderly run-off, which protects policyholders' interests and is consistent with upholding the group's "Good Company" philosophy.

To ensure continuity of Board accountability, the TMKI Board is comprised of executive directors and independent non-executive directors, who were officers of the Company prior to it being put into run-off.

The Board is responsible for ensuring that the relevant risk appetite framework and associated measures support effective management of the run-off. The Company continues to ensure that policyholders are treated fairly, while adequate capital and reserves are maintained.

B1.6 Material Risk Takers

In line with the PRA's requirement that firms should implement a "Material Risk Taker" process and identify staff whose roles involve exposing the Company to material risks and who are able to influence material risk-taking, the Nomination and Remuneration Committee have reviewed the criteria (including "consistent materiality thresholds") and designated the following categories of staff as Material Risk Takers:

- Board members;
- individuals who "effectively run the business" (for example, members of the Run-Off Committee);
- key function holders;
- those who have a material impact on TMKI's risk profile, based on role held; and
- Chair of the Conduct Risk Committee.

B1.7 Remuneration policies and practices

Principles of the remuneration policy

TMKI's overall remuneration strategy is based on a robust process for reviewing and aligning all aspects of employees' reward against relevant market data. Furthermore, the Company's practices and procedures reflect best practice and PRA/FCA requirements.

Specifically, TMKI seeks to:

- ensure that the level of total compensation paid to reflect the pay position that it wants to take against the market. For consistently high performers, the total compensation aspiration will be the upper quartile;
- maintain a risk management culture, which ensures that the Company's employees conduct their affairs in line with regulatory requirements and external stakeholders' interests;
- ensure employees' pay awards are fair, consistent, equitable and transparent;
- ensure that we do not unintentionally discriminate in any way and strive to eliminate anomalies;
- keep up-to-date with the market by benchmarking and reviewing pay on an annual basis;
- take into account all aspects of compensation and benefits; and
- ensure that our approach to compensation and benefits supports our aim of being a family friendly employer.

Explanation of relative importance of the fixed and variable components of remuneration

Remuneration at TMKI is based on fixed and variable pay:

Fixed pay

- **Fixed pay** comprises salary, pension and benefits. Salaries are benchmarked annually to ensure that each employee is paid the market rate for the position he or she fills.
- **Variable pay** rewards employees for their contribution to TMKI and recognises contributions above the performance expected of their role.

Variable remuneration further supports the market competitiveness of Total Compensation at TMKI, ensuring that consistently high performing employees are rewarded for their contribution to delivering the Company's strategic objectives.

B1.8 Information on individual and collective performance evaluation criteria on which any entitlement to share options, shares or variable components of remuneration is based

TMKI follows a robust performance management process and ensures that staff receive feedback on their performance and behaviours and understand how this relates to their remuneration.

The Company now follows a five-tier system of performance grading, to enable managers to differentiate differently between different levels of performance. Managers and staff are asked to provide a rating for each individual performance objective, as well as a set of five behaviours which are aligned to our values.

Performance ratings are then calibrated by senior managers in respective departments to ensure all managers are allocating ratings on a fair, objective and consistent basis, reducing the likelihood for bias.

The performance ratings and behavioural ratings then impact the level of variable pay an individual receives, calibrated in reward meetings between senior managers and the HR department.

B1.9 A description of the main characteristics of supplementary pension or early retirement scheme for members of the Board and/or key function holders

TMKI does not provide supplementary pension or early retirement schemes for members of the Board or other key function holders.

B1.10 Material transactions with shareholders and those who exercise significant influence during the reporting period

TMKI enters into transactions with other Tokio Marine Group entities in the normal course of business. The most material transactions are the reinsurances accepted from Tokio Marine Europe SA and reinsurance cessions to TMNF.

B1.11 Assessment of adequacy of the system of governance

Review of Board effectiveness

In line with best practice, a review of Board effectiveness is completed annually. As a matter of course, key areas of focus include:

- the role and composition of the Board;
- the structure of Board meetings;
- the effectiveness of its standing committees; and
- individual performance of directors and the Board as a whole, including training requirements.

Other key areas that may be considered include:

- strategy;
- risks;

- culture;
- change management;
- leadership;
- accountability;
- external factors; and
- regulation.

A summary of key findings and actions are presented at a Board meeting for consideration, where appropriate actions are agreed and tracked to completion.

Ongoing Review

At each quarterly Board meeting, the directors will discuss the items included on the agenda, in consideration of the current matters impacting the business. Any observations or suggestions for improvement are recorded in the minutes, and agreed actions are tracked to completion.

The review process forms the basis for the Board's assessment of the adequacy of the system of governance and the appropriateness of TMKI's governance to its business and risk profile.

B2 Fit and proper requirements

B2.1 A description of the specific requirements for skills, knowledge and expertise of persons who effectively run TMKI or have other key functions

TMKI takes the fitness and propriety status of all its employees, not just key function holders, very seriously and ensures that all staff are, and continue to be, fit and proper for their respective roles.

All candidates are assessed prior to appointment as part of the recruitment process and on an ongoing basis, through the performance review process. All employees are also required to self-assess their fitness and propriety each year and are asked to notify the HR team if any changes to their circumstances. Certain events, such as an internal promotion, may also trigger a further review.

When considering employees' fitness and propriety, the following are taken into account:

- competence and capability;
- honesty, integrity and reputation; and
- financial soundness.

TMKI will ensure the professional competence, qualifications and suitability of all new employees through its recruitment procedures, which include an assessment by an external investigator.

B2.2 A description of the fitness and propriety assessment process for persons who effectively run TMKI or have other key functions

In assessing a candidate's competence and capability prior to employment, all relevant matters are considered. This includes a review and assessment of:

- the required competencies and capability to fulfil the intended role. This is assessed through structured interviews and assessments, where applicable;
- the experience and training required to ensure that these are commensurate for the intended role; and
- whether the candidate's reputation would suit the role they are being considered for, bearing in mind the factors set out within the FCA Handbook's section on fitness and propriety.

In order to comply with the fitness and propriety requirements, as part of any recruitment process. The Company:

- completes civil and criminal checks through the use of a third-party provider (with the full knowledge and agreement of the candidate);

- verifies professional or other qualifications;
- ensures that any gaps within the candidate's employment record are accounted for;
- obtains references from the candidate's former employers, including any required regulatory references, if applicable; and
- considers any adverse disclosures made by candidates.

In determining a candidate's financial soundness, the Company takes into account whether the individual has been subject to any judgement debt or award in the United Kingdom or elsewhere, and whether the individual has made any arrangements with creditors, filed for bankruptcy, had a bankruptcy petition served on them, been adjudged bankrupt or been the subject of a bankruptcy restriction order or any other related matter.

For existing employees, TMKI performs an annual fitness and propriety assessment for these persons. This assessment is conducted by the Head of HR and the Head of Compliance and takes into consideration the following factors:

- Recent information on background checks including civil and criminal checks and financial soundness
- Recent performance review information and capability assessment
- Compliance with the Conduct Rules
- Completion of recent required training and qualifications

TMKI will ensure that training gaps are identified and met, ongoing objectives and performance are met through a robust performance management process. All employees are also required to self-assess their fitness and propriety each year and are asked to notify the HR team if any changes to their circumstances.

Upon receipt of any changes to circumstance, consideration will be given to whether they remain fit and proper in accordance with the Fit and Proper Policy, and a decision will be made on whether any further action is required. Any non-disclosure of relevant information is taken seriously. An escalation group is used to make decisions on a person's fitness and propriety should this come into question. The escalation group must consist of at least two Executive Directors of TMKI.

On an annual basis, the Board considers a report from the Group Chief Executive Officer on the competency of the persons approved under the PRA's Senior Managers and Certification Regime (SM&CR), following the performance review process. The competency of the executive and non-executive members of the Board is reviewed by the Nomination and Remuneration Committee.

B3 Risk management system, including the own risk and solvency assessment

B3.1 Implementation of the risk management system

The Risk Management function is organised at the TMK Group level to support the business in achieving its strategic objectives through appropriately managing risk taking within the business.

The risk management system is supported by a comprehensive, enterprise-wide Risk Management Framework (RMF) and a suite of risk management policies, which are updated and approved on an annual basis. The RMF details the Company's approach to Enterprise Risk Management (ERM), summarising how risk is monitored and managed throughout TMKI at various levels and across various departments.

In managing its risk exposures, the Company seeks to balance the risks and opportunities associated with the business strategy and objectives. The Risk Management Team (RMT) reviews and updates the RMF annually, or more frequently if there are major changes in the business' risk profile that warrants this. It is reviewed and approved by the Risk, Compliance & Capital Committee (RCCC), a committee of the Board.

The RMF is supported by a comprehensive RMT plan of activities for each year. The Risk Management plan takes a risk-based approach to risk management, contains key areas of focus for the coming year, covering workstreams and resource allocation.

As a business, TMKI is exposed to many different areas of risk which are categorised within the Risk Universe documentation. The Risk Universe is defined as 'the complete view of all possible types of risk that the firm may face, reflecting the risk profile of the business. This includes risks which could both positively or negatively impact the business.

The Risk Universe underpins TMKI's Risk Appetite Framework (RAF), which sets out the parameters for risk-taking, laying out the agreed appetite or tolerance for each area of risk the business is exposed to. Following an annual update by the RMT, the RAF, which is approved by the RCCC each year, feeds in the outcomes of the business planning process. The RAF was refreshed in 2020 to reflect the Company's run-off status.

Risks from the Risk Universe are assessed for materiality and included in the Risk Register for monitoring and management. The Risk Register is the source of regular risk reporting to the Run-off Committee, the RCCC and the Board. This allows a direct flow of risk information from the Risk Universe to the RMT's quarterly reporting process, thus providing a joined-up and overarching view of risk for senior management and the business.

B3.2 Integration of the risk management system into the decision-making processes

As discussed in section B3.1, the RMF is supported by a RAF document, outlining the approach to setting, measuring and managing risk appetite. The RAF ensures that risk taking is aligned to the business strategy by managing risks according to a set of risk preferences and tolerances. These are strategic choices taken by the business to deliver the best result to its stakeholders. These preferences change over time as the strategy develops and adapts to, or capitalises on, market changes.

In addition, risk management policies are in place for each Solvency II risk category. These are owned by the business and functional areas and are updated annually, in line with the processes detailed within the RMF. These policies support the business in carrying out their risk management responsibilities and encourage risk management and ownership in the First Line, as per the 3 Lines of Defence model, which the Company adopts.

Risk management policies were reviewed and updated throughout 2020 to ensure consistency and accuracy. These were approved by the RCCC.

Risk reporting is a regular, continuous and important process for TMKI as it builds alignment and transparency of risk information between the business, management and the executive team. The risk management system and processes facilitate this reporting throughout the year, allowing the Board and relevant committees to review and challenge risk information and make informed decisions about the changing risk profile of the business. Specifically:

- The RMT report on a quarterly basis to the Run-off Committee and RCCC on risk management matters via the ORSA Lite. This report provides information on movements in the profile of top risks over the quarter; updates on progress of management actions for these top risks; an incident and near-miss summary and the latest position for a suite of risk metrics, which track against the business' stated risk appetite as set out in the RAF. Details on the ORSA (both the quarterly ORSA Lite and the annual ORSA report) are included in Section B3.3.
- Results of the annual stress and scenario testing exercise contribute to the assessment and reporting of both individual and aggregated risks and their potential impact on the profitability and solvency of the business. Further detail on this process is included in Section B3.3.

B3.3 TMKI's own risk and solvency assessment (ORSA) process

Governance and steering of the ORSA process

The Board leads and steers the process for delivering the TMKI ORSA. The ORSA process is documented in the ORSA policy, which sets out the Board's overarching guidance on the ORSA process, including reporting requirements, to ensure that regulatory and business requirements are continuously met. The goal of the policy is to assist the Board in implementing processes to demonstrate the link between business strategy, risk appetite, risk profile and solvency needs. The ORSA policy is reviewed and re-approved on an annual basis by the Board.

The ORSA process operates continuously throughout the year and is supported by several key elements, detailed below, to provide the Board and management with a comprehensive assessment of risk, strategy and capital, informing and supporting business decisions on an ongoing basis. The Board reviews, challenges and approves the findings of the ORSA process, through the quarterly ORSA Lite reports and the annual ORSA Report.

The annual ORSA report is reviewed and challenged by the Run-off Committee and RCCC. Once the RCCC is satisfied the assessment is accurate and provides information required for capital allocation and strategic planning purposes, the report is recommended for approval to the Board and submitted to the PRA annually. The Internal Audit function reviews the ORSA Policy, process and annual report as part of a risk-based plan of activity.

Triggers for ORSA reassessment

A significant change to TMKI's risk profile will trigger an ad-hoc re-run of the ORSA process outside its regular cycle. A significant change is defined to be a movement of 15% or more in the modelled Economic Capital Requirement over a quarter, or a major model change or merger/acquisition activity impacting TMK Group. Other events, which will trigger a rerun of the ORSA process outside its regular cycle include:

- failure in underlying controls or risk assessment processes leading to an incorrect assessment of capital requirements;
- major market loss (if applicable to TMKI's unearned exposure);
- major change in the Group's business plan;
- failure of counterparties or reinsurers, where there is significant exposure; or

The final decision on whether an ad-hoc ORSA is required in these circumstances would be made through consultation involving the RMT, the CRO and the chair of RCCC.

ORSA Lite

The ORSA Lite contains, amongst other things:

- the output of risk and control identification, assessment, mitigation and monitoring processes established by the RMF;
- updates on all key risks faced by the business. This include risks covered by the Solvency Capital Requirement calculation as well as non-modelled risks, such as Group, Reputational and Strategic risk, ensuring the Dashboard reflects the risk profile of the business;
- updates on changes to Emerging risks during the quarter, including new risks. The RMT facilitates the Emerging risk process, helping the business to identify various sources of current and potential risks, both internal and external;
- Risk appetite information, which is consolidated using risk metrics to track the status of the most significant risks against risk appetite over time. These are reported to the RCCC on monthly and quarterly basis, respectively; and
- updates on incidents and near misses, which have occurred throughout the quarter.

The ORSA Lite is reviewed and challenged by the Run-off Committee and the RCCC and approved by the Board.

Forward-looking assessment of risk and capital

In line with Solvency II requirements, the ORSA process facilitates a forward-looking assessment of risk and capital. The output of this assessment is included in the annual ORSA report compiled by the RMT. This report is based on the quarterly ORSA Lite, the outputs of each stage of the ORSA process, and supplementary information from across the business (including, most critically, the business planning process and the associated projected capital requirements). Forward looking activities in the annual report include:

- the RMT holding discussions with business functions to identify exposure changes, reinsurance trends and assumptions for the short to medium term;
- the RMT meeting with senior management to gain their strategic views for the run-off period;

- the Finance and Actuarial functions drawing together planning assumptions around the run-off profile, investment income and expenses and preparing balance sheets, profit and loss projections and the resulting capital and solvency positions of the business for the next three years;
- the RMT reviewing the outputs of the forward-looking assessment of risk and capital, whilst considering the overall business strategy. Assessment of whether the risk and capital amounts required to implement the business strategy for the next 3 years remain within the agreed RAF preferences, risk tolerances and metrics and escalation of concerns to the Run-off Committee and RCCC;
- the RMT assessing management actions in the event of adverse circumstances, such as lack of continued capital support;
- the Run-off Committee reviewing the make-up of Own Funds between Basic Own Funds and Ancillary Own Funds; and
- the Board signing-off the 3-year plans, reviewing the risk and capital projections within the ORSA.

Stress and scenario testing process

Stress and scenario testing (SST) is a core part of the RMF and allows the Company to better understand its business by assessing its ability to meet solvency and liquidity requirements under stressed conditions.

TMKI's approach to SST is set out across three pillars, as follows:

1. Extreme event scenarios test the solvency, capital adequacy and liquidity of the business, as well as challenges to the business across each risk category. Tests are plausible but extreme events. This requires the RMT to work closely with various departments in the business to confirm the appropriateness of the events and to help identify pre- and post- scenario management actions, given changes in risk profile resulting from the scenario. These scenarios:
    - allow the business to understand the type of extreme events that could occur, which would materially erode capital;
    - test the output of capital assessment and the liquidity position of the business under stressed conditions;
    - identify areas where there may be aggregations of losses; and
    - test the viability of new strategic initiatives.
2. Reverse stress tests are used to help the business to understand what could cause the failure of the business model. The business model is understood to be unviable at the point "at which the market loses confidence, which results in the firm no longer being able to carry out its business activities" (source: the PRA). This can be well before financial resources are exhausted, for example, from a major accounting impropriety, identification of collusion or another large impact to the Company's brand and subsequent loss of confidence from the market/regulator).

    This requires the RMT to work closely with various departments in the business to confirm the appropriateness of the events and to help identify pre and post scenario management actions. These tests:
    - allow the business to explore and develop an understanding of the most likely scenarios that could render the business model unviable; and
    - support the capital modelling process.
3. Sensitivity testing of the business plan stresses various key parameters to assess the impacts of these adjustments on profitability. These tests:
    - allow for improved understanding of the risks surrounding the business plan; and
    - highlight future earnings at risk resulting from strategic decisions.

The RMT leads the annual SST exercise, with input from the business.

Scenarios cover all categories of risk considered by the Company, with many focusing on multiple risk categories, for example, a global economic downturn that also affects underwriting risk.

The identified management actions are made up of actions which could be undertaken if the scenario occurred, and actions to be undertaken pre-scenario. The results of the exercise are also included in the annual ORSA report, with selected scenarios rolled forward on a 1 to 3-year basis to assess the impact on capital and solvency over the medium term.

TMKI capital

TMKI has adopted the Standard Formula (SF) approach to calculating its SCR. No Undertaking Specific Parameters (USPs) are utilised within this calculation. The SCR is calculated by the Finance team and reviewed by the Run-off Committee and the Board. To ensure that the SF SCR is appropriate for the risks faced by TMKI, an assessment of appropriateness is undertaken annually by the Internal Model Validation Team, looking at the assumptions underlying the SF versus the risk profile of TMKI, with key differences documented in the annual ORSA report. The SCR numbers are reviewed and signed off by the Board annually.

Regarding economic capital, detailed capital assessments and allocations are prepared by the Actuarial function. These are presented to, and discussed with, senior management. Outputs are included in the quarterly ORSA Lite, the annual stress and scenario testing exercise and the annual ORSA Report.

B3.4 Integration of the ORSA process into TMKI's decision-making processes

As noted above, the RMT reports the outputs of the quarterly ORSA processes in the form of an ORSA Lite report to the Run-off Committee and the RCCC. The ORSA Lite contains qualitative and quantitative information on all risk categories the Company is exposed to, providing a comprehensive view of its risk profile over the year.

The annual ORSA report is reviewed and challenged by the Run-off Committee, the RCCC and the Board before its submission to the PRA and Lloyd's.

The contents of the quarterly and annual ORSA are a key source of information for senior management.

The principal uses of the ORSA are as follows:

- assessing the level of capital available to meet the current business requirements;
- as a key input to capital contingency planning;
- as a key input to the business planning and forecasting process;
- determining whether the risk appetite of the business remains appropriate;
- identifying and assessing risks that exceed the Company's risk appetite, and, if required, ensuring that appropriate remedial actions are taken;
- providing assurance to stakeholders that appropriate risk management and capital planning procedures are in place.

The RMT prepares the annual ORSA report based on quarterly ORSA Lite data, the outputs of each stage of the ORSA process and supplementary information from across the business. This is reviewed and challenged by the Run-off Committee and RCCC.

Once the RCCC is satisfied that the assessment is accurate and provides information required for capital allocation and strategic planning purposes, the report is recommended for approval by the Board and submitted to the PRA.

B3.5 Use of the ORSA to determine TMKI's solvency needs – interaction between capital and risk management

As noted in the previous sections, the ORSA Lite provides an update on the business risk profile on a quarterly basis. Changes to risk and capital profiles over the quarter are highlighted with any necessary changes to strategy (for example, with regards to outward reinsurance) also noted.

The Chief Actuary provides the Run-off Committee and the RCCC with quarterly capital updates, which detail the latest regulatory and economic capital calculations, and the amount of Own Funds available to the business. These two committees review the capital positions against the business and risk profiles and make appropriate recommendations to the Board.

Metrics on capital are regularly reported to the Run-off Committee and the RCCC through the quarterly ORSA. This includes metrics used to track the level of required economic capital compared to the capital held and the agreed solvency margins.

B4 Internal control system

B4.1 Description of the internal control system

TMKI's internal control system comprises a combination of activities carried out to eliminate or reduce the likelihood of risks materialising and impacting the effective execution of its business strategy and the achievement of its objectives.

Activities include control management undertaken by the business, independent reviews and reporting undertaken by the both the RMT and the Compliance team, and the independent review and assurance activities undertaken by GIA.

All the Company’s departments are responsible for proactively managing their control environment. Each department has in place an Internal Control Framework (ICF) document, capturing the most material controls they rely upon to perform core activities, fulfil departmental objectives and mitigate the risks captured on the Risk Register. These ICF documents are owned by the business and updated whenever there are changes to departmental processes. The role of the Risk function is to provide oversight and challenge of departments’ risks and controls, including testing of key controls on a periodic basis.

Incidents and near misses

A comprehensive incident and near-miss process is in place to ensure that events that have the potential to disrupt the Company's operations are captured and recorded.

Active management of incidents is aided by an on-line Incident and Near Miss Portal, which is accessible to all staff, including international offices. The RMT, Compliance and Information Security teams are notified as soon as an incident is logged, allowing for real-time management and escalation of issues. Analysis of incidents and near misses is also undertaken on a monthly and quarterly bases to identify:

- common root causes of incidents that prevent departments from operating in an efficient manner;
- control weaknesses, leading to improvement plans; and
- trend analysis on the types of incidents and near-misses experienced by the business.

This analysis is included in reporting to senior management and quarterly to the OC and the RCCC through the ORSA Lite, ensuring that material control weaknesses and trends are understood and addressed, where appropriate. Relevant incidents are also shared with the Data Quality Team monthly for input into the Data Deficiency Log.

B4.2 How the Compliance function is implemented

The Compliance team operates as a key element of the internal control system. Compliance is, in part, a second line of defence function and, as such, it reports to executive management, but retains operational independence to preserve the objectivity needed to effectively perform its role. Ultimate responsibility for the effective identification of risk and the maintenance of adequate system of control rests with the first line. The first line of defence is responsible for corrective action on reported weaknesses.

The Compliance function seeks to provide expert insight on regulatory risk and to give independent assurance and oversight to senior management as to the effectiveness of those systems and controls designed to mitigate and manage regulatory risk.

The Compliance function is implemented through seven main areas:

Area	Responsibilities of the Compliance function
Advisory	• Engage with the business to identify and advise on regulatory matters, whether internally or externally generated, to mitigate regulatory risk whilst supporting business objectives.

Area	Responsibilities of the Compliance function
	• Proactively involved in new strategic initiatives to provide guidance on regulatory matters. Staff are encouraged to speak to Compliance promptly should they need help with obtaining, interpreting or implementing regulation, or to engage them for review and approval. • Advise the business on operating principles, instructions and guidance to manage and mitigate regulatory and financial crime risk. • Set the standards by which regulatory risks are managed.
Horizon Scanning	• Monitor projected changes and revisions to relevant legislation and regulation and plans to introduce new legislations and regulations. • Assess and report on potential impacts to TMKI and proposing amendments to TMKI's operations to meet with changes. • Identify and evaluate compliance risk related to TMKI's strategic plans and business transactions. • Review sources of emerging regulatory risk on an appropriate frequency and maintaining a log, noting any potential impact and action being taken/communicated to the business.
Incident Management	• Coordinate the management of regulatory and financial crime incidents and all stakeholders involved to bring to satisfactory conclusion, whilst involving regulatory legal and the use of external counsel, where appropriate. • Advise on appropriate remedial action for the business to take. • Undertake incident root cause analysis as required.
Regulatory Relationship Management	• Act as the primary contact point between TMKI and its regulators and other relevant authorities (including law enforcement agencies) to facilitate and assist as required with the proactive management of those relationships. • Being a portal for routine communication and contact between TMKI and the external regulatory community (the UK regulators and regulators in other countries as necessary). This includes managing TMKI's response to information requests (excluding routine reporting), special notifications and involvement in meetings with the regulators in a note-taking and support capacity. • Record relevant interactions with regulators, including notes of meetings and exchange of correspondence relating to regulatory matters.
Compliance Training and Education	• Support the business in fulfilling the requirements of complying with regulation, including providing direction, education and formal training on issues within Compliance's remit. • Manage the content of financial crime training modules. • Supporting Approved Persons in their appointment process and ongoing training.
Reporting and Compliance Framework	• Report on regulatory and financial crime matters to the Board, relevant committees and other stakeholders. • Manage external regulatory reporting in line with the Regulatory Communications Policy. • Maintain a Corporate Calendar and have oversight of the Compliance Framework, which includes Compliance Function planning, maintenance of the ICF, risk register, and ensuring that policies and procedures are in place. • Report to the RCCC on a quarterly basis, showing progress against the Compliance Plan.
Oversight and Assurance	• Provide oversight and assurance regarding identification and management of regulatory and financial crime risk. • Operate independently of the rest of Compliance and RMT by developing and implementing a risk-based plan across in-scope areas of the business. • Report findings to the appropriate management team and monitor agreed actions to conclusion. • Undertake special investigations or projects as directed regulator(s) or executive management.

B5 Internal Audit function

B5.1 How the Internal Audit function is implemented

The Internal Audit function is organised at the TMK level and provides independent, objective assurance and consulting services designed to add value and improve the Company's operations.

Internal Audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes.

Tokio Marine Holdings (TMHD) issues an Annual Policy for Internal Audit, which sets out the key objectives for Group Internal Audit functions and identifies a number of key focus areas that must be addressed in the audit cycle.

The Internal Audit function is governed by an Internal Audit Charter, which sets out the function's role, mandate and authority, and includes independence and objectivity criteria. In addition, Internal Audit adheres to the mandatory elements of The Institute of Internal Auditors International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, the Definition of Internal Auditing and the Financial Services Code.

The Group Head of Internal Audit (HIA) reports periodically to senior management and the Audit Committee regarding the function's conformance to these professional standards.

B5.2 Independence of the Internal Audit function

The HIA ensures that the function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the HIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the Audit Committee and any other appropriate parties.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors do not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year;
- performing any operational duties for the Company or its affiliates;
- initiating or approving transactions external to the Internal Audit function; and
- directing the activities of any TMKI employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the HIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards are established to limit impairments to independence or objectivity. Internal auditors also:

- disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- make balanced assessments of all available and relevant facts and circumstances; and
- take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The HIA confirms to the Audit Committee, at least annually, the organisational independence of the Internal Audit function. The HIA will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

B6 Actuarial function

B6.1 How the Actuarial function is implemented

The Actuarial Function is organised at the TMK level to support both TMKI and TMKS. It comprises of the following technical teams: the Actuarial Reserving Team, the Capital Modelling Team, and the Pricing and Analytics Team.

In addition to their day-to-day responsibilities, the teams are also responsible for, or contribute to, the following high-level areas as laid out in Article 48 of the Solvency II Directive:

- technical provisions;
- own risk and solvency assessment; and
- opinion on reinsurance arrangements.

All the above technical teams report to the Chief Actuary, who has overall responsibility for oversight of the Actuarial Function and for ensuring that the processes comply with relevant regulatory and actuarial standards.

The Chief Actuary delivers TMKI’s annual Actuarial Function Reports and opinions on technical provisions and reinsurance arrangements to the TMKI Board.

During 2020, both the Group Chief Actuary and Chief Actuary held Chief Actuary Practising Certificates issued by the Institute and Faculty of Actuaries and were certified under the SM&CR.

B7 Outsourcing

B7.1 The outsourcing policy

The outsourcing of certain business tasks or processes to third-party suppliers or service providers is guided by the Procurement Framework. This Framework provides guidance on how reviews and approvals of outsourcing arrangements are performed in a controlled manner and that TMKI’s outsource partners provide an effective level of service, not unduly impacting any of the Company’s own systems or controls.

To maintain effective control over outsourced functions (including those which are sub-outsourced or outsourced to other companies within the TMK Group) and to adequately manage the associated risk, TMKI use a tiered approach to manage outsourced third parties.

TMKI classify all existing and new contracts into four tiers. Contract tiers are based on risk/criticality and materiality. It is necessary to adopt a risk-based approach to due diligence and monitoring controls, which will differ across third parties. Therefore, it is important to classify third parties into various bands according to criticalities attached with each party. This tiered system will determine the level of scrutiny required for on boarding, due diligence and ongoing management, monitoring and reporting with any issues escalated to the Operations Committee.

Tier 1A: Material Outsourcing:

- Material contracts in line with the FCA/PRA Definitions
- underwriting in the name of and because of the insurer
- design and pricing of insurance products
- investment of assets or portfolio management
- claims handling
- provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support
- provision of data storage
- provision of ongoing, day-to-day systems maintenance or support
- ORSA process

Tier 1B: A business-critical service that if it fails or is interrupted causes significant impact across all operations. Contracts could be classified by some or all of these criteria:

- Sole provider of services in the market
- More than 3 business units dependent upon service
- Operational Resilience – Unavailability of third party will 'Significantly' impact TMK

Tier 2: A non-material but essential service that if it fails or is interrupted could impact business operations. Contracts could be classified by some or all of these criteria:

- Only few provide service in the market
- At least 2 business units dependent upon service
- Operational Resilience – Unavailability of third party will 'Moderately' impact TMK

Tier 3: Any other contract with a supplier that does not fall into either Tier 1 Material Outsourcing, Tier 1 or Tier 2. Contracts could be classified by some or all of these criteria:

- Only 1 business unit dependent
- Multiple firms provide service in the market
- Operational Resilience – Unavailability of third party will 'Minimum' impact TMK

Risk assessment is different for every department, but there are some fundamentals that apply to all business units. While this may differ by the service supplied, common sense assessment will include the following if applicable:

- Type of service being provided
- Access to internal data involved in providing the service
- Nature of data set involved (client confidential, private data, financial transactions, identifiers, passwords, etc.)
- Cloud Outsourcing*
- Data and information security expectations (related to nature of data)
- Financial standing of the vendor
- The size of the contract
- History of the relationship
- Identifying the beneficial owners of the third-party business
- Location (country or region) where services are provided from or where the firm is headquartered.

All contracts which fall under the FCA/PRA definition of "Material Contract" automatically fall under "Tier 1 Material Outsourcing".

A monthly working group led by Procurement meets monthly to review all Tier 1 contracts and determine if they are also material outsourcing in line with the requirements outlined above.

The second stage in this review is notification and ratification by the Operations Committee.

B7.2 Material outsourcing arrangements

TMKI has material outsourcing arrangements in place for the following activities:

Service received	Jurisdiction Located In
Risk management service	New York, USA
Discretionary Investment Management Service	London, UK
Investment Managers	Reading, UK
Investment Managers	London, UK
Application development & Support services	London, UK
Provisional/Support of global telecoms network (voice and data) to all TMEI offices	London, UK
Property Catastrophe Modelling	California, USA

Service received	Jurisdiction Located In
Disaster Recovery Services	Hounslow, UK
Claims and Premium Administration	London, UK

B8 Any other information

B8.1 Additional information on the impact of COVID-19 pandemic on system of governance

The COVID-19 pandemic is impacting the operational activities of the Company. However, the directors consider the negative implications on operations to be low. Since March 2020 the vast majority of our staff have worked from home with all working remotely at the date of this report. Currently we do not expect significant numbers to return to our offices before at least mid-2021. This follows a successful stress test of our business continuity practices during March 2020, which has shown that the Company can continue to operate remotely.

C Risk profile

Summary of risk profile

TMKI's principal activities were the underwriting of commercial marine cargo, property and liability insurance business in the United Kingdom. Branch offices in Europe that were previously underwriting risks through TMKI are now under Tokio Marine Europe S.A. (TME) (see section A1.6 above). TMKI ceased underwriting new business Non-Japanese business from 1 July 2019 and all business effective 1 January 2020 and is now in run-off.

TMKI's business model remained consistent with specialist underwriters providing a wide variety of products tailored to our clients' changing risk profile. This was supported by a comprehensive, enterprise-wide framework for the management of risk across the Company.

TMKI focused largely on shorter-tail lines of insurance where the business was able to quickly make immediate and reliable assessment of losses to expect. TMKI remains substantially exposed to losses from man-made and catastrophe property damage events-related business due to risks written before its being place into run-off.

It was TMKI's policy to confine its exposure to risk primarily within its core areas of expertise: the underwriting of large commercial insurance and reinsurance risks. This approach means that TMKI was at the cautious end of the spectrum in all areas of financial risk management, such as investment management. This allowed TMKI to protect the capital on its balance sheet and focus its risk appetite on underwriting.

The Standard Formula SCR risk profile as at 31 December 2020 is as shown below:

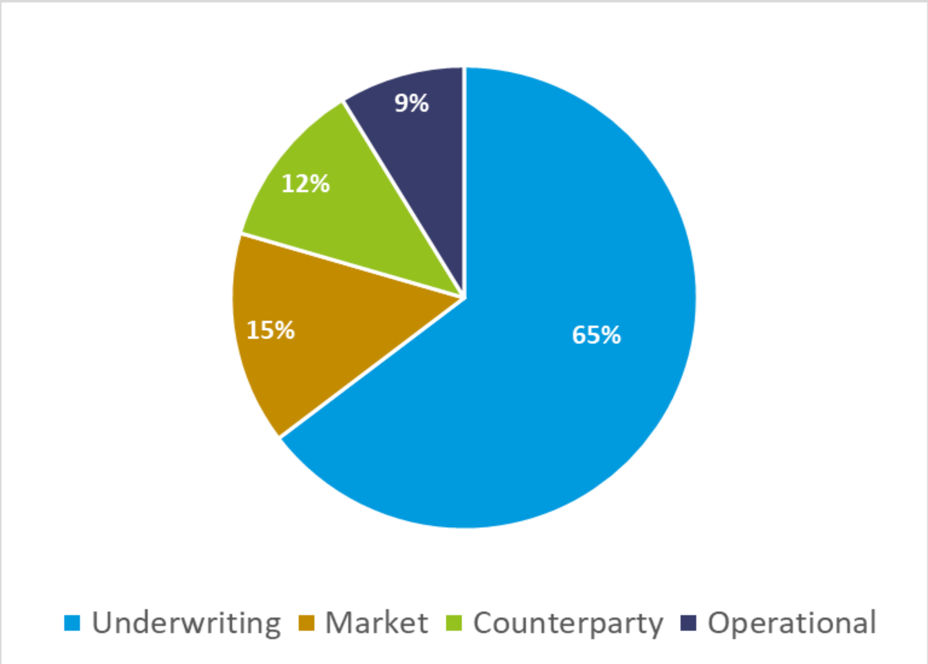


Chart 1: *Risk categories' contribution to the overall SCR (%)*

Underwriting risk constituted 65% of TMKI's SCR due to the size of the reserves and the remaining unearned exposures. This has increased from 2019 as a percentage, as a result of faster de-risking in other areas of the business. Counterparty Default Credit risk was 12% of the SCR, while Market risk, which is conservatively managed in line with the Company's cautious investment strategy, constituted 15% of the total SCR. Operational risk, which constituted 9% of the SCR, is tolerated but mitigated wherever possible.

C1 Underwriting risk

This is the risk arising from fluctuations in the frequency and severity of financial losses incurred as a result of the acceptance of the insurance portfolio of business.

As highlighted above, as at 31 December 2020, underwriting risk constituted approximately 65% of TMKI's SCR.

C1.1 Key underwriting risks

TMKI now has only very limited unearned exposure; this relates to longer-term risks that were underwritten prior to TMKI entering run-off.

Property and Engineering risks drove the underwriting risk, with Marine, Liability, Personal Accident and small amounts of other coverage making up the remainder. As of the end of 2020, the bulk of the remaining exposures are in the Engineering and Property Binders lines of business.

Property was broken down into four areas: non-Japanese mid-corporate retail business; non-Japanese large corporate business; real estate (property owners) business; and Japanese commercial accounts. The other portfolios were not split down into a similar level of granularity, but they did include groupings into Japanese and non-Japanese exposures.

Liability was a split of both general liability and employers' liability risks, with a greater proportion of the book centred on general liability risks in the sport, leisure and entertainment, and retail areas. Marine was split across a variety of exposures; however, cargo and freight liability were the main drivers of the book.

C1.2 Underwriting risk assessment and mitigation

Use of outward reinsurance as the main underwriting risk mitigation technique

TMKI's outward reinsurance arrangements serves to limit its overall risk exposure, as well as reduce the volatility of its claims.

C1.3 Underwriting risk sensitivity and concentrations

Maximum line sizes existed in US dollars, euro and sterling.

As noted previously, the Property book made up over half of the overall underwriting risk and contained the majority of exposures from large fire risk and natural catastrophe exposures. The portfolio had maximum line sizes, one for Japanese corporate business, and another on a PML basis for Construction and Engineering business. These were reinsured down on a per risk basis to a net exposure of £5 million for Property and $5 million for Construction & Engineering.

For a small selection of the Tokio Marine Group's multinational clients, TMKI offered larger line sizes that were substantially reinsured back to TMNF. This is common practice for overseas subsidiaries of multinational groups.

Smaller line sizes were given for Liability, Japanese and Non-Japanese Marine. These were reinsured down on a per risk basis to a net exposure of £1 million for Liability and $5 million for Marine. In addition, Medical Expense and Assistance insurance were underwritten on a PML basis for Japanese clients with specified maximum sums insureds. TMKI was exposed to substantial fire losses from a variety of risks on its books.

One of the largest scenarios assessed quarterly is that of a 200-metre radius accumulation of Fire risks. The largest single scenario on a net basis was approximately £25.6m before diversification.

Reserving risk

This is the risk of loss arising from claims reserves already in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on the Company's Actuarial function's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used generally, based on statistical analyses of historical loss and premium development patterns, to assist in the establishment of appropriate claims reserves.

In addition to the statistical techniques, the Actuarial function engages with the underwriting and claims departments so that relevant information relating to reserve exposures can be included in the claims reserving process. The estimates are also subject to independent review by external Actuaries who sign a Statement of Actuarial Opinion on the sufficiency of the reserves for the Company.

C2 Market risk

This is the risk arising from fluctuations in values of, or income from, assets, interest rates or exchange rates. Market risk as at 31 December 2020 comprised 15% of TMKI's SCR.

C2.1 Market risk assessment and mitigation

A key reason for the low contribution of Market risk to TMKI's overall risk profile is the conservative nature of the Company's Investment policy, which has protection of capital as the overriding aim. As a result, Market risk has been consistently managed within the risk tolerances set by the Board and accepted as a by-product to risks that TMKI seeks, such as Underwriting risk.

Market risk is measured on a quarterly basis using the Economic Scenario Generator (ESG) model for capital purposes and more regularly using the BlackRock Aladdin risk system for the day-to-day management of the investment portfolio.

TMKI's Market risk profile is monitored by looking across the various assets and liabilities. The tolerances of each risk metric are reviewed annually in the fourth quarter of each year as part of the Risk Appetite Framework update. Using an Investment risk metric and an asset liability management (ALM) metric, quarterly reports are presented to the Investment Committee to update them on the Market risk profile against agreed tolerances.

Interest Rate risk

This is the risk that the present value of the future cash flows of financial instruments will fluctuate due to changes in interest rates. Interest rate changes affect the valuation of liabilities, and any mismatch in the effects of interest rate change on the assets to liability valuation is the Economic risk.

Interest Rate risk is measured primarily by duration and managed by specifying limits within the investment guidelines.

The investment guidelines specify a maturity limit of 10 years for each security and a duration limit of 3 years for each investment manager's portfolio. The investment guidelines also specify that the duration for managed assets should not be more than 1.0 year longer or shorter than the duration for liabilities. This is reported to the Investment Committee on a quarterly basis. The investment managers are, however, allowed to take modest tactical positions away from the benchmarks to manage any expected change in interest rates.

The Company does not use interest rate derivatives or futures to mitigate Interest Rate risk.

C2.2 How all assets are invested according to the 'prudent person principle'

TMKI's Investment portfolio holds assets and instruments whose risks are understood, measured, managed, controlled and reported accordingly. The following is a description of the process used to ensure that all steps are taken in the interest of the policyholders and other stakeholders.

TMKI performs regular Strategic Asset Allocation (SAA) exercises that help to ensure the maintenance of a suitable composition of assets, which is required to meet the Company's risk and reward criteria. The SAA is based on the Willis Towers Watson's ESG model assumptions for the asset classes and takes into consideration the liability cash flows provided by the Actuarial function.

The SAA defines an asset allocation that closely optimises the desired risk and expected return, whilst matching, as close as possible, the duration of the liabilities. This exercise ensures that the assets, in particular those that cover the technical provisions, are invested with a similar duration to the liabilities. The SAA takes into account asset quality, liquidity, diversification requirements and impact on capital. This ensures that there is no excessive risk concentration.

TMKI have engaged BlackRock Investment Management (UK) Limited and Mitsubishi UFJ Asset Management (UK) Limited as external portfolio managers. A selection of fixed income benchmarks which, when combined, approximate the key rate durations of the liabilities have been allocated to each portfolio manager. These blended benchmarks are written into the investment guidelines, which are approved by the Investment Committee and form part of the portfolio managers' Investment Management Agreements.

These guidelines include restrictions on asset classes, issuers, duration and concentration, and they specify the procedures to be followed, if there was a breach. Adherence to these guidelines is monitored daily by an internal Treasury team and reported quarterly to the Investment Committee and the Board.

C2.3 Market risk sensitivity and concentrations

The following exposure limits apply to each type of issuer for Investment risk purposes:

- Government agency: 25%
- Government issued debt: 100%
- Corporate bonds: 75%

Sensitivity testing is undertaken on both Interest Rate risk and Exchange Rate risk, with the results making only a small impact on the carried capital in line with the Company's cautious investment strategy.

C3 Credit risk

This is the risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner. TMKI's Credit risk exposure as at 31 December 2020 constituted 12% of its SCR, down from 25% in 2019.

C3.1 Credit risk assessment and mitigation

TMKI is exposed to three types of Credit risk: Reinsurer Credit risk, Broker/Intermediary Credit risk and Investment Credit risk.

Credit exposure and aggregate exposure to reinsurers are managed through assessment and approval of all new reinsurers before business is placed with them. The credit ratings of all reinsurers used and the performance of premium debt, from brokers and intermediaries are also monitored quarterly by the Run-off Committee. The Investment Committee regularly tracks and reviews the Company's investment portfolio.

Reinsurer Credit risk

The maximum exposure to any one reinsurer is controlled as follows:

- Exposure metrics are calculated, depending on the reinsurer's blended credit rating, with figures capped at specific values as may be agreed from time to time.
- The blended rating for each reinsurer is calculated, based upon a mixture of AM Best and S&P's ratings.
- These are set against a percentage of the capital, depending on the blended rating, with exceptions for collateralised reinsurances.

Blended rating	2020 Default % of capital	2019 Default % of capital	Change between 2020 and 2019
AAA to AA-	10%	10%	Nil
A+ to A-	6%	6%	Nil
BBB+& below	2%	2%	Nil

This leads to a list of:

- authorised reinsurers: within the above limits.
- referral reinsurers: outside the above limits, but which are desired to be used by TMKI.

Intra-group reinsurances are subject to special examination, based on the following general principles:

- there is a limit for total ceded premium of 20% of gross written premium.
- a number of individual exposures exceed the matrix limits, and these have to be agreed by exception.

Despite the risk of reinsurer default being considered low, given that almost all of TMKI's reinsurance are placed with reinsurers holding a credit rating of A or above, the risk of each reinsurer's default is modelled to take account of the low probability, high impact nature of this risk. Although there is a significant Counterparty Default Credit risk exposure to TMNF, this risk is mitigated with a letter of credit for £10 million, held with a major Japanese bank.

Counterparty Credit Default risk

In managing TMKI's asset portfolio, the portfolio managers use ratings from credit rating agencies, S&P, Moody's and Fitch, as well as their own internal assessments. In each case, the lowest rating available for the asset is considered. This is an appropriate process, given that it takes into account the three leading rating agencies' assessments, alongside the portfolio managers' own expert assessments. Non-rated financial investments can be predominantly attributed to the investment through the BlackRock UCITS (Undertakings for Collective Investment in Transferable Securities) Absolute Return Fund. The average rating of the constituent investments on a look through basis is BBB.

The credit ratings of the issuers of each asset held within the portfolio are also used as an input to the capital model (through the ESG model) in parameterising TMKI's risk exposure. In addition, a concentration limit of 5% holding in any one issuer rated BBB- or higher is imposed to ensure that exposure to investment Credit risk is minimised. The top exposures are reviewed by the Investment Committee on a quarterly basis.

No credit derivatives are used in the managed portfolios.

Credit Spread risk

Credit Spread risk is the potential loss in market value resulting from increase in credit spread levels. This can be due to several factors, ranging from a change in a borrower's ability to repay its debt, to a change in investor appetite for any particular asset or asset class.

Given that TMKI invests primarily in investment grade corporate bonds, where the probability of a default is very low, the contribution of Credit Spread risk to TMKI's overall risk profile is also very low.

The Company does not use credit derivatives to manage Credit Spread risk.

C4 Liquidity risk

This is the risk that TMKI is unable to meet its liabilities in a timely manner because of the lack of liquid resources.

Liquidity risk as at 31 December 2020 constituted less than 1% of TMKI's SCR.

C4.1 Liquidity risk assessment and mitigation

Liquidity risk is mitigated through the overall strategy of ensuring that TMKI holds sufficient liquid assets in order to settle any financial obligation as they fall due. Frequent review of the ongoing liquidity position takes place in order to ensure early identification of any shortfall.

Potentially, the most significant source of Liquidity risk is either large claims arising from Underwriting risk (mainly catastrophe-related losses) or delay in receipt of payments from reinsurers in respect of large claims. However, if a series of large losses were to occur, the extensive outwards reinsurance that TMKI has in place would minimise the losses significantly. Furthermore, given that substantial reinsurances are placed with TMNF, which would be extremely unlikely to delay payments to the detriment of TMKI's liquidity position, TMKI's Liquidity risk is, therefore, mitigated by being fully backed by its parent company's financial strength.

The existence of substantial outwards reinsurance experience within the Company and the rigorous process involved in approving reinsurers for the reinsurer pool, also mitigates potential Liquidity risk arising from failure of reinsurers to settle claims when the fall due. Furthermore, given the conservative nature of its investment portfolio in which liquid assets are extensively held, TMKI's exposure to Liquidity risk from assets illiquidity is very low.

Finally, the Company undertakes annual stress and scenario testing exercises in which at least one Liquidity risk scenario is always included.

C4.2 Amount of expected profit included in future premiums

The total amount of the expected profit included in future premiums as at 31 December 2020 was £4.1 million.

This amount has been calculated for TMKI in line with the Lloyd's guidance used for TMKS, as it is deemed better suited to general insurance business. It is believed that this approach complies with the intent of the text within Solvency II's Commission Delegated Regulation 2015/35's Article 260(2), which appears to be phrased more for life insurance firms and is very difficult to apply in a practical way to TMKI.

C5 Operational risk

Operational risk is the risk that errors caused by people, processes or systems lead to losses to TMKI.

As at 31 December 2020, Operational risk constituted 9% of TMKI's SCR.

C5.1 Operational risk assessment and mitigation

Operational risk forms a significant part of TMKI's risk register. Risks are reviewed on a quarterly basis with departmental heads responsible for identifying, assessing and controlling the Operational risks within their business areas. To assist with this, all departments have in place an Internal Control Framework (ICF), documenting their controls. Departments are responsible for the management and review of their risks and controls. The role of the Risk function is to provide oversight and challenge of departments' risks and controls, including testing of key controls on a periodic basis.

There is a strong risk reporting and governance process in place to ensure effective management of Operational risk. The Run-off Committee and the RCCC reviews the most material elements of the Operational risk profile quarterly, in line with the RMF.

C5.2 Key Operational risks

TMKI's key material Operational risk exposures over the reporting period include:

- risk of sustained malicious attack on TMKI's systems, resulting in business disruption.
- risk of failure to effectively manage the Company's IT operations.
- breach of Information Security.

C5.3 Operational risk sensitivity and concentrations

A scenario test against one of the key material Operational risk exposures was undertaken.

Staff are unable to access their remote desktops due to an IT infrastructure failure, lasting for 5 calendar days, starting Friday 25th March. This date was selected as it would impact payroll and in particular, staff bonuses which are usually paid in March. It would also impact a number of reporting deadlines.

The financial cost of this event was determined to be negligible to TMKI, however the impact on staff morale and reputation would be severe, particularly given the potential for regulatory action. The analysis also determined that strong controls and in particular, disaster recovery plans were in place.

C6 Other material risks

Regulatory risk

This refers to the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

TMKI is required to comply with the requirements specified by both the FCA and the PRA regarding Solvency II.

The Compliance function is responsible for monitoring compliance with regulation and scanning the horizon for regulatory changes. The Compliance Framework outlines the broad regulatory and compliance structure that applies to all staff.

The nature of TMKI's business exposes it to controls and sanctions that regulate international trade. As a result, TMKI has processes and controls in place to screen and monitor transactions against relevant requirements and ensure continued compliance with the regulatory framework.

Conduct risk

Conduct risk is the risk of financial and/or service detriment adversely affecting the customer due to failings in the customer value chain.

The Company's conduct objective is to build, maintain and enjoy long-term relationships with its customers, whether directly or indirectly via a third party. This culture of partnership is fundamental to TMKI's dealings with its customers, and it applies regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.

The conduct objective is owned by the Board and cascaded throughout the organisation; it is central to achieving delivery of the six Consumer Outcomes (as set out by the FCA), which are at the heart of the Company's business. The Board leads the embedding of a culture from the top, in which the Conduct risk arising from execution of the business plan and strategy is appropriately monitored and managed to ensure good outcomes for all customers.

Conduct risk management applies to all business types, regardless of product line and customer type, across both open market and delegated underwriting, and is achieved through continued effective implementation of the Conduct Risk Framework. The framework is applied in a proportionate, risk-based way, which takes account of the inherent Conduct risk across products, distribution and customer types.

The underwriters, with the support of teams across the Company, take day-to-day ownership of Conduct risk as they are the ones empowered to make decisions affecting TMKI's relationships with its customers and business partners. Conduct risk and the treatment of customers is managed and monitored by the Conduct Risk Committee, which reports to the RCCC and the Board quarterly.

Reputational risk

This is the risk that negative publicity regarding TMKI's business practices could lead to a loss of revenue or litigation.

In the modern digital era, Reputational risk and the subsequent threat to a strong brand is becoming more significant. Loss of confidence from customers, regulators or capital providers could cause long-term harm to the business.

All staff are made aware of their responsibilities to clients and other stakeholders in mitigating Reputational risk. The risk is monitored through well-established risk management processes.

C7 Any other information

C7.1 Additional information on the impact of COVID-19 pandemic on the risk profile

The impact of the COVID-19 pandemic on TMKI's material risks are as follows:

- **Underwriting risk:** COVID-19 losses have been incurred from business interruption extensions to property business, engineering and event cancellation portfolios.
- **Market risk:** the investment portfolio is cautiously positioned with high-grade, short-dated fixed income assets, absolute return bond funds and no equities. Credit spreads initially widened and interest rates fell as the COVID-19 pandemic took hold in Q1, but over the remainder of the year credit spreads tightened back to pre-pandemic levels and interest rates closed lower than the start of the year. The overall effect of market movements was positive for the investment performance.

- **Credit risk:** the COVID-19 pandemic affects the ability of reinsurers, brokers and bond issuers to settle debts as they fall due. This increased risk profile is mitigated by the limits in place on exposure to individual counterparties and the obligation for counterparties to meet minimum credit rating requirements.
- **Liquidity risk:** the investment portfolio is cautiously positioned with high-grade, short-dated fixed income assets which are relatively easy to liquidate even in stressed market conditions, if the need arises to settle an increased volume of claims payments. As a result, the effect of COVID-19 pandemic on this risk is low.
- **Operational risk:** as highlighted in section B8.1 of this report, the COVID-19 pandemic is impacting the operational activities of the Company. However, the directors consider the negative implications on operations to be low. Since March 2020 the vast majority of our staff have worked from home with all working remotely at the date of these accounts. Currently we do not expect significant numbers to return to our offices before at least mid-2021. This follows a successful stress test of our business continuity practices during March 2020, which has shown that the Company can continue to operate remotely.

D Valuation for solvency purposes

D1 Assets

D1.1 Solvency II valuation for each material class of asset

£'000s	2020 UK GAAP	2020 SII valuation	2020 Variance	2019 UK GAAP	2019 SII valuation	2019 Variance
Material asset classes						
Investments	321,041	321,041	-	323,460	323,460	-
Cash and cash equivalents	6,195	6,191	(4)	14,930	14,926	(4)
Reinsurers' share of technical provisions	82,260	71,927	(10,333)	104,232	89,642	(14,590)
Deferred acquisition costs	4,714	-	(4,714)	12,826	-	(12,826)
Insurance debtors	11,633	4,664	(6,969)	42,813	18,088	(24,725)
Reinsurance debtors	15,508	5,425	(10,083)	16,921	16,694	(227)
Other debtors	29,862	29,866	4	14,860	14,864	4
Deferred tax asset	84	84	-	92	92	-
Investment in subsidiary	2,259	2,259	-	2,358	2,358	-
Total assets	**473,556**	**441,457**	**(32,099)**	**532,492**	**480,124**	**(52,368)**

D1.2 Differences between Solvency II valuation and UK GAAP valuation

The following section describes how each asset class is valued under UK GAAP, and any difference arising in the valuation technique under Solvency II. Except where noted, there are no differences between the bases, methods and main assumptions used for each asset class in the valuation for solvency purposes as opposed to the valuation included within the financial statements.

Investments

Investment assets are managed at the TMK level on behalf of both TMKI and TMKS by the Investment Committee. These assets are largely split between government and corporate bonds, UCIT Funds and short-term deposits. Whilst the total value of investments was unchanged between UK GAAP and Solvency II, the classification between asset sectors varied, as shown below:

Asset sector	2020 UK GAAP valuation (£'000s)	2020 SII valuation (£'000s)	2019 UK GAAP valuation (£'000s)	2019 SII valuation (£'000s)
Government	97,361	142,597	54,245	90,371
Agency	49,651	-	39,374	-
Corporate	59,696	64,111	94,231	97,479
Securitised	2,616	2,616	3,172	3,172
MMF and Term Deposits	65,041	65,041	85,990	85,990
Funds	46,676	46,676	46,448	46,448
	321,041	**321,041**	**323,460**	**323,460**

The bond portfolio is managed by the two portfolio managers: BlackRock Investment Managers and Mitsubishi UFJ Asset Management (UK) Limited. The Company has also outsourced a number of accounting and reconciliation tasks to BlackRock Solutions (BRS).

BRS is subject to a service company audit under the Statement on Standards for Attestation Engagements Number 18 (SSAE18), the results of which show no significant deficiencies in internal controls and processes. As a result, TMKI can rely on BRS output data. In addition, certain controls are undertaken within the Company to ensure that BRS are carrying out their required controls properly and that the output information can be relied upon.

All the assets are valued by BRS as portfolio managers on a mark-to-market basis, using several third-party sources based on the schedule of data providers they maintain for each class of asset. This schedule is provided to and reviewed by the Treasury and Investment Accountant to confirm that assets held are traded in active markets and are priced by a BRS "Primary Provider". An active market is deemed to be a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In accordance with Solvency II and FRS 102 valuation principles, TMKI does not hold any financial instrument that is not traded on an active market. The pricing methodologies by asset class are as follows:

- Government Bonds: UK Gilts pricings are obtained from the FTSE indices. FTSE source their prices from the UK Debt Management office.
- Government Agencies: These include supra-nationals and government agency bonds, which are all priced from IBOXX indices.
- Corporate Bonds: Corporate bond prices are taken daily from the IBOXX, Barclays, or JP Morgan corporate bond indices. Bonds in the indices are priced on the bid side. Bonds can be quoted in a variety of ways, including nominal spreads over benchmark securities/treasuries, spreads over swap curves, or direct price quotes as a percentage of par.

In most instances, the quote type used is a spread measure that results in daily security price changes from the movement of the underlying curve (swap or Treasury) and/or changes in the quoted spread. Where a bond is not in the index, a price is obtained from Reuter's pricing service. Prices are regularly checked by the internal Treasury Team against Bloomberg, and any material differences are investigated with BlackRock.

Securitised Assets: There are two types of securitised assets: covered bonds and asset-backed securities (ABS). Covered bonds' prices are obtained from IBOXX indices and ABS prices from the Barclays indices.

Absolute Return Funds (ARFs): Absolute return UCITS funds are priced daily by BlackRock and the Fund Administrator. The pricing is provided by The Pricing Group (TPG), a dedicated pricing group within BlackRock, who ensure that appropriate valuation data sources, methodologies and controls are established, implemented and operating effectively.

All investment assets are available for sale and as such are valued under IAS 39 at fair value on a mark-to-market basis and based upon quoted bid prices at the balance sheet date.

Currently, TMKI's directly held investment portfolio does not contain assets which require mark-to-model valuation techniques.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Where applicable, bank overdrafts are shown within borrowings in current liabilities. Under FRS 102, cash and cash equivalents are valued at fair value.

There were no differences in the valuation basis for cash and cash equivalents under Solvency II and FRS 102 valuation principles.

Technical provisions – reinsurance recoverable

The value of reinsurance recoverable as at 31 December 2020 was £71.9 million on a Solvency II basis and £82.3 million on an FRS 102 basis. This includes reinsurers' share of unearned premium reserve. Technical provisions are valued by the actuaries in accordance with Solvency II principles and PRA's guidance. Please refer to the Section D2 for further details and the reconciliation between UK GAAP and Solvency II valuations.

Deferred acquisition costs

Under FRS 102, acquisition costs comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date.

Deferred acquisition costs are not recognised separately under Solvency II to the extent that they form part of the premium provision calculation of the technical provisions. Please refer to Section D2.2 for further details.

Insurance debtors

The value of insurance debtors was £4.7 million on a Solvency II basis and £11.6 million on an FRS 102 basis as at 31 December 2020.

Under the FRS 102 basis, insurance debtors include all insurance balances receivable, irrespective of the amounts overdue. Under a Solvency II valuation basis, insurance debtors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as insurance debtors in the balance sheet and are not included in the technical provisions. Such overdue balances incur a capital penalty when included within the standard formula SCR calculation.

Reinsurance debtors

On an FRS 102 basis, reinsurance debtors include all reinsurance balances receivable, irrespective of the amounts overdue. Under a Solvency II valuation basis, reinsurance debtors, as with insurance debtors, are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue.

On a Solvency II basis these overdue balances are still reported as reinsurance debtors in the balance sheet and are not included in the technical provisions. Such overdue balances incur a capital penalty when included within the standard formula SCR calculation. As at 31 December 2020, the value of reinsurance debtors was £5.4 million on a Solvency II basis and £15.5 million on an FRS 102 basis.

Other debtors

The value of other debtors at 31 December 2020 was £29.9 million. This included current taxes recoverable (£12.0 million) and group company debtors (£17.8 million). There were no differences in the valuation basis of these balances under Solvency II and FRS 102 valuation principles.

Deferred tax asset

The value of the deferred tax asset was £0.1 million at 31 December 2020.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each year-end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates based on the enacted or substantially enacted tax laws expected to apply in the period when the liability is settled, or the asset is realised. It is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are only recognised where it is probable that taxable profit will be available against which the temporary difference can be utilised.

TMKI has taken a prudent approach under Solvency II and is not recognising any additional deferred tax asset.

Investment in subsidiary

The value of the investment in subsidiary was £2.3 million at 31 December 2020.

The valuation was based on the adjusted equity method.

TMKI has a related subsidiary, Tokio Marine Europe Limited (TMEL), which is wholly-owned and incorporated in England and Wales. The investment in TMEL is stated at its current net book value as at 31st December 2020 and is the same under FRS 102 and Solvency II valuation rules. TMEL is a non-insurance subsidiary and was formerly a management services company for TMKI.

D1.3 Alternative methods for valuation of assets and liabilities for solvency purposes (per Article 263)

TMKI does not use any alternative methods in its valuation of assets and liabilities for solvency purposes.

D2 Technical provisions

D2.1 Technical provisions by material line of business

For each Solvency II line of business, the following table shows the net best estimate and risk margin, as well as the total technical provisions as at 31 December 2020.

All amounts in £'000s		Year-end 2020			Movement in Net TPs	
Code	SII line of business	Net best estimate	Risk margin	Net technical provisions	Year-end 2019	Increase/ (decrease)
1 & 13	Direct & Proportional Medical Expenses	5,114	278	5,392	5,711	(319)
2 & 14	Direct & Proportional Income Protection	-	-	-	-	-
3 & 15	Direct & Proportional Workers' Compensation	-	-	-	-	-
25	Non-Proportional Health Insurance	-	-	-	-	-
	Total Health	**5,114**	**278**	**5,392**	**5,711**	**(319)**
4 & 16	Direct & Proportional Motor Vehicle Liability	-	-	-	-	-
5 & 17	Direct & Proportional Other Motor	-	-	-	-	-
6 & 18	Direct & Proportional Marine, Aviation & Transport	8,001	434	8,435	15,498	(7,063)
7 & 19	Direct & Proportional Fire & Other Property Damage	110,023	5,972	115,995	92,084	23,911
8 & 20	Direct & Proportional General Liability	81,700	4,435	86,135	106,291	(20,156)
9 & 21	Direct & Proportional Credit & Suretyship	(5)	-	(5)	7	(12)
10 & 22	Direct & Proportional Legal Expenses	-	-	-	-	-
11 & 23	Direct & Proportional Assistance	205	11	216	406	(190)
12 & 24	Direct & Proportional Miscellaneous Financial Loss	15,315	831	16,146	4,596	11,550
26	Non-Proportional Casualty Reinsurance	1,088	59	1,147	1,150	(3)
27	Non-Proportional Marine, Aviation & Transport Reinsurance	-	-	-	29	(29)
28	Non-Proportional Property Reinsurance	1,851	100	1,951	4,233	(2,282)
	Total Non-Life	**218,178**	**11,842**	**230,020**	**224,294**	**5,726**
	Total	**223,292**	**12,120**	**235,412**	**230,005**	**5,407**

The increase in net technical provisions from year-end 2019 to year-end 2020 was predominantly driven by significant reserves for Covid-19 that were incurred in this financial year. The technical provisions would otherwise be expected to reduce as run-off continues. Material changes in the assumptions for calculating the technical provisions are discussed below.

D2.2 Bases, methods and main assumptions used for valuation of best estimate

The process of calculating each element of the best estimate for solvency purposes is covered in detail below, but the key methods are similar for each. The basic approach for each element is as follows:

1. Estimate bound premium and claims (for both earned and unearned business).
2. Calculate the corresponding undiscounted future premium and claims reserve amounts.
3. Estimate appropriate payment patterns to apply to each of these amounts.
4. Estimate the cash-flows within each future period using the relevant payment pattern.
5. Discount each future cash-flow using the appropriate risk-free interest rate.

Claims

Gross claims are projected to ultimate at a reserving class level using standard projection methods, including the link ratio method and the Bornhuetter-Ferguson method, with actuarial judgement applied, where appropriate. Exposure-based assessments are also used in estimating catastrophe claims. The earned claims estimates were consistent with those produced for the GAAP Technical Provisions.

Reinsurance recoveries are allowed for by applying estimated net-to-gross ratios consistent with the approach used for the GAAP technical provisions.

Projected cash-flows are estimated by applying payment patterns to the estimates of the gross claims and recoveries separately.

A "look through" basis is used for the valuation of binder business. As such, only individual declarations attached as at the valuation date are included in the Solvency II technical provisions.

Premiums

Premium cash-flows are projected net of insurance premium tax and gross of acquisition expenses using a link ratio model, based principally on the most recent underwriting years. As with claims, the estimated premium development patterns are produced at a reserving class level and are used to derive disposal rate payment patterns to apply to the corresponding future premium amounts.

Bound but not incepted (BBNI) business

Claims and premium cash-flows from BBNI business are estimated using data from the core systems showing entered but not incepted policies. Policies that have tacit renewal clauses are separately allowed for and are assumed to automatically renew if not cancelled in advance of the expiry date (typically 90 days), with an assumed proportion of lapses.

Future reinsurance purchases

The outwards reinsurance element of the Solvency II technical provisions at 31 December 2020 included an allowance for the cost of unwritten XLs, predominantly Engineering run-off covers, that will protect existing unearned inwards business.

Allowance for inflation

The statistical methodology used in the calculation of the technical provisions assumes that the future will be broadly similar to the past with regard to the legal environment and business operation. The assumption is considered realistic and proportionate given the reasonably short tail nature of the business, and hence the relatively limited exposure of the business to variations in future inflation rates.

Expenses

For each expense item at a Finance budget level, an estimate was made of the latest available budget for the forthcoming calendar year and of the corresponding proportion which relate to the servicing of existing liabilities.

These assumptions were combined for each expense item to give an estimate of the total cost of servicing the liabilities during 2020. For future calendar years, this cost was assumed to reduce in line with the claims reserves within the Solvency II technical provisions.

The paid claim amounts used in the analysis included all allocated loss adjustment expenses (ALAE) that were booked as paid as at the relevant date. Hence, they were assumed to cover future claim payments and the corresponding claims administration expenses. Unallocated loss adjustment expenses (ULAE) were not included within the paid claim amounts but projected as part of the expenses' analysis above.

Acquisition expenses

All premium cash-flows were projected net of insurance premium tax, but gross of acquisition expenses. Acquisition expense loadings, based on actual policy data, where available, or historical averages otherwise, were applied separately for both inwards and outwards reinsurance cash-flows to produce an allowance for both inwards acquisition costs and outwards reinsurance acquisition costs.

Adjustment for counterparty default

A report of outwards claims reserves split by reinsurer was produced, with all reinsurers assigned a reinsurer rating, sourced from Standard & Poor's and AM Best. For each reinsurer rating, a set of default probabilities and recovery rates were then assumed. The recovery rate for a specific counterparty was the share of debts that the counterparty will still be able to honour in the case of default. The default probabilities and recovery rates used were as per those provided by EIOPA.

The projected outwards claims reserves split by reinsurer rating were then combined with the recovery rate information to produce an estimate of the overall adjustment in respect of counterparty default.

Allowance for events not in data (ENID)

The allowance for ENID uses a truncated distribution approach, under which we have assumed that the full range of reserve outcomes were represented by the reserve risk distributions produced by the Capital Modelling Team. The ENID estimate was calculated as a percentage loading, based on the reserve risk distributions of the average loss from an event beyond the 1-in-10 likelihood, the 90% TVaR (Tail Value at Risk).

A premium-weighted average approach and judgement was applied to determine how much credibility to lend to certain segments of the business. This was then applied to the 90% TVaR amount to calculate the average loading required to cover such events. The judgement to apply a greater weighting to this business was based on the view that the more limited the historical data we have, the higher the likelihood of events not being captured.

Discounting

All relevant cash-flows were discounted using the prescribed PRA yield curves as at the valuation date.

Risk margin

In line with EIOPA guidance, the risk margin was calculated using a cost of capital approach. This approach was intended to reflect the costs incurred in raising capital to support the liabilities over their lifetime.

The Standard Formula SCRs used in the calculation of the risk margin were produced by the Company's Finance Team. The SCRs were calculated using a process in line with that for the full SCR calculation, but only applied to business included within the Solvency II technical provisions, that is, business legally bound at the valuation date. This was calculated as at the valuation date (proxy SCR) and the subsequent four year-ends (t=1 through t=4), using the Standard Formula. Thereafter, a risk-based approach was used to run-off the SCR.

Under the risk-based approach, the capital held to support the technical provisions was assumed to reduce in line with the Premium risk and Reserve risk underlying the technical provisions. The Reserve risk remaining after the first four years was assumed to reduce in line with the square root run-off method.

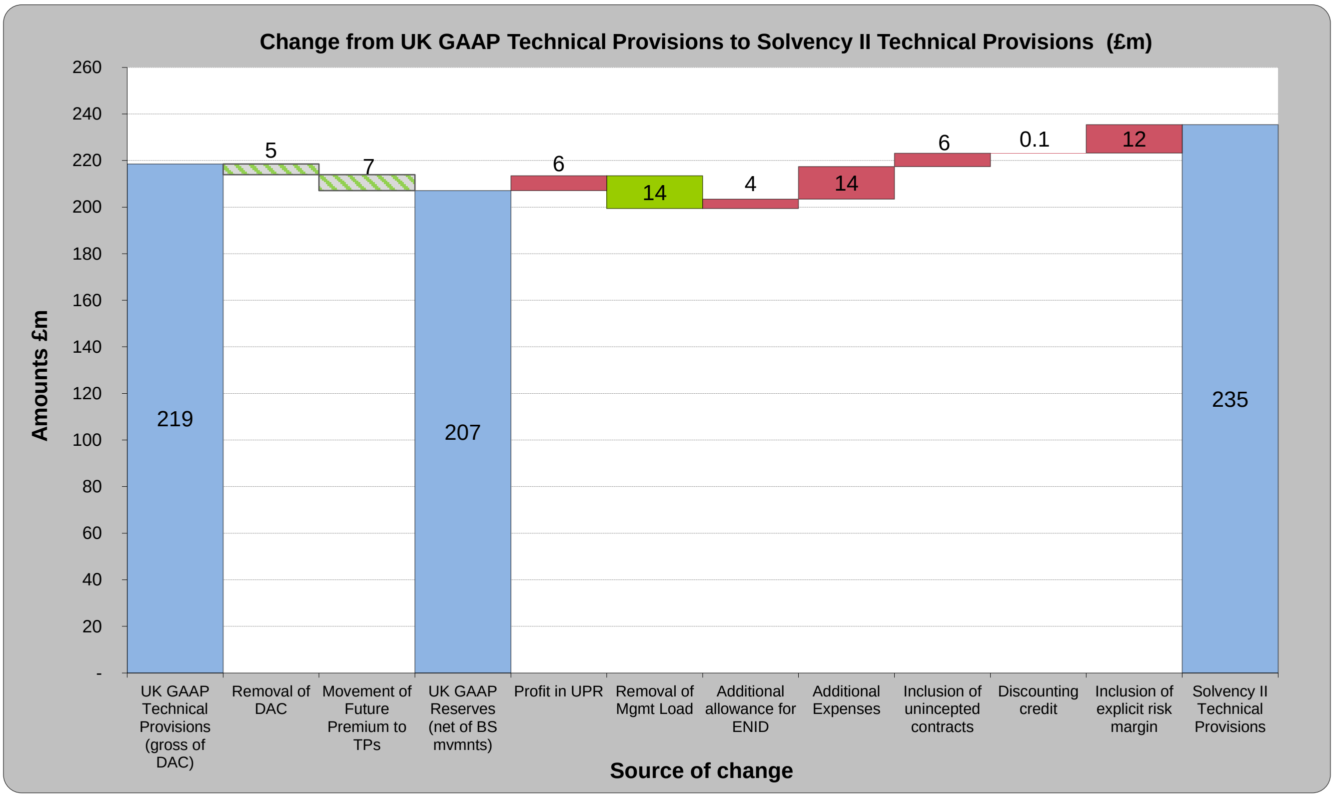
D2.3 Uncertainty associated with the value of technical provisions

There is always uncertainty in estimating the technical provisions for insurance business. The nature of most of these issues is such that they are difficult to quantify in both likelihood and magnitude. The issues that arise in respect of the business include:

- In valuing the technical provisions, it is necessary to project numerous cash-flows, including future premiums, claims and reinsurance recoveries. None of these will develop exactly as projected and they may vary significantly from the projections.
- For certain elements of the technical provisions, such as the allowance for ENIDs, there is very little data on which to base any analysis. This could potentially lead to increased uncertainty in the estimates for these elements of the technical provisions.
- Low levels of historical data can lead to an increased uncertainty in actuarial projections.
- There is greater uncertainty associated with the more recent years of account, mainly due to pricing strength and the unearned exposure to future events, such as natural catastrophes and large losses.

D2.4 Material differences between Solvency II and UK GAAP valuations for technical provisions

The following graph shows the difference between TMKI's GAAP technical provisions as at 31 December 2020 and the corresponding Solvency II technical provisions:



D2.5 The recoverables from reinsurance contracts and Special Purpose Vehicles

The main reinsurance contracts in place for TMKI were the catastrophe excess of loss treaties that protect the construction business against catastrophic loss events. Where appropriate, these are supplemented by facultative reinsurance arrangements.

As part of the wider Tokio Marine Group, there are also various fronting arrangements whereby risks are written by TMKI and ceded via quota share reinsurance contracts to TMNF. The use of Special Purpose Vehicles (SPVs) is limited to specific contracts, which are generally part of the fronted arrangements. For information on the calculation of reinsurance recoveries, please see the claims and premiums sub-sections in section D2.2 above.

D2.6 Material changes in the relevant assumptions made for calculating the technical provisions between year-end 2020 and year-end 2019

The assumptions used in the valuation of the Solvency II technical provisions (SII TPs) at 31 December 2020 are consistent with those made at 31 December 2019.

D3 Other liabilities

D3.1 Solvency II valuation for each material class of other liabilities

£'000s	UK GAAP	SII valuation	Variance
Material liability classes			
Gross technical provisions	308,224	307,338	(886)
Reinsurers' share of deferred acquisition costs	119	-	(119)
Insurance creditors	7,626	3,285	(4,341)
Reinsurance creditors	15,505	9,627	(5,878)
Other creditors	9,536	9,536	-
Deferred tax liability	-	-	-
Total liabilities	341,010	329,786	(11,224)
Net capital and reserves	**132,547**	**111,671**	**(20,876)**

D3.2 Differences between Solvency II valuation and UK GAAP valuations

The following section describes how each asset class was valued under UK GAAP and any difference arising in the valuation technique under Solvency II. Except where noted, there were no differences between the bases, methods and main assumptions used for each asset class in the valuation for solvency purposes as opposed to the valuation included within the financial statements.

During the reporting period, no changes were made to any of the recognition or valuation bases or estimation techniques described below.

Gross technical provisions

The value of gross technical provisions at 31 December 2020 was £307.3 million on a Solvency II basis and £308.2 million on an FRS 102 basis. Technical provisions are valued by the actuaries in accordance with Solvency II principles and PRA guidance. Please refer to Section D2 for further details and the reconciliation between UK GAAP and Solvency II valuations.

Reinsurers' share of deferred acquisition costs

Under FRS 102, acquisition costs comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. Deferred acquisition costs are not recognised separately under Solvency II to the extent that they form part of the premium provision calculation of the technical provisions. Please refer to Section D2.2 for further details.

Insurance creditors

The value of insurance creditors was £3.3 million on a Solvency II basis and £7.6 million on an FRS 102 basis at 31 December 2020.

Under FRS 102 basis, insurance creditors include all insurance balances payable irrespective of the amounts overdue. Under a Solvency II valuation basis, insurance creditors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as insurance creditors in the balance sheet and are not included in the technical provisions.

Reinsurance creditors

The value of reinsurance creditors was £9.6 million on a Solvency II basis and £15.5 million on an FRS 102 basis at 31 December 2020.

On an FRS 102 basis, reinsurance creditors include all reinsurance balances payable, irrespective of the amounts overdue. Under a Solvency II valuation basis, reinsurance creditors are reclassified as part of the technical provisions balance (see section D2 for further detail). The exception to this reclassification is where balances are more than three months overdue. On a Solvency II basis, these overdue balances are still reported as reinsurance creditors in the balance sheet and are not included in the technical provisions.

Other creditors

As at 31 December 2020, the Other creditors value was £9.5 million on both Solvency II basis and FRS 102 basis. The balance mainly comprised of group company creditors (£8.5 million).

Deferred tax liability

There was no deferred tax liability at 31 December 2020 on both Solvency II and FRS 102 basis.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates based on the enacted or substantially enacted tax laws expected to apply in the period when the liability is settled or the asset is realised. It is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

There were no material finance or operating leases. The values of the operating lease commitments were the same under both FRS 102 and under Solvency II valuation rules. The commitments under operating lease were as follows:

Total future minimum lease payments (£'000s)	Other leases	
	2020	2019
Within one year	1	2
Between one to five years	-	1
Later than five years	-	-

D4 Any other information

D4.1 Impact of COVID-19 pandemic on the balance sheet

The COVID-19 pandemic has led to increase in financial markets' volatility and declines in valuation of certain assets held at fair value within balance sheets. Investment grade corporate bonds and absolute return bond funds have experienced marginal falls in value as credit spreads have widened.

However, TMKI's investment portfolio is cautiously positioned with high-grade, short-dated fixed income assets, absolute return bond funds and no equities.

Due to the significant allocations to government, quasi government bonds and cash, the strength of the Company's financial assets remain secure and the need to sell corporate bonds in the current market conditions has not arisen.

The Company will continue to monitor the investment portfolio and take action when required.

With regards to liabilities, the technical provisions have been prepared based on conditions and best estimate assumptions at 31 December 2020. The COVID-19 loss estimates are £79.6 million gross of reinsurance and £55.6 million net of reinsurance, which includes £2.4 million of reinstatement premiums.

E Capital management

E1 Own funds

E1.1 Objectives, policies and processes for managing TMKI's own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR such that the solvency ratio, as measured against the SCR and referred to as the regulatory solvency ratio (RSR), remains within risk appetite.

These own funds are to be of sufficient quality to meet the eligibility requirements set out in Article 82 of Solvency II's Commission Delegated Regulation 2015/35. Separate to the RSR risk appetite, the TMKI Board sets a target buffer of own funds to be held above the economic capital requirement (ECR) as determined by the TMKI capital model.

The Board is provided with a quarterly capital update in which the eligible own funds to cover the RSR is reviewed.

As part of own funds management, TMKI maintains a run-off plan, which sets out annual solvency projections and includes the structure of, and requirements for, own funds over the foreseeable run-off period.

The RSR was 135% at the end of 2019, then reduced to 60% at the end of the first quarter of 2020 and was restored to 139% by the end of the second quarter of 2020. The RSR remained above 140% for the third and fourth quarters and was 180% at the end of 2020 when the SF SCR was recalculated.

Due to potential COVID-19 related claims, and a prudent forward-looking assessment of losses yet to occur, TMKI was technically in breach of its SCR and MCR on 31 March 2020 by £42.4 million or 40.3% of the SCR and £25.0 million or 71.0% of the MCR respectively. The calculation of the 31 March 2020 position is based on loss estimates adopted by the Board in May 2020. A capital injection of £70 million was made in May 2020 to allow TMKI to meet all regulatory capital requirements on a forecast basis.

The Company's capital, balance sheet exposure and solvency position are reviewed on an ongoing basis and actions will be taken to protect the solvency position.

E1.2 Structure, amount and quality of total available own funds to meet the SCR

Description (£'000s)	31 Dec 2020				31 Dec 2019	2020 Movement
	Tier 1	Tier 2	Tier 3	Total	Total	
Basic Own Funds						
Ordinary share capital	35,000	-	-	35,000	35,000	-
Share premium account	186,000	-	-	186,000	116,000	70,000
Reconciliation reserve	(109,413)	-	-	(109,413)	(62,252)	(47,161)
Net deferred tax assets	-	-	84	84	92	(8)
Total Basic Own Funds	**111,587**	**-**	**84**	**111,671**	**88,840**	**22,831**
Ancillary Own Funds						
Letters of credit	-	62,500	-	62,500	59,322	3,178
Available and Eligible Own Funds						
Total available own funds to meet SCR	111,587	62,500	84	174,171	148,162	26,009
Total available owns funds to meet MCR	111,587	-	-	111,587	88,748	22,839
Total eligible own funds to meet SCR	111,587	42,789	-	154,376	140,957	13,419
Total eligible own funds to meet MCR	111,587	-	-	111,587	88,748	22,839

TMKI has in place Ancillary Own Funds held in the form of a Letter of Credit for €70 million (equivalent to £62.5 million), which is valid until December 2022. In addition, following large losses in Q1 2020 mainly due to COVD-19, the TMK Group Board made a capital injection of £70 million into TMKI in May 2020.

As noted in the summary, TMKI benefits from being a member of TMHD and the associated parental guarantee issued by TMNF. Consequently, TMKI is rated A+ by S&P. TMKI's available own funds to meet the SCR are £174.2 million and the available own funds to meet the MCR are £111.6 million.

E1.3 Key elements of the reconciliation reserve

The reconciliation reserve of (£109.4 million) as at 31 December 2020 represents the difference between the total of Tier 1 share capital, share premium and Tier 3 deferred tax assets compared to the Solvency II excess of assets over liabilities.

The potential volatility of the reconciliation reserve is mainly driven by the underlying profitability of the Company resulting from its underwriting performance, which reflects TMKI's appetite for underwriting risk.

E1.4 Eligible amount of own funds to cover the SCR and MCR, classified by tiers

As shown in the table in section E1.2, TMKI's eligible own funds to meet the SCR are £154.4 million and the eligible own funds to meet the MCR are £111.6 million.

E1.5 Material differences between equity as shown in TMKI's financial statements and the excess of assets over liabilities as calculated for solvency purposes

The majority of asset and liability classes within TMKI's balance sheet are valued identically under both Solvency II and GAAP. The key differences are the valuation of the technical provisions and the reclassification of non-overdue debtor and creditor balances to technical provisions. These differences change the amount of capital held as follows:

Description	31 Dec 2019 (£'000s)	Movement in 2020 (£'000s)	31 Dec 2020 (£'000s)
Equity per financial statements			
Ordinary share capital	35,000	-	35,000
Share premium account	116,000	70,000	186,000
Retained earnings	(41,805)	(46,648)	(88,453)
Total equity per financial statements	**109,195**	**23,352**	**132,547**
Difference in net technical provisions including DAC	(10,655)	(3,388)	(14,043)
Difference in net (re)insurance debtors and creditors	(9,699)	2,866	(6,833)
Difference in other items	(1)	-	(1)
SII Basic Own Funds	**88,840**	**22,830**	**111,670**

E1.6 Description and the amount of each material ancillary own-fund item

The €70 million (equivalent to £62.5 million) letter of credit referred to in section E1.2 is held with Mizuho Bank Limited.

As highlighted in section 1.6, the letter of credit was approved by the PRA in December 2019 and is valid until December 2022.

E1.7 Description of items deducted from own funds and of significant restriction affecting the availability and transferability of own funds within TMKI

There were no items under these categories as at 31 December 2020.

E2 Solvency capital requirement and minimum capital requirement

E2.1 Amount TMKI's SCR and MCR as at 31 December 2020 by risk modules

The SCR and MCR at 31 December 2020 were, respectively, £85.6 million and £25.6 million, with the SCR split by risk modules as shown in the following table:

Solvency capital requirement (£'000)		2020	2019	Change
Non-life underwriting risk	Premium and Reserve risk	52,772	51,723	1,049
	Catastrophe risk	26,321	35,303	(8,982)
	Lapse risk	1,466	710	756
	SCF_{nl} Pre-diversification	80,559	87,736	(7,177)
	SCF_{nl} Diversification credit	(15,950)	(18,201)	2,251
	SCF_{nl} Post-diversification	**64,609**	**69,535**	**(4,926)**
Health underwriting risk	NSLT underwriting risk	876	1,059	(183)
	SLT underwriting risk	-	-	-
	Concentration risk	-	500	(500)
	SCF_{health} Pre-diversification	876	1,559	(683)
	SCF_{health} Diversification credit	-	(280)	280
	SCF_{health} Post-diversification	**876**	**1,279**	**(403)**
Market Risk	Interest Rate risk	195	12	183
	Equity risk	497	519	(22)
	Property risk	-	-	-
	Spread risk	7,033	8,033	(1,000)
	Concentration risk	80	237	(157)
	Currency risk	11,014	9,924	1,090
	SCF_{mkt} Pre-diversification	18,819	18,725	94
	SCF_{mkt} Diversification credit	(3,976)	(4,161)	185
	SCF_{mkt} Post-diversification	**14,843**	**14,564**	**279**
Counterparty Default Risk	Type 1 risk	3,962	8,271	(4,309)
	Type 2 risk	8,644	25,360	(16,717)
	SCF_{def} Pre-diversification	12,606	33,631	(21,026)
	SCF_{def} Diversification credit	(699)	(1,597)	898
	SCF_{def} Post-diversification	**11,907**	**32,034**	**(20,128)**
Undiversified Basic SCR		92,235	117,412	(25,178)
Diversification credit		(15,514)	(22,165)	6,651
Basic SCR		76,721	95,247	(18,527)
Operational risk		8,857	9,172	(315)
Final Standard Formula SCR		**85,578**	**104,419**	**(18,842)**

E2.2 Simplifications applied within the Standard Formula risk modules and sub-modules

In calculating the SCR, the following simplifications were applied:

- Article 59: Calculations of the risk margin during the financial year.
  The proxy SCR (required for the calculation of the risk margin) was not recalculated for the quarterly update of the technical provisions; it was kept as at year-end. However, the materiality of any change in the SCR was monitored via the quarterly monitoring file.
- Partial application of Article 111: Simplified calculation of the risk mitigating effect.

E2.3 Inputs used to calculate the minimum capital requirement

The table below shows the inputs into the MCR calculation as at 31 December 2019 and 31 December 2020.

	31 Dec 2019 (£'000s)	Movement in 2019 (£'000s)	31 Dec 2020 (£'000s)
AMCR	3,187		3,338
Linear MCR	30,175		25,643
SCR	104,418		85,578
Combined MCR	30,175		25,643
MCR	**30,175**	**(4,533)**	**25,643**

**AMCR is converted at October 2020 exchange rates as per Article 300.*

Note: The Absolute Floor of the Minimum Capital Requirement (AMCR), as prescribed by EIOPA, was €3.7 million, equivalent to £3.3 million.

The following information, by Solvency II Line of Business, were used to calculate the MCR:

- Net written premium in the previous 12 months to the valuation date.
- Net best estimate technical provisions.

E2.4 Material changes to the SCR and MCR over the reporting period, and the reasons for any such change.

The decreases in the SCR or MCR between 31 December 2019 and 31 December 2020 were consistent with the reduction in business. This was evidenced via a quarterly risk monitoring report with prescribed triggers, agreed by the Board and applied to the material drivers of the SCR and MCR to monitor potential deviations from the last valuation date.

The alternative premium volume calculation method was adopted for the SCR calculation at 31 December 2020.

The previous method takes the higher of the earned premiums in the previous 12 months or the upcoming 12 months, whereas the alternative calculation only considers the latter. This reduces Premium Risk.

The transition into run-off from 1 January 2020 will significantly reduce TMKI's written and earned premium in 2021 compared with 2020. As such, the exposure in the last 12 months was no longer considered to be representative of the ongoing exposure of TMKI's portfolio in 2021.

TMKI notified the PRA in 2019 about this change in line with EIOPA's guidance, prior to the 2018 annual submission. The PRA have acknowledged this notice and requires TMKI to continue to monitor the earned premium forecast for each year prospectively.

E3 Use of duration-based equity risk sub-module in the calculation of the SCR

Not applicable.

E4 Differences between the Standard Formula and any internal model used

Not applicable.

E5 Non-compliance with the MCR and non-compliance with the SCR

As stated section E1 above, the Company breached its SCR and MCR on 31 March 2020 and a capital injection of £70 million was made in May 2020. TMKI now meets all the regulatory capital requirements both currently and on a forecast basis.

E6 Any other information

Explanation of the transition from FRS 101 to FRS 102 and FRS 103

This is the first year that the Company has prepared financial statements in accordance with FRS 102 and FRS 103. For financial years ending 31 December 2015 onwards the Company prepared financial statements in accordance with FRS 101 'Reduced Disclosure Framework' and prior to that with previous UK GAAP.

Governing body's responsibility for the SFCR

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been supplemented by the approvals made by the PRA, under the PRA Rules and Solvency II regulations on which they are based as detailed below:

We are satisfied that:

a. throughout the financial year in question, TMKI has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company; and

b. it is reasonable to believe that, at the date of publication of the SFCR, TMKI has continued to comply and will continue to do so in future.

On behalf of the TMKI Board

DocuSigned by:

BF982022D18A4FB...

Reeken Patel
Chief Financial Officer
8 April 2021

Independent auditors report on the relevant elements of the SFCR

Report of the external independent auditors to the Directors of Tokio Marine Kiln Insurance Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report
Opinion

We have audited the following documents prepared by the Company as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2020, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

- Company templates S.05.01.02, S.05.02.01 and S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment and challenging the material assumptions made using our knowledge of company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Testing the receipt of cash by the company to rectify the MCR breach identified by management during 2020;
- Reviewing management's assessment of the regulatory Solvency coverage and liquidity position in the forward looking scenarios considered;
- Reviewing information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of COVID-19); and
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including the review of relevant meeting minutes and attendance of Audit Committee.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations. which have been supplemented by the approvals made by the PRA Rules and Solvency II regulations on which they are based, as detailed below:

Approval of items of ancillary own funds

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, internal audit and the company's compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to Solvency II valuation adjustments made to the UK GAAP technical provisions balance; Identifying and testing journal entries, in particular any journals that appear to be posted outside the normal patterns and parameters, any journal entries posted with unusual account combinations and journals posted by senior management; and
- Reviewing relevant meeting minutes including those of the Conflicts Committee, Risk, Capital & Compliance Committee, the Audit Committee and correspondence with regulatory authorities, including the Prudential Regulation Authority and the Financial Conduct Authority.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements
In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London

8 April 2021

Glossary

Acronym/Term	Meaning
ABS	Asset-Backed Securities
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AOF	Ancillary Own Funds
ARF	Absolute Return Funds
BBNI	Bound But Not Incepted
BRS	BlackRock Solutions, TMK's outsourcing providers for investment-related accounting and reconciliations tasks
CEO	Chief Executive Officer
COBS	Conduct of Business Sourcebook, which is part of the FCA Handbook
Economic Capital	The amount of risk capital to be held by a firm in order for it to cover the risks it is exposed to in a worst-case scenario
EIOPA	The European Insurance and Occupational Pensions Authority
ENIDs	Events Not In Data
ESG	Economic Scenario Generator
EU	European Union
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
FTSE	Financial Times Stock Exchange
GAAP	General Accepted Accounting Principles
GWP	Gross Written Premium
IAS	International Accounting Standard
IBOXX	Bond market indices used as benchmarks for asset allocation
ICF	Internal Control Framework document
IFRS	Valuation in accordance with International Financial Reporting Standards as adopted in the EU
IPT	Insurance Premium Tax
IT	Information Technology
MCR	Minimum Capital Requirement
MMF	Money Market Fund
NEDs	Non-Executive Directors
Ogden Rates	The rate usually specified by the UK government as the basis for calculating personal injury compensations by insurance companies
ORSA	Own Risk and Solvency Assessment
OWRI	Outward Reinsurance
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Templates
RCCC	Risk, Capital & Compliance Committee
Regulatory Capital	The level of capital a financial institution is required to hold by regulator(s) based on the firm's risk profile
RSR	Regulatory Solvency Ratio
Reverse Stress Testing	A form of stress test in which the starting assumption of failure of the business. It is used to examine scenarios that could potentially result in business failure
RISC	Reinsurance Security Committee
S&P	Standard & Poor's, a rating agency
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement

Acronym/Term	Meaning
SII	Solvency II, the new regulatory regime for European insurance and reinsurance firms
SF	Standard Formula
Stress Tests	Tests used to examine the potential impact of individual events on the continues operation, profitability, capital adequacy and solvency of the business
TMHD	Tokio Marine Holdings Inc
TMK/TMKGL	Tokio Marine Kiln/Tokio Marine Kiln Group Limited
TMKI	Tokio Marine Kiln Insurance Limited
TMKS	Tokio Marine Kiln Syndicates Limited
TMNF	Tokio Marine Nichido Fire Insurance Inc
TPs	Technical Provisions
TPA	Third Party Administrator
UCITS	A European Mutual Fund; UCITS means "Undertakings for Collective Investment in transferrable Securities"
ULAE	Unallocated loss adjustment expenses
USP	Undertaking-Specific Parameter
WTW	Willis Towers Watson, a global advisory, broking and financial solution providers
XL	Excess of Loss reinsurance contract

Supplementary Quantitative Reporting Templates to the SFCR

List of required QRTs for submission with the SFCR

The following QRTs are provided with the SFCR in line with Solvency II requirements:

QRT Reference	QRT Template Name/Contents
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
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

Tokio Marine Kiln Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in GBP thousands)

General information

Undertaking name	Tokio Marine Kiln Insurance Limited
Undertaking identification code	391200DTAYLSAHINXK49
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	84
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	323,301
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	2,259
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	209,324
R0140	*Government Bonds*	142,596
R0150	*Corporate Bonds*	64,111
R0160	*Structured notes*	0
R0170	*Collateralised securities*	2,616
R0180	*Collective Investments Undertakings*	99,575
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	12,143
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	71,927
R0280	*Non-life and health similar to non-life*	71,927
R0290	*Non-life excluding health*	71,797
R0300	*Health similar to non-life*	130
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,664
R0370	Reinsurance receivables	5,425
R0380	Receivables (trade, not insurance)	17,825
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	6,191
R0420	Any other assets, not elsewhere shown	12,041
R0500	**Total assets**	441,457

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	307,338
R0520	*Technical provisions - non-life (excluding health)*	301,817
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	289,974
R0550	*Risk margin*	11,843
R0560	*Technical provisions - health (similar to non-life)*	5,522
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	5,244
R0590	*Risk margin*	278
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	3,285
R0830	Reinsurance payables	9,627
R0840	Payables (trade, not insurance)	9,536
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	329,786
R1000	**Excess of assets over liabilities**	111,671

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	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	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	Gross - Direct Business	1			0	0	1,227	-935	1,143	0	0	-2	2,816					4,249
R0120	Gross - Proportional reinsurance accepted	987			0	0	16,573	4,842	-6,341	0	0	10	591					16,662
R0130	Gross - Non-proportional reinsurance accepted														-2	469	206	674
R0140	Reinsurers' share	-1			0	0	4,820	7,197	876	0	0	0	0		2	-3	1	12,892
R0200	Net	988			0	0	12,980	-3,289	-6,074	0	0	8	3,408		-4	473	205	8,694
	Premiums earned																	
R0210	Gross - Direct Business	62			0	0	6,016	12,507	4,599	25	0	27	2,401					25,636
R0220	Gross - Proportional reinsurance accepted	1,704			0	0	18,089	8,482	-4,975	0	0	75	680					24,055
R0230	Gross - Non-proportional reinsurance accepted														24	574	366	964
R0240	Reinsurers' share	-1			0	0	5,272	11,179	1,820	12	0	0	0		2	16	15	18,314
R0300	Net	1,766			0	0	18,834	9,810	-2,196	13	0	102	3,082		23	559	351	32,343
	Claims incurred																	
R0310	Gross - Direct Business	-55			0	0	-2,346	72,857	-847	0	0	-17	683					70,274
R0320	Gross - Proportional reinsurance accepted	4,601			0	0	10,309	5,057	-91	0	0	0	6,852					26,728
R0330	Gross - Non-proportional reinsurance accepted														-49	1	-489	-537
R0340	Reinsurers' share	0			0	0	1,819	22,922	2,134	0	0	0	0		0	0	0	26,876
R0400	Net	4,546			0	0	6,144	54,992	-3,072	0	0	-17	7,535		-48	1	-489	69,590
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0			0	0	36	6,718	0	0	0	0	0					6,754
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0			0	0	36	6,718	0	0	0	0	0		0	0	0	6,754
R0550	**Expenses incurred**	1,852			0	0	24,407	2,331	-11,096	-2	0	8	5,801		-2	591	239	24,129
R1200	**Other expenses**																	
R1300	**Total expenses**																	24,129

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			LU	US	AE	ZA	DE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	2,593	0	607	0	5	3	3,208
R0120	Gross - Proportional reinsurance accepted	915	8,629	971	687	456	500	12,157
R0130	Gross - Non-proportional reinsurance accepted	-13	0	55	-3	48	-30	58
R0140	Reinsurers' share	-1,338	51	227	243	10	549	-258
R0200	Net	4,833	8,578	1,406	441	499	-75	15,681
	Premiums earned							
R0210	Gross - Direct Business	22,427	0	1,446	0	7	47	23,926
R0220	Gross - Proportional reinsurance accepted	1,855	13,874	994	636	584	500	18,444
R0230	Gross - Non-proportional reinsurance accepted	133	0	96	-3	48	-30	244
R0240	Reinsurers' share	3,224	51	330	224	132	582	4,543
R0300	Net	21,191	13,823	2,206	409	507	-64	38,072
	Claims incurred							
R0310	Gross - Direct Business	15,811	48,063	2,532	-3	0	8	66,411
R0320	Gross - Proportional reinsurance accepted	9,742	8,719	3,628	331	-44	641	23,016
R0330	Gross - Non-proportional reinsurance accepted	-29	0	0	-1	-567	2	-595
R0340	Reinsurers' share	-22,323	42,790	-3,823	204	25	530	17,402
R0400	Net	47,848	13,992	9,984	122	-636	120	71,430
	Changes in other technical provisions							
R0410	Gross - Direct Business	6,754	0	0	0	0	0	6,754
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	6,754	0	0	0	0	0	6,754
R0550	**Expenses incurred**	13,176	8,777	1,232	191	308	6	23,690
R1200	**Other expenses**							
R1300	**Total expenses**							23,690

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0			0	0	0	0	0	0	0	0	0		0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-10			0	0	1,616	8,173	252	-3	0	-4	-216		0	0	19	9,827
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0			0	0	-3	-3,900	20	0	0	0	-1,721		0	0	7	-5,596
R0150	**Net Best Estimate of Premium Provisions**	-10			0	0	1,619	12,073	232	-3	0	-4	1,505		0	0	12	15,424
	Claims provisions																	
R0160	Gross	5,254			0	0	36,865	135,057	90,933	-3	0	226	13,824		1,384	0	1,849	285,391
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	130			0	0	30,484	37,108	9,466	0	0	17	14		296	0	10	77,523
R0250	**Net Best Estimate of Claims Provisions**	5,124			0	0	6,381	97,950	81,467	-3	0	209	13,811		1,088	0	1,839	207,867
R0260	**Total best estimate - gross**	5,244			0	0	38,481	143,230	91,186	-5	0	222	13,608		1,384	0	1,868	295,218
R0270	**Total best estimate - net**	5,114			0	0	8,001	110,023	81,700	-5	0	205	15,315		1,088	0	1,851	223,291
R0280	**Risk margin**	278			0	0	434	5,972	4,435	0	0	11	831		59	0	100	12,120
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	5,522			0	0	38,915	149,202	95,620	-5	0	233	14,440		1,443	0	1,969	307,338
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	130			0	0	30,481	33,207	9,486	0	0	17	-1,707		296	0	17	71,927
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	5,392			0	0	8,435	115,994	86,134	-5	0	216	16,147		1,147	0	1,952	235,411

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Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											64	64	64
R0160	2011	51,014	68,852	26,543	10,635	-1,290	2,444	437	947	-183	160		160	159,559
R0170	2012	161,657	134,845	15,673	5,336	2,542	1,419	1,354	284	-116			-116	322,994
R0180	2013	233,032	67,405	15,355	7,509	4,017	1,463	378	347				347	329,507
R0190	2014	26,804	58,554	25,035	5,099	2,975	912	1,213					1,213	120,593
R0200	2015	66,819	50,325	20,303	19,024	2,739	1,072						1,072	160,282
R0210	2016	18,548	52,554	26,309	5,077	3,330							3,330	105,818
R0220	2017	18,675	48,134	22,495	15,276								15,276	104,580
R0230	2018	33,427	55,741	33,427									33,427	122,595
R0240	2019	51,912	41,563										41,563	93,475
R0250	2020	125											125	125
R0260												Total	96,462	1,519,593

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											7,436	7,444
R0160	2011	0	0	0	0	11,775	6,272	5,332	3,760	2,072	1,857		1,848
R0170	2012	0	0	0	14,814	13,021	7,366	4,033	1,711	1,083			1,094
R0180	2013	0	0	21,202	15,140	9,941	6,640	3,571	1,540				1,536
R0190	2014	0	67,224	44,277	27,758	20,450	7,541	5,914					5,873
R0200	2015	78,687	81,098	47,218	26,259	12,474	9,651						9,611
R0210	2016	76,656	63,085	40,411	12,582	10,986							10,945
R0220	2017	99,418	65,887	48,929	39,754								39,756
R0230	2018	132,337	93,594	79,346									79,080
R0240	2019	106,216	123,437										123,964
R0250	2020	4,239											4,240
R0260												Total	285,391

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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)	35,000	35,000		0	
R0030	Share premium account related to ordinary share capital	186,000	186,000		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	-109,413	-109,413			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	84				84
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	111,671	111,587	0	0	84
	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	62,500			62,500	
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**	62,500			62,500	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	174,171	111,587	0	62,500	84
R0510	Total available own funds to meet the MCR	111,587	111,587	0	0	
R0540	Total eligible own funds to meet the SCR	154,376	111,587	0	42,789	0
R0550	Total eligible own funds to meet the MCR	111,587	111,587	0	0	
R0580	**SCR**	85,578				
R0600	**MCR**	25,643				
R0620	**Ratio of Eligible own funds to SCR**	180.39%				
R0640	**Ratio of Eligible own funds to MCR**	435.16%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	111,671
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	221,084
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-109,413
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,069
R0790	**Total Expected profits included in future premiums (EPIFP)**	4,069

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	14,843		
R0020	Counterparty default risk	11,907		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	876		
R0050	Non-life underwriting risk	64,609		
R0060	Diversification	-15,514		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	76,721		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	8,857
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	85,578
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	85,578
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

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	MCR_{NL} Result	25,643

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	5,114	988
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	8,001	12,980
R0080	Fire and other damage to property insurance and proportional reinsurance	110,023	0
R0090	General liability insurance and proportional reinsurance	81,700	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	205	8
R0130	Miscellaneous financial loss insurance and proportional reinsurance	15,315	3,408
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	1,088	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	473
R0170	Non-proportional property reinsurance	1,851	205

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	25,643
R0310	SCR	85,578
R0320	MCR cap	38,510
R0330	MCR floor	21,394
R0340	Combined MCR	25,643
R0350	Absolute floor of the MCR	3,338
R0400	**Minimum Capital Requirement**	25,643