FGIC UK Limited

Solvency and Financial Condition Report (SFCR)

31 December 2018

17 April 2019

Index

Summary

Amounts in £000's unless otherwise noted.

This document is the Solvency and Financial Condition Report ("SFCR") for FGIC UK Limited ("FGIC UK" or the "Company") for the year ended 31 December 2018.

The Company is considered a small Solvency II firm for external audit purposes and has taken advantage of the external audit exemption as stated in the PRA Policy Statement 'Solvency II: External audit of the public disclosure requirement – PS25/18'.

Business Overview

FGIC UK is an insurance company subject to regulation by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). FGIC UK is a wholly owned subsidiary of Financial Guaranty Insurance Company, a New York stock insurance corporation ("FGIC").

FGIC UK is no longer engaged in the business of writing new financial guarantees. FGIC UK's principal business activity continues to be the run-off of its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law.

The Company has the following types of obligations in its financial guarantee portfolio:

Private Finance Initiatives ("PFI") obligations are obligations issued by various entities as part of public-private initiatives to finance the construction of public sector hospitals and healthcare facilities, which are supported by long-term concession arrangements with various public-sector entities, including National Health Service (NHS) trusts in the United Kingdom ("UK").

Transportation obligations comprise obligations of a single entity that is operating a toll road concession in France, which are largely supported by the related toll road revenues.

Utility obligations are obligations issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities.

The following table sets out the Company's portfolio of financial guarantees as of 31 December 2018 (insured portfolio).

	Total Par in Force (GBP, MM's)	% of Total
PFI	1,041	46%
Transportation	88	4%
Utility	1,123	50%
	2,252	100%

The Company reported a profit of £3,840 for the year ended 31 December 2018 (2017: £5,462) which was primarily driven by the premiums earned on financial guarantee contracts and investment income.

As of 31 December 2018, FGIC UK does not anticipate paying claims on any of the guarantees it has issued and has therefore not recorded a provision for claims within its financial statements. FGIC UK monitors its insured transactions for credit deterioration.

The Investment Portfolio of FGIC UK as of 31 December 2018 was mainly invested in long-term UK government and investment grade corporate bonds with the remainder in short-term money market funds.

Systems and governance

As of 31 December 2018, FGIC UK's Board of Directors (the "Board") consisted of five directors, including three members of senior management of FGIC and two independent non-executive directors.

As of 31 December 2018, FGIC UK's Audit Committee consisted of its two independent non-executive Board members who assist the Board in fulfilling its oversight responsibilities relating to the integrity of FGIC UK's financial statements and reports.

Valuation for solvency purposes

An analysis of the adjustments made from the Statutory Accounts to the Solvency II assets and liabilities is provided in sections D1 and D3 of this report.

The valuation of the technical provisions including the amount of the best estimate and risk margin are disclosed in section D2 of this report. Descriptions of the methods and main assumptions are also discussed there.

Own Funds and Solvency Capital Requirement

Under the European Union's Solvency II Directive (2009/138/EC) ("Solvency II" or "SII"), FGIC UK's Own Funds at 31 December 2018 are £34.5m (2017: £26.1m) in the form of Tier 1 unrestricted capital. Based on the standard formula, FGIC UK's Minimum Capital Requirement ("MCR") is £24.2m (2017: 24.7m) and its Solvency Capital Requirement ("SCR") is £96.8m (2017: £99.0m). FGIC UK therefore has a capital surplus of £10.4m (2017: £1.4m) over the MCR and a capital deficit of £62.2m (2017: £72.9m) against the SCR at 31 December 2018. The ratio of Own Funds to SCR is 35.7% (2017: 26.4%).[1]

FGIC UK has notified the PRA of its non-compliance with the SCR and about not having access to incremental capital to remediate this non-compliance.

[1] *Refer to Section D2 for explanation of differences between technical provisions calculated for the purposes of the Company's financial statements and the best estimate of technical provisions on a Solvency II basis.*

FGIC UK Limited

Directors' Responsibility Statement in respect of the Solvency and Financial Condition Report

Financial Year Ended 31 December 2018

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulation Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Company must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Directors' Report of the UK GAAP financial statements, confirms that, to the best of his or her knowledge:

1. the SFCR has been prepared in all material respects in accordance with the PRA Rules and Solvency II Regulations;

2. a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to it except for Rule 2.1 of "Solvency Capital Requirement – General Provisions" Chapter of the Solvency II Firms Section of the PRA Rulebook to hold eligible own funds to cover the SCR; and

   b) it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future with the exception of compliance with SCR referred to above.

On behalf of the Board

T S Travers

T S Travers
Director

17 April 2019

Business and Performance

A.1 Business

General information:

FGIC UK is incorporated in the UK and is a company limited by shares. The address of the registered office of FGIC UK is:

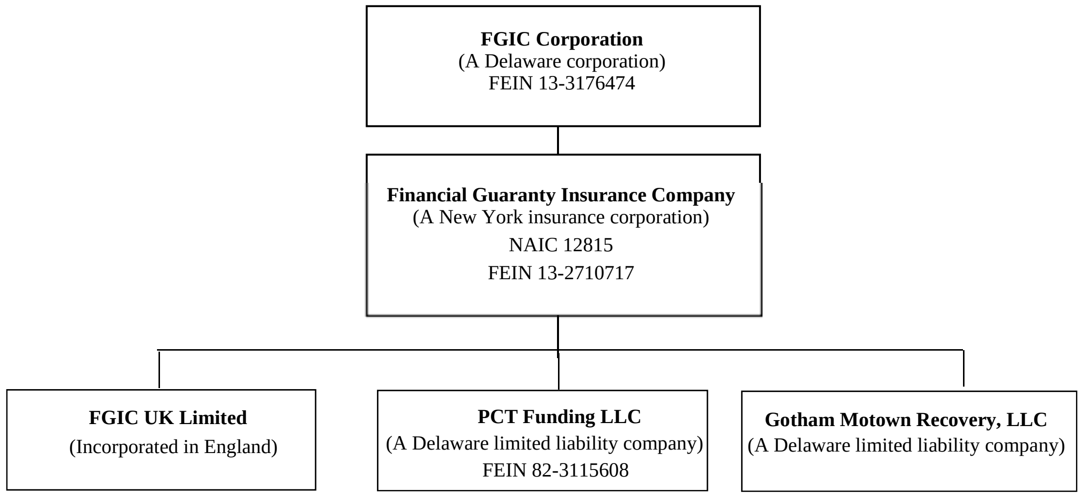
c/o Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

As depicted below in the corporate structure, FGIC UK is a wholly owned subsidiary of FGIC, which in turn is a wholly owned subsidiary of FGIC Corporation ("FGIC Corp."), a privately owned Delaware corporation. FGIC Corp. does not conduct any business other than owning the common shares of FGIC. Lacrosse Financial Products Member, LLC ("Lacrosse") holds 34.5% of FGIC Corp's common stock. Lacrosse is an affiliate of MBIA Inc., a publicly-held corporation, which (on behalf of itself and its affiliates) filed for a determination of non-control in accordance with New York Insurance Law. No other shareholder of FGIC Corp holds 10% or more of such common stock.

FGIC UK, subject to regulation by the PRA and the Financial Conduct Authority (the "FCA"), was authorised to write financial guarantee business in the UK and had passport rights to write business in other European Economic Area member countries. FGIC UK previously issued financial guarantees covering public finance, structured finance and other obligations. FGIC UK is responsible for administering its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law. FGIC UK is no longer engaged in the business of writing new financial guarantees and has no present intention to seek permission to recommence writing new financial guarantees. FGIC UK's principal business activity continues to be the run-off of its outstanding guarantees.

FGIC UK prepares its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 and FRS 103.

The group structure diagram below presents the identities of and legal links between the Company, its parent undertaking and its related entities as at 31 December 2018:



Each entity owns 100% of the common voting securities (or membership interests) of each direct subsidiary, except for Gotham Motown Recovery, LLC, which FGIC controls by virtue of being its managing member but in which FGIC does not hold any direct economic membership interest.

None of the activities of Gotham Motown Recovery, LLC or PCT Funding LLC has any connection with the business of FGIC UK.

The supervisory authority of the Company is the PRA. Contact details of the PRA are:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH

The independent auditors of the Company are:

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Business overview:

FGIC UK previously wrote financial guarantee business and ceased to underwrite new business in 2008. For Solvency II purposes the Company's business falls under the Credit and Suretyship insurance line of business.

As of 31 December 2018, FGIC UK continues to closely monitor the Peterborough (Progress Health) plc ("Peterborough") transaction, which is a private finance initiative transaction secured by a long-term concession with three UK National Health Service Trusts. Peterborough was placed on heightened surveillance in March 2015 based on concerns over service payments that might be withheld by the Trusts due to fire compartmentation issues. On 7 November 2018, various settlement agreements were executed which resolved all outstanding fire compartmentation issues. As a result, management believes these risks have been mitigated, but has maintained this transaction on heightened surveillance at the present time to ensure it is closely monitored.

A.2 Underwriting Performance

The table below shows the Company's premiums, claims and expenses for the years ended 31 December 2018 and 2017. All amounts are in respect of the Solvency II Credit and Suretyship insurance line of business.

	2018 **£'000**	**2017** **£'000**
Gross premium written	99	4,528
Gross premium earned	5,613	6,269
Gross claims recovered/ (paid)	(1)	1,414
Net operating expenses	(2,054)	(2,003)

Premiums, claims and expenses by country are disclosed within the 'S.05.01 Premiums, claims and expenses by line of business' Quantitative Reporting Template (QRT) in the Appendix.

Gross premiums written relates to financial guarantees incepted in prior years for which premiums are receivable on an instalment basis. The total amount of premium instalments that the Company estimates it will receive under any such financial guarantee as of any reporting date after the inception date of the financial guarantee may change based on changes in the related assumptions and circumstances for such estimates, including changes in the index to which such premium or the related insured obligation is linked. Premiums written generally are recognised or reduced (as applicable) for the amount of any increases or decreases in the estimated remaining amount of instalment premiums in any reporting period.

Gross claims recovered for 2017 reflect the claims-related expense reimbursements received by the Company in conjunction with the refinancing of financial obligations that were covered by financial guarantees issued by the Company.

The investment management expenses of £72 included under the 'Investment management expenses' heading within the 'S.05.01 Premiums, claims and expenses by line of business' QRT are included within the profit and loss non-technical account.

The Company does not anticipate paying claims on any of the financial guarantees it has issued and does not have reinsurance in place.

The table below shows the gross premiums written by geographical area for the years ended 31 December 2018 and 2017.

Gross premiums written by geographical area for the year ended 31 December	**2018 £'000**	**2017 £'000**
United Kingdom	127	5,480
Australia	(28)	(952)
Total	99	4,528

The par in force of the Company's insured portfolio at 31 December 2018 and 2017 is set out below, by type of obligation. The par in force decreased 8% from 31 December 2017. The decrease is primarily due to the maturity or termination of guarantees in the year and normal amortisation of the insured obligations partially offset by increases due to index-linked guarantees and foreign exchange differences.

	31 December 2018 £'000	**31 December 2017 £'000**
Utility	1,122,798	1,247,435
PFI	1,041,646	1,105,111
Transportation	87,970	88,750
Total	2,252,414	2,441,296

A.3 Investment performance

FGIC UK's current investment strategy provides for investment primarily in UK government bonds and highly-rated corporate bonds. As of 31 December 2018, 61% of the investments were in UK government bonds (2017: 57%) and 36% in corporate bonds (2017: 40%). Excess cash balances are invested in 'AAA' rated short-term money market funds, as appropriate in accordance with short-term liquidity requirements. At 31 December 2018, 3% of investments were in short-term money market funds (2017: 3%).

The assets held by FGIC UK on a SII basis fall into the following categories:

	31 December 2018		31 December 2017	
	£'000	**%**	**£'000**	**%**
UK government bonds	47,267	61	43,385	57
Corporate bonds	27,474	36	30,440	40
Short-term money market funds	2,580	3	2,755	3
Total investments	77,321	100.0	76,580	100.0
Cash at bank and in hand	2,408		1,436	
Total investments and cash and cash equivalents	79,729		78,016	

The annualised investment yield of the portfolio at year end 2018 was 1.8% (2017: 1.9%).

In 2018, FGIC UK recognised investment income of £2,083 (2017: £1,893), a realised gain of £346 (2017: realised loss of £38) and an unrealised loss of £2,145 (2017: £787). Investment management fees for 2018 were £72 (2017: £68).

There were no gains or losses recognized directly in equity.

There were no investments in securitizations.

A.4 Performance of other activities

There are no other material activities undertaken by FGIC UK other than its insurance-related activities.

A.5 Any other information

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

Systems of Governance

B.1 General Information on the System of Governance

As of 31 December 2018, the Board consisted of five directors, including three members of senior management of FGIC and two independent non-executive directors.

As of 31 December 2018, the Audit Committee consisted of its 2 independent non-executive Board members. The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the integrity of FGIC UK's financial statements and reports.

FGIC UK is managed by its Chief Executive Officer ("CEO"), who has responsibility, under the immediate authority of the Board, for managing the whole of FGIC UK's business. FGIC UK's CEO is also the CEO of FGIC.

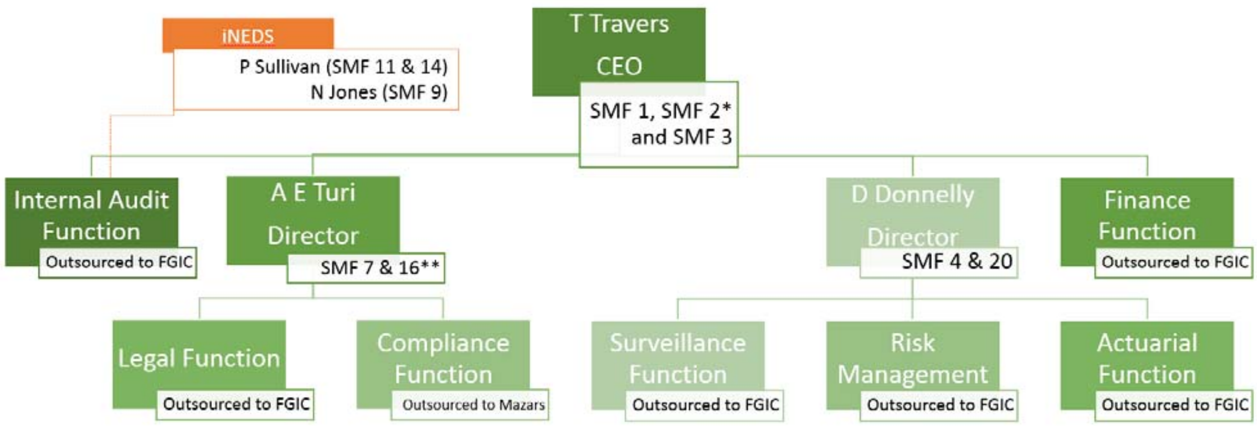
The Company has no direct employees (2017: Nil) hence there is no remuneration, fixed or variable. Instead, it has contracted with FGIC, as an outsourced service provider, to provide it with most management and administrative services. An administration fee is charged to the Company by FGIC. Such administration fee includes a charge of £238 (2017: £225) in respect of the allocable costs associated with the time these directors devoted to performing services for FGIC UK. This is a common way for parent and subsidiary insurance companies to operate and FGIC UK obtains benefit from this structure through cost-effective access to experienced personnel resources. These services are provided at FGIC's actual cost pursuant to an agreement between FGIC UK and FGIC, which was approved or not objected to by the PRA and FGIC's primary regulator, the New York State Department of Financial Services (the "NYSDFS"). FGIC UK directly remunerates its independent non-executive directors. FGIC UK's other directors are employees of and paid by FGIC; FGIC UK paid no direct remuneration to these directors in 2018 (2017: Nil). Remuneration of the directors employed by FGIC is set by the FGIC Board of Directors and subject to the remuneration policies in place at FGIC.

Emoluments for the non-executive directors paid directly by the Company amounted to £100 (2017: £75). Amounts paid by the Company are paid on a fixed salary basis and do not include any element of variable remuneration.

No material changes in the system of governance have taken place for the years ended 31 December 2018 and 2017 other than the appointment of a second independent non-executive director and the establishment of an Audit Committee in 2017

FGIC UK's system of governance is considered to be appropriate, taking into account the nature, scale and complexity of the risks inherent in FGIC UK's business.

The overall governance structure of the Company is composed of the functions and senior manager function ("SMF") holders shown in the chart below:



* SMF 2 function approved by the PRA on 27 February 2019 ** SMF 16 function subject to PRA approval (application submitted 2 April 2019)

Below is a table showing the allocation of the PRA's prescribed principal responsibilities to the members of the Board.

	Prescribed responsibility	**Responsible**
A	Performance by the firm of its obligations under the Senior Managers Regime, including implementation and oversight	Timothy Travers
B	Performance by the firm of its obligations under the Certification Regime	A. Edward Turi, III*
C	Compliance with the requirements of the regulatory system about the Responsibilities Map	A. Edward Turi, III*
F	Induction, training and professional development of all members of the firm's governing body	Timothy Travers
G	Induction, training and professional development of all persons performing designated senior management functions on behalf of the firm other than members of the governing body and key function holders	Timothy Travers
J-2	Oversight of Internal Audit (IA) at firms that outsource their IA to a third party	Timothy Travers
M	Responsibility for overseeing the development and implementation of the firm's remuneration policies and practices.	Nicholas Jones
N	Whistleblowing	Nicholas Jones

B-1 (ba)	Responsibility for the firm's performance of its obligations under the Code of Conduct (COCON) (in terms of training and regulatory reporting)	A. Edward Turi, III*
D	Overall responsibility for the firm's policies and procedures for countering the risk that the firm might be used to further financial crime	A. Edward Turi, III*
Z	Overall responsibility for the firm's compliance with CASS	Not applicable
H	Overseeing the adoption of the firm's culture	Timothy Travers
I	Leading the development of the firm's culture by the governing body as a whole	Timothy Travers
O	Management of the allocation and maintenance of the firm's capital and liquidity	Timothy Travers
Q	Production and integrity of the firm's financials and its regulatory reporting	Timothy Travers
T	Development and maintenance of the firm's business model by the governing body	Timothy Travers
T-2 (tb)	Performance of the firm's Own Risk and Solvency assessment (ORSA)	Timothy Travers
U	Performance of the firm's obligations under Fitness and Propriety in the PRA Rulebook	A. Edward Turi, III*
X (ua)	Outsourced operational functions including systems and technology	Timothy Travers

** Proposed from 2 April (subject to PRA approval) of SMF16 application. Prescribed responsibility currently held by Timothy Travers*

The Company is a party to a cost sharing arrangement with FGIC whereby FGIC provides management and support services to the Company as part of the outsourcing arrangement discussed above. Charges in connection with this agreement include amounts allocated in respect of overhead and staff costs incurred by FGIC as well as direct charges paid by FGIC on behalf of the Company. In 2018, the Company was charged £1,028 (2017: £1,275) in respect of allocated expenses under this arrangement. £260 was due to FGIC in respect of this arrangement at December 2018 (2017: £757). The management charge includes amounts allocated in respect of staff employed by FGIC, including for service of certain such employees as directors of FGIC UK.

B.2 'Fit and Proper' requirements

The SMF holders of FGIC UK have extensive knowledge and experience concerning the financial guarantee industry to the benefit of the Company.

The following factors are taken into account when deciding whether an individual is fit and proper:

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

New appointments to the Board are required to be approved by the Board. Extensive checks are carried out prior to approval, including:

- interviews with the candidate;
- assessment of fitness and propriety;
- review of CV;
- professional/regulatory references; and
- criminal records check.

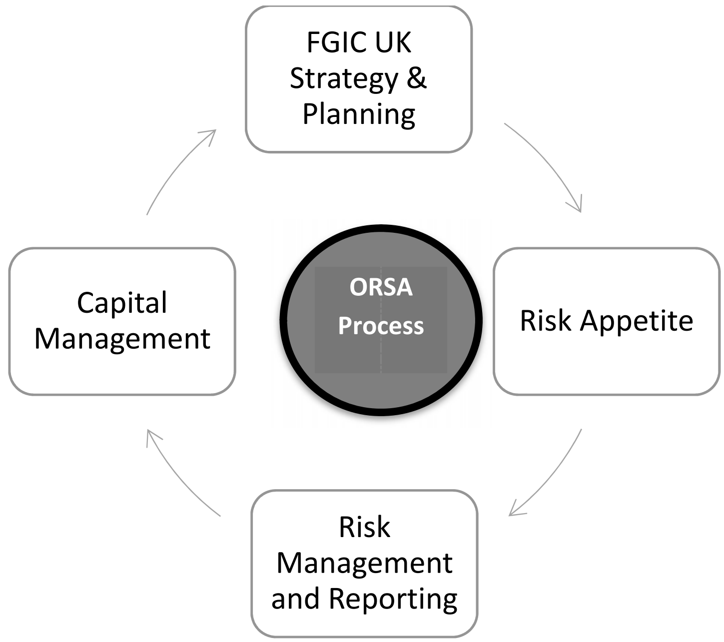
Following appointment by the Board, PRA approval is required before the position is formalised.

B.3 Risk Management System including the Own Risk and Solvency Assessment

The Company's Own Risk and Solvency Assessment ("ORSA") is made up of three high level processes:

- Risk Management and Reporting;
- Capital Management; and
- Strategy and Planning.

The following diagram illustrates how these processes interact within the ORSA process:



Further details on the risk management and reporting, capital management, and strategy and planning processes are set out in the sections below.

Risk management and reporting

The ORSA process is the mechanism through which FGIC UK ensures that its risk management framework is sufficient and determines management's own view of risk exposure and associated economic capital needs.

FGIC UK's risk appetite is mainly limited to investment risk, which is governed and controlled by FGIC UK's investment policies. These investment policies are set by the Board and reviewed on an annual basis.

The Risk Management and Reporting Process consists of the following three elements:

- Identifying risks and assessing controls: In addition to identifying risks, FGIC UK assesses the design and effectiveness of the controls in place to manage risks.
- Measuring and quantifying risks (risk and capital modelling): FGIC UK does this through a combination of modelling techniques, stress and scenario testing and qualitative analysis, using relevant internal and external data.
- Management/monitoring: The information resulting from identifying and assessing risks, and measuring and quantifying risks, is reported to senior management and the Board and used to improve how the business is managed.

The Risk Management and Reporting Process sets out how risks are identified, controlled and managed for FGIC UK.

Capital management

The unadjusted Standard Formula does not form the basis for the Company's capital planning as certain elements are considered inappropriate for the Company.

FGIC UK utilises a capital management tool based upon the SII Standard Formula and projects Management's Own Economic Capital Assessment ("OECA") over a five-year time horizon.

Management uses the Standard Formula as a basis for capital management but uses different Probable Maximum Loss ("PML") and attritional loss assumptions in its OECA. However, Management performs an annual assessment as part of the ORSA process to determine whether the adjusted PML used in the OECA is appropriate for the Company. Under the OECA assessment the Company has surplus capital over the SCR and MCR of £7.0m and £48.0m, respectively at the year end 2018.

The capital management tool is overseen for FGIC UK by FGIC's Head of Treasury with support from Mazars LLP ("Mazars").

Capital ratios are reviewed quarterly by the Board.

Strategy and planning

FGIC UK's business strategy is to run-off its existing portfolio of financial guarantees in an orderly and efficient manner. Any change to this strategy must be set by the Board. A scheme of operations is prepared annually and approved by the Board.

All major decisions affecting the Company are agreed by the Board.

The ORSA is a continuous evolving process carried out by management and the Board in accordance with FGIC UK's ORSA Policy. Many elements follow a quarterly cycle and reports are produced on this basis to ensure that the Board is regularly made aware of any unexpected deviations from the Company's risk profile. The annual ORSA report is provided to the Board and the PRA annually and as required in accordance with regulatory requirements.

The FGIC UK ORSA process and related ORSA Policy are reflective of the fact that FGIC UK is no longer writing any new business and its business strategy is running off the existing portfolio in an orderly and efficient manner.

The risk assessment process is focused on FGIC UK's Risk Matrix and Heat Map, the integration of appropriate internal controls in the design and implementation of FGIC's and FGIC UK's policies and procedures and the development of FGIC UK's Solvency Capital Adequacy Ratios. These three areas (Risk Matrix, Internal Controls and Solvency Capital Adequacy Ratios) were used in the processes and procedures employed to identify, assess, monitor, manage and report the short and long-term risks FGIC UK faces or may face and the process necessary to determine the capital needs for FGIC UK.

As part of its ORSA process, FGIC UK has conducted reverse stress testing analysis to identify scenarios that would render its business model unviable. No significant issues were identified as part of this analysis.

The ORSA process considers key sensitivities of the Company's capital position in relation to relevant industry and market events.

B.4 Internal Control System

Although FGIC UK has ceased writing new business, the Company remains exposed to a number of risks arising from its insured portfolio and other credit, market and operational risks. In order to manage these risks, the Company has procedures and controls, including governance and management oversight structures, that are designed to ensure that the risks facing the Company are appropriately managed.

The internal controls, policies and procedures that FGIC UK relies upon are consistent with those used by its outsourced service providers, FGIC and Mazars. FGIC UK believes that it is most effective and efficient to use the specialist knowledge available within FGIC and Mazars to help it run off its existing portfolio in an orderly and efficient manner.

The internal controls, policies and procedures are documented and tested. The documentation has been reviewed and is continually updated and part of an annual cycle to help Ernst & Young ("EY") conduct their annual audits of FGIC and FGIC UK.

B.5 Internal Audit Function

In November 2017 the Audit Committee approved a Risk Assessment and the creation of an Internal Audit Function for FGIC UK which is outsourced to FGIC and overseen by the Audit Committee and FGIC UK's CEO. The Audit Committee approved and oversaw the performance of the Internal Audit Plan for 2018. The Internal Audit Plan for 2019 has been approved by the Audit Committee.

B.6 Actuarial Function

The actuarial function is outsourced to FGIC and overseen by a FGIC UK director who is FGIC's Head of Portfolio Risk Management and FGIC UK's SMF holder. FGIC UK uses the services of the actuarial team within Mazars where required, as FGIC UK believes that the FGIC internal staffing and the professional services provided by Mazars are appropriate for the nature, scale, and complexity of the risks to which FGIC UK is exposed.

B.7 Outsourcing

FGIC UK does not directly employ any staff. Instead, it has contracted with FGIC, as an outsourced service provider, to provide it most management and administrative services. This is a common way for parent and subsidiary insurance companies to operate and FGIC UK benefits from this structure through cost-effective access to experienced personnel resources. These services are provided at FGIC's actual or allocated cost pursuant to an agreement between FGIC UK and FGIC, which was approved or not objected to by the PRA and the NYSDFS.

FGIC UK also has contracted to receive certain services from third party providers, including investment management services from Wellington Management International Ltd ("Wellington") and investment accounting services from Clearwater Analytics, LLC ("Clearwater"). FGIC UK also has retained Mazars to provide certain services (e.g., Accounting, Financial and Regulatory Reporting, Tax and Corporate Secretarial).

Reliance on FGIC is not considered a key risk area because (i) FGIC has emerged from its rehabilitation as a solvent and stable company that is charged with the responsibility of completing the long-term run-off of its insured portfolio in accordance with the terms of its rehabilitation plan and (ii) with respect to the management and other services provided by FGIC to FGIC UK, FGIC and FGIC UK's interests are aligned because FGIC UK represents a significant investment for FGIC, which, if properly managed, may ultimately yield a significant future benefit for FGIC.

A summary of FGIC UK's outsourcing arrangements is outlined below:

Outsourced Provider	**Service Outsourced**	**Jurisdiction**
FGIC	Portfolio Surveillance and Remediation	US
	Financial Reporting	
	Administration	
	Information Technology	
Mazars	Accounting	UK
	Financial and Regulatory Reporting	
	Tax	
	Corporate Secretarial	
Wellington	Investment Management Services	UK
Clearwater	Investment Accounting Services	US

The Company has put in place policies and procedures to ensure the outsourced services are monitored and reviewed on a regular basis. Refer to the organisation chart provided in section B1 above for an overview of key function holders and their responsibilities.

B.8 Any Other Information

There are no other material matters to disclose in respect to the systems of governance of the Company.

C. Risk Profile

The values associated with the risk modules discussed below are disclosed within section 'E.2 Solvency Capital Requirement and Minimum Capital Requirement' of this document.

C.1 Underwriting risk

Non-life underwriting risk

Non-life underwriting risk refers to the risk arising from insurance contracts and the uncertainty of a change in value due to a deviation of the actual claims payments from the expected amount of claims, including expenses.

The Company does not anticipate paying claims on any of the financial guarantees it has issued, and does not have reinsurance in place.

This is the key driver of FGIC's Solvency II capital requirements and is made up of insurance risk and catastrophe risk, as described immediately below.

Insurance risk

Insurance risk includes risks that may affect the credit quality of risks insured by FGIC UK or increase the possibility of claims against FGIC UK under its remaining financial guarantees, including both transaction-specific and broader macroeconomic developments and trends and changes in applicable law or the legal environment. This risk represents FGIC UK's principal "liability" risk. FGIC UK monitors and evaluates each insured obligation in its insured portfolio on a regular basis to determine if there has been credit deterioration. The review cycle and scope vary based upon type and credit quality of the insured credit. The review process generally includes the collection and analysis of information from various sources, including trustee reports, financial statements, technical advisor reports, operating reports, general industry or sector news and analyses, rating agency reports and direct contact with issuer representatives. This process minimizes the risk that credit deterioration is not identified on a timely basis.

FGIC UK evaluates such factors as rating agency downgrades, significant changes in a specific industry and specific events impacting a particular insured obligation, such as a negative credit event, performance below expectations, breaches of representations, warranties, covenants or transaction triggers, management changes, regulatory changes, material litigation or other legal issues. Based on the Company's evaluation of these and other factors, FGIC UK assigns insured obligations to risk categories, which assignment determines the level of ongoing monitoring and surveillance efforts required, and whether loss reserves are established.

FGIC UK uses the following risk categories to define and monitor its insured obligations:

> **Risk Category 1 – Performing:** Issuers/transactions are performing with no expectation of loss. Financial strength of the issuer/transaction would enable it to withstand volatility in performance without jeopardizing timely payment of debt service. Issuers/transactions are considered to be investment grade quality. Although rating changes may occur, it is not expected that a downgrade would be to below investment grade.

Risk Category 2 – Under heightened surveillance: Issuers/transactions typically would be considered low investment grade or higher-rated non-investment grade. Issuers/transactions have been determined to require heightened surveillance, taking into account the totality of their circumstances, but have not deteriorated to the level that they would be considered impaired and require a loss reserve.

Risk Category 3 – Experiencing credit impairment: Credit deterioration has occurred and there is substantial uncertainty as to the issuers/transaction's ability or willingness to pay its debt service obligations in a timely manner. Issuers/transactions typically would have suffered sustained negative trends or would have been the subject of a significant adverse event, but are currently not in payment default. Issuers/transactions have been determined to be impaired, and there is an increased probability of default, but FGIC UK has not determined, or been able to determine, that claims related to its financial guarantees are probable and estimable.

Risk Category 4 – Currently or likely to be in payment default: Issuers/transactions that have deteriorated to the point where payment default on their debt service obligations has occurred or is probable and the ultimate loss can be reasonably estimated. Loss reserves are established on a case basis and are inclusive of any anticipated recoveries from the particular issuers/transactions or the related collateral. Issuers/transactions would be consistent with the lowest or in-default credit ratings. Issuers/transactions are reviewed and updated on at least a quarterly basis for any change in status.

Review of insurance risk concerns

- ***An event stresses one or more transactions insured by the Company leading to a significant loss for the Company, impairing the Company's liquidity and/or solvency position.***

Each insured obligation is subject to surveillance by highly experienced members of the FGIC Surveillance team. Each insured obligation is reviewed on a regular basis depending on its credit classification and risk parameters, at least annually. Insured obligations on the Watch List are reviewed at least quarterly. The minimum review period can only be altered with CEO approval. The insured portfolio is discussed at each quarterly Board meeting.

Except for Peterborough, representing £346 million in total par outstanding, which has been assigned to Risk Category 2 (under heightened surveillance), all insured obligations in the FGIC UK portfolio are in Risk Category 1 (performing). FGIC UK closely monitors this Watch List transaction.

Given the size of FGIC UK's exposure to Peterborough (£346 million) relative to FGIC UK's Invested Assets (£80 million), any major loss could materially adversely affect the Company's ability to continue its business.

- ***Risk aggregation exposures are not identified***

Risk Aggregation exposure arises when there are correlated or overlapping exposures in FGIC UK's investment portfolio and its exposures to counterparty risk within the insured portfolio. As of 31 December 2018, there were no correlated or overlapping exposures.

- ***Credit deterioration is not identified on a timely basis***

As noted above, FGIC's Surveillance staff is highly experienced and regularly monitors all insured obligations. As part of its monitoring process, the team collects and analyzes information from various sources on each FGIC UK-insured transaction, including trustee reports, financial statements, technical advisor reports, operating reports, general industry or sector news and analyses, rating agency reports and direct contact with issuer representatives. This process minimizes the risk that credit deterioration is not identified on a timely basis.

Catastrophe ("CAT") Risk

CAT Risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty related to extreme or exceptional events. As of 31 December 2018, there is no expectation of such losses within the FGIC UK insured portfolio.

C.2 Market risk

Market risk represents the potential for losses that could result from changes in the value of a financial instrument as a result of changes in market conditions, including movements in interest rates, foreign exchange rates and inflation rates.

Market risk for FGIC UK relates primarily to FGIC UK's investment portfolio, of which 97% (2017: 96%) was invested in long-term investment grade fixed rate bonds as of 31 December 2018. The risk associated with managing FGIC UK's investment portfolio represents FGIC's principal "asset" risk. FGIC UK's investment portfolio is managed by Wellington pursuant to Board-approved Investment Guidelines (the "Guidelines"). Under these Guidelines, FGIC UK's investment objective is to obtain an after-tax total rate of return that exceeds the after-tax total return of the benchmark index selected for measuring investment performance while preserving capital. Each quarter the Board reviews an investment performance report, prepared by Wellington. The report includes a detailed portfolio review, a market analysis and a compliance report. The Board periodically reviews the Guidelines to determine if changes are necessary or appropriate.

Review of interest rate risk concerns

- ***The value of FGIC UK's investments declines due to changes in interest rates resulting in lower capital resources***

The prudent person principle

The Company seeks to manage this interest rate risk by setting a target band of duration for the investment portfolio based on its selected benchmark, which effectively requires Wellington to maintain the investment portfolios' interest rate risk within acceptable risk limits. Interest rate sensitivity analyses are periodically presented to the Board for review. During periods of rising interest rates (which can be a result of widening credit spreads), the value of the Company's investment portfolio will decrease, and the Company will incur losses should the Company need to liquidate these investments to meet its financial obligations. The Company maintains investments with a variety of remaining maturities to manage and control the adverse impact of having to sell some of its investments in such circumstances.

Review of currency and inflation risk concerns

- ***FGIC UK has exposure under financial guarantees denominated in a different currency than the assets it holds to cover those exposures.***

FGIC UK's investment assets are denominated in GBP. The Company's insured portfolio is predominantly denominated in GBP, but about 9% of its exposures are denominated in EUR or AUD, which exposes FGIC UK to adverse movements in the exchange rate between GBP and EUR or AUD. In the event that a non-GBP claim appeared imminent, FGIC UK would consider hedging currency risk to partially mitigate this risk. Expenses related to services provided by FGIC and certain other vendors are denominated in USD, which exposes FGIC UK to adverse exchange rate fluctuations between GBP and USD.

- ***FGIC UK has exposure under financial guarantees covering index-linked insured obligations which may increase due to changes in market factors relating to inflation rates.***

Premiums on index-linked insured obligations are largely linked to inflation. Changes in gross par outstanding are reported to the Board on a quarterly basis. Ongoing surveillance of index-linked transactions includes monitoring of underlying exposures and changes in the related indices.

C.3 Credit Risk

In addition to insurance risk discussed above, FGIC UK has credit risk on the financial instruments in its investment portfolio.

- ***Investments in bonds held by FGIC UK may suffer credit deterioration, or default, causing the value of such investments to decline.***

The Company seeks to manage this risk by maintaining a high-quality investment portfolio with diversified risk exposures. The Guidelines require a weighted average portfolio rating of A/A2 or better and individual securities must be rated BBB-/Baa3 or better at the time of purchase provided that the triple-B rated category does not exceed 30% of the portfolio. To the extent that a security is downgraded to below BBB-/Baa3, or if investments in the triple B category exceed 30%, Wellington is required to notify the Company and provide an evaluation and a recommended plan of action. Money market funds and other short-term investments must be rated A-1/P-1 or the equivalent at the time of purchase. The Guidelines also impose issuer and sector specific concentration limits. All investments are held in custodial accounts in the UK.

FGIC UK monitors the credit ratings for, and other developments concerning, its investments on an ongoing basis and reports to the Board on such matters on a quarterly basis. FGIC UK has appointed Wellington to assist it in managing and monitoring its investments.

- ***FGIC UK may not be able to collect future instalment premiums.***

FGIC UK also has credit risk that relates to future installment premiums due not being collected. For financial guarantees still outstanding under which instalment premiums are payable, FGIC UK projects future instalment premiums of £59 million over the run-off period, of which 76% are obligations of investment-grade rated counterparties and 24% is related to

Peterborough. Expected premium receipts are monitored against actual premium receipts on a monthly basis. Any discrepancies are reported and investigated. Credit quality is monitored on a regular basis and is reported to the Board on a quarterly basis. If there is a failure to pay premium when due, FGIC UK would pursue its available remedies. FGIC UK's financial guarantees, however, generally are not cancellable as a result of any failure to pay premium. The expected profit in future premiums (SII Gross Best Estimate of Liabilities) is £15,915 at 31 December 2018.

C.4 Liquidity Risk

Liquidity risk is the risk that FGIC UK will have insufficient liquid assets to pay its financial liabilities as they come due, including claims under its financial guarantees, should any such claims arise in the future.

Review of liquidity risk concerns

- ***The Company may not be able to monetize its investments when needed to pay claims and/or expenses as they fall due.***

FGIC UK's liquidity risk relates principally to the adequacy of FGIC UK's available claims paying resources (i.e., its cash and investments) to pay claims under its financial guarantees, should any such claims arise in the future. The Company manages its liquidity risk by maintaining a liquid, high quality portfolio of investment securities and by holding cash and short-term money market funds sufficient to meet any known financial liabilities coming due within the next twelve months. FGIC UK has no debt obligations at 31 December 2018 (2017: Nil).

FGIC UK had cash and investments of £79.7 million at 31 December 2018, an increase of £2 million from the prior year.

Nearly all of FGIC UK's investments consist of UK government and investment-grade corporate bonds, which are highly liquid. The investment portfolio of liquid assets is held at FGIC UK's custodian (State Street Bank and Trust Company ("State Street")) and other approved banks pursuant to the Company's investment policy.

The securities are held in a segregated custody account and separately identified on the books and records of the custodian. Given FGIC UK's limited operations, FGIC UK's uninvested cash balances are small. Under the State Street custody agreement, uninvested cash is invested at end of day in a designated sweep account (a highly rated money market fund) which is also a segregated account. Both the securities and sweep account are not subject to the custodian's credit risk. It is the Company's policy to engage highly rated custodians and FGIC UK's sole custody provider is State Street, which is currently rated Aa3/AA- by Moody's and S&P, respectively.

In accordance with the custody agreement, State Street will only act on proper instructions from individuals authorised to conduct business on behalf of the Company. FGIC UK's Board has delegated the authority to the CEO to appoint these authorised individuals who have access to State Street's cash system with the proper security code, password and test key to transfer funds. The cash system requires two individuals to complete a funds transfer. The segregation of duty further limits the risk of unauthorised activity.

FGIC UK considers this liquidity risk to be low.

- ***The Company's investments advisor (Wellington) or its Custodian (State Street) may not be able to trade securities due to cybersecurity concerns when liquidity is needed to pay claims and/or expenses as they fall due.***

Beyond the diligence described below, FGIC UK's management has determined, after considering FGIC UK's size and type of insured exposures and the nature, management and custody of its investment portfolio, that there is nothing further that FGIC UK's management should currently do to plan for the highly unlikely event that FGIC UK does not have access to funds due to a material cybersecurity event affecting Wellington or State Street. State Street has a long-term, risk-based strategy to safeguard client information. State Street's program follows the ISO 27001/27002 controls framework; an internationally recognized standard for security program design and operation and is in the process of aligning to the National Institute of Standards and Technology. Wellington uses a defense in depth strategy to prevent and detect cyber-attacks. A combination of firewalls, intrusion detection and intrusion prevention devices, web proxies, and endpoint anti-virus products are utilized by Wellington to protect the Wellington infrastructure from cyber-attacks.

FGIC UK's management believes any such issue (in the unlikely event it should occur) would only result in a temporary inability to pay a claim or expense and should be resolved relatively quickly. Therefore, the impact to FGIC UK should be insignificant.

C.5 Operational Risk

The Company faces operational risk associated with its business, including risks related to accounting, financial, tax and regulatory reporting, information technology and cybersecurity, and legal and regulatory matters, including the risk that the service providers with whom the Company has contracted fail to perform their respective services in accordance with applicable contracts with the Company. Operational risk includes reputational risk and regulatory risk.

FGIC UK does not employ any staff. Instead, it has contracted with FGIC, as an outsourced service provider, to provide it most management and administrative services. This is a common way for parent and subsidiary insurance companies to operate and FGIC UK benefits from this structure through cost-effective access to experienced personnel resources. FGIC UK also has contracted to receive certain services from third party providers, including investment management, investment accounting, and certain accounting, financial and regulatory reporting, tax and corporate secretarial services. To manage this risk, FGIC UK has implemented policies and procedures to monitor and review the outsourced services and the performance and capabilities of its outsourced service providers on a regular basis.

Operational risk is further mitigated by policies, procedures and controls implemented by FGIC UK (or FGIC and applicable to FGIC UK), including those relating to compliance, business continuity, cybersecurity, and corporate authority. FGIC UK was not named as a defendant in any litigation or regulatory enforcement proceeding as of 31 December 2018. Reputational risk is minimal for FGIC UK as it only conducts the run-off of its business. FGIC UK is not writing, nor does it intend to seek to write, any new insurance business.

Regulatory risk represents the potential for losses or other consequences relating to action or inaction by FGIC UK, which could potentially result in the taking of regulatory action or the imposition of fines by either the PRA or the FCA. FGIC UK mitigates this risk by developing, implementing and enforcing policies and procedures to ensure awareness of and compliance with regulatory obligations.

At 31 December 2018, FGIC UK is compliant with the MCR but not compliant with the SCR. To date, the PRA has shown forbearance with respect to this non-compliance, but there can be no assurance that it will continue to do so. If the PRA were to discontinue this forbearance, it could materially adversely affect the Company's ability to continue its business.

C.6 Other Material Risks

The terms of the UK's exit from the EU (i.e., Brexit) are not yet fully defined and the full impact on law and regulation is currently unknown.

The economic and political uncertainty and changes arising from Brexit could have an adverse impact on the UK economy. Slower economic growth could lead to wider risk premiums and potentially increased default rates for securities, which could impact FGIC UK's Insured and Investment Portfolios. However, FGIC UK maintains a high-quality investment portfolio with diversified risk exposures consistent with its investment policy and objectives. The portfolio may experience volatility at times as a result of the Brexit issues, but constructing a portfolio that completely eliminates any potential exposure to these risks would lead to a greater likelihood of missing the stated portfolio investment objectives.

From the Insured Portfolio perspective FGIC UK has two insured obligations which reside outside the UK (one in France that is EUR denominated and one in Australia that is AUD denominated). In aggregate these non-UK credits total £198 million of insured par (at December 2018 exchange rates), which represents 9% of the total FGIC UK Insured Portfolio. The twelve remaining insured obligations are in the UK and are GBP denominated (three Hospital Public-Private Partnerships ("PPP's) and nine regulated utilities). Slower economic growth as a result of Brexit could have an adverse impact on the UK based insured obligations. However, each of the insured Hospital PPP's is secured by a Deed of Safeguard backed by the UK Government. Furthermore, the regulated utilities are on five to seven-year rate review cycles that are designed to factor in economic conditions.

As discussed above, the Company's exposure to currency risk is deemed to be low, and therefore the impact on the Company of currency fluctuations due to Brexit is also deemed to be low.

As EU legislation has effectively been passed down into UK law, FGIC UK anticipates that the UK will continue to require compliance with existing law and regulation with little near-term change that would require significant changes to the Company's policies and procedures to comply with its regulatory obligations. If the UK implements a "hard" Brexit, it is possible, but by no means certain, that FGIC UK may be required to comply with additional regulatory requirements in France (where one of its insured obligations resides), but Management anticipates that FGIC UK will continue to have the right to enforce its rights in the unlikely event that a default should occur.

Based on the potential impact analyzed, FGIC UK believes that it is unlikely that Brexit would pose significant risk to the Company.

C.7 Stress Tests

The Company conducts stress and scenario testing and reverse stress testing as part of its ORSA process. Results of this testing are reported to the Company's Board.

FGIC UK considered four stress scenarios that were detailed in the ORSA Report previously submitted to the PRA. In summary, the four stress scenarios were as follows:

1) Stress Scenario (1): Apply an annual deflationary rate of 1% for a ten-year period across the UK Hospital PPP sector. It was determined that there should be no loss to FGIC UK and no impact on free reserves or SCR under this scenario.
2) Stress Scenario (2): What would happen if interest rates change from their current levels? To estimate this, FGIC UK completed an Interest Rate Sensitivity Analysis showing the impact of significant changes in interest rates occurring over periods of 0 to 24 months. This analysis showed that a substantial rate increase would diminish the value of FGIC UK's investment portfolio. However, it was determined that there should be no necessity to realize any loss under this scenario, absent a significant claim (which FGIC UK considers unlikely even with a substantial rate increase).
3) Stress Scenario (3): What would happen to FGIC UK's index linked liabilities if inflation rates rose above their current level? To estimate this, FGIC UK completed an analysis assuming that the Consumer Price Index will increase by 7% per year over the next three years. This analysis showed that a substantial CPI increase would increase the amount of debt service required to be paid by the insured obligor and hence FGIC UK's insured exposure. However, it was determined that there should be no loss to FGIC UK under this scenario, since FGIC UK believes the applicable transaction structure or regulatory regime should mitigate this risk.
4) Stress Scenario (4): Reverse Stress Test. See discussion below.

Reverse stress-tests are stress tests that require a firm to assess scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.

Management has considered the following scenarios:

- **FGIC does not exist** – This risk is considered highly unlikely because FGIC has emerged from court-ordered rehabilitation as a solvent and stable insurance company with the responsibility to conduct a long-term run-off of its business pursuant to its rehabilitation plan. However, if such a situation were to occur FGIC UK has copies of all its books and records in the UK and could, at a likely higher cost than it currently pays, outsource the services that FGIC currently provides to a qualified third-party firm. Stress testing indicates that FGIC UK would be able to tolerate 3 times the expenses projected over the life of the portfolio for the Company to continue to produce positive operating income.

- **FGIC exists but is unable to provide management and administrative support to FGIC UK** – This scenario is considered highly unlikely because FGIC will require senior management and Surveillance function and other key functions to conduct the long-term run-off of its business. See initial bullet in this section.

- **FGIC cannot provide financial support to FGIC UK** – This scenario is irrelevant. FGIC does not have any obligation to provide financial support to FGIC UK, and FGIC UK does not rely on receiving any such support.

- **A significant financial catastrophe occurs** – FGIC UK has emerged from the worst financial crisis in decades without having been required to pay any claim to date. The remaining financial guarantees in force are sufficiently mature and diversified among discrete PFI, Utilities and Transportation obligations so as not to create a significant correlated cumulative loss scenario.

- **PRA requires FGIC UK to have a permanent presence in the UK with its own independent board and staff** – It is difficult for FGIC UK to assess the probability that the PRA would take this action as it would require FGIC UK to incur significant additional expenses and related reductions in available claims-paying resources.

D. Valuation for Solvency Purposes

D.1 Assets

The following table provides a comparison of the valuation of assets in FGIC UK's financial statements as of 31 December 2018 ("Statutory Accounts") compared to the valuation for Solvency II purposes shown on the Solvency II Balance Sheet. The Statutory Accounts have been prepared in compliance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'), Financial Reporting Standard 103 – 'Insurance Contracts' ('FRS 103'), being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

As at 31 December 2018	**Statutory Accounts Valuation £'000**	**Solvency II Valuation Adjustment £'000**	**Solvency II Valuation £'000**
Deferred acquisition costs	3,822	(3,822)	-
Investments	76,676	645	77,321
Insurance and intermediaries receivables	58,819	(58,819)	-
Cash at bank and in hand	2,408	-	2,408
Prepayments and accrued income	645	(645)	-
Total Assets	**142,370**	**(62,641)**	**79,729**

As at 31 December 2017	**Statutory Accounts Valuation £'000**	**Solvency II Valuation Adjustment £'000**	**Solvency II Valuation £'000**
Deferred acquisition costs	4,162	(4,162)	-
Investments	75,888	692	76,580
Insurance and intermediaries receivables	62,838	(62,838)	-
Cash at bank and in hand	1,435	1	1,436
Prepayments and accrued income	693	(693)	-
Total Assets	**145,016**	**(67,000)**	**78,016**

An explanation of the adjustments made to arrive at the Solvency II valuation is provided in the paragraphs below.

Deferred acquisition costs

On a Statutory Accounts basis acquisition costs comprise costs arising from the conclusion of new insurance contracts and include direct costs connected therewith. Acquisition costs which relate to a subsequent financial year are deferred and charged or credited to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the proportion of premiums written which are unearned at the balance sheet date.

Deferred acquisition costs are not an asset on the SII Balance Sheet as acquisition costs are included within the cash flow model for technical provisions.

Investments

Investments comprise UK government bonds, corporate bonds and short-term money market funds. For both the Statutory Accounts and the SII Balance Sheet all financial investments are valued at fair value. All investments are classified as level 2 of the fair value hierarchy, which values investments with quoted prices in active markets for similar assets or other valuation techniques for which all significant inputs are based on either directly or indirectly observable market data.

On a Statutory Accounts basis accrued income of £645 related to investments is shown in prepayments and accrued income, but is included within investments on the SII Balance Sheet.

Insurance and intermediaries receivables

On a Statutory Accounts basis Insurance and intermediaries receivables are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at realisable value, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows.

Insurance and intermediaries receivables are not an asset on the SII Balance Sheet as amounts receivable are included within the cash flow model for technical provisions. No amounts are past their due date.

Cash at bank and in hand

On a Statutory Accounts basis cash comprises cash on hand and demand deposits with banks which are exchangeable for currency on demand at par and which are directly usable without penalty or restriction.

Cash at bank and in hand is included within the total assets on the SII Balance Sheet.

Prepayments and accrued income

On a Statutory Accounts basis prepayments and accrued income consists entirely of accrued income.

Prepayments and accrued income are not a separate asset on the SII Balance Sheet and are included within investments and cash and cash equivalents (as applicable).

D.2 Technical Provisions

On a Statutory Accounts basis technical provisions represent the unearned premium reserve.

Where the premium on a financial guarantee was received upfront at inception, the premium is recognised as written at the date of inception. Such premium is earned in the technical account on a basis proportionate to either the remaining scheduled period maturity of principal and payment of interest to the original total principal and interest insured or the present value of the premium ascribed to the relevant period to the total present value of all instalment premiums paid upfront at inception. Unearned premiums for these financial guarantees represent the portion of premiums written that relates to the unexpired terms of such financial guarantees. When obligations insured by the Company under any such financial guarantee have been repaid or retired in full or legally defeased prior to stated maturity, the remaining unearned premium is earned at that time.

When the premium on a financial guarantee is receivable in instalments, the total amount of premium instalments was estimated by the Company based on assumptions and circumstances at the time of inception of the financial guarantee and was recognised as written at the inception date. As instalment premiums are collected periodically, such premiums are earned in the technical account – general business on a straight-line basis pro-rata over their respective instalment periods. As such premiums are earned, the premium receivable and unearned premiums for these financial guarantees are reduced, and the remaining amounts thereof represent the portion of premiums written that relates to the unexpired terms of such financial guarantees in force at the balance sheet date.

The total amount of premium instalments that the Company estimates it will receive under any such financial guarantee as of any reporting date after the inception date of the financial guarantee may change based on changes in the related assumptions and circumstances for such estimates, including changes in the index to which such premium or the related insured obligation is linked. Premiums written generally are recognised or reduced (as applicable) for the amount of any increases or decreases in the estimated remaining amount of instalment premiums in any reporting period. When obligations insured under any instalment premium financial guarantee have been repaid or retired in full and there is no right to receive future premium instalments, any remaining premium receivable and unearned premium for such financial guarantee are eliminated, and such amount is recognised as a reduction to premiums written in the relevant reporting period.

Technical provision calculation methodology under Solvency II

Liabilities under Solvency II are determined as a discounted best estimate of the gross technical provisions expanded by a risk margin.

Best Estimate of Technical Provisions

The claims and premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from FGIC UK's existing financial guarantees. Even though FGIC UK currently does not have an expectation of any claim payments, the Best Estimate Technical Provisions include projected attritional losses associated with the Company's insured exposures over the run-off period. To determine the attritional losses the Company relies on Management's judgement as well as external sources to determine the appropriate probability of default and loss severities to apply to its insured portfolio. Projected premiums exceed projected attritional losses and expenses and therefore the Solvency II Gross Best Estimate of Liabilities is negative.

Risk Margin of Technical Provisions

The risk margin is a calculation of the cost of capital that another insurer taking on the liabilities at the valuation date would require to support the best estimate during the run-off period. It is calculated using a cost-of-capital approach. FGIC UK's insured portfolio has a much longer run-off period (over 30 years) than other insurers and hence the risk margin is a material consideration for FGIC UK.

The technical provisions at 31 December 2018 and 31 December 2017 on the Solvency II Balance Sheet are made up as follows:

	2018	**2017**
	£'000	**£'000**
Gross Best Estimate Liabilities	(15,915)	(16,197)
Risk Margin	59,656	65,682
Technical provisions	43,741	49,485

All figures relate to the Credit and Suretyship insurance line of business. As noted earlier there is no reinsurance cover in place for the Company.

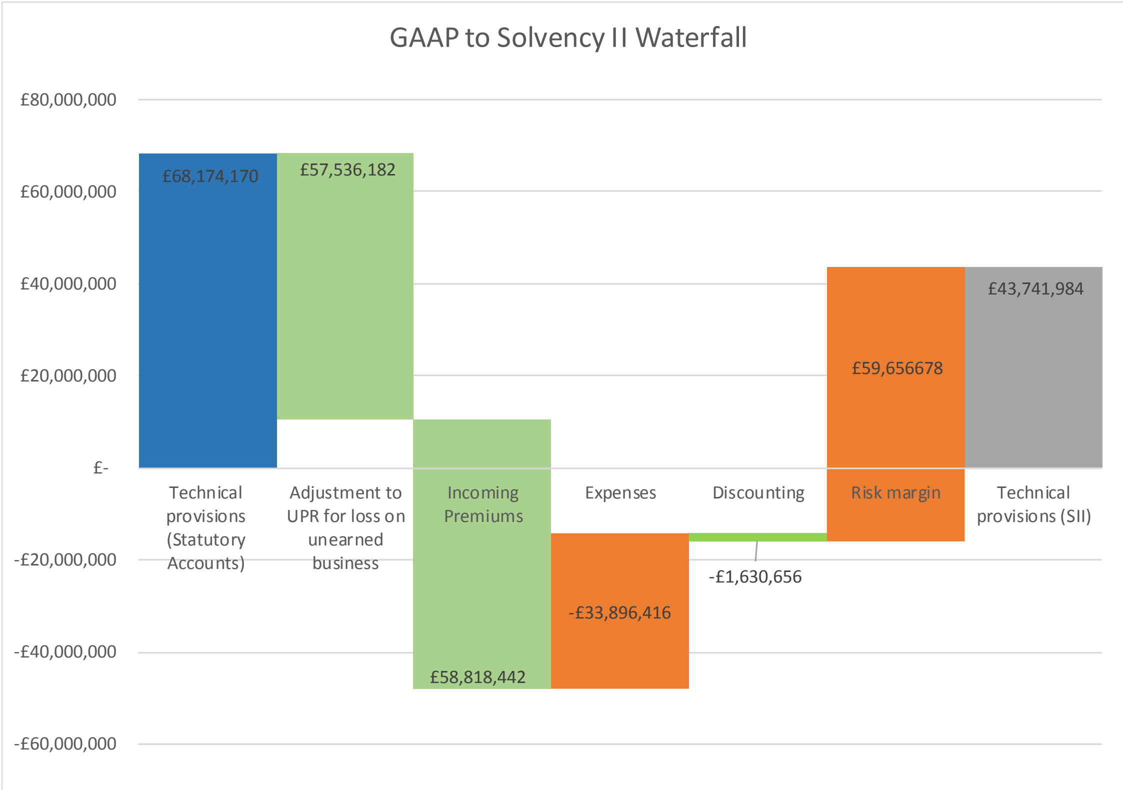
Solvency II and Statutory Accounts valuation differences- technical provisions

The table below shows a reconciliation of the Statutory Accounts valuation of technical provisions to the Solvency II technical provisions at 31 December 2018 and 31 December 2017.

	2018	**2017**
	£'000	**£'000**
Technical provisions - Statutory Accounts valuation	68,174	73,688
Adjustments for Solvency II	(84,089)	(89,885)
Gross Best Estimate Liabilities	(15,915)	(16,197)
Risk Margin	59,656	65,682
Technical provisions – Solvency II valuation	**43,741**	**49,485**

The Solvency II adjustments are further detailed in the waterfall diagram below:

(depicted in actual amounts, not thousands)



The differences between the Statutory Accounts valuation and Solvency II valuation of technical provision arise from:

- Excess of Statutory Technical Provisions over Attritional Losses;
- Inclusion of future premium cash flows;
- Allowance for expected expenses payable;
- Discounting of future cash flows; and
- Addition of the risk margin

The Company does not have any approvals in place in relation to any Solvency II transitional measures.

Uncertainty associated with the valuation of technical provisions primarily arises from how future actual experience will differ from the best estimate assumptions used to calculate technical provisions. The key assumptions driving technical provisions are estimates of future premiums, claims, inflation rates and expenses. Future premiums are based on the premium rate applicable to each guarantee and the estimated future par outstanding on FGIC UK's existing exposure. Future expenses reflect administrative costs associated with outsourced service providers, including FGIC. Expense projections reflect the projected run-off of the portfolio, partially offset by future inflation. The Company's projection of claim payments utilises probability of default and loss severities which are higher than that experienced by FGIC UK historically.

D.3 Other Liabilities

As at 31 December 2018	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Payables (trade, not insurance)	1,176	-	1,176
Accruals and deferred income	263	-	263
Total Other Liabilities	**1,439**	**-**	**1,439**

As at 31 December 2017	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Payables (trade, not insurance)	2,179	-	2,179
Accruals and deferred income	232	-	232
Total Other Liabilities	**2,411**	**-**	**2,411**

Basic financial liabilities, including creditors, are initially recognised at transaction price, including any transaction costs.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

The valuation and presentation of the Company's other payables for Solvency II is consistent with the treatment for the Statutory Accounts.

Accruals and deferred income

Accruals and deferred income are classified under 'any other liabilities, not elsewhere shown' on the SII Balance Sheet.

The valuation and presentation of the Company's other payables for Solvency II is consistent with the treatment for the Statutory Accounts.

D.4 Alternate Methods for Valuation

Alternative methods for valuation are not used by the Company. The investments are classified as level 2 of the fair value hierarchy. This is a financial statement classification. Level 2 investments are investments with quoted prices in active markets for similar assets or other valuation techniques for which all significant inputs are based on observable market data.

D.5 Any Other Information

There is no other material information on the valuation for solvency purposes to be disclosed for the Company.

E. Capital Management

E.1 Own Funds

Objective, policies and processes of managing Own Funds

FGIC UK is no longer engaged in the business of writing new financial guarantees and its principal business activity continues to be the run-off of its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law. FGIC UK has no access to new funds and is unable to pay dividends without the prior approval of the PRA. The Company's investment portfolio is managed by Wellington pursuant to the Guidelines (see Section C.2 for further details).

An analysis of Own Funds is shown below:

	Tier	2018 £'000	2017 £'000
Ordinary share capital	1	175	175
Share premium account	1	17,272	17,272
Reconciliation reserve	1	17,102	8,673
Total Own Funds		34,549	26,120

Reconciliation of the movement in the reconciliation reserve:

	2018 £'000
Opening reconciliation reserve	8,673
Profit	3,840
Asset valuation	(2,127)
Change in TP and risk margin	5,743
Change in other liabilities	973
Reconciliation reserve	17,102

The reconciliation reserve represents retained earnings and reconciliation adjustments from the Statutory Accounts balance sheet to the SII Balance Sheet. The volatility in the valuation of assets and liabilities is dependent on various factors discussed in the stress testing section (C.7).

As at 31 December 2018	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Assets	**142,370**		
Exclusion of DAC		(3,822)	
Exclusion of deferred tax asset		-	
Exclusion of insurance receivables		(58,819)	
Total Assets	**142,370**	**(62,641)**	**79,729**
Liabilities			
Technical Provisions	68,174	(24,433)	43,741
Other Liabilities	1,439	-	1,439
Total Liabilities	**69,613**	**(24,433)**	**45,180**
Total Own Funds	**72,757**	**(38,208)**	**34,549**

As at 31 December 2017	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Assets	**145,016**		
Exclusion of DAC		(4,162)	
Exclusion of deferred tax asset		-	
Exclusion of insurance receivables		(62,838)	
Total Assets	**145,016**	**(67,000)**	**78,016**
Liabilities			
Technical Provisions	73,688	(24,203)	49,485
Other Liabilities	2,411	-	2,411
Total Liabilities	**76,099**	**(24,203)**	**51,896**
Total Own Funds	**68,917**	**(42,797)**	**26,120**

The ordinary share capital and share premium account are not subordinated and have no restricted duration and are therefore classified as Tier 1 capital for Solvency II purposes. There are no foreseeable dividends nor own shares held and therefore no deductions have been made to Own Funds for these items.

The Company has no Tier 1 restricted Own Funds (per Article 80 of the Delegated Regulations), no Tier 2 Own Funds (per Article 72 of the Delegated Regulations) and no Tier 3 Own Funds (per Article 76 of the Delegated Regulations).

The Company's Own Funds are all unrestricted Tier 1 and may be used towards meeting the SCR and MCR.

The Statutory Accounts Own Funds of FGIC UK at 31 December 2018 were £72,757 (2017: £68,917), compared to Solvency II Own Funds of £34,549 (2017: £26,120). The difference primarily arises due to the difference in valuation of technical provisions as well as the adjustments made in respect of deferred acquisition costs, deferred tax assets and insurance receivables discussed in Section D.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR of the Company at 31 December 2018 and 2017 are as follows:

	2018 £'000	2017 £'000
SCR	96,794	99,007
MCR	24,199	24,752

The SCR is calculated using the Standard Formula. The final amount of the SCR is subject to supervisory assessment.

The SCR of the Company is made up of the risk modules as follows:

	2018 £'000	2017 £'000
SCR Interest Rate	608	1,015
SCR Spread	1,901	2,418
SCR Currency Risk	8,519	9,396
Sub total	**11,028**	**12,829**
Less Diversification	(1,626)	(2,164)
SCR Market Risk	**9,402**	**10,665**
SCR Counterparty Risk	**32**	**19**
SCR Underwriting Risk	22,157	24,597
SCR Cat Risk	85,804	86,438
Sub total	**107,961**	**111,035**
Less Diversification	(14,132)	(15,433)
SCR Non-life risk	**93,829**	**95,602**
Total	**103,263**	**106,286**
Less Diversification	(6,637)	(7,467)
BSCR	**96,626**	**98,819**
SCR Operational Risk	**168**	**188**
SCR	**96,794**	**99,007**

Simplified calculations are not used for any of the risk modules or sub-modules in applying the Solvency II standard formula.

Undertaking specific measures have not been used by the Company and the Company does not have a capital add on.

The inputs to calculate the MCR are as follows:

	2018 £'000	2017 £'000
AMCR (3,700 in Euros)	3,288	3,251
Linear MCR	11	512
SCR	96,794	99,007
Combined MCR	24,199	24,752
MCR	**24,199**	**24,752**

The Absolute Minimum Capital Requirement ("AMCR") of 3,700 EUR is the absolute floor for the MCR which is provided in the technical specifications.

The linear MCR is calculated based on the best estimate technical provisions and the net written premiums of the last 12 months. The combined MCR is the linear MCR subject to a floor of 25% of the SCR and a cap of 45% of the SCR.

The overall MCR is the greater of the combined MCR and the AMCR.

MCR and SCR decreased 2% year over year primarily driven by a 3% reduction in underwriting and catastrophe risk due to the reduction of insured exposure.

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

This is not applicable to the Company as the PRA has not implemented the member State option set out in Article 304 to use this module in the standard formula.

E.4 Differences between the standard formula and any internal model used

This section is not applicable to the Company as it does not have a PRA approved internal model.

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

Under Solvency II, FGIC UK's Own Funds at 31 December 2018 are £34.5m (2017: £26.1m). Based on the standard formula, FGIC UK's MCR is £24.2m (2017: £24.7m) and its SCR is £96.8m (2017: £99.0m). FGIC UK therefore has a capital surplus of £10.4m (2017: £1.4m) against the MCR and a capital deficit of £62.2m (2017: £72.9m) against the SCR at 31 December 2018.

As of 31 December 2018, FGIC UK is compliant with the MCR but not compliant with the SCR. The primary factors driving non-compliance with the SCR are highlighted below:

- FGIC UK has included a substantial risk margin in its estimated Solvency II Balance Sheet at 31 December 2018. The risk margin is intended to be the premium that another insurer taking on the liabilities at the valuation date would require over and above the best estimate of technical provisions. It is calculated using a cost-of-capital approach.

Since FGIC UK's insured portfolio has a very long duration (over 30 years), the risk margin is a material consideration for FGIC UK.

- FGIC UK's SCR includes an amount for catastrophe risk based on its two largest exposures. Since FGIC UK's top two exposures represent about 40% (2017: 37%) by Gross Par in Force of FGIC UK's outstanding insured exposures at 31 December 2018, the catastrophe risk element is a material consideration for FGIC UK. Approximately 89% (2017: 87%) of the SCR at 31 December 2018 relates to catastrophe risk before the impact of diversification.

FGIC UK has notified the PRA about the non-compliance with the SCR and about not having access to incremental capital to remediate this non-compliance.

FGIC UK has already ceased, and has no plans to recommence, writing new business. FGIC UK's overriding business strategy is to run off its remaining insured portfolio in an orderly and efficient manner.

As a potential means to reduce the capital deficit against the SCR, FGIC UK explores ways to reduce its insured exposure through commutations and other methods on appropriate economic and other terms. The ability to meaningfully reduce insured exposure is impacted by many factors beyond the control of FGIC UK, and such opportunities may be limited, given the nature of FGIC UK's insured portfolio.

E.6 Any Other Information

There is no further information to disclose in relation to the Company's capital management.

Appendix

Annual Quantitative Reporting Templates (QRTs)

FGIC UK LIMITED

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	FGIC UK LIMITED
Undertaking identification code	213800ZWVZNGTY15PP67
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	77,321
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	74,741
R0140	*Government Bonds*	40,251
R0150	*Corporate Bonds*	34,491
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	2,580
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,408
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	79,729

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	43,742
R0520	*Technical provisions - non-life (excluding health)*	43,742
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-15,915
R0550	*Risk margin*	59,657
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,176
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	263
R0900	**Total liabilities**	45,180
R1000	**Excess of assets over liabilities**	34,549

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business									99								99
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net									99								99
	Premiums earned																	
R0210	Gross - Direct Business									5,613								5,613
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net									5,613								5,613
	Claims incurred																	
R0310	Gross - Direct Business																	0
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net									0								0
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net									0								0
R0550	**Expenses incurred**									2,128								2,128
R1200	**Other expenses**																	
R1300	**Total expenses**																	2,128

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			AU	FR				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	127	-28					99
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	127	-28	0	0	0	0	99
	Premiums earned							
R0210	Gross - Direct Business	5,296	200	117				5,613
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	5,296	200	117	0	0	0	5,613
	Claims incurred							
R0310	Gross - Direct Business							0
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	2,126	1					2,128
R1200	**Other expenses**							
R1300	**Total expenses**							2,128

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**									0								0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross									-15,915								-15,915
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**									-15,915								-15,915
	Claims provisions																	
R0160	Gross									0								0
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**									0								0
R0260	**Total best estimate - gross**									-15,915								-15,915
R0270	**Total best estimate - net**									-15,915								-15,915
R0280	**Risk margin**									59,657								59,657
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**									43,742								43,742
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**									0								0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**									43,742								43,742

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2010	0	0	0	0	0	0	0	0	0			0	0
R0180	2011	0	0	0	0	0	0	0	0				0	0
R0190	2012	0	0	0	0	0	0	0					0	0
R0200	2013	0	0	0	0	0	0						0	0
R0210	2014	0	0	0	0	0							0	0
R0220	2015	0	0	0	0								0	0
R0230	2016	0	0	0									0	0
R0240	2017	0	0										0	0
R0250	2018	0											0	0
R0260												Total	0	0

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0
R0170	2010	0	0	0	0	0	0	0	0	0			0
R0180	2011	0	0	0	0	0	0	0	0				0
R0190	2012	0	0	0	0	0	0	0					0
R0200	2013	0	0	0	0	0	0						0
R0210	2014	0	0	0	0	0							0
R0220	2015	0	0	0	0								0
R0230	2016	0	0	0									0
R0240	2017	0	0										0
R0250	2018	0											0
R0260												Total	0

S.23.01.01

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	175	175		0	
R0030	Share premium account related to ordinary share capital	17,272	17,272		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	17,102	17,102			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	34,549	34,549	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	34,549	34,549	0	0	0
R0510	Total available own funds to meet the MCR	34,549	34,549	0	0	
R0540	Total eligible own funds to meet the SCR	34,549	34,549	0	0	0
R0550	Total eligible own funds to meet the MCR	34,549	34,549	0	0	
R0580	**SCR**	96,794				
R0600	**MCR**	24,199				
R0620	**Ratio of Eligible own funds to SCR**	35.69%				
R0640	**Ratio of Eligible own funds to MCR**	142.77%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	34,549				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	17,447				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	17,102				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	15,915				
R0790	**Total Expected profits included in future premiums (EPIFP)**	15,915				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	9,402		
R0020	Counterparty default risk	32		
R0030	Life underwriting risk	0	9	
R0040	Health underwriting risk	0	9	
R0050	Non-life underwriting risk	93,829	9	
R0060	Diversification	-6,637		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	96,626		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	168
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	96,794
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	96,794
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

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

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	11

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	99
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	11
R0310	SCR	96,794
R0320	MCR cap	43,557
R0330	MCR floor	24,199
R0340	Combined MCR	24,199
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	24,199