Motors Insurance Company Limited

Solvency and Financial Condition Report

For the year ending 31 December 2018

Motors Insurance Company

An AmTrust Financial Company

Motors Insurance Company
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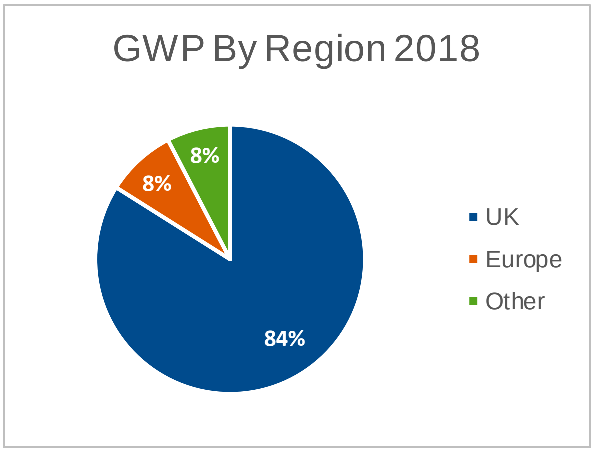
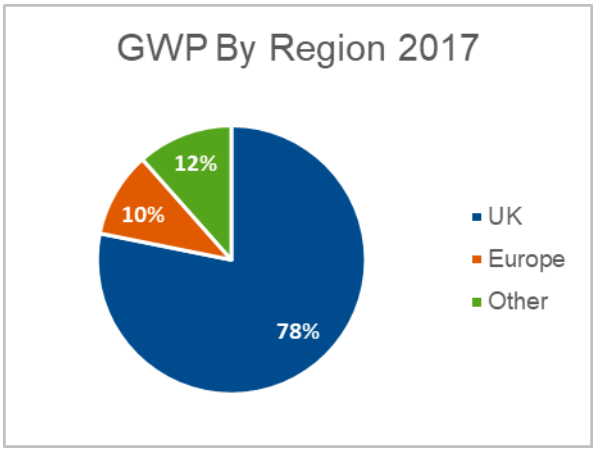
Contents

Summary

Business model

Motors Insurance Company Limited (MICL or the Company) is a UK registered insurance company, which writes or insures multiple lines of business across the UK, Europe, China and Latin America. Its primary markets are shown in the chart below.





MICL's primary underwriting focus is in the motor add-on insurance market, offering the following types of insurance:

- Mechanical Breakdown Insurance (Miscellaneous Financial Loss);
- Guaranteed Asset Protection (Miscellaneous Financial Loss);
- Wholesale Floorplan Insurance (Motor Other);
- Cosmetic Repair, Alloy Wheel Repair and Tyre Insurances (Motor Other); and
- Roadside Assistance (Assistance).

MICL is a subsidiary of the AmTrust Financial Services Inc. (AFSI) group. AFSI is a multinational property and casualty insurer.

Solvency II

As a regulated insurance company, MICL is subject to the regulatory rules and principles adopted by the UK and the European Union, which came into effect on 1 January 2016. Solvency II is a regulatory regime which is designed to set an appropriate level of capital that reflects the specific risk profile of insurance companies within the regime.

As an insurance company, the biggest source of risk in MICL's business model relates to the underwriting activity undertaken by the business. Regulatory capital is designed to act as buffer, which is to be held within the Company's assets and liabilities, and provides a safety mechanism to protect policyholders should MICL incorrectly estimate its future liabilities, or if unforeseen stress events occur which impact the markets in which MICL operates.

This report is a Solvency II requirement, which is designed to give MICL's external stakeholders (including policyholders) an insight into the solvency and financial condition of the Company. This is the third SFCR completed by MICL, covering the period 1 January 2018 to 31 December 2018, with comparisons to the 2017 period. It is a document covering MICL's business only and therefore classed as a solo submission.

Business performance

2018	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	£'000	£'000	£,000
GWP – Direct	18,817	1,189	102,779	122,785
GWP – Proportional reinsurance	672	-	19,556	20,228
Reinsurers' share	(999)	-	(4,073)	(5,072)
Net premiums written	**18,490**	**1,189**	**118,262**	**137,941**
Gross premiums earned – Direct	5,796	698	81,363	87,857
Gross premiums earned – Reinsurance	800	-	20,127	20,927
Reinsurers' share	(999)	-	(2,447)	(3,446)
Net premiums earned	**5,597**	**698**	**99,043**	**104,708**
Gross claims incurred – Direct	2,336	275	51,199	53,810
Gross claims incurred – Reinsurance	(17)	-	8,319	8,302
Reinsurers' share	-	-	(2,518)	(2,518)
Net claims incurred	**2,319**	**275**	**57,000**	**59,594**
Expenses incurred	**2,659**	**43**	**32,086**	**34,788**
Other Expenses	**-**	**-**	**-**	**-**
Net technical result	**619**	**380**	**9,957**	**10,956**

2018 was a successful year for MICL with increases in Gross Written Premium (GWP) and technical result.

This successful performance was driven by the Mechanical Breakdown Insurance portfolio, which accounted for 69% (2017: 81%) of total GWP.

As represented previously, the UK market remains the largest market, accounting for 80% (2017: 77%) of the Mechanical Breakdown Insurance GWP.

MICL seeks to adopt strong risk appetites and underwriting disciplines in the lines of business that it participates in and employs experienced and professional underwriters that have a good track record of underwriting profitably throughout the insurance cycle.

Material changes to MICL's business model

During 2018, MICL made a strategic decision to increase its underwriting of Guaranteed Asset Protection (GAP), Cosmetic Repair Insurance (CRI) and Alloy Wheel Repair Insurance and Tyre Insurance (ALT). The Board identified an opportunity to utilise capacity within MICL; underwriting these products at sustainable rates and complementing the overall Car Care Plan (Holdings) Limited strategy of decreasing the use of external Third Party Underwriters.

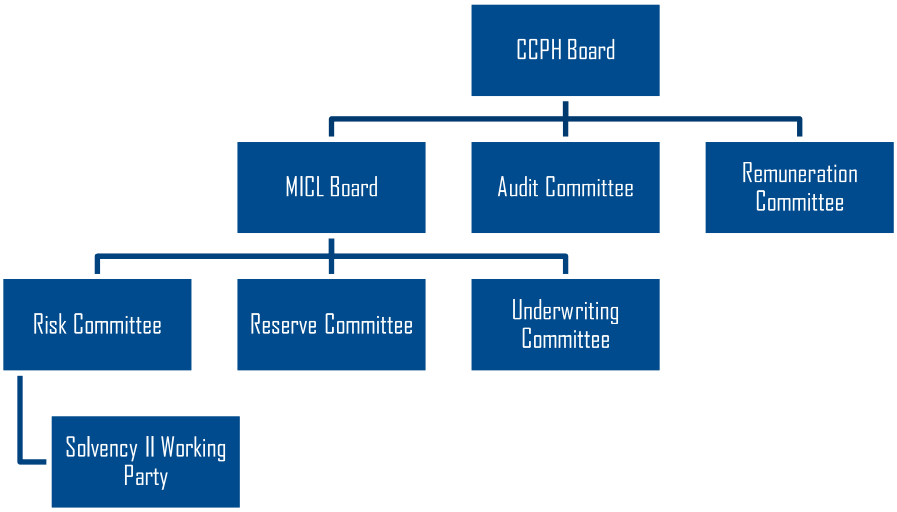
Due to the increase in exposure to CRI and ALT, the Board took the decision to re-classify these products from Miscellaneous Financial Loss to Motor Other to better reflect the nature of the risks underlying the contracts.

The UK's decision to leave the European Union has meant that contingency planning has been required in relation to the business MICL underwrites in EU countries. This contingency planning means that the business MICL has historically written directly in Europe will move to an alternative insurer within the AmTrust group. These changes are expected to impact MICL during 2019.

Within 2018, MICL transitioned to the Senior Managers and Certification Regime (SMCR), which is covered in more detail below.

Systems of Governance

MICL has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.



The Board bears the ultimate responsibility for setting and achieving MICL's strategy, and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with established best practices within the Insurance market, MICL follows the "Three Lines of Defence" model of corporate governance.

The Company's key committees are depicted above with the Risk Committee sitting within the 2nd line of defence, the audit committee in the 3rd line of defence and all other committees within the 1st line of defence.

The Board of Directors, along with the Risk Committee, provide oversight and control in relation to the evaluation of risk within the business.

Within 2018, MICL transitioned from the Senior Insurance Managers Regime (SIMR) to the Senior Managers and Certification Regime (SMCR). The SMCR was extended to insurers on 10 December 2018, replacing the PRA's SIMR and the FCA's Approved Persons Regime. The extension means that MICL is now subject to elements of the SMCR which have not been applied previously, such as the Certification Regime, handover procedures and the statutory duty of responsibility. In addition, almost all employees of insurers are now subject to the Conduct Rules.

Risk Profile

The Company calculates its required capital from a regulatory and from an internal economic capital perspective by reference to certain risk categories that it is exposed to within its business model. The main risks that MICL is exposed to are:

- Underwriting risk – 84.2% (2017: 68.7%) of the undiversified SCR;
- Market risk – 13.6% (2017: 28.2%) of the undiversified SCR; and
- Credit risk – 2.2% (2017: 3.1%) of the undiversified SCR.

Underwriting Risk

MICL's largest risk exposure is in respect of underwriting risk, which is broken down into two main components: premium risk and reserve risk. Premium risk is the risk that premiums are insufficient to cover the value of claims made; and reserve risk is the risk that on-going claims are settled at a higher value than previously expected. The majority of the Company's material underwriting risk exposure comes from Mechanical Breakdown Insurance product within the Miscellaneous Financial Loss class, which continued to represent the largest class of business during 2018.

Market Risk

Market risk is the risk of loss of income or decrease in the value of assets caused by movements in the level and prices of financial instruments. Market risk includes factors such as equity values, interest rates, foreign exchange and spread risk.

The Company's material exposures to market risk are: concentration risk on intercompany loans, interest rate risk and spread risk on its bond portfolio; and foreign currency exchange risk arising from fluctuations in exchange rates of various currencies.

Credit Risk

Credit risk is the potential loss arising from the failure of third parties to meet their payment obligations to the Company.

In MICL, the main area of credit risk is in relation to amounts due from insurance intermediaries and amounts held with banks and other financial institutions.

Other risks

MICL is also exposed to the following other risks:

- Liquidity risk;
- Operational risk; and
- Legal and regulatory risk.

Valuation for solvency purposes

MICL's assets and liabilities are valued differently when calculating its regulatory capital under Solvency II and when preparing its annual accounts for filing at Companies House. The former applies the valuation rules from the Solvency II Directive, and the latter applies valuation rules under Generally Accepted Accounting Principles (GAAP) in the UK.

The following is a summary level Solvency II Balance Sheet as at 31 December 2018 and 31 December 2017 for comparison:

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets Investments				
Bonds				
Government bonds	60,236	190	-	60,426
Corporate bonds	128,974	1,060	-	130,034
Loans and mortgages	17,875	-	-	17,875
Reinsurance recoverables	3,828	(476)-	(644)	2,708
Deposits to cedants	1,086	-	-	1,086
Insurance & intermediaries receivables	13,872	(10,563)	-	3,309
Cash and cash equivalents	10,260	-	-	10,260
Any other assets	1,250	(1,250)	-	-
Deferred acquisition costs	54,577	-	(54,577)	-
Total Assets	**291,958**	**(11,039)**	**(55,221)**	**225,698**
Liabilities				
Technical provisions – non-life	169,615	3,475	(64,211)	108,879
Deferred tax liabilities	-	-	1,708	1,708
Insurance & intermediaries payables	16,865	(14,514)	-	2,351
Payables (trade, not insurance)	6,709	-	-	6,708
Any other liabilities	1,378	-	-	1,378
Total Liabilities	**194,566**	**(11,039)**	**(62,503)**	**121,024**
Excess of assets over liabilities	**97,392**	**-**	**7,282**	**104,674**

Solvency II Balance Sheet As at 31st December 2017	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Assets Investments				
Bonds				
Government bonds	6,309	158	-	6,467
Corporate bonds	148,197	2,425	-	150,622
Loans and mortgages	25,375	-	-	25,375
Reinsurance recoverables	1,942	-	57	1,999
Deposits to cedants	573	-	-	573
Insurance & intermediaries receivables	11,480	(7,667)	-	3,813
Cash and cash equivalents	9,241	-	-	9,241
Any other assets	2,583	(2,583)	-	-
Deferred acquisition costs	40,902	-	(40,902)	-
Total Assets	**246,602**	**(7,667)**	**(40,845)**	**198,090**
Liabilities				
Technical provisions – non-life	134,333	6,985	(47,981)	93,337
Deferred tax liabilities	-	-	1,356	1,356
Insurance & intermediaries payables	16,233	(14,652)	-	1,581
Payables (trade, not insurance)	4,225	-	-	4,225
Any other liabilities	1,376	-	-	1,376
Total Liabilities	**156,167**	**(7,667)**	**(46,625)**	**101,875**
Excess of assets over liabilities	**90,435**	**-**	**5,780**	**96,215**

Assets and Other liabilities

The valuation of most of MICL's assets and other liabilities is the same under UK GAAP and Solvency II. The main differences are:

Insurance and intermediaries payables – Payables to intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the amount payable, and are discounted where it is expected that the balance will be paid after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to net technical provisions. The UK GAAP balance also includes amounts owed in respect of profit sharing agreements, which are included in net technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

Deferred tax liability – The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance in respect of the increase in own funds due to the recognition of future profits in technical provisions when calculated on a Solvency II basis.

Technical Provisions

There are significant differences in the way Technical Provisions (TPs) are required to be calculated under Solvency II in comparison with the UK GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the main body of this report in section D.

During 2018 MICL began writing more significant volumes of CRI and ALT Insurance than had been written historically. This business has been classified as Other motor insurance and this explains the increase in TPs in the table below.

The following table shows a summary of MICL's total Technical Provisions as of 31st December 2018:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	4,077	254	4,331	-	4,331
Assistance	432	27	459	-	459
Miscellaneous financial loss	98,140	5,949	104,089	2,708	101,381
Total	**102,649**	**6,230**	**108,879**	**2,708**	**106,171**

The following table shows a summary of MICL's total Technical Provisions as of 31st December 2017:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	692	41	733	-	733
Assistance	375	22	397	-	397
Miscellaneous financial loss	87,119	5,087	92,206	1,999	90,207
Total	**88,186**	**5,150**	**93,336**	**1,999**	**91,337**

Capital Management

MICL uses an external system, VEGA, provided by Milliman LLP to calculate its SCR using the Standard Formula. The Company does not use any Undertaking Specific Parameters (USPs) allowed under Solvency II, nor does it use simplified calculations for any of the risk modules. MICL's capital structure is 100% tier 1.

MICL maintains an internal minimum management target for the Solvency II ratio. The Solvency II ratio as at 31 December 2018 was 138% (2017: 135%), which is within the Company's internal risk appetite.

Capital Requirements 31 December	2018		2017	
	£000	Coverage	£000	Coverage
Own Funds	**104,674**		96,215	
SCR	**75,589**	**138%**	71,184	135%
MCR	**34,015**	**308%**	28,555	337%

MICL's SCR split by risk module as of December 31st 2018 is shown in the table below, with 2017 figures for comparison:

	2018 £'000	2017 £'000
Counterparty Default Risk	1,768	2,591
Market Risk	11,247	23,956
Non-Life Underwriting Risk	69,483	58,331
Undiversified BSCR	**82,498**	**84,878**
Diversification Credit	(8,464)	(15,136)
Basic SCR	**74,034**	**69,742**
Operational Risk	3,263	2,798
Adjustment for Deferred Taxes	(1,708)	(1,356)
SCR	**75,589**	**71,184**

MICL remains well capitalised against the SCR with own funds of £104.7m (2017: £96.2m), meaning a surplus of approximately £29.1m (2017: £25.0m).

Directors' statement in respect of the SFCR

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

- Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in the future.

Approved on behalf of the board by:

Simon Wright

Chief Financial Officer

18 April 2019

External Audit Report

With effect from the year ended 31 December 2018, MICL is exempt from the requirement to obtain an external audit of the SFCR. This follows the PRA's decision to remove the audit requirements in respect of the SFCRs for any insurer that meets the definition of a 'small firm for external audit purposes', as set out in PRA policy statement PS25/18.

Business and Performance

Section A

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of undertaking

Motors Insurance Company Limited (MICL)
Jubilee House
5 Mid Point Business Park
Thornbury
West Yorkshire
BD3 7AG

MICL is a company limited by shares, authorised and regulated by the PRA and regulated by the FCA.

A.1.2 Supervisory authority

MICL is regulated by The Prudential Regulation Authority (PRA). The PRA was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA's objectives are set out in the Financial Services and Markets Act 2000 (FSMA).

Prudential Regulation Authority
Bank of England,
Threadneedle St,
London, EC2R 8AH
Tel 020 7061 4878
enquiries@bankofengland.co.uk

MICL belongs to the AmTrust International Ltd (AIL) group of companies. The Group is also supervised by the PRA.

MICL is also regulated by the Financial Conduct Authority (FCA). The FCA's registered address is as follows:

Financial Conduct Authority
12 Endeavour Square
Stratford
E20 1JN

A.1.3 External auditor

MICL, together with the wider AmTrust Group, is audited by KPMG LLP. KPMG's UK office is located at:

KPMG LLP,
15 Canada Square,
London,
E14 5GL
Tel 020 7311 1000

A.1.4 Shareholders of qualifying holding in the undertaking

MICL is a wholly owned subsidiary of Car Care Plan (Holdings) Limited (CCPH), which in turn is a wholly owned subsidiary of the UK holding company, AmTrust International Limited (AIL or the Group) which is a UK Limited Company. Until 29 November 2018, MICL's ultimate parent was AmTrust Financial Services Inc (AFSI), a Delaware registered US corporation. On 29 November 2018, a merger transaction was completed in which Evergreen Parent GP, LLC, an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired the approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

This go-private transaction was a strategic step to focus on the operational excellence of AmTrust and implement the long-term strategies that position the group for future success.

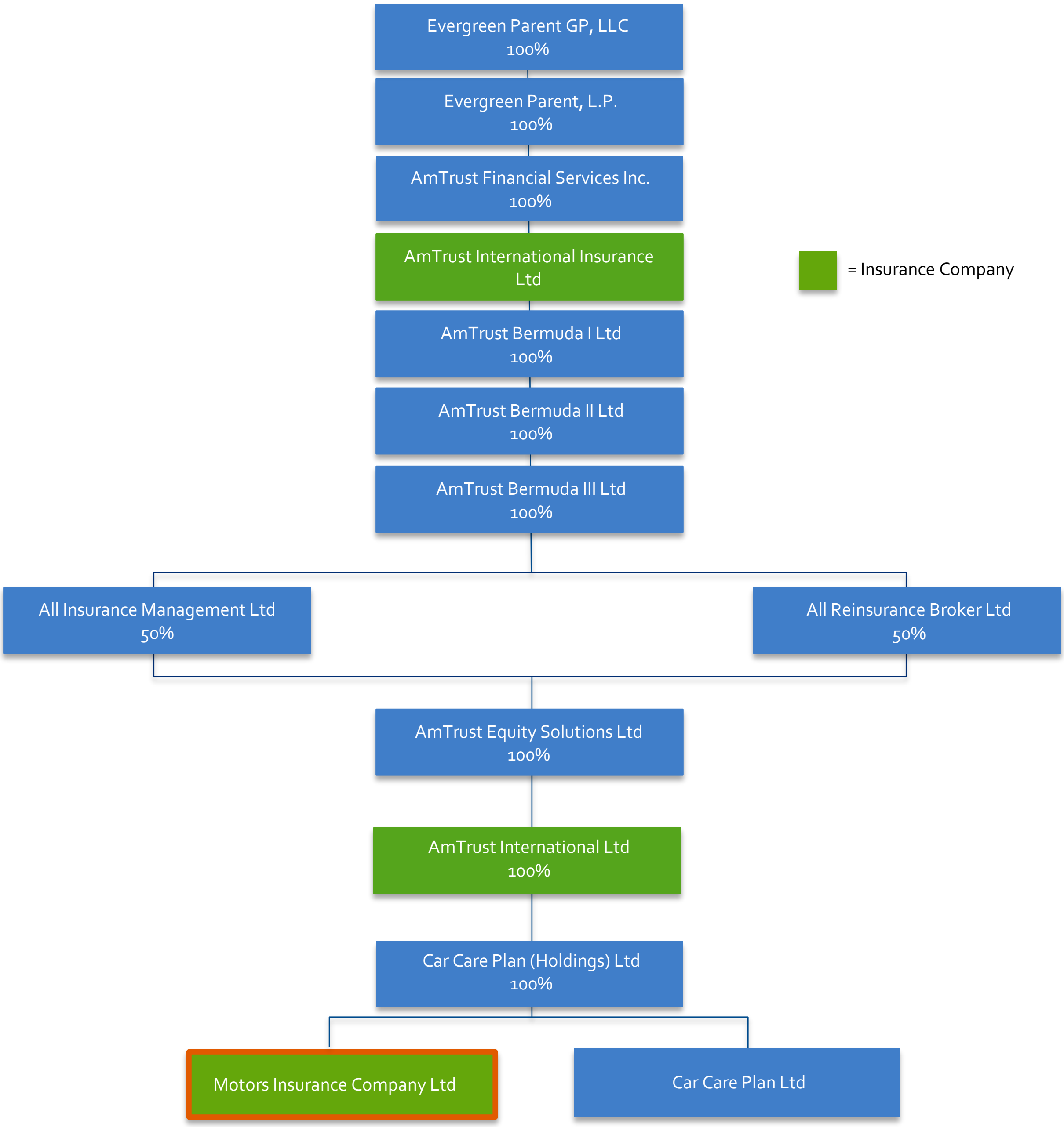
AFSI underwrites and provides property and casualty insurance products, in the United States and internationally to niche customer groups that it believes are generally underserved within the broader insurance market.

As a subsidiary of AFSI, the Company benefits from financial, operational and management support. AFSI is a multinational property and casualty insurer specialising in small to medium sized businesses. With extensive underwriting experience and a prestigious "A-" (Excellent) Financial Size "XV" rating from A.M. Best, AFSI has earned a reputation as an innovative, technology driven provider of insurance products. Commitment to excellence is a common thread connecting each of the AmTrust companies.

AFSI's business model focuses on achieving targeted returns and profit growth with the careful management of risk. The Global Group pursues these goals through geographic and product diversification, as well as an in-depth understanding of its insured exposure. The product mix includes, primarily: workers' compensation; extended warranty; and other commercial property/casualty insurance products, including title insurance and crop insurance. Workers' compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. AmTrust has also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe.

A.1.5 Position within the legal structure of the group

AIL is the UK holding company for AFSI's European insurance operations, whose principal entities are: Car Care Plan (Holdings) Ltd, including Motors Insurance Company Ltd. (MICL), UK; AmTrust Europe Limited, UK; AmTrust Syndicates Ltd. (ASL), UK; and AMT Mortgage Insurance Ltd (AMIL, previously "Genworth Financial Mortgage Insurance Ltd."), UK. AIL also owns a number of administrators worldwide.



A.1.6 Material lines of business and material geographical areas where MICL carries out business

MICL's core product lines are Mechanical Breakdown Insurance (MBI) and Guaranteed Asset Protection (GAP), in the Miscellaneous Financial Loss Solvency II class of business, Wholesale Floor Plan (WFP), Cosmetic Repair Insurance (CRI) and Alloy Wheel Repair Insurance and Tyre Insurance (ALT), in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business.

The material geographic areas are UK, Europe, China and Latin America.

A.1.7 Material events

During 2018, MICL made a strategic decision to increase its underwriting of Guaranteed Asset Protection (GAP), Cosmetic Repair Insurance (CRI), Alloy Wheel Repair Insurance and Tyre Insurance (ALT). The Board identified an opportunity to utilise capacity within MICL; underwriting these products at sustainable rates and complementing the overall Car Care Plan (Holdings) Limited strategy of decreasing the use of external Third Party Underwriters.

Due to the increase in exposure to CRI and ALT, the Board took the decision to re-classify these products from Miscellaneous Financial Loss to Motor Other to better reflect the nature of the risks underlying the contracts. Historically MICL has written relatively de minimis volumes of these products, and, as they are sold by motor dealers alongside the extended warranty product, had previously categorised them within class 12 Miscellaneous Financial Loss. However, in 2018 volumes grew significantly and so it was appropriate to reassess the segmentation. The substance of the products is to provide physical damage cover to bodywork (CRI), wheels or tyres (ALT) and so it was concluded that these products should be treated consistently with the wholesale insurance product under class 5 Motor Other.

The UK's decision to leave the European Union has meant that contingency planning has been required in relation to the business MICL underwrites in EU countries. As a result, the business MICL has historically written directly in Europe will move to an alternative insurer within the AmTrust group. These changes are expected to impact MICL during 2019.

Within 2018, MICL transitioned to the Senior Managers and Certification Regime (SMCR). The SMCR was extended to insurers on 10 December 2018, replacing the PRA's SIMR and the FCA's Approved Persons Regime. As a consequence of transitioning to this new regime, alongside the resignation of one Executive Director and two non-Executive Directors, the Company took the decision to realign its Board to complement the long-term strategy of the business. The changes to the Board will be completed during 2019.

A.2 Underwriting Performance

The table below shows the underwriting performance broken down by Solvency II class of business.

2018	Motor (other classes)	Assistance	Miscellaneous financial loss	Total
	£'000	**£'000**	**£'000**	**£'000**
GWP – Direct	18,817	1,189	102,779	122,785
GWP – Proportional reinsurance	672	-	19,556	20,228
Reinsurers' share	(999)	-	(4,073)	(5,072)
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Net premiums earned	**5,597**	**698**	**99,043**	**104,708**
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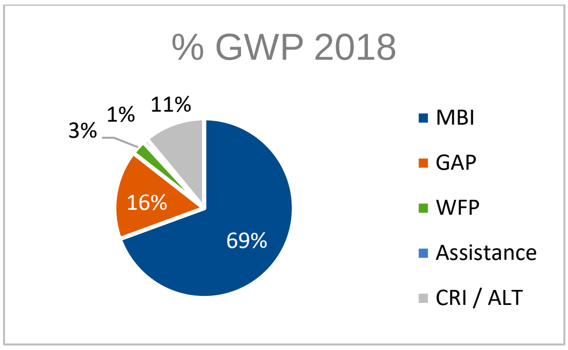
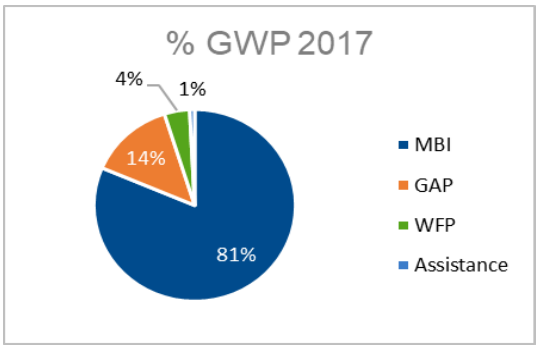
Net claims incurred	**2,319**	**275**	**57,000**	**59,594**
Expenses incurred	**2,659**	**43**	**32,086**	**34,788**
Other Expenses	**-**	**-**	**-**	**-**
Net technical result	**619**	**380**	**9,957**	**10,956**

MICL Gross Written Premium (GWP) in 2018 was £143m (2017: £108m), an increase of 33% over 2017.

As noted at A.1.6 above, MICL's core product lines are MBI and GAP, in the Miscellaneous Financial Loss Solvency II class of business, WFP, CRI and ALT in the Motor Other Solvency II class of business and a small amount of Roadside Assistance (RAS), in the Solvency II Assistance class of business.

The split of GWP by product is shown below:

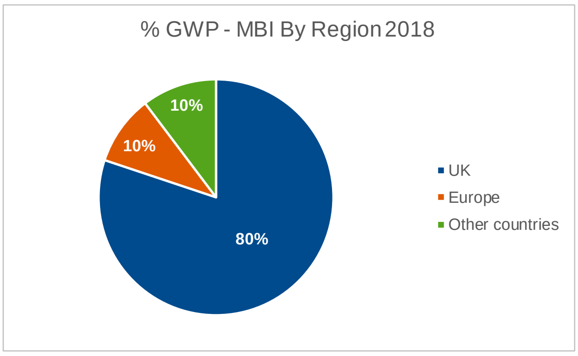


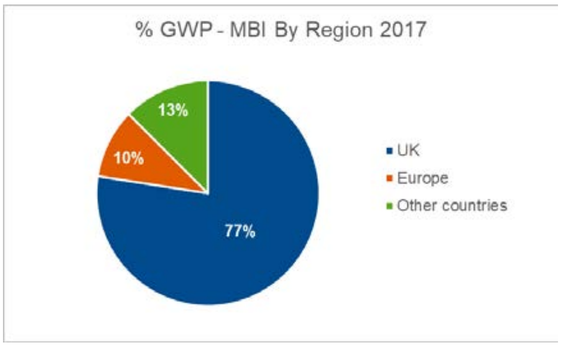


Assistance continues to represent approximately 1% of GWP and is predominantly underwritten in the UK with a small amount of business in Ireland.

In 2018, MICL delivered an underwriting profit across the business as a whole and was broadly in line with the underwriting result produced in 2017.

The split of MBI GWP by region is shown below:





Material events that affected performance in 2018, were:

- MBI premium income grew by 18% (2017: 10%) in MICL's largest market (UK);
- MBI premium income in mainland Europe grew by 9% (2017: 11%);
- MBI premium income in Other Countries fell by 7% (2017: 57% growth) which mainly related to China;
- All key MBI markets remained profitable. A reduction in underwriting profit in Latin America was offset by a strong performance all other key markets;
- GAP is only underwritten in the UK and income grew by 57% as a result of the acquisition of a number of dealer programmes;
- GAP performed poorly in 2018 due to an increase in claims frequency and severity which impacted all GAP programmes and rating action has taken place during 2018 to counteract these adverse trends;
- CRI and ALT GWP increased significantly as described elsewhere but the programmes are very immature;
- In 2018, MICL suffered few large WFP losses. None of the losses triggered the excess of loss cover and the combined WFP portfolio still delivered an underwriting profit, with all key markets also returning an underwriting profit; and
- Assistance provided an underwriting surplus in line with 2017.

A.3 Investment Performance

MICL invests primarily in fixed interest debt instruments in the form of corporate and government bonds, and two interest bearing intercompany loans. All of the investments through the reporting period and at the reporting date were directly held. The aim of the investment strategy is to maximise return to the Company whilst minimising risk with respect to the proportion of investments that match the technical provisions. At the reporting date, MICL's investments were as follows:

	2018		2017	
	£'000	%	£'000	%
Corporate bonds	130,034	59.5%	150,622	78.6%
Government bonds	60,426	27.6%	6,467	3.4%
Loans and mortgages	17,875	8.2%	25,375	13.2%
Cash and cash equivalents	10,260	4.7%	9,241	4.8%
Total	**218,595**	**100%**	**191,705**	**100%**

The Company's fixed interest debt instruments are managed as a single portfolio. During the year the portfolio yielded £4,278k (2017: £5,634k) in coupons, £1,747k (2017: £2,705k losses) in unrealized losses and £1,959k (2017: £791k gains) in net realized losses. The investment management expenses in connection with the portfolio were not material.

During the prior year the Company made two loans to other wholly owned companies within the AmTrust group. The loans were made on an arm's length basis and accrue interest at a fixed amount above the LIBOR interest rate. During the period the loans accrued £636k in interest, which has been capitalised where it has not been paid by the borrowing entity. During the period 75% of the principal of one of the loans was repaid.

The Company maintains cash balances to meet working capital requirements, and also as part of its asset and liability matching strategy in respect of foreign currencies. The Company received interest of £93k (2017: £207k) from its cash deposits during the period.

A.4 Performance of other activities

There have been no other significant activities undertaken by MICL other than its insurance, investment and related activities.

A.5 Any other information

There is no other material information applicable to this section of the document.

System of Governance

Section B

B. System of Governance

B.1 General information on the system of governance

B.1.1 The Board and System of Governance

MICL has developed a system of corporate governance to ensure that there is a clear process of decision making combined with accountability and transparency.

The Board bears the ultimate responsibility for setting and achieving MICL's strategy, and putting in place appropriate systems and infrastructures to manage the associated risk in its business model. In line with the principles of Solvency II and the established best practices within the Insurance market, MICL follows the "Three Lines of Defence" model of risk management and internal control.

First Line Activities	Second Line Activities	Third Line Activities
Management has ownership, responsibility and accountability for identifying, assessing and managing risks. Functions and committees are designed by the Board and SMF1 to: • Manage Risks • Design and implement controls • Measure control effectiveness	Specialist functions provide oversight and challenge of First Line Activities. These functions monitor and assist with the implementation of effective risk management undertaken by First Line Activities and assist with the reporting of risk. The Compliance and Risk Management functions are Second Line Activities.	Internal Audit is an independent oversight function, providing assurance, via risk based Internal Audits, that the First and Second Line Activities are adequate. The Internal Audit function reports directly to the Audit Committee and provides oversight of First and Second Line Activities.

The Company's key committees are depicted below with the Risk Committee sitting within the 2nd line of defence, the audit committee in the 3rd line of defence and all other committees within the 1st line of defence.

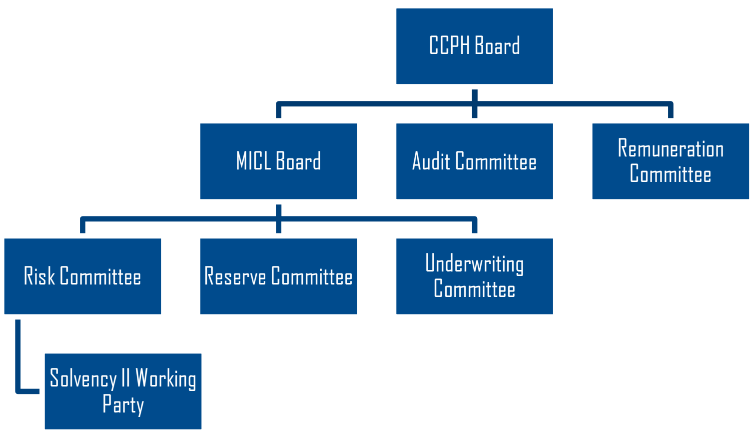
B.1.1.1 Board and Committee Structure

Within 2018, MICL transitioned to the Senior Managers and Certification Regime (SMCR). The SMCR was extended to insurers on 10 December 2018, replacing the PRA's SIMR and the FCA's Approved Persons Regime. As a consequence of transitioning to this new regime, alongside the resignation of one Executive Director and two non-Executive Directors, the Company took the decision to realign its Board and Senior Management team (Certified Functions) to complement the long-term strategy of the business.

MICL now has three Executive Directors, two Non-Executive Directors and one Independent Non-Executive Director. A new Independent Non-Executive Director will be appointed during 2019. The Executive Directors are heavily involved in the day-to-day running, governance and oversight of the business.

CCPH has its own corporate governance framework in place to meet the relevant regulatory requirements. This framework consists of its own Board and Committee structure and systems of internal control.

The diagram below shows the Board and Committee structure relevant to MICL:



The tables below provide an overview of the purpose of each of the committees highlighted in the above diagram, identifying whether these sit within the first, second or third line of defence.

MICL BOARD OF DIRECTORS	
FIRST LINE	
Purpose: – Consider strategic issues and risk, and approve expenditure over certain limits in respect of its principal business; – Have overall responsibility for management of the business and affairs of the Company, the establishment of strategy and capital raising and allocation; and – Monitor and oversee the Company's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control and for compliance with statutory and regulatory obligations.	
Reporting	To the CCPH Board

REMUNERATION COMMITTEE	
FIRST LINE	
Purpose: – Ensure that the Company has a business appropriate, Board approved Remuneration Policy that is compliant with applicable regulations; – Review and make recommendations to the Board regarding the Remuneration Policy; – Ensure compliance with the policy in so far as it relates to all employees, Executive and Non-Executive Directors; – Approve the remuneration plans and programmes that fall within the Remuneration Policy; and – Review and approve all payments and awards pursuant to the remuneration plans at either an aggregate or individual employee level as designated by the Remuneration Policy and the Remuneration Committee's Terms of Reference.	
Reporting	To the CCPH Board

AUDIT COMMITTEE	
THIRD LINE	
Purpose: To monitor: – The integrity of the financial statements and Solvency reporting of the Company, including its annual reports, interim management statements and any formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain; – The independent auditor's qualifications and independence; – The appropriateness of the Company's internal data, systems, controls, and risk management as related to financial reporting; – Compliance by the Company with legal and regulatory requirements relating to audit and financial reporting functions; and – The Company's internal audit function.	
Reporting	To the CCPH Board

RISK COMMITTEE
SECOND LINE

Purpose: – Ensure that the Board and senior management is aware of material risks and that the assessment and management of those risks has been assigned to the appropriate parties; – Oversee the development, implementation, and maintenance of a comprehensive and effective risk management framework throughout MICL; – Facilitate the communication of risk management activities throughout the MICL organisation; and – Foster best practices and encourage benchmarking with respect to risk management.	
Reporting	To the MICL Board

RESERVE COMMITTEE	
FIRST LINE	
Purpose: – Ensure that the Board and senior management is aware of material risks relating to the estimation and recording of reserves; – Ensure adequate and reasonable reserves are in place for insurance risk exposures; – Oversee the development, implementation and compliance with an Insurance Reserve Governance framework; and – Facilitate the communication of reserving activities and decisions throughout the organisation as required.	
Reporting	To the MICL Board

UNDERWRITING COMMITTEE	
FIRST LINE	
Purpose: – Monitor the Company's underwriting performance; – Review and approve pricing and underwriting decisions in accordance with established underwriting guidelines and with referral levels approved by the Board; – Ensure compliance with established underwriting guidelines; and – Consider, and if appropriate approve, the underwriting implications of potential new products or significant changes to existing products.	
Reporting	To the MICL Board

SOLVENCY II WORKING PARTY	
FIRST LINE	
Purpose: – Establish and maintain compliance with the requirements set out within the Solvency II Directive and the Prudential Regulation Authority (PRA) rules associated with the Directive.	
Reporting	To the MICL Risk Committee and MICL Board

Certification Regime Roles

MICL has identified the following Certification Regime Roles, with their responsibilities also shown:

Head of Finance

Purpose:
To manage the Finance Function.

Responsibilities:

- To assist the Chief Financial Officer (CFO) in managing the allocation and maintenance of the firm's capital, funding (where applicable) and liquidity.
- To assist the CFO in the production and integrity of the firm's financial information and its regulatory reporting.
- Creating and enhancing financial processes that support management and operations, including annual operating plan, and monthly roll-forwards.
- Managing complex projects within the function ensuring timely completion, expert analytical interpretation and summarisation of results.
- Having an oversight of all investment management activities.
- Working with the senior leadership to provide on-going financial analysis support, including identifying and measuring business metrics, cost benefit analysis for initiatives, sophisticated corporate allocation methodologies, project cost tracking, peer group benchmarking, month-end business reviews, variance analysis, flash reporting and ad hoc reporting/analysis.
- Providing management in finance profitability development, assessment and decision-making.
- Providing management for all funding, tax and treasury functions.
- Providing management for all financial operations (including management reporting, managing financial policies and procedures and general accounting).

Head of Actuarial

Purpose:
To manage the Actuarial Function.

Responsibilities:

- Assisting the Chief Actuary in determining company policies for product development, pricing, reserving, reinsurance and financial management from an actuarial perspective.
- Assisting the Chief Actuary in developing and implementing strategies, policies, and guidelines for the actuary function; monitoring all actuary operations.
- Assisting the Chief Actuary in developing methods and procedures to improve the effectiveness and efficiency of actuarial functions for the organization; implementing quality control procedures.
- Assisting the Chief Actuary in communicating the complexities of insurance finances to company executives.

Head of Underwriting and Reinsurance

Purpose:
To manage the Underwriting Function and participate in the design, development and implementation of the underwriting strategy and operational and control frameworks.

Responsibilities:

- To assist the Chief Underwriting Officer in the development of long-term underwriting and business strategies, and setting specific goals and policies for underwriting operations.
- To assist the Chief Underwriting Officer in the implementation of best practices and internal controls for the underwriting function to support the Risk Management Function.

- Working with Senior Management Functions and Certification Regime employees to support and achieve business plan financial objectives and profitable growth.
- To assist the Chief Underwriting Officer in determining insurance product mix and target markets for the company; driving underwriting strategies for the company and establishing an approval process based upon risk factors.

Reporting to the supervisory authority is completed by the Head of Finance and Head of Actuarial functions, reviewed by the CFO and approved by the Board.

B.1.2 Remuneration

B.1.2.1 The Key Principles of the Company's Remuneration Policy

- Provide market competitive pay, typically aimed at market median for the business sector, role and location of the relevant employees; Individual pay rates may fall above or below market median based upon experience, tenure and performance in role as well as the market supply and demand for a particular skill set;
- Enable the Company to attract and retain the right talent for the business at an appropriate and sustainable cost;
- Provide pay structures which include a level of variable pay in line with market norms and an appropriate benefits programme;
- Ensure that pay programmes are aligned to the Company's business strategy, risk appetite statements, codes of conduct and applicable regulations and reward behaviour that is aligned to them. Ensure that both short and long term performance is taken into consideration.

Ensure appropriate governance, independence and scrutiny over pay decisions relating to key employees including those designated as Solvency II employees.

B.1.2.2 Variable Pay

- Variable pay and the associated programmes and awards are structured according to the nature of the role and its position within the business.
- Fixed and variable pay are broadly aligned to market norms, with a sufficiently high proportion of pay delivered in fixed form to be competitive with market median levels and appropriate on a role-by-role basis.
- The proportion of pay delivered through variable remuneration generally increases with seniority within the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice.
- Variable pay awards are designed to take into consideration both individual and Company performance as appropriate for the role. Individual performance is assessed based upon performance against objectives (financial and non-financial) and also in line with the Company's competency framework. Company performance is aligned to agreed financial metrics.
- All variable pay programmes allow for no awards to be made based upon either individual and / or Company performance.
- All programmes allow flexibility and discretion which permit the Board, Remuneration Committee and management to ensure appropriate awards are made in all circumstances.
- To ensure that the Company's senior employees (including the Company's Solvency II Employees) are aligned not only to the annual goals of the Company but equally as importantly, the long term success of the business and group, a substantial portion (50%) of any variable pay award in excess of a set threshold, is deferred and payable in equal amounts over a four year period,
- To ensure alignment to risk and performance of the business, provisions exist so that Remuneration Committee has the ability not to permit payment of some or all of the tranches of the award.

B.1.2.3 *Pensions*

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other Senior Manager Functions.

B.1.3 Material transactions with shareholders, persons with significant influence and Board members

In 2017, the Company made two loans to other wholly owned companies within the AmTrust group. The loans were made on an arm's length basis and accrue interest at a fixed amount above the LIBOR interest rate.

A substantial proportion of one of these loans was repaid during 2018.

In relation to remuneration, there were no material transactions during the reporting period with shareholders, with persons who exercise a significant influence in the undertaking or with members of the Board, with the exception of usual salary and incentive payments.

B.1.4 Adequacy of the system of governance

The Board is satisfied that the system of governance of the Company is adequate to the nature, scale and complexity of the risks inherent in its business.

B.2 Fit and Proper Requirements

B.2.1 Fit and Proper Policy

The purpose of the Fit and Proper policy is to explain the rules and processes the Board has adopted to establish compliance with the regulatory requirements associated with the fitness, propriety, skills and knowledge of its employees. MICL is committed to ensure that:

- All employees have the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- The Company's systems and controls will enable it to satisfy itself of the suitability of anyone who acts for it. This includes assessing an individual's honesty and competence; and
- Any assessment of an individual's suitability will take into account the level of responsibility that the individual will assume within the Company.

Ongoing training and development of individuals within the business to ensure they continue to possess the skills and knowledge to discharge their responsibilities.

B.2.1.1 *Fitness*

MICL will ensure that individuals promoted to or recruited for Key Functions have relevant qualifications, knowledge and experience in the following areas (where applicable to the role):

- Insurance and financial markets;
- Business strategy and business model;
- Systems of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

B.2.1.2 *Propriety*

MICL will assess an individual's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct. This includes any criminal, financial or supervisory aspects, regardless of jurisdiction.

In order to help ensure the on-going fitness and propriety of those employees in Senior Management Functions (SMFs) or Certification Regime Roles (CRRs), MICL conducts an annual Fit and Proper Assessment.

The assessment is completed by all employees designated as SMFs or CRRs. This process is supported by:

- Appropriate role profiles, which detail the job requirements and competencies;
- A job description;

- Individual Development Plans (IDPs) to ensure on-going competence; and
- The annual performance review process, which includes mid-year reviews, annual reviews and the development of IDPs.

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

B.3.1 Risk Management Strategy

MICL's overall Risk Management strategy provides a structured and coherent approach to identifying, assessing and managing risk. It incorporates a process for regularly updating and reviewing the assessment of risk based on new developments or mitigating actions taken. The Risk Management strategy is designed to support the effective management of risk and is monitored using the three levels of defence model.

B.3.1.1 First Line of Defence

Accountability and Oversight
The Board of MICL has the ultimate accountability for the risk and related control environment, and approves the risk policies, risk appetites and the relevant tolerance limits. Daily management oversight is delegated to the Risk Committee (RC) and Risk Management Function.

The Board meets on a regular basis and is presented with a Key Risk Register, as well as being informed of relevant information through functional reports. Feedback arising from discussions, as well as information on other risk developments is reported back to the Risk Management Function and incorporated into the framework where relevant.

Risk Ownership
All risks are assigned to a risk owner, who are typically Heads of Department. The risk owners are responsible for managing and co-ordinating all aspects of the risks, ensuring that appropriate controls are in place, ensuring that relevant information is available and assessed, and ensuring that management are aware of the risks and involved in decision making where appropriate in conjunction with the Risk Management Function.

Risk owners are required to ensure that the Risk Management Function is provided with any information which they think is relevant to the current risk environment. This would include any material changes to the perceived severity of the risk or likelihood, and any risk events or 'near misses' that have occurred.

Additional risk oversight is also provided by specified committees, or by senior individuals with recognised expertise and experience. This includes input to relevant risk policies and the control environment, ensuring that the interests and responsibilities of the stakeholders are reflected in the policy.

Control Ownership
Risk owners are responsible for the effective design and operation of suitable controls. The control owners are required to:

- Perform periodic control self-assessments as directed by the Risk Management Function;
- Inform the Risk Management Function of any material failure in the design, improvements needed or operation of a key control; and
- Take any actions required to address control issues identified through day-to-day activities, control assessments, internal audits or other assurance activities.

MICL recognises the importance of successfully articulating and integrating risk management into the organisation's business culture.

B.3.1.2 Second Line of Defence

Risk Committee

The RC is a sub-committee of the Board which operates under an agreed terms of reference that sets out the roles and authorities of the committee. The RC responsibilities include:

- Oversight of senior management's responsibility to manage the risk profile within the risk tolerances and limits set by the Board;

- To be the owner of the corporate risk register and to be responsible for reviewing it on a regular basis to ensure that the key risks are recorded and are being effectively managed;
- To develop, implement and monitor the risk management policy and guidelines;
- To define risk appetites for review and approval by the Board;
- To advise the Board on the development and implementation of the risk management policy and guidelines and on related matters;
- Review and escalation, as appropriate, of all risk issues and violations; and
- Provide details of its activities to the Board.

Risk Management Function
The role of MICL's Risk Management Function is to design, implement and maintain a Risk Management System appropriate to the size and complexity of the business. This includes:

- Managing the implementation of all aspects of the risk function, including implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks;
- Assisting in the development of and manage processes to identify and evaluate business areas' risks and risk and control self-assessments;
- Managing the process for developing risk policies and procedures, risk limits and approval authorities;
- Monitoring major and critical risk issues;
- Conducting compliance and risk assessments;
- Defining and producing policies, procedures, processes and other documentation as required; and
- Ensuring the programme is effectively integrated into product development and delivery methodology.

B.3.1.3 Third Line of Defence

Functions in the third line provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of internal control and risk management. It is possible to view the second line of defence as providing pro-active control over risk and the third line of defence as providing more reactive control over risk. These functions are Internal Audit and Compliance. The roles of the Internal Audit and Compliance functions are described in section B.4 (Internal control system) and B.5 (Internal audit function).

B.3.2 Own Risk and Solvency Assessment (ORSA)

B.3.2.1 ORSA Process

The ORSA is the responsibility of the Board, which provides leadership and challenge. Day to day administration of the ORSA is delegated to the RC and to the Head of Risk and Compliance.

The ORSA process is closely linked to the strategic business planning process. The business plan is constructed by analysing product and market specific factors, with realistic assumptions applied for development. New business opportunities are evaluated for each market and claims ratios are established based on historical performance and a realistic assessment of future performance, taking into account any relevant factors such as regulatory changes or policy revisions. The business plan is prepared on a three-year time horizon. The business plan includes a solvency forecast, which details the forecasts for MCR and SCR.

These figures are compared against projected Own Funds. It is intended that capital requirements will be assessed for each line of business, so that capital can be deployed more efficiently in the future.

The key objective of the MICL ORSA is to document the business' risk profile and capital requirements, and to assess whether the ERM framework and solvency position within the business is appropriate. The ORSA is also designed to provide a forward looking assessment of the solvency position within the company. The ORSA forms part of the broader ERM framework in place within the business and is based upon the Company's strategy and business plan for a 3-year forward looking period.

The ORSA report documents the processes undertaken within MICL to assess its risks and describes the link between risk management and the capital assessment and strategic planning processes. Whilst MICL's Regulatory Capital is determined by the Standard Formula approach, the ORSA is based on a Stochastic Capital Model, which supports the assessment of the Risk Based Capital required by the business.

The ORSA Policy outlines the requirements the MICL Board has put in place to establish:

- Compliance to the regulatory requirements;
- A formal process for the completion and submission of the ORSA Report;
- How the ORSA can be used within the business to inform business strategy and decisions; and
- The appropriate processes, assessment and documentation required when considering the nature, scale and complexities of the risks within the business.

The policy establishes the business rules and processes required to establish on-going compliance with the regulatory requirements. The policy sets out the Board's requirements in relation to the development of appropriate, adequate and proportionate techniques to establish continued compliance with the rules applicable to the Directive. The policy sets out to:

- Describe the processes in place to conduct the ORSA;
- Detail the frequency of the assessment and the timing for the performance of the ORSA and the circumstances which would trigger the need for a forward looking assessment of own risks outside of the regular timescales;
- Describe what documentation must be retained for each ORSA and its outcome;
- Establish a process to ensure communication to all relevant staff of the results and conclusions regarding the ORSA, along with a Board approval process; and
- Explain how the results of the ORSA will be used within the business.

B.3.2.2 Capital Planning and Management

Capital planning combines and leverages a number of planning and risk management processes including annual budgeting processes, strategic planning, stress testing, material risk identification, risk appetite, liquidity risk management and economic capital. Responsibility for the capital planning process in MICL lies with the MICL Board, supported by the AIL Capital Planning team. Responsibility for day to day execution and ownership of the deliverables for the MICL Board to make capital planning decisions lies with the MICL CFO.

MICL's capital planning framework incorporates the following key elements:

- As a minimum an annual ORSA will be completed which will be based on MICL's Stochastic Model and incorporates stress tests and scenario analyses taking into account an appropriate range of adverse circumstances and events relevant to the company's business and risk profile. This is approved by the MICL Board on an annual basis or more frequently if the risk profile of the business changes significantly.
- Reverse stress tests to evaluate the circumstances under which MICL's business model may fail. This is reviewed and approved by the MICL Board on an annual basis as part of the ORSA process.
- Solvency Capital Requirement (SCR) computations are performed quarterly and compared to the capital position held within a Solvency II balance sheet produced simultaneously. This comparison is reviewed quarterly by management and shared, as required, with the regulator on a regular basis. As part of the ORSA process there is a 3 year forward looking projection of the SCR and Own Funds (to the next 3 year ends).
- Details of any planned capital actions, including an assessment of those actions on MICL's capital adequacy and capital quality.
- Contingency plans in the event that current sources of capital are no longer viable.

MICL manages its capital position within operating guidelines that have been approved by the MICL Board. If additional capital is required, the various classifications of capital would be considered and the new capital created in such a way to create the desired output. Management will consider the various capital options on a tier by tier basis in making any decisions.

Current capital items are not considered complex and management are confident they are aware of the various restrictions and requirements associated with them. Any future capital items would need approval by the MICL Board and any terms attaching thereto would be considered by the relevant members of the management team as appropriate.

During 2018, MICL introduced a Recovery Plan policy and associated processes.

In the event that these operating guidelines are breached any breach will be reported to the MICL Board with appropriate supporting analysis and a recommended course of action to remedy the breach of MICL's operating guidelines.

Any dividend or capital distribution of any kind requires the approval of the MICL Board. MICL will also obtain any required regulatory approvals prior to the payment of any dividends or similar capital distributions.

The MICL Board's capital management activities will be subject to periodic review by internal audit. The review should include compliance with this framework, the accuracy and completeness of reporting, and other control elements.

B.4 Internal control system

MICL's internal control system includes policies, standards and procedures to ensure that the internal controls throughout the Company are effective and efficient in identifying, preventing, detecting and correcting operational deficiencies and any noncompliance with applicable rules and regulations. The three lines of defence model, described previously, is adopted within the business.

The compliance function provides oversight to ensure that the Company and its employees are complying with regulatory requirements and internal policies and procedures. The compliance function is implemented based on a compliance strategy, framework and business processes. This includes the development of an annual compliance plan that reflects the Company's highest risks, a compliance monitoring programme, a policy framework, compliance training and issue management system.

B.5 Internal audit function

The mission of the AIL Internal Audit function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation.

This is achieved by:

- Assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management;
- Assessing whether they are adequately controlled; and
- By challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit is independent from the business and is directly responsible to the Chairman of the Audit Committee, with a day-to-day administrative reporting line to the Group Chief Executive Officer of AIL. Internal Audit shall have free and unrestricted access to the Chairman of the Board, the Chairman of the Audit Committee and the Chief Executive Officer.

Those working within Internal Audit are not permitted to perform day-to-day control procedures or take operational responsibility for any part of AmTrust's operations outside Internal Audit. Management is responsible for the establishment and ongoing operation of the internal control system. The Audit Committee reviews the scope and nature of the work performed by Internal Audit to confirm its independence.

B.6 Actuarial function

The MICL Actuarial Function develops, implements and maintains the actuarial processes/systems that underpin the company's underwriting activities.

The Actuarial Function has the following main responsibilities:

- Pricing of risks underwritten by the Company;

- Reserving estimates for all classes of business underwritten and monitoring the best estimates against actual experience;
- Developing and maintaining core management information/reporting/analysis on the business underwritten by the Company;
- Providing assistance for the preparation of Business Plans;
- Working with the Risk Management Function to facilitate the implementation of an effective risk management system – including reporting on underwriting performance to the MICL Underwriting Committee and reserve adequacy to the MICL Reserve Committee on a quarterly basis;
- Completing the annual Actuarial Function Report;
- Production of the Technical Provisions in accordance with Solvency II principles and ensuring that methodologies and underlying models used are appropriate. Reporting to the Board on the reliability and adequacy of the Technical Provisions calculation;
- Providing inputs into the calculation of the SCR;
- Maintaining an Internal Capital Model for the quantitative analysis requirements of the ORSA and completing the relevant sections of the ORSA document as they relate to the quantitative analysis (note that MICL's Regulatory Capital is determined by the Standard Formula approach);
- Assisting the Finance department in the development and maintenance of robust and repeatable processes surrounding the calculation of regulatory capital requirements from an actuarial and Technical Provisions perspective;
- Assisting Finance department in embedding effective solutions for the timely completion of regulatory reports, including all applicable Quantitative Reporting Templates (QRTs);
- Opining on the overall Underwriting policy; and
- Opining on the adequacy of Reinsurance arrangements.

With the exception of the SMF20 (Chief Actuary), actuarial staff do not have any Finance, Underwriting, or Claims responsibilities and do not have the ability to create or approve underwriting, claims, or accounting transactions/adjustments, thus creating a segregation of duties within the overall technical underwriting process around activities relating to pricing, performance monitoring, reserving, and analysis.

The position of Chief Actuary (SMF20), under the Senior Managers and Certification Regime 'SMCR' is held by the MICL CFO.

B.7 Outsourcing

The outsourcing policy describes the underlying framework for managing, overseeing and governing outsourced relationships and performance.

The policy details the business rules in relation to selection, due diligence, on-boarding, monitoring and enforcement. The key outsourcing relationships MICL has are:

Service Provider	Service Provided
Car Care Plan Limited	Policy Acquisition, Claims Administration, Claims Management, Policy Fulfilment
AmTrust International Limited	Internal Audit, Information Technology, Human Resources, Legal Services and Information Technology
All Insurance Management Ltd.	Investment Management

B.8 Any other information

MICL believes its system of governance to be proportionate when considering the nature, scale and complexity of the risks inherent in its business.

Risk Profile

Section C

C. Risk Profile

C.1 Underwriting risk

Underwriting risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future claims and expenses differ from the assumptions used in determining the best estimate liability.

MICL's underwriting risk capital requirement is split as follows:

	2018 £'000	2017 £'000
Premium and Reserve Risk	67,150	56,719
Lapse Risk	4,520	1,545
Catastrophe Risk	7,298	5,417
Diversification Benefit	(9,485)	(5,350)
Total	**69,483**	**58,331**

C.1.1 Movement in Underwriting Risk since the previous valuation

There has been a £11.1m increase in Underwriting Risk between the 2017-year end SCR calculation and the equivalent 2018 calculation. The main reasons for the increase is due to an increase in business both written and earned during 2018 in the Miscellaneous Financial Loss line of business and the Other Motor Insurance line of business.

The Premium and Reserve Risk element has also increased as a result of higher provisions which have resulted from both an increase in the volume of business written and claims taking slightly longer to be paid.

Both Lapse and Catastrophe Risk have increased as a result of writing more GAP, CRI and ALT policies, as it is these policies which are the main driver of capital for MICL in these risk categories.

The level of diversification between the sub-risks which make up Underwriting Risk has increased because both Catastrophe Risk and Lapse Risk represent a larger proportion of the sub-risks at the 2018-year end calculation than they did previously.

C.1.2 Material risk exposures

As at December 2018 MICL had an underwriting risk equivalent to 84.2% (2017: 68.7%) of the undiversified SCR.

MICL underwrites the following main products:

- MBI - motor warranty and a small number of ancillary products such as roadside assistance;
- GAP;
- WFP; and
- Cosmetic/Alloy/tyre.

C.1.2.1 Mechanical Breakdown Insurance

MBI is the largest line of business, representing 69% (2017: 81%) of the Gross Written Premium at £99 million (2017: £87 million). The UK is MICL's largest market at £80 million (2017: £67 million). Material exposures are:

- Systemic component failure for vehicles of specific manufacturers or vehicles;
- Significant dependence on an individual programme or client;

- Future regulatory changes which could impact upon the existing business model, including the ability to offer a multi-country solution, or to exercise EU passporting rights;
- Failure to obtain timely and accurate data; and
- Failure to price accurately and provide appropriate terms.

MICL's MBI portfolio is a large and stable book of business. There has been a small amount of change to the geographic footprint with some growth in Brazil, Germany and UK and a reduction in Russia and Turkey. The underlying vehicle mix (brands, models, age mix) remained largely unchanged over the last 12 months. MICL's policy wordings exclude inherent defects and design failures in order to prevent significant losses arising from a catastrophic component failure. In addition, the diverse range of vehicles, including the significant variety of brands, models and ages, means that the risks of any specific component failure impacting significantly upon the underlying profitability of the portfolio is diminished.

In 2018, MICL delivered an underwriting surplus on its MBI book, reinforcing its strong track record in this area and in line with its business plan. The underlying loss ratio has been consistent over many years and generally in the region of 80% to 90% on a combined ratio basis.

There were no regulatory changes in 2018 that had any material impact on the current business.

There were no significant programmes lost in 2018 (2017: None).

Reserve Risk is not material for MICL because MICL's loss reserves are very short tailed with over 90% of claims being paid within a year. MBI business is short tail with claims being made during the policy term or shortly after expiration and loss emergence patterns are quickly established. The average period on risk in the UK for policies written in 2018 was 13 months (2017: 12 months).

C.1.2.2 Guaranteed Asset Protection

GAP represented approximately 16% of Gross Written Premium in 2018 (2017: 14%). It is currently only underwritten in the UK and all of the business is administered by MICL's sister company, Car Care Plan Limited (CCPL). MICL has access to all transactional data in a timely manner. Risk premiums grew in 2018 by £3.1 million (2017: £0.2million) to £5.8 million (2017: £2.7million). 2018 produced an underwriting deficit due to a combination of factors, which increased frequency and severity. The average period on risk in 2018 was 38 months (2017: 39 months).

MICL has seen a change in the profile of the portfolio which in previous years had been largely based on a sizeable manufacturer programme. By 2016 the mix had moved to a number of large dealer group programmes and an open market product. The risk characteristics of GAP insurance are low frequency, high (relative) value. Severity is higher than warranty but low compared to motor insurance total loss settlements, and risk premiums are therefore significantly lower than for warranty. In 2018 MICL made an underwriting loss on GAP and the performance continued to be influenced by a number of key market trends:

- Number of vehicle miles driven, increasing frequency to pre-recession levels;
- Higher retail prices and flat residuals, increasing severity;
- Partial refunds and dealer guaranteed commissions reducing premium funding;
- Increasing use of Personal Contract Purchase;
- Younger drivers driving newer/higher specification cars, often on the back of attractive PCP offers;
- Increasing cancellation rates; and
- Increasing market share of motor insurers who do not provide a replacement vehicle for new cars in the first year.

C.1.2.3 Wholesale Floorplan (WFP)

MICL has been writing WFP business since 1993. It represented approximately 3% (2017: 4%) of Gross Written Premium in 2018. MICL provides WFP insurance cover to a major motor finance company, either on a direct basis or as specialist reinsurer in markets where MICL does not have a licence to underwrite directly. The policy protects the wholesale finance provider's exposure to losses from damage to, or loss of, vehicle stock whilst in the custody and control of the dealer or at agreed off-site storage sites. Claims patterns can be higher frequency/low severity (e.g. minor theft losses) or lower frequency/higher severity (e.g. hail or fire loss).

MICL underwrites WFP in the UK (15% (2017: 15%)), and mainland Europe (74% (2017: 58%)). Until May 2018 MICL was also insurer of the Latin America business (11% (2017: 27%)). The Latin American programme was lost in May 2018 when the wholesale finance provider took the programme in-house. The policy provides material damage cover only.

UK and European claims are administered by CCPL and MICL has direct access to information from CCPL's claims system.

All major non-dealer storage sites are surveyed and only accepted onto cover once MICL is satisfied that the appropriate risk management standards are in place and that the site does not have any unacceptable risk characteristics.

WFP policies are renewed annually and vehicles are on risk from either the date the vehicle is delivered or invoiced to the dealer. The cover period for each vehicle is based upon the outstanding finance period for that vehicle and expires when the finance is paid in full or the vehicle is collected by the customer. WFP business is short tail with claims being made during the policy term or shortly after expiry and loss emergence patterns are quickly established. Earnings are based on average stocking periods and risk profile.

The total average monthly outstanding balances for UK and Europe remained materially unchanged for 2018 renewal (2017: unchanged). Pricing is performed on a historic loss basis and adjusted to reflect changes in aggregate exposures at a country level.

There is potential for risk accumulation at a single storage site, or on an aggregate event basis at more than one site.

C.1.2.4 Cosmetic (CRI) and Alloy/Tyre (ALT)

CRI and ALT represented approximately 11% of Gross Written Premium in 2018. It is currently only underwritten in the UK and all of the business is administered by MICL's sister company, Car Care Plan Limited (CCPL). MICL has access to all transactional data in a timely manner. Risk premiums in 2018 were £5.3 million. The business is very immature at the 2018 year-end but it is expected to be profitable. The average period on risk in 2018 was 35 months.

The mix is predominantly a number of large dealer group programmes and an open market product. The risk characteristics of ALT insurance are high frequency, low value. Alloy Wheel severity is lower than Warranty and CRI. Product performance is influenced by:

- Type of tyre, e.g. standard or run-flat;
- Type of vehicle e.g. prestige brand;
- The nature of the vehicle ownership, e.g. PCP's;
- The schedule of costs negotiated with the service provider;

C.1.3 Material Risk concentrations

In the UK, Car Care Plan Group has long term contracts in place with existing manufacturer partners and dealer groups and is actively seeking to diversify further through the acquisition of new accounts.

There have been some changes in risk concentration in the last 12 months. This is due primarily to the increase in GAP, ALT and CRI insurances which are written through the dealer channel, primarily with the larger dealer groups. In addition, there was some growth in the warranty business.

C.1.4 Material risk mitigation

MICL has a clearly defined risk appetite, together with a documented underwriting process and set of underwriting standards. The underwriting standards set out the characteristics of acceptable risks and the target loss ratios that should be used to achieve the required level of return. Underwriting protocols allow for a high level of interrogation and investigation work to be carried out and timely underwriting and pricing decisions to be made.

MICL mitigates its exposure to high frequency claims on specific components by specifically excluding losses relating to inherent design or manufacturing defect.

A full review of the GAP portfolio is regularly carried out and there are no material risk concentrations. MICL underwrites a broad portfolio of vehicles and drivers across the UK and products are distributed by a variety of dealers.

The success of these risk mitigation techniques can be demonstrated by the fact that the percentage of claims paid to earned risk premiums has remained within a very narrow band of variance over the last 10 years across the entire MBI portfolio and that timely action has been taken on the GAP portfolio to bring performance into line with KPIs.

For WFP, MICL purchases excess of loss reinsurance with reinsurers with a Standard & Poor's rating of A and/or an AM Best rating of A- or better. All new non-dealer storage sites are referred to reinsurers for approval and MICL will also survey smaller storage sites if it feels appropriate. MICL receives a monthly report showing all exposures by main dealer billing address and a quarterly report showing exposure at independent storage sites, enabling MICL and its reinsurers to monitor exposure movements at key sites and at an aggregate level.

WFP policy excesses are also often used to reduce the impact of higher frequency claims such as small theft losses.

MICL has many years' experience upon which to base premiums and terms for these lines of business. All programmes are priced to a target loss ratio and corrective action taken whenever those loss ratio thresholds are exceeded. Corrective action taken in 2018 was a combination of premium adjustments, product eligibility adjustments and claims audits at dealers and administrators. This allowed the overall performance to remain in line with plan.

MICL has recognised the deterioration in performance of its GAP portfolio and has introduced changes to its risk pricing structure, designed to reflect the recent increases in frequency and severity. New business opportunities are only considered where new pricing structures can be implemented.

In 2018 MICL made a strategic decision to increase its underwriting of Cosmetic Repair Insurance (CRI), Alloy Wheel Repair Insurance and Tyre Insurance (ALT). MICL was able to identify the risk characteristics of these products and develop a product and rating structure that meets MICL's risk appetite. MICL receives timely and complete underwriting information and is able to review performance on a regular basis to ensure that these products perform in line with that risk appetite.

Over 85% of all business written is currently administered by CCPL and all transactional data is available to MICL. MICL utilises sophisticated data analysis tools to monitor performance and take appropriate and timely action. Throughout 2018 MICL received timely and accurate data from all of its administrators.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness. The Company fulfils the Prudent Person Principle because it is able to properly understand its investment risks.

C.1.5 Risk sensitivities

As part of its ongoing capital management and as part of the ORSA process, MICL uses capital modelling to establish losses arising from future exposure and the possibility of the combined ratio exceeding 100%. Reverse stress testing is carried out to assess the implications of potential mispricing, to ensure that the company's capital position cannot be undermined.

MICL uses a frequency severity approach to model large losses on WFP and establish the possibility of the combined ratio exceeding 100% across the entire WFP book. The nature of the portfolio means that traditional CAT modelling techniques are not of use in predicting maximum potential losses arising from weather events. As such, MICL buys a high level of excess of loss reinsurance protection to protect itself against a potential accumulation risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.1.6 Other material Information

There is no other material information.

C.2 Market risk

MICL's market risk capital requirement is split as follows:

	2018 £'000	2017 £'000
Concentration Risk	1,947	16,948
Interest Rate Risk	5,539	5,168
Currency Risk	3,095	5,339
Spread Risk	7,855	13,479
Diversification Benefit	(7,189)	(16,978)
Total	**11,247**	**23,956**

C.2.1 Material risk exposures

Market risk in MICL is the risk of adverse financial impact resulting directly from fluctuations in interest rates, credit spreads, foreign currency exchange rates, and concentrations of assets.

As at December 31st, 2018, market risk comprised 13.6% (2017: 28.2%) of the undiversified SCR.

The Company's exposure to interest rate risk arises predominantly from fluctuations in the Company's bond portfolio and the Company's liabilities.

The Company's exposure to spread risk arises due to sensitivities in the value of investments and loans to volatility of credit spreads.

As at December 31st, 2018 investments are predominantly held in high quality bonds with an overall weighted average portfolio rating of AA- and a weighted average duration that is broadly in line with the duration of the liabilities.

The Company shifted approximately one third of its bond portfolio into government bonds during the year to materially reduce concentration and spread risk exposures.

The Company entered into two loans with other entities in the AmTrust Group in the prior year, both of which remain outstanding at the year end. Material reduction in the outstanding principal of one of the loans has contributed to reductions in concentration risk, plus currency risk exposure to the US Dollar.

C.2.2 Material risk concentrations

MICL's exposure to concentration risk arises as a result of positions taken in the investment portfolio, loans to other entities in the AmTrust Group and its cash holdings.

The exposure to concentration risk has been materially reduced in the year due to a combination of shifting one third of the bond portfolio into government bonds, and a reduction in outstanding loans to other entities in the AmTrust Group. The corporate bond portfolio is sufficiently diversified that no single exposure constitutes a material concentration risk.

In addition, MICL operates internationally and, as a result, is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Approximately 16% (2017: 22%) of the company's premium income arises in currencies other than sterling and 2% (2017: 17%) of the company's net assets are denominated in a variety of foreign currencies, the largest of which are Brazilian Real and US Dollar (2017: US Dollar and Turkish Lira).

C.2.3 Material risk Mitigation

The MICL Board is responsible for monitoring investment strategy and performance, with formal reporting against a comprehensive set of investment guidelines on a quarterly basis. At least annually stress (where the risk factor is assumed to vary) and scenario testing (where combinations of risk factors are assumed to vary) is used to assess the market risk under stressed conditions.

There have been no material changes in interest rate risk over the course of the year.

MICL monitors currency risk through monthly management reporting information.

The Company has a detailed set of investment guidelines to mitigate exposure to any one entity. These incorporate restrictions on the maximum amounts that can be invested in a single entity.

The Company manages currency risk by aiming to maintain sufficient assets in local currency to meet local currency liabilities. Foreign exchange movements are monitored and managed in monthly management information.

A regular risk identification process is carried out by the Risk Committee which includes the consideration of emerging risks. Key risks, including key market risks, are brought to the attention of the Risk Committee and mitigation strategies applied where appropriate.

Risk Appetites have been established for market risks and these are reviewed and updated by the Risk Committee on a quarterly basis with any breaches being reported as necessary with mitigating actions developed and implemented.

The Company considers the prudent person principle in monitoring the interest rate risk and how the assets match the expected payment profile of the Company's Technical Provisions. A maximum duration limit is imposed on the bond portfolio to ensure that the interest rate exposure is broadly in line with the liability profile.

As noted above the bond portfolio primarily consists of liquid, high quality bonds with an average rating of AA-, ranging from A- to AAA and with modified durations of between 1 and 7 years.

There are no investments in derivative instruments.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.2.4 Risk sensitivities

MICL carries out stress and scenario testing at least annually as part of its ORSA process, which includes stress testing for interest rate risk. A stochastic capital model, which reads in economic data from an Economic Scenario Generator for each simulation, is used to calculate the Company's asset portfolio. In addition, through the Company's reverse stress testing process, more severe market risk shocks are tested – stresses by rating, sector and interest rate shocks. This showed that only a combination of severe interest rate shock and unprecedented cross-sector failure would result in a significant impact on the Company's ability to carry on business.

Exchange rate risk is covered by the modelling process but using a deterministic method to analyse the maximum movements in exchange rates to calculate the resulting loss. The results of this testing showed that the Company can withstand severe exchange rate risk shocks.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C.7.1.

C.2.5 Other Material Information

There is no other material information.

C.3 Credit risk

MICL's credit risk capital requirement is split as follows:

	2018 £'000	2017 £'000
Type 1	995	620
Type 2	895	2,093
Diversification Benefit	(122)	(122)
Total	**1,768**	**2,591**

C.3.1 Material risk exposures

Credit risk in the Company is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the company.

As at December 31st, 2018, credit risk in the form of counterparty default risk, comprised 2.2% (2017: 3.1%) of the undiversified SCR.

There have been no material changes in credit risk over the course of the year.

C.3.2 Material risk concentrations

In MICL, the main area of credit risk is in relation to amounts due from insurance intermediaries and amounts held with banks and other financial institutions.

Reinsurance counterparty credit risk is monitored in the Company's quarterly Underwriting Committee and Board meetings. Credit ratings are used to assess credit risks.

Credit risk is also identified, assessed and monitored through the Company's risk register.

C.3.3 Material risk mitigation

Credit risk from insurance contract holders and insurance intermediaries is mitigated by:

- Implementing alternative mitigation measures such as "pay as paid" clauses in the contract;
- The fact that MICL's main insurance intermediary is a connected party (CCPL, MICL's sister company); and
- Carrying out appropriate due diligence on the financial stability of counterparties prior to entering business relationships.

Credit risk with its reinsurers is mitigated by only using reinsurers with very high Standard & Poor's (A minimum) or A M Best (A minus minimum) credit ratings and using a select number of reinsurers to mitigate contagion risk . Credit ratings are monitored on an on-going basis and reviewed at the underwriting committee on a quarterly basis.

MICL generally only uses banks with a minimum credit rating of A.

The Company considers the prudent person principle in monitoring credit risk. Counterparties are selected by taking into account the credit rating and reputation of each entity.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.3.4 Risk sensitives

At least annually, MICL carries out stress and scenario testing as part of its ORSA process, which includes stress testing for credit risk. The Company's stochastic capital model recreates the reinsurance programme and then simulates the transition between each reinsurance rating for all future calendar periods. It then calculates the probability that the reinsurer will default in that period.

The fact that MICL only uses reinsurers with high credit ratings and that the excess of loss reinsurance retention is at a reasonably high level means that the probability of default is less than a 1 in 200-year event.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C.7.1.

C.3.5 Other material information

There is no other material information.

C.4 Liquidity risk

C.4.1 Material risk exposures

Liquidity risk in the Company is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company has limited liquidity risk as 92% (2017: 87%) of its invested assets are held in cash in bank accounts and in relatively liquid high quality bonds. The remaining 8% (2017: 13%) is held in loans to other entities within the AmTrust Group.

C.4.2 Material risk concentrations

MICL's liquidity risk exposure is concentrated in financial assets (bonds), loans to other entities in the AmTrust Group and reinsurance contracts.

C.4.3 Material risk mitigation

Asset-liability duration matching profiles and tolerance limits as agreed by the Board are monitored and reported to the Risk Committee and the Board on a quarterly basis.

The only material change to liquidity risk during the year is a movement of assets from loans to bonds. Loans account for 8% (2017: 13%) of invested assets at the balance sheet date. The Company considers that the remaining invested assets are sufficiently liquid to meet the ongoing outwards cash flows needs.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and through the development of its capital and liquidity plan which identifies available financing options and which is reviewed on an annual basis.

In addition, MICL mitigates liquidity risk by developing short term cash flow forecasts and incorporating an appropriate level of buffer.

Premium payments are monitored regularly to ensure they are received within the terms of credit.

A Risk Appetite has been established for liquidity risks and this is reviewed and updated by the Risk Committee on a quarterly basis with breaches being reported as necessary with mitigating actions developed and implemented.

The invested assets are prudently invested taking into account the liquidity requirements of the business and are held in such a way as to properly match the terms or duration of the liability profile.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.4.4 Expected profit in future premiums (EPIFP)

The Company calculates EPIFP by projecting the expected future profits directly, using the insurance receivables not yet due at the reporting date. Due to the MICL business model, monies for policies underwritten are received up-front, and it has been concluded that there is no material Bound but Not Incepted (BBNI) exposure.

The expected profits included in future premiums as calculated in accordance with Article 260(2) for 2018 is £0.0m (2017: £0.4m).

C.4.5 Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for liquidity risk.

C.4.6 Other material information

There is no other material information.

C.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing, integrity and legal issues.

MICL's operational risk capital requirement is split as follows:

	2018 £'000	2017 £'000
Operational Risk	3,263	2,798

C.5.1 Material risk exposures

Whilst operational risks exist within MICL, this is not a risk area determined by the Risk Committee to be material due to the level of risk mitigation controls in place. Operational risk is identified, assessed and monitored by the Risk Committee with oversight from the Board, and recorded on the Risk Register.

A key area of operational risk relates to Outsourcing risk/Group risk. MICL outsources the majority of its policy acquisition, claims management and claims administration processing to its sister company CCPL; its IT, HR and Legal functions to its EU parent company AIL; and its investment management to a group company of its global parent company, AII Insurance Management Limited.

There are various operational risks, which are associated to MICL's outsourced functions, including; claims leakage risk, regulatory risk, cyber risk, data security risk, mis-selling risk and IT infrastructure risk.

Another key operational risk relates to data quality. Significant emphasis is placed on mitigating the risks associated with data quality to ensure that the data within the business complies with the requirements surrounding completeness and accuracy. In addition, the work completed in relation to the introduction of the General Data Protection Regulations from May 2018 has strengthened the data environment and mitigated the risk in this area.

There have been no material changes to the operational risks MICL is exposed to over the reporting period.

C.5.2 Material risk concentrations

There are no material operational risk concentrations.

C.5.3 Material risk mitigation

In addition to the standard risk management and mitigation techniques used within the business, the following additional risk mitigation techniques have been introduced for the Key Operational Risks identified in C.5.1 above:

Outsourcing: The risks relating to outsourcing are mitigated through the maintenance of an Outsourcing policy and the requirement to complete on-going due diligence and regular performance reviews and audits on outsourced providers.

Data: During 2018, MICL introduced a Data Management Policy and Data Directory, which is reviewed within the Solvency II Working Party. Material risks identified would be highlighted to the Risk Committee.

The performance of risk mitigation techniques is monitored by the MICL Risk Committee. Where a particular risk mitigation technique is determined to be ineffective, the Risk Committee will request that alternative techniques are introduced and monitor ongoing effectiveness.

C.5.4 Risk sensitivities

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for operational risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.5.5 Other material information

Operational Losses, arising from the failure of people, processes or systems are recorded on the Compliance and Regulatory Issues List and reported to the Risk Committee on, at least, a quarterly basis. This allows the Risk Committee to assess the actual losses arising from Operational Risk, implementing appropriate mitigation techniques as appropriate.

C.6 Other material risks

C.6.1 Legal and Regulatory risks

This is the risk of non-compliance with regulation and legislation.

MICL does not seek to take on legal and regulatory risk in order to generate a return. However, it recognises that some degree of legal and regulatory risk is an unavoidable consequence of remaining in business. It therefore seeks to mitigate this risk through its corporate governance and internal control mechanisms. Awareness of the risks and the Company's control mechanisms are maintained through its policies and procedures framework and training programmes.

C.6.2 Conduct Risk

This is the risk associated to the way organisations, and their staff, relate to customers and the wider financial markets.

MICL has a defined risk appetite surrounding Conduct Risk and monitors its products' performance on an ongoing basis to ensure suitability and value to the target market. MICL also monitors performance within the activities undertaken by the claims handlers, distributors and other service providers of its products; measuring this performance against the Board approved risk appetite.

C.6.3 Strategic risk

This is the risk arising from failure to sufficiently define the direction and objectives of the entity, together with the resourcing and monitoring of the achievement of the same.

MICL has a well-developed business planning process and its business plans are approved by the Board. The business plans are also used in the Own Risk and Solvency Assessment (ORSA) process.

C.6.4 Governance risk

This is the risk arising from the failure to demonstrate independent and proper stewardship of the affairs of the Company in order to safeguard the assets of the Company's shareholders and the overall interests of its stakeholders.

The Company regards a strong governance framework to be vital in the achieving its objectives as well as providing transparency and accountability to its various stakeholders. A system of internal control and governance has been developed using the "three lines of defence" model, which the Board deems to be appropriate to the scale and nature of MICL's activities and risks.

C.6.5 Group risks

This is the risk arising from other parts of its group, through parental influence or direct contagion.

MICL maintains a good relationship with its ultimate parent and expects that, at all times, it will remain suitably appraised of all of the material risks within the group that may, if crystallised, have negative impact upon the business strategy and/or cause detriment to its customers.

C.6.6 Solvency risk

This is the risk that the entity fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

MICL ensures it is solvent at all times through: Monitoring of solvency position; Management Accounts; Solvency forecasting in ORSA and prior to any strategic decision making.

C.6.7 Other Material Risk Concentrations

There are no material risk concentrations in this area.

C.6.8 Other Material Risk Sensitivities

The Company carries out stress and scenario testing as part of the ORSA process, which includes stress testing for operational risk.

In addition, MICL has performed a series of sensitivity tests on its solvency position. These are shown in section C7.1.

C.7 Any other information

C.7.1 Risk sensitivities

MICL has performed sensitivity tests to show the impact on SCR and solvency coverage by changing the assumptions associated with each risk type in the SCR calculation. These are independent stresses to individual risks, although in practice risks may occur in combination, but the impact would differ from the combination of impacts of the individual stresses. No future management actions, which could mitigate the impacts shown, have been taken into account. The impacts of each stress are non-linear and the results shown should not be used to extrapolate the effects of larger or smaller changes in the assumptions.

MICL has performed the following sensitivity tests on its solvency position.

Risk category	Test	Stressed SCR (£m)	Increase / (decrease) in SCR (£m)	Increase / (decrease) in Solvency ratio (% points)
Underwriting	25% increase in volume of GWP in next 12 months	78.5	3.0	(5.2%)
Underwriting	25% decrease in volume of GWP in next 12 months	74.3	(1.3)	2.4%
Underwriting	25% increase in Claims provisions	77.1	1.5	(10.6%)
Underwriting	25% decrease in Claims provisions	74.2	(1.4)	10.9%
Market	25% increase in asset durations	76.4	0.9	(1.6%)
Market	25% decrease in asset durations	74.8	(0.8)	1.5%
Market	10% of investment portfolio moved to the two most concentrated exposures	75.8	0.2	(0.4%)
Market	10% increase value of base currency	74.6	(1.0)	0.6%
Market	10% decrease in value of base currency	76.8	1.3	(1.1%)
Credit	Fall in rating of one credit step for three largest insurers	75.6	(0.0)	0.1%
Credit	Double the proportion of debtors overdue by more than 3 months	75.8	0.2	(0.4%)
Operational	Increase in technical provisions of 25%	77.5	1.9	(32.6%)

The risk with the most material effect on the SCR is underwriting risk, in particular to any increase in the volume of premium written. The Company closely monitors premium volume against its business plan throughout the year.

The tests also show a material sensitivity, in terms of solvency ratio, to increases and decreases in claims provisions. The biggest sensitivity in terms of solvency ratio is to the operational risk charge, which is driven by the level of technical provisions. The Reserve Committee is responsible for ensuring adequate and reasonable reserves are in place, as described in section B.1.1.

Valuation for Solvency Purposes

Section D

D. Valuation for Solvency Purposes

The following is a summary level Solvency II Balance Sheet:

Solvency II Balance Sheet As at 31st December 2018	Notes	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
		£'000	£'000	£'000	£'000
Assets					
Investments					
Bonds	D 1.1				
Government bonds		60,236	190	-	60,426
Corporate bonds		128,974	1,060	-	130,034
Loans and mortgages		17,875	-	-	17,875
Reinsurance recoverables	D 1.2	3,828	(476)	(644)	2,708
Deposits to cedants		1,086	-	-	1,086
Insurance & intermediaries receivables	D 1.3	13,872	(10,563)	-	3,309
Cash and cash equivalents	D 1.4	10,260	-	-	10,260
Any other assets	D 1.5	1,250	(1,250)	-	-
Deferred acquisition costs	D 1.6	54,577	-	(54,577)	-
Total Assets		**291,958**	**(11,039)**	**(55,221)**	**225,698**
Liabilities					
Technical provisions – non-life	D 2	169,615	3,475	(64,211)	108,879
Deferred tax liabilities	D 3.1	-	-	1,708	1,708
Insurance & intermediaries payables	D 3.2	16,865	(14,514)	-	2,351
Payables (trade, not insurance)	D 3.3	6,708	-	-	6,708
Any other liabilities	D 3.4	1,378	-	-	1,378
Total Liabilities		**194,566**	**(11,039)**	**(62,503)**	**101,875**
Excess of assets over liabilities		**97,392**	**-**	**7,282**	**104,674**

D.1 Assets

D.1.1 Investments

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Government bonds	60,236	190	-	60,426
Corporate bonds	128,974	1,060	-	130,034
Total Investments	**189,210**	**1,250**	**-**	**190,460**

The UK GAAP financial statements balance for investments, which is made up entirely of bonds is the market value only. The related accrued interest is disclosed under any other assets under UK GAAP, but is re-classed on the Solvency II balance sheet to be included in the value reported under bonds. The invested assets are all quoted instruments in active markets and therefore the market price at the reporting date has been applied. The bonds are all directly held by the Company.

D.1.2 Loans and mortgages

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Loans and mortgages	17,875	-	-	17,875

Loans and mortgages are measured at fair value using the income approach though the discounted cash flow method for the purpose of Solvency II. A valuation adjustment may be required from UK GAAP basis.

The Company's discounted cash flow method relies on the use of unobservable market inputs to reflect the assumptions market participants would use in pricing the asset or liability based on sources independent of the entity pricing the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants use in pricing the asset or liability (including assumptions about risk inherent in the asset or liability or inherent in the model used to estimate the price of the asset or liability).

Unobservable inputs are developed based on the best information available in the circumstances, which might include the Company's own data and should take into account all information about market participant assumptions that is reasonably available. In developing unobservable inputs, it does not need to undertake all possible efforts to obtain information about market participant assumptions in pricing the asset or liability.

The Company's own data used to develop unobservable inputs is adjusted if information indicating that market participants would use different assumptions is reasonably available without undue cost and effort. The unobservable valuation inputs are updated only when corroborated by evidence such as market transactions.

There was no valuation adjustment at the balance sheet date.

D.1.3 Reinsurance recoverables

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Reinsurance recoverables	3,828	(476)	(644)	2,708

The reclassification of balances and valuation differences of this item are covered in the valuation of technical provisions in section D.2.

D.1.4 Deposits to cedants

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deposits to cedants	1,086	-	-	1,086

Deposits to cedants are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year.

D.1.5 Insurance and intermediaries receivables

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Insurance & intermediaries receivables	13,872	(10,563)	-	3,309

Receivables from intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to technical provisions.

D.1.6 Cash and cash equivalents

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Cash and cash equivalents	10,260	-	-	10,260

Cash balances are valued at the amount held at the period end, translated using year end exchange rates where appropriate. There is no valuation difference between the two bases.

D.1.7 Any other assets

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Any other assets	1,250	(1,250)	-	-

Any other assets are valued at the best estimate of the recoverable amount, and are discounted where it is expected that the balance will be recovered after more than one year. The statutory accounts value includes accrued interest in respect of the Company's investments in bonds, which is re-classed under Solvency II to be included within the value of bonds.

D.1.8 Deferred acquisition costs

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred acquisition costs	54,577	-	(54,577)	-

Under Solvency II deferred acquisition costs are valued at nil, with appropriate associated adjustments made to the calculation of Technical Provisions.

D.2 Technical Provisions

D.2.1 Technical Provisions

The value of MICL's Solvency II Technical Provisions (TPs) at 31 December 2018 was £106.2m (2017: £91.3m). The table below shows how the TPs are broken down by Solvency II class of business:

Solvency II Class of Business	Best Estimate Technical Provisions	Solvency II Risk Margin	Solvency II Value	Reinsurance Recoverable	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000
Other motor insurance	4,077	254	4,331	-	4,331
Assistance	432	27	459	-	459
Miscellaneous financial loss	98,140	5,949	104,089	2,708	101,381
Total	**102,649**	**6,230**	**108,879**	**2,708**	**106,171**

The company values its TPs as the sum of a best estimate and a Risk Margin and in accordance with the methods prescribed by the Solvency II Directive using standard actuarial techniques.

D.2.2 Solvency II Technical Provisions Methodology

There are significant differences in the way TPs are required to be calculated under Solvency II in comparison with the GAAP provisions. Under Solvency II Claims Provisions and Premium Provisions must be calculated separately on a best estimate basis with no explicit margins included. They should include an allowance for all possible future cash flows, not just the foreseeable ones and include provisions for both allocated and unallocated expenses associated with the business written.

There is a requirement to discount the TPs using risk free yield curves for each currency, which means cash flows of the TPs have to be generated.

Finally, a Risk Margin is added to the best estimate, which must be calculated using the prescribed cost of capital approach.

More details on the specific methodologies used by MICL in the calculation of its TPs and how they differ from the statutory provisions are provided in the sections that follow.

D.2.3 Segmentation

The Solvency II Directive requires that firms evaluate their TPs by Solvency II class of business as a minimum. MICL segments its business further in accordance with which external claims administrator handles the claims and the country and currency in which the claims originate. For the Premium Provision calculations, where the average policy duration is subject to change by underwriting year, the business is further segmented into more homogeneous groups before the calculations are performed.

D.2.4 Claims Cash flows

The largest proportion of MICL's TPs are made up of the future claims payments. As required by Solvency II, these are calculated separately for the Claims Provisions and Premium Provisions; the distinction being payments resulting from events before and after the valuation date respectively.

Claims Provisions are calculated on a gross basis from accident year triangles using a combination of standard actuarial techniques, namely the Chain Ladder, Cape Cod and Expected Loss Ratio approaches. Cash flows are generated from the payment patterns from the Chain Ladder calculations.

Premium Provisions are also calculated on a gross basis from underwriting year triangles using the same set of standard actuarial techniques used for the Claims Provisions. Cash flows are generated from the underwriting year triangles using the Chain Ladder analysis performed.

There is significant uncertainty in the future claims cash flows as the probability a claim will occur, the timing of the claim, the speed at which it is reported and paid and the ultimate amount that becomes payable are all unknown. Therefore, expert judgement is required in the selection of the ultimate claims amounts for the actuarial calculations performed. Selections are made on a Solvency II best estimate basis and are back-tested against previous estimates. This feedback loop aids more accurate projections in future estimates of the TPs.

D.2.5 Reinsurance

MICL does not have a material exposure to outward reinsurance from a TPs perspective. On the Other Motor Insurance Class, MICL has an Excess of Loss reinsurance programme in place with a relatively high retention such that on a best estimate basis MICL would not expect to make a claim. There are no outstanding claims on this reinsurance programme at the valuation date. Two MBI programmes in the Miscellaneous Financial Loss class of business have an outward quota share arrangement. As required by the directive, the TPs are calculated on a gross basis before taking the outward reinsurance into account. Due to the way the reinsurance operates, no provision is made for reinsurance bad debt. Should either of the programmes go into run-off in the future this assumption will be revisited.

D.2.6 Discounting

All TPs cash flows are required to be discounted using the European Insurance and Occupational Pensions Authority (EIOPA) Risk Free Discount Rates by currency. As MICL writes business in multiple currencies, the TPs are segmented in such a way to enable the cash flows to be discounted using the appropriate currency discount rate.

D.2.7 Events Not in Data (ENID)

Solvency II TPs are required to include an allowance for all possible future events. This includes provisions for claims that may have never occurred in the claims history and so standard actuarial techniques will not automatically allow for such events. Estimation of the amount of ENID is not a straightforward process and there are significant expert judgements in the selection of the amount to include in the provisions.

MICL uses a stochastic bootstrapping method to generate a distribution of future claims provisions by class of business. A truncated distribution is selected from what is assumed to be the full distribution and the difference in the mean of the two distributions is considered to be the required ENID loading. 2018 ENID is £1.5m (2017: £1.2m).

D.2.8 Future Premium Cash flows

MICL receives all of its premiums at the time of the commencement of the policy or shortly afterwards so there are no material future premium cash flows to take account of in the TPs in this respect. For the inward reinsurance business that MICL accepts, any outstanding premium that is not past due is transferred into the TPs. Any premium that is past due is retained on the SII balance sheet as Insurance and intermediaries receivables.

D.2.9 Expenses

D.2.9.1 Allocated Loss Adjustment Expenses (ALAE)

MICL outsources all of its claims handling to third parties, the majority of which is done by its sister company CCPL. As a result, no allowance for claims handling has been made in the TPs.

MICL does have some ALAE in the form of claim assessment costs for some claims. These are generally small in relation to the size of the claim and are included as part of the claims costs on an individual claim basis, therefore an allowance for them is included in the actuarial projections.

D.2.9.2 Unallocated Loss Adjustment Expenses (ULAE)

ULAE is taken from the business plan, the cash flows associated with the ULAE are required for discounting and are assumed to be in proportion to the run-off of the TPs.

D.2.10 Bound but not incepted (BBNI) business

Using a look-through approach MICL assumes that there is no material BBNI business to take into account in its TPs. MICL does write policies, which have some form of delay before inception for which it receives the premium in advance of the inception of the policy. These polices are included within the Premium Provisions along with those policies which have incepted but still have a period of unexpired risk.

D.2.11 Risk Margin

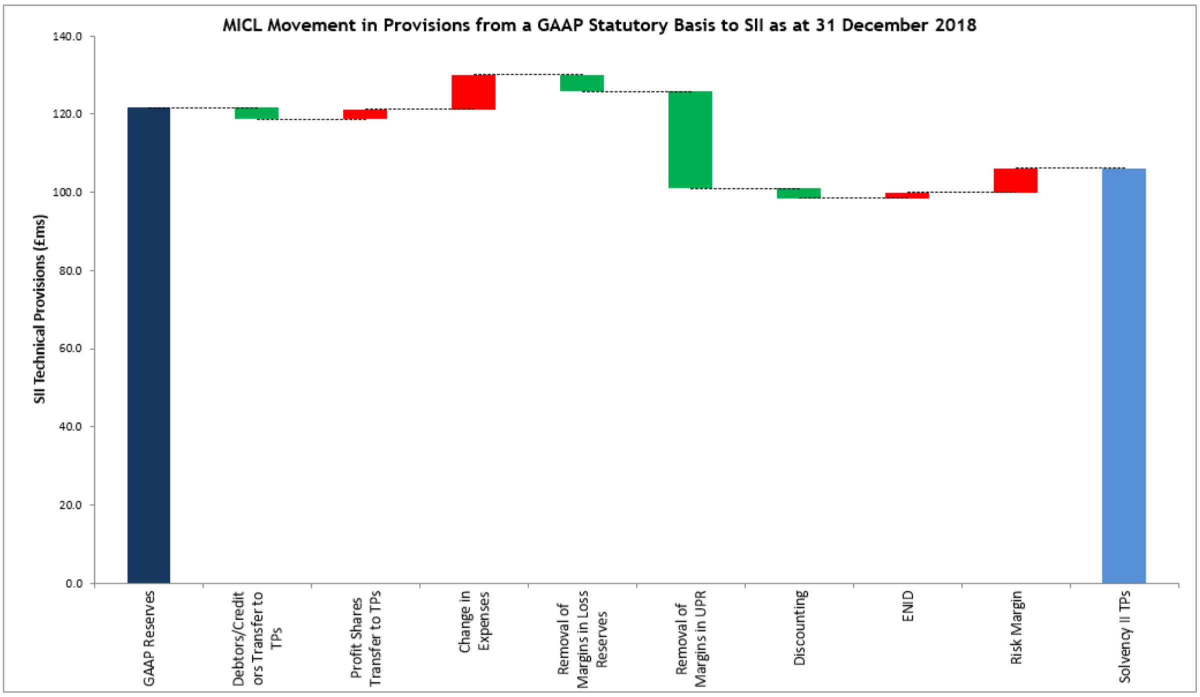
The Solvency II directive requires that a Risk Margin be added to the Best Estimate TPs using a defined cost of capital approach. MICL uses a simplification to the full calculation. The SCR is calculated using the standard formula for the reference undertaking (SCR_RU). The SCR_RU is assumed to run-off in proportion to the TPs in order to complete the calculation.

D.2.12 Other Liabilities

Some of the MBI programmes that MICL writes include some form of profit-sharing provision. Provisions for profit-share payments that are likely to be made in the future are calculated for each individual programme. These provisions are then split between the Claims Provisions and the Premium Provisions dependent on the timing of the accrual of the provision.

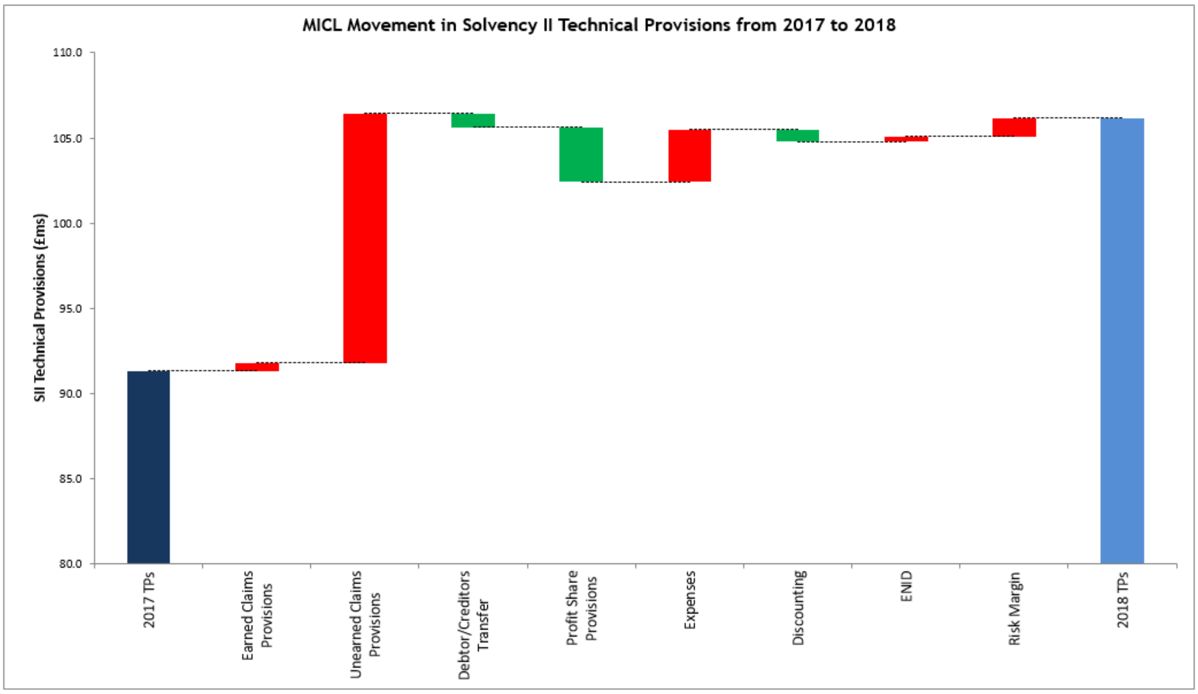
D.2.13 Movement of Provisions from Statutory to Solvency II

The waterfall chart below shows the movement in provisions from the statutory accounts to the Solvency II TPs.



D.2.14 Movement in Solvency II Technical Provisions since the Previous Valuation

The TPs have increased by £14.8m since the last valuation date. The waterfall chart below shows the movement in provisions from the 2017 year end valuation to the current TPs.



The largest movements are due to the increases in the earned and unearned claims provisions. These have increased year on year mainly as a result of larger volumes of business being written and earned as well as claims taking slightly longer to be paid. Expenses have also increased which have resulted from increased allocation of charges from Group. Profit Share provisions have reduced over the period as a result of some large payments made during the year reducing the historical liabilities.

The increases in the other elements of the provisions are relatively small and result mainly from the increase in the volume of business between the valuation dates.

D.2.15 Adjustments to Technical Provisions

MICL did not apply the Matching Adjustment, Volatility Adjustment, Transitional Risk-Free Interest Term Structure or the Transitional Deduction when calculating its Solvency II TPs at 31 December 2018 (2017: did not apply).

D.2.16 Material Changes since the last valuation

There are no material changes to the method or assumptions used in the calculation of the TPs to be reported.

D.3 Other liabilities

D.3.1 Deferred tax liabilities

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Deferred tax liabilities	-	-	1,708	1,708

The Company has no deferred tax liability under UK GAAP. However, the Solvency II balance sheet has a deferred tax liability balance in respect of the increase in own funds due to the recognition of future profits in technical provisions (unearned premium reserve) when calculated on a Solvency II basis.

D.3.2 Insurance and intermediaries payables

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Insurance & intermediaries payables	16,865	(14,514)	-	2,351

Payables to intermediaries and ceding insurers where the amounts are past contractual payment terms are valued at the amount payable, and are discounted where it is expected that the balance will be paid after more than one year. Where the amounts are not past contractual payment terms, i.e. not yet due, they are transferred to technical provisions. The UK GAAP balance also includes amounts owed in respect of profit sharing agreements, which are included in technical provisions in the Solvency II balance sheet as the future amounts payable are directly affected by the future policy cash flows.

D.3.3 Payables (trade, not insurance)

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Payables (trade, not insurance)	6,708	-	-	6,708

Payables (trade, not insurance) are carried at amortised cost using the effective interest method. The effect of movement in own credit risk on the valuation is not expected to be material, therefore no adjustment to the UK GAAP values are needed.

Trade payables solely comprises of amounts which fall due within 12 months and are considered to be held at fair value under UK GAAP.

Trade payables include amounts due to suppliers, other group companies, public entities, etc. and which are not insurance related.

D.3.4 Any other liabilities

Solvency II Balance Sheet As at 31st December 2018	Statutory Accounts Value	Reclassification Adjustments	Solvency II Valuation Adjustments	Solvency II Value
	£'000	£'000	£'000	£'000
Any other liabilities	1,378	-	-	1,378

Any other liabilities consists of accruals and deferred revenue. There is no valuation difference between the two bases.

D.4 Alternative methods for valuation

As there are no quoted market prices for the Company's holdings in loans and mortgages alternative valuation methods, as defined in the Solvency II regulations, are used to determine the fair values of these assets.

The details for these alternative valuation methods are disclosed in section D.1.2.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities.

Capital Management

Section E

E. Capital Management

E.1 Own funds

Capital Requirements 31 Dec 2017	2018		2017	
	£000	Coverage	£000	Coverage
Own Funds	**104,674**		**96,215**	
SCR	**75,589**	**138%**	**71,184**	**135%**
MCR	**34,015**	**308%**	**28,555**	**337%**

The objective of the Company in managing own funds is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate margin. Own funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR is reviewed. The Committees that review solvency are described in more detail in section B.1.1. The responsibility ultimately rests with the Company's Board of directors. As part of own funds management, MICL prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

	Tier 1 – Unrestricted (£000)	
	2018	2017
Ordinary share capital	11,700	11,700
Reconciliation reserve	92,974	84,515
Total basic own funds after deductions	**104,674**	**96,215**

MICL's share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital is not subordinated and has no restricted duration. The reconciliation reserve is equal to the excess of assets over liabilities less other basic own fund items at the reporting date. There are no foreseeable dividends or own shares held.

The Company's own funds are all tier 1 unrestricted and are available to cover the SCR and MCR. MICL has no tier 1 restricted own funds, no tier 2 own funds, and no tier 3 own funds.

A reconciliation between equity on a UK GAAP basis and Solvency II value of excess of assets over liabilities is as follows:

	2018 £'000	**2017 £'000**
Equity per UK GAAP financial statements comprising:		
Ordinary share capital	11,700	11,700
Retained earnings	85,692	78,735
Total Equity	**97,392**	**90,435**
Adjustments for Solvency II valuation basis:		
Assets	(55,221)	(40,846)
Technical provisions	64,211	47,982
Deferred tax liability	(1,708)	(1,356)
Solvency II value of excess of assets over liabilities	**104,674**	**96,215**

E.2 Solvency capital requirement and minimum capital requirement

At the reporting date MICL's SCR was £75.589m (2017: £71.184m). The table below shows the SCR by risk category.

	2018 £'000	2017 £'000
Counterparty Default Risk	1,768	2,591
Market Risk	11,247	23,956
Non-Life Underwriting Risk	69,483	58,331
Undiversified BSCR	**82,498**	**84,878**
Diversification Credit	(8,464)	(15,136)
Basic SCR	**74,034**	**69,742**
Operational Risk	3,263	2,798
Adjustment for Deferred Taxes	(1,708)	(1,356)
SCR	**75,589**	**71,184**

MICL has not made use of undertaking specific parameters (USPs) in the calculation of any module of the SCR, nor has it used any simplified calculations in any risk module or sub-module in calculating the SCR. The final amount of the SCR remains subject to supervisory assessment.

The significant increase in market risk has been driven by the issue of two loans to other Group entities. This has created significant concentration exposure to a single group. Additionally, one of the loans is in a foreign currency creating exposure to currency fluctuations reflected in the increased Market Risk in the SCR.

At the reporting date the MCR was £34.015m (2017: £28.555m). The table below shows the inputs into the MCR calculation.

	2018 £'000	2017 £'000
AMCR (€2,500)	2,222	2,196
Linear MCR	34,867	28,555
SCR	75,589	71,184
Combined MCR	34,015	28,555
MCR	**34,015**	**28,555**

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

The duration-based equity risk sub-module is not applicable to MICL.

E.4 Difference between the standard formula and the internal model used

MICL does not utilise an Internal Model, therefore this section is not applicable.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied with the MCR and the SCR throughout the reporting period.

E.6 Any other information

There is no other material information regarding MICL's capital management.

QRTs

Section F

F. QRTs

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	190,460
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	0
Equities	**R0100**	0
Equities - listed	**R0110**	0
Equities - unlisted	**R0120**	0
Bonds	**R0130**	190,460
Government Bonds	**R0140**	60,426
Corporate Bonds	**R0150**	130,034
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	0
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	17,875
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	17,875
Reinsurance recoverables from:	**R0270**	2,708
Non-life and health similar to non-life	**R0280**	2,708
Non-life excluding health	**R0290**	2,708
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	1,086
Insurance and intermediaries receivables	**R0360**	3,309
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	0
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet	**R0400**	0
Cash and cash equivalents	**R0410**	10,260
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	225,698

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	108,879
Technical provisions – non-life (excluding health)	**R0520**	108,879
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	102,649
Risk margin	**R0550**	6,230
Technical provisions - health (similar to non-life)	**R0560**	0
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	1,708
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	2,351
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	6,708
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	1,378
Total liabilities	**R0900**	121,024
Excess of assets over liabilities	**R1000**	104,674

Motors Insurance Company
An AmTrust Financial Company

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	0	0	0	0	18,817	0	0	0	0
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	672	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	0	0	0	999	0	0	0	0
Net	**R0200**	0	0	0	0	18,490	0	0	0	0
Premiums earned										
Gross - Direct Business	**R0210**	0	0	0	0	5,796	0	0	0	
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	800	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	0	0	0	999	0	0	0	0
Net	**R0300**	0	0	0	0	5,598	0	0	0	0
Claims incurred										
Gross - Direct Business	**R0310**	0	0	0	0	2,336	0	0	0	0
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	-17	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	0	0
Net	**R0400**	0	0	0	0	2,319	0	0	0	0
Changes in other technical provisions										
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	0	0	0	2,660	0	0	0	0
Other expenses	**R1200**									
Total expenses	**R1300**									

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	0	1,189	102,780					122,786
Gross - Proportional reinsurance accepted	**R0120**	0	0	19,556					20,227
Gross - Non-proportional reinsurance accepted	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	0	0	4,073	0	0	0	0	5,072
Net	**R0200**	0	1,189	118,262	0	0	0	0	137,941
Premiums earned									
Gross - Direct Business	**R0210**	0	698	81,364					87,858
Gross - Proportional reinsurance accepted	**R0220**	0	0	20,127					20,927
Gross - Non-proportional reinsurance accepted	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	0	0	2,447	0	0	0	0	3,446
Net	**R0300**	0	698	99,044	0	0	0	0	105,339
Claims incurred									
Gross - Direct Business	**R0310**	0	275	51,200					53,810
Gross - Proportional reinsurance accepted	**R0320**	0	0	8,319					8,302
Gross - Non-proportional reinsurance accepted	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	0	0	2,518	0	0	0	0	2,518
Net	**R0400**	0	275	57,000	0	0	0	0	59,594
Changes in other technical provisions									
Gross - Direct Business	**R0410**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	0	43	32,086	0	0	0	0	34,789
Other expenses	**R1200**								0
Total expenses	**R1300**								34,789

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

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		DE	BR	TR	CN	BE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	120,081	1,489	0	0	0	231	121,801
Gross - Proportional reinsurance accepted	**R0120**	0	7,113	6,227	2,052	1,546	711	17,649
Gross - Non-proportional reinsurance accepted	**R0130**	0	0	0	0	0	0	0
Reinsurers' share	**R0140**	4,259	458	0	0	0	71	4,788
Net	**R0200**	115,822	8,144	6,227	2,052	1,546	871	134,662
Premiums earned								
Gross - Direct Business	**R0210**	84,907	1,500	0	0	0	231	86,638
Gross - Proportional reinsurance accepted	**R0220**	0	6,677	6,098	1,558	2,955	411	17,699
Gross - Non-proportional reinsurance accepted	**R0230**	0	0	0	0	0	0	0
Reinsurers' share	**R0240**	2,633	458	0	0	0	71	3,162
Net	**R0300**	82,274	7,719	6,098	1,558	2,955	571	101,175
Claims incurred								
Gross - Direct Business	**R0310**	52,096	873	0	0	0	8	52,977
Gross - Proportional reinsurance accepted	**R0320**	0	3,723	1,444	310	1,717	263	7,457
Gross - Non-proportional reinsurance accepted	**R0330**	0	0	0	0	0	0	0
Reinsurers' share	**R0340**	2,518	0	0	0	0	0	2,518
Net	**R0400**	49,578	4,596	1,444	310	1,717	271	57,916
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**	0	0	0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	26,960	1,652	4,491	1,141	-167	120	34,197
Other expenses	**R1200**							0
Total expenses	**R1300**							34,197

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance									Direct business and accepted			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
Technical provisions calculated as a whole	R0010					0						0	0					0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050					0						0	0					0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060					3101						340	77164					80605
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					0						0	406					406
Net Best Estimate of Premium Provisions	R0150					3101						340	76758					80199
Claims provisions																		
Gross	R0160					976						91	20976					22043
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					0						0	2302					2302
Net Best Estimate of Claims Provisions	R0250					976						91	18674					19741
Total Best estimate - gross	R0260					4077						432	98140					102649
Total Best estimate - net	R0270					4077						432	95432					99941
Risk margin	R0280					254						27	5949					6230
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290					0						0	0					0
Best estimate	R0300					0						0	0					0
Risk margin	R0310					0						0	0					0

		Direct business and accepted proportional reinsurance									Direct business and accepted			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
Technical provisions - total																		
Technical provisions - total	R0320					4331						459	104089					108879
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					0						0	2708					2708
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340					4331						459	101380					106170

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

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

		Development year												In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
N-9	R0160	30490	2728	23	17	0	0	0	0	0	0		R0160	0	33259
N-8	R0170	32688	3169	33	5	7	0	2	0	0			R0170	0	35906
N-7	R0180	36487	3016	19	25	2	3	0	0				R0180	0	39554
N-6	R0190	34892	2792	28	6	9	-2	0					R0190	0	37725
N-5	R0200	36207	2993	85	9	4	2						R0200	2	39300
N-4	R0210	35579	3967	38	12	2							R0210	2	39598
N-3	R0220	39020	3940	78	6								R0220	6	43044
N-2	R0230	40508	4837	62									R0230	62	45407
N-1	R0240	45820	6497										R0240	6497	52317
N	R0250	51705											R0250	51705	51705
												Total	R0260	58274	417815

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
N-9	R0160								2	0	0		R0160	0
N-8	R0170							0	0	0			R0170	0
N-7	R0180						0	0	0				R0180	0
N-6	R0190					0	0	0					R0190	0
N-5	R0200				0	0	0						R0200	0
N-4	R0210			6	0	0							R0210	0
N-3	R0220		82	13	0								R0220	0
N-2	R0230	19716	142	9									R0230	9
N-1	R0240	22984	152										R0240	149
N	R0250	22238											R0250	21885
												Total	R0260	22043

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	11,700	11,700		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	92,974	92,974			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	**R0290**	104,674	104,674	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

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Annex I
S.23.01.01
Own funds

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	104,674	104,674	0	0	0
Total available own funds to meet the MCR	**R0510**	104,674	104,674	0	0	
Total eligible own funds to meet the SCR	**R0540**	104,674	104,674	0	0	0
Total eligible own funds to meet the MCR	**R0550**	104,674	104,674	0	0	
SCR	**R0580**	75,589				
MCR	**R0600**	34,015				
Ratio of Eligible own funds to SCR	**R0620**	138%				
Ratio of Eligible own funds to MCR	**R0640**	308%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	104,674	
Own shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and charges	**R0720**	0	
Other basic own fund items	**R0730**	11,700	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	92,974	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	
Total Expected profits included in future premiums (EPIFP)	**R0790**	0	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	11,247		
Counterparty default risk	R0020	1,768		
Life underwriting risk	R0030	0	0	0
Health underwriting risk	R0040	0	0	0
Non-life underwriting risk	R0050	69,483	0	0
Diversification	R0060	-8,464		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	74,034		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	3,263
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-1,708
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	75,589
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	75,589
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	34,867

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	4,077	3,749
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	432	1,189
Miscellaneous financial loss insurance and proportional reinsurance	R0130	95,432	134,002
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	34,867
SCR	R0310	75,589
MCR cap	R0320	34,015
MCR floor	R0330	18,897
Combined MCR	R0340	34,015
Absolute floor of the MCR	R0350	2,222
		C0070
Minimum Capital Requirement	R0400	34,015

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