



TOKIO MARINE

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Tokio Millennium Re (UK) Limited
Solvency and Financial Condition Report
Year ended 31 December 2017

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Directors' Report

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Solvency Financial Condition Report ("SFCR"), including the attached public quantitative reporting templates, in all material respects in accordance with PRA Rules and the Solvency II Regulations.

The Solvency II Directive, the Delegated Acts, related implementation Rules, Technical Standards and Guidelines, as well as PRA rules provide the regulatory framework in which Tokio Millennium Re (UK) Limited ("TMRUK Ltd") operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

Compliance with Solvency Capital Requirement ("SCR")

We acknowledge our responsibility for preparing the Solvency Financial Condition Report in all material respects in accordance with the PRA rules and the Solvency II regulations.

We are satisfied that:

- throughout the financial year in question, TMRUK Ltd has complied, in all material respects with the requirement of the PRA rules and the Solvency II regulations as applicable to TMRUK Ltd; and
- it is reasonable to believe that TMRUK Ltd will comply with the PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

By order of the Board

Mark Julian

Director

3 May 2018

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

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

Opinion

We have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, (**'the Narrative Disclosures subject to audit'**); and
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 (**'the Templates subject to audit'**).

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

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**'the Responsibility Statement'**).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT
3 May 2018

Summary

This is the SFCR for TMRUK Ltd for the year ended 31 December 2017. The SFCR is prepared in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. It is a publicly disclosed report submitted to the PRA on an annual basis and covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Business and External Environment

TMRUK Ltd is a wholly owned subsidiary of Tokio Marine and Nichido Fire Insurance Co. Ltd (“TMNF”). The ultimate parent company is Tokio Marine Holdings, Inc. (“TMHD”), a company incorporated in Japan.

TMRUK Ltd was placed into run-off with effect from 1 July 2015 from which date all new and renewal business was written by the UK Branch of its sister company, Tokio Millennium Re AG (“TMR AG”), which was authorised by the PRA/FCA on 8 April 2015. The plan is to transfer the existing TMRUK Ltd treaty business to TMR AG, UK Branch and the Direct & Facultative (“D&F”) business to a third party provider under the Part VII transfer process. TMRUK Ltd will be liquidated once all its assets and liabilities have been transferred out and/or extinguished.

TMRUK Ltd continued its run-off during 2017 and there were no material changes to the business during the year. TMRUK Ltd produces its financial statements in accordance with UK GAAP. On a UK GAAP basis, TMRUK Ltd generated a post-tax profit of GBP6.7 million and net assets grew GBP7.2 million from GBP197.3 million at 31 December 2016 to GBP204.5 million at the end of the financial year 31 December 2017.

With TMRUK Ltd being in run-off, lines of business with a longer claims payment tail (being United Kingdom policies) are considered material. At 31 December 2017, non-proportional casualty reinsurance policies (which includes non-proportional motor vehicle liability insurance) and proportional motor vehicle liability insurance accounted for 67% of Technical Provisions (Appendix S.17.01).

System of Governance

TMRUK Ltd maintains a Governance Map as required by the PRA’s Senior Insurance Managers Regime (“SIMR”) that shows the responsibilities of individuals for the systems of internal control of TMRUK Ltd and the holders of specific responsibilities detailed by the SIMR regime and the FCA Controlled Function (“CF”) regime. The Board are satisfied that the system of governance as set out in the Governance Map is adequate and appropriate for TMRUK Ltd., taking into account the nature, scale and complexity of the risks inherent in the business of a run-off company.

During 2017, there have been no material changes to TMRUK Ltd’s system of governance.

Risk Profile

TMR UK Ltd’s risks comprise of underwriting, market, credit and operational risk. Across these categories, emerging threats are identified and evaluated.

TMR UK Ltd’s most significant risk is underwriting risk. As a result of being in run-off, TMR UK Ltd is not exposed to significant premium and catastrophe risk, however it is exposed to reserve risk and as such maintains a significant focus on setting accurate reserves, which are subject to robust challenge by the business through the Reserve and Audit Committees on a quarterly basis. TMRUK

Ltd also undertakes an annual independent external reserve review on both UK GAAP and Solvency II bases, which are reviewed by the Reserve and Audit Committees and the Board of Directors.

The most significant risks to TMRUK Ltd are all captured under the Solvency II Standard Formula stress tests used to determine the Solvency Capital Requirement ("SCR"). The profile of TMRUK Ltd's main risks are shown by the components of the SCR as at 31 December 2017 in Sections E2.2.

Valuation for Solvency Purposes

In accordance with Article 75 of the Solvency II Directive, the Company's assets and liabilities other than the technical provisions are measured in accordance with principles of an arm length transaction between knowledgeable willing parties using consistent valuation methods.

Capital Management

The capital management objective is to ensure that TMRUK Ltd has sufficient Own Funds to cover the SCR and MCR with an appropriate buffer.

The solvency position at 31 December 2017 and prior year end 31 December 2016 was as follows:

Solvency Ratio (GBP'000)	2017	2016
Own Funds	156,069	144,883
Minimum Capital Requirement	28,076	38,438
Solvency Capital Requirement ("SCR")	100,994	132,933
SCR Surplus	55,075	11,950
Ratio (%) (Own Funds / SCR)	155%	109%

A. Business and External Environment

A1.1 Name and legal form of the undertaking

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

5th Floor
20 Fenchurch Street
London
EC3M 3BY

Registered Number: 02553288

This SFCR covers TMRUK Ltd on a solo basis only.

TMRUK Ltd is authorised by the Prudential Regulation Authority (“PRA”), 20 Moorgate, London EC2R 8AH and regulated by the PRA and the Financial Conduct Authority (“FCA”), 25 The North Colonnade, E14 5HS.

The external auditors for TMRUK Ltd for the year ended 31 December 2017 were PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

A1.2 Business Strategy

TMRUK Ltd was placed into run-off with effect from 1 July 2015 from which date all new and renewal business was written by the UK Branch of its sister company, Tokio Millennium Re AG (“TMR AG”), which was authorised by the PRA/FCA on 8 April 2015. TMRUK Ltd applied to remove the “effecting contracts of insurance” permission on the basis that it had ceased to write new and renewal reinsurance business as of 30 June 2015. Formal approval by the PRA of TMRUK Ltd’s Variation of Permission request was granted on 5 April 2016.

It is planned that the existing TMRUK Ltd treaty business will be transferred to TMR AG, UK Branch and the Direct & Facultative (“D&F”) business to a third party provider under the Part VII Transfer Process. TMRUK Ltd will be liquidated once all its assets and liabilities have been transferred out and/or extinguished.

TMRUK Ltd provided treaty reinsurance across multiple lines of business. This included property, casualty, motor, fire and perils, political risks, marine and terrorism. Business was approximately split between territories in the following proportions: UK - 43%, EEA – 32%, other overseas territories – 25%. Business in other overseas territories was focused on the Middle East and Asia (excluding Japan).

With TMRUK Ltd being in run-off, lines of business with a longer claims payment tail (being United Kingdom policies) are considered material. At 31 December 2017, non-proportional casualty reinsurance policies (which includes non-proportional motor vehicle liability insurance) and proportional motor vehicle liability insurance accounted for 67% of Technical Provisions (Appendix S.17.01).

TMRUK Ltd ceased writing D&F business from 31 December 2010, when the D&F underwriting team moved to TMRUK Ltd’s sister operation, Tokio Marine Kiln Syndicates Limited (“TMK”) Syndicate 1880. The portfolio included property and engineering risks written on a D&F basis located in UK, Europe, Africa, the Middle East, South America, Asia, Canada and the US as well as risks with worldwide coverage. The property element of the portfolio has completely run off. From 1 January

2012, TMRUK Ltd bought “run-off” cover from TMK Syndicate 1880 to protect TMRUK Ltd against any losses occurring on or after that date within the engineering element of the portfolio.

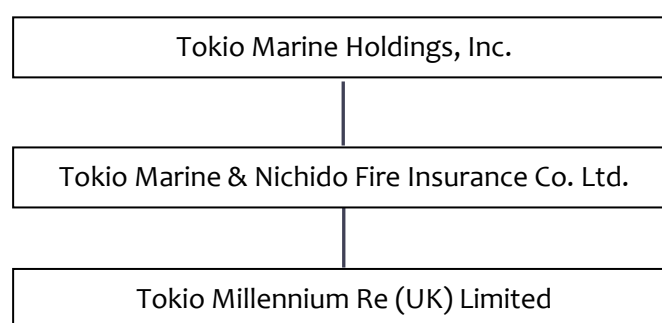
The TMRUK Ltd run-off plan was communicated to the PRA in the form of a Scheme of Operations in line with regulatory requirements. The Scheme was originally submitted on 30 December 2014 with updates on 28 January 2016 and 19 July 2017. As at 31 December 2017 TMRUK Ltd’s timetable for the Part VII transfer processes is to have completed both transfers by 31 December 2020.

A1.3 Material Subsidiaries

On 22 September 2017, TMRUK Ltd agreed the sale of its wholly owned subsidiary, Tokio Marine Technologies LLC, to the ultimate parent TMHD, for a consideration of GBP3.3 million.

A1.4 Legal Structure

TMRUK Ltd is 100% owned by Tokio Marine & Nichido Fire Insurance Co. Ltd, which in turn is a wholly owned subsidiary of Tokio Marine Holdings, Inc. (“TMHD”).



A1.5 Business Performance 2017

TMRUK Ltd produces its financial statements in accordance with UK GAAP. On a UK GAAP basis, TMRUK Ltd generated a post-tax profit of GBP6.7 million (2016: post-tax loss GBP(1.8) million) during the financial year. Net assets stood at GBP204.5 million (2016: GBP197.3 million) at the end of the financial year.

A.2 Performance from Underwriting Activities

A.2.1 Underwriting Performance

TMRUK Ltd ceased to write business on 30 June 2015. All underwriting activity since that date has been in respect of the run-off of the business. The negative written premium arises due to adjustments to prior underwriting year estimated premium income.

The figures below detail the underwriting performance by lines of business for the year ended 31 December 2017 and are reported in QRT S.05.01.

		2017			
Solvency II line of business (GBP'000)		Net Written Premium	Net Earned Premium	Net Claims Incurred	Expenses Incurred
Direct business and accepted proportional reinsurance	Medical expense insurance	(16)	(16)	(66)	(684)
	Motor vehicle liability insurance	680	2,104	7,843	(1,839)
	Marine, aviation and transport insurance	(1,146)	(195)	2,095	(12)
	Fire and other damage to property insurance	(3,610)	(3,426)	(4,162)	(2,930)
	General liability insurance	1,377	2,824	1,274	1,983
	Miscellaneous financial loss	(3,500)	(366)	(10,105)	(2,486)
Accepted non-proportional reinsurance	Non-proportional health reinsurance	(9)	(9)	(32)	65
	Non-proportional casualty reinsurance	458	1,328	4,171	817
	Non-proportional marine, aviation and transport reinsurance	488	488	(486)	465
	Non-proportional property reinsurance	(139)	(91)	(228)	153
Total non-life obligation		(5,417)	2,641	304	(4,468)

The figures below detail the underwriting performance by lines of business for the year ended 31 December 2016 and are reported in QRT S.05.01.

		2016			
Solvency II line of business (GBP'000)		Net Written Premium	Net Earned Premium	Net Claims Incurred	Expenses Incurred
Direct business and accepted proportional reinsurance	Medical expense insurance	(93)	80	(32)	348
	Motor vehicle liability insurance	1,213	26,394	26,632	3,881
	Marine, aviation and transport insurance	382	7,217	3,375	2,908
	Fire and other damage to property insurance	(1,865)	13,481	(373)	6,532
	General liability insurance	3,788	10,790	5,372	3,004
	Miscellaneous financial loss	(2,070)	6,984	6,563	2,305
Accepted non-proportional reinsurance	Non-proportional health reinsurance	(45)	(10)	(103)	54
	Non-proportional casualty reinsurance	496	13,219	36,231	2,535
	Non-proportional marine, aviation and transport reinsurance	119	444	(1,722)	387
	Non-proportional property reinsurance	278	665	(1,938)	217
Total non-life obligation		2,203	79,264	74,005	22,171

A.2.2 Underwriting performance by geographical area

The below table shows the underwriting performance by geographical areas with the largest gross written premium in the year ended 31 December 2017. Note that all written premiums are due to changes in premium estimates, rather than relating to newly written business, as TMRUK Ltd has been in run off since mid-2015. Note also that the SFCR requirement is to show the business written in the home country and largest five overseas countries by gross written premium. Further detail is shown in appendix S.05.02.

2017							
Income Statement Description (GBP'000)	United Kingdom	Gibraltar	Iceland	Mexico	Qatar	Spain	Total
Net Written Premium	(2,715)	312	18	-	-	-	(2,385)
Net Earned Premium	3,109	2,145	18	-	-	-	5,272
Net Claims Incurred	(2,486)	2,771	2	(30)	(288)	1,600	1,569
Expenses Incurred	1,029	1,839	27	24	64	39	3,022

The below table shows the underwriting performance by geographical areas with the largest gross written premium in the year ended 31 December 2016.

2016							
Income Statement Description (GBP'000)	United Kingdom	Gibraltar	Brazil	Denmark	Germany	Italy	Total
Net Written Premium	563	1,705	(12)	170	102	64	2,592
Net Earned Premium	33,675	27,207	(7)	330	144	895	62,244
Net Claims Incurred	31,906	32,365	(134)	470	(69)	350	64,888
Expenses Incurred	10,843	4,256	7	58	41	295	15,500

A.3 Performance from Investment Activities

The table below shows the performance from investment activities for the year ended 31 December 2017.

2017				
Asset Class (GBP'000)	Interest/coupon Income	Realised gains/(losses)	Unrealised gains/(losses)	Total
Government Bonds	3,490	(2,164)	(510)	816
Corporate Bonds and similar fixed income products	2,226	(967)	(228)	1,031
Collective Investment Undertakings	121	-	-	121
Cash Deposits	246	-	-	246
Total	6,083	(3,131)	(738)	2,214

The table below shows the performance from investment activities for the year ended 31 December 2016.

2016				
Asset Class (GBP'000)	Interest/coupon Income	Realised gains/(losses)	Unrealised gains/(losses)	Total
Government Bonds	4,591	(2,626)	986	2,951
Corporate Bonds and similar fixed income products	2,219	(1,668)	626	1,177
Collective Investment Undertakings	283	-	-	283
Cash Deposits	297	-	-	297
Total	7,390	(4,294)	1,612	4,708

Investment costs for the year ended 31 December 2017 were GBP0.5 million (GBP0.5 million for prior year ended 31 December 2016).

TMRUK Ltd does not hold investments in securitised assets.

A.4 Other Operating Income and Expenses

Due to the deterioration of GBP in the year (primarily against USD and EUR), TMRUK Ltd recognised GBP1.2 million of foreign exchange loss in the year ended 31 December 2017 (GBP2.2 million foreign exchange gain for prior year ended 31 December 2016).

TMRUK Ltd had no other material income or expenses in the year ended 31 December 2017.

A.5 Any Other Information

There is no other information regarding the business and performance of TMRUK Ltd to disclose.

B. System of Governance

B.1 General Governance Arrangements

TMRUK Ltd maintains a Governance Map as required by the PRA's Senior Insurance Managers Regime ("SIMR") that shows the responsibilities of individuals for the systems of internal control of TMRUK Ltd and the holders of specific responsibilities detailed by the SIMR regime and the FCA Controlled Function ("CF") regime.

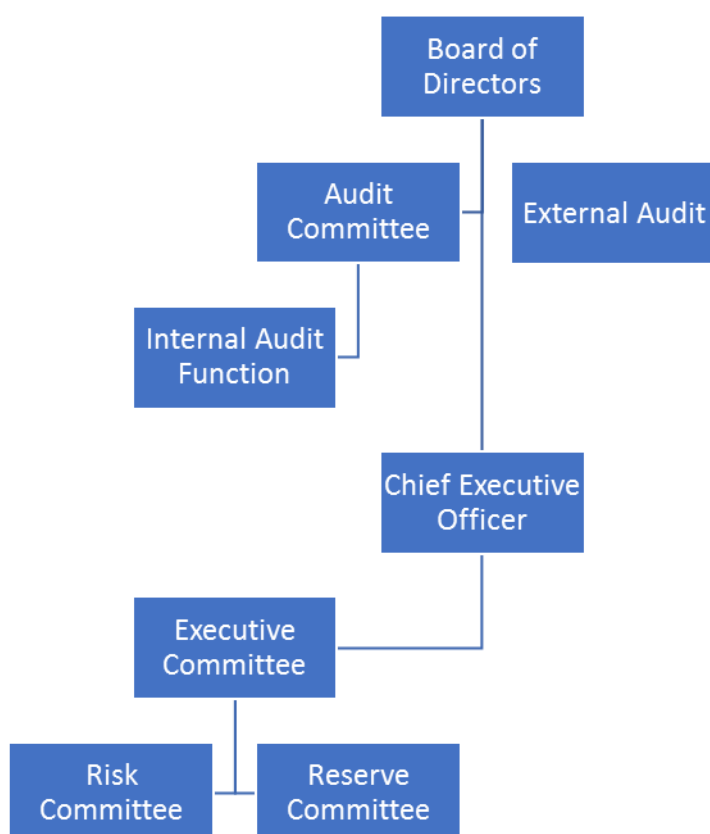
The Board are satisfied that the system of governance as set out in the Governance Map is adequate and appropriate for TMRUK Ltd. The risk management and actuarial teams are well-resourced with experienced, appropriately-qualified practitioners and their work feeds into the Risk Committee and Reserve Committee but with the appropriate degree of independence, i.e. the chair of the Reserve Committee is the Chief Financial Officer ("CFO") and the chair of the Risk Committee is the Chief Risk Officer ("CRO"). Members of the actuarial team attend the Reserve Committee meetings. Compliance attends all meetings to provide oversight from a legal and regulatory perspective. All meeting minutes, including decisions made, are provided to the Audit Committee and each function provides a detailed report to the quarterly meetings of the Audit Committee and Board.

Similarly, the Internal Audit function provides independent oversight and assurance over the work done by the other key functions and reports to the quarterly Audit Committee and Board meetings.

The Board of Directors

The Board of Directors is the governing body for the activities of TMRUK Ltd. The Board is responsible for the direction and management of the business of TMRUK Ltd in the fulfilment of its business strategy in run off, any applicable legislation and regulation and oversight of TMRUK Ltd's policies, principles and values.

B.1.1 Structure of Governance Arrangements



The system of governance is considered to be appropriate for TMRUK Ltd, taking into account the nature, scale and complexity of the risks inherent in the business of a run-off company.

Further details on each of these committees can be found below.

Board of Directors

The responsibilities of the Board in managing the business and affairs of TMRUK Ltd are set out in its Memorandum and Articles of Association. The principal responsibilities are:

- i) Approving the strategy, plans and budgets of TMRUK Ltd;
- ii) Ensuring that TMRUK Ltd has adequate systems of internal control and reporting;
- iii) Ensuring TMRUK Ltd has effective risk management policies and procedures; and
- iv) Ensuring compliance with regulatory requirements.

The Board consists of four Non-Executive Directors and one Executive Director:

- David John Finch
- Maurice Stephen Kane
- Ken Hatakeyama
- Clemens Anton Theodor Wolf von Bechtolsheim
- Mark James Phillip Julian (Chief Executive Officer)

[Audit Committee](#)

The Audit Committee is a sub-committee of the Board.

The Audit Committee's objectives are to:

- i) Ensure the integrity of the financial statements of the Company;
- ii) Ensure the internal audit function operates effectively; and
- iii) Ensure the risk management function operates effectively.

[Executive Committee](#)

The Executive Committee is a sub-committee of the Board, chaired by the CEO and has the following objectives:

- i) Assist the CEO in delivering the corporate goals, strategies and plans;
- ii) Oversee day to day management of business operations;
- iii) Implement projects assigned by the CEO and Board;
- iv) Carry out responsibilities delegated in approved policies and procedures;
- v) Oversee sub committees.

[Risk Committee](#)

The Risk Committee's objectives are to advise the Executive Committee and report to the Audit Committee on risk management and to encourage a culture within TMRUK Ltd that emphasises and demonstrates the benefits of Risk Management for TMRUK Ltd and promotes continuing development and refinement of TMRUK Ltd's risk management policy and framework. (More details on the Risk Committee can be found in section B.3.2)

[Reserve Committee](#)

The primary goals of the Committee are to oversee the determination of the reserves held by TMRUK Ltd on a consolidated basis, to oversee, review and challenge TMRUK Ltd's assumptions and methodology for developing the estimate of reserves, to oversee and review the Company's actuarial reserving policy and to oversee the development of TMRUK Ltd's strategy for managing claims.

B.1.2 Changes to the Governance Structure during the year

There were no material changes to the governance structure during the 2017 financial year.

B.1.3 Remuneration Policies

The TMRUK Ltd Compensation Policy applies to all TMRUK Ltd employees who have an employment contract with TMRUK Ltd. The purpose of this policy is to ensure that compensation practice:

- Reflects the risk strategy, profile and management practices;
- Remains aligned with TMRUK Ltd's long-term business objectives, plan and strategy;
- Promotes TMRUK Ltd's culture and values;
- Attracts, retains and motivates competent, experienced and skilled employees;
- Minimizes the risk of inappropriate behaviour;
- Serves the best interests of TMRUK Ltd, its parent company and clients.

Remuneration does not give incentives to reward short-term profits and is aligned to appropriate time horizons.

Remuneration is based on two elements: fixed compensation and a variable component related to the performance of the Company and the individual.

Individual performance will be measured at least annually in a formal performance assessment process, and will take into account how far the employee has implemented core competencies and effective risk management practices.

The performance criteria do not encourage unauthorised or unwanted risk-taking that exceeds the level of tolerated risk.

B.1.3.1 Variable remuneration

TMRUK Ltd may at its discretion offer the opportunity for variable remuneration, by way of bonus or incentive schemes. All bonus schemes are discretionary. Employees are not overly dependent on variable components. Variable remuneration and salary reviews are based on a combination of the assessment of the individual's performance and the performance of TMRUK Ltd.

There are no specific arrangements for supplementary pension or early retirement schemes for senior management.

B.2 Fit and Proper

B.2.1 Policies and Processes

TMRUK Ltd has put in place practical guidance on what TMRUK Ltd needs to do in order to meet Fit and Proper Standards, which defines the standards to be applied in terms of fitness and propriety to all the "Relevant Employees" of TMRUK Ltd.

According to these guidelines, TMRUK Ltd has implemented appropriate and regular assessments to ensure that the Relevant Employees meet the following requirements both at appointment and on an on-going basis.

B.2.1.1 Fitness Requirements

All Relevant Employees must possess the professional qualification, knowledge and experience which are appropriate and adequate to hold all the roles they are in charge of and appropriate experience about the following topics:

Market knowledge

Awareness and understanding of the wider relevant business, economic and market environment in which TMRUK Ltd is operating and an awareness of the level of knowledge of and needs of customers.

Business strategy and business model

Understanding of the TMRUK Ltd business strategy and model.

System of governance

Awareness and understanding of the risks that TMRUK Ltd is facing and the capability to manage them. Furthermore, it includes the ability to assess the effectiveness of the undertaking's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.

Actuarial and financial analysis

The ability to interpret TMRUK Ltd's actuarial and financial information, identify and assess key issues, and take any necessary measures (including appropriate controls) based on this information.

Regulatory framework and requirements

Awareness and understanding of the regulatory framework in which TMRUK Ltd operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Furthermore, appointment of each Relevant Employee is required to be notified to the PRA and FCA, through a formal process, including an assessment of the fitness and propriety of each person. The process also includes an annual declaration of adherence to the current Fit and Proper requirements and commitment to give immediate notice of any notifiable events which are relevant in this respect together with quarterly assessments conducted by the Executive Committee and the Head of the Audit Committee and reported to the Audit Committee and Board.

B2.1.2 Propriety Requirements

TMRUK Ltd evaluates whether Relevant Employees are "proper" to perform the roles and responsibilities assigned to them. Personal reliability and good reputation are prerequisites to be eligible for and hold relevant roles within TMRUK Ltd.

The assessment of whether the Relevant Employees are proper includes an assessment of their honesty based on the evidence regarding their character, personal behaviour and business conduct.

The professional integrity of Relevant Employees is assessed on the basis of the following evidence:

- a) Criminal convictions within the United Kingdom and elsewhere;
- b) Negative assessments by the competent supervisory authorities stating the inadequacy of the person to hold the relevant office;
- c) Serious disciplinary or administrative measures applied as a consequence of willful misconduct or gross negligence, also related to relevant breaches of the TMRUK Ltd Code of Conduct and rules.

Criminal convictions and disciplinary measures are assessed in relation to legislation and UK regulation on varying laws including, banking, financial securities, or insurance activity, not limited to laws on money laundering, market manipulation, or insider dealing and usury as well as offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, insolvency or consumer protection.

B.3 Risk Management System

B.3.1 Risk Strategy and Policies

For TMRUK Ltd as a company in run-off, there is a greater focus on effective and efficient capital management to ensure that the run-off is successful. The capital requirements under Solvency II are monitored closely. TMRUK Ltd continues to ensure that all risks are properly identified, assessed and quantified, aiding the understanding of potential upside and downside factors, which can affect the results.

TMRUK Ltd's risk strategy comprises the risk objectives as described in the risk appetite policy, and the strategy for how they will be implemented.

The risk appetite, risk tolerance levels and risk limits are defined in the Risk Appetite and Risk Tolerance/Limit Policy. The implementation strategy is described in the Risk Management Policy.

The risk appetite represents the company's overall philosophy to risk taking in line with its objectives and the expectations of its stakeholders including, but not limited to, parent company, policyholders, regulators, directors and employees. All risks will be expected to reduce overall as the Technical Provisions decrease in absolute terms. It is expected that reserving risk will continue to increase as a proportion of economic capital.

TMRUK Ltd operates under an enterprise risk management ("ERM") framework that is aligned across the Tokio Marine Group to aid the management of the growing global entity and evolving reinsurance environment within which it operates.

ERM is the capability to protect and/or enhance enterprise value by managing risk in a coordinated and systematic approach which encompasses all risk types. It is the process by which TMRUK Ltd identifies, assesses controls, manages, exploits, finances and monitors its significant risks from all sources to enhance shareholder value.

Risk management, which begins at the individual business area level, is a process of identifying, quantifying, analysing, exploiting, monitoring, mitigating, reviewing and reporting of risks which may threaten and/or enhance the value, existence, reputation, people or assets of TMRUK Ltd or the services that TMRUK Ltd provided to the market. A key component of risk management is the process of ensuring that risk controls maintain a net risk retention profile that is within TMRUK Ltd's stated risk appetite and supports its stated business objectives.

The purpose of risk management at TMRUK Ltd is twofold. The first is to ensure that risks are identified and that their potential to cause loss or generate profit is understood, and that action is taken to reduce and/or increase the likelihood of their occurrence or reduce/increase their impact to the organisation based on that information. The second purpose is to ensure that the appropriate level of capital is held to cover the potential impact of risk from all sources.

B.3.2 Risk Management Function

The Risk Management Function in TMRUK Ltd facilitates and co-ordinates the implementation of the Risk Management policy and ERM framework within TMRUK Ltd.

It facilitates the implementation of the risk management procedures and processes by supporting employees, risk owners and management to identify, assess, evaluate and monitor risks, including facilitation of regular risk reviews.

Led by the CRO who is responsible for the activities and deliverables of the Risk Management Function, the Risk Management Function will:

- Regularly evaluate the design and operational effectiveness of the risk management framework based on the risk profile of TMRUK Ltd;
- Maintain and monitor the risk register;
- Develop and maintain the risk policies;
- Report risk exposures to the Board, Risk Committee and Head Office and advise management on the risk aspects of strategic affairs;
- Identify and assess emerging risks;
- Liaise across company to collate data for production of risk MI, including producing statistics and summaries for risk owners and management;
- Perform analyses and produce summaries for management to assist testing of the appropriateness of the business plan, including stress testing and reverse stress testing; and
- Co-operate closely and share information with the actuarial function.

B.4 ORSA

B.4.1 ORSA Integration

The Own Risk and Solvency Assessment (“ORSA”) is produced for the Board and Audit Committee and summarises TMRUK Ltd’s own assessment of risks and associated economic capital needs. The diagram below shows the ORSA process and feedback loop.



B.4.2 ORSA Processes

B.4.2.1 Business Strategy

This was covered in Section A1.2 above.

B.4.2.2 Risk Strategy

This was covered in Section B.3.1 above.

B.4.2.3 Risk Management and Monitoring

Using a number of sources (e.g. audit reports, Risk Committee input), risks are identified which may have a material effect on the business. All risks identified are fully reviewed by the Risk Committee annually, with quarterly update reviews. Emerging risks are actively researched by the

Risk Management department, as documented in the Emerging Risk Procedures. All risks are recorded in the Risk Register.

Risk owners assess the likelihood of occurrence and impact of the risk at an inherent level. The ratings are recorded in the company's risk register, and any change in the ratings proposed by the risk owners are submitted to the Risk Committee for review. Controls are identified to manage the risks. Risk owners consider the existing controls in place, and modify, remove or add additional controls depending on their assessment. This includes consideration of the results of:

- Day-to-day operational monitoring
- Audits (internal, external, parent company)
- Regulator Audit (Periodic Summary Meeting and/or Solvency II review)

The risks are reassessed on a residual basis after application of the controls, using the same criteria.

Risk assessment also includes the use of quantitative techniques including validation using techniques such as stress and scenario testing.

Risks are monitored to ensure that the risk profile falls within the risk appetite, tolerance and limits of the company.

For risks requiring additional control or risk mitigation, an appropriate strategy shall be selected, incorporating a plan for risk exploitation, reduction, transfer, sharing or elimination.

B.4.2.4 Solvency Assessment and Capital Management

B.4.2.4.1 Capital & Liquidity planning

Capital and Liquidity planning includes a forward-looking assessment of the business plans, economic balance sheet and profit & loss account. These are used to project future Solvency Capital Requirements and Own Funds, which are tested, e.g. using scenarios and stress testing. The results are documented in the ORSA report, which is reviewed by the Risk Committee and Board on a quarterly basis.

B.4.2.4.2 Business Plan

TMRUK Ltd prepares an annual business plan, which is approved by the TMRUK Ltd Board. TMRUK Ltd monitors its performance and any material movements are reported to the Board quarterly.

B.4.2.4.3 Contingency Plan

Contingency plans, in the event that the capital available is insufficient to meet the TMRUK Ltd's commitments under adverse conditions, will be reviewed at least on an annual basis and documented in the annual ORSA report. This includes consideration of the reinsurance purchasing strategy.

B.4.2.5 Reporting

The results of the ORSA processes are reported in the formal ORSA report provided to the Audit Committee and Board each year. The full report is produced and presented to the Board on an annual basis, with a quarterly summary report of significant changes. The Board formally approves the annual ORSA, with quarterly update reports reviewed by management and the Board. The annual ORSA report is also provided to the PRA.

Feedback on the ORSA report is provided in the form of meeting minutes (e.g. Board, Audit Committee, Risk Committee).

B.5 Internal Control Systems

B.5.1 Overview

The aim of TMRUK Ltd's Internal Control System ("ICS") is a harmonized, comprehensive approach to risk control across all risk types with no overlaps and no gaps. The ICS focuses on an effective identification, analysis and assessment, control, reporting and monitoring of all significant risks.

As defined in the TMRUK Ltd Risk Management Policy, all risks are managed as part of the ERM framework described above.

All the TMRUK Ltd's identified risks are collected in a Risk Register and reviewed quarterly by the TMRUK Ltd Risk Committee.

The Board of Directors has ultimate responsibility for the governance, and hence risk management of TMRUK Ltd. The Board, with the support of the Audit Committee, utilizes the three lines of defence to carry out this responsibility.

The ICS is based on the "three lines of defence" approach:

First Line of Defence: Operational Management

At the first line of defence, operational managers (i.e. managers/heads of each team) own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

The operations include front office functions, as well as middle and back office functions such as Claims, HR, Pricing, IT and Financial Reporting.

Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Operational management would work within their teams to delegate responsibility to design and implement and maintain detailed procedures that serve as controls and supervise execution of those procedures by their employees.

Operational management naturally serves as the first line of defence because controls are designed into systems and processes under the guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

Second Line of Defence: Risk Management and Compliance Functions

The Board and senior management have established various risk management and compliance functions to support the building and monitoring of the first line of defence risks and controls.

The ERM function facilitates and monitors the implementation of effective risk management practices by operational management and works with risk owners in defining the risk appetite and reporting adequate risk-related information throughout TMRUK Ltd. The approach taken is set out in the risk management policy, and the appetite, tolerances and risk limits are set out in the Risk Appetite and Risk Tolerance/Limit Policy.

The Compliance function develops and maintains a framework for ensuring ongoing compliance with, and monitoring of non-compliance with applicable laws and regulations, and in this capacity, reports directly to senior management and to the Board of Directors. This function therefore carries out various risk management practices around certain risks and controls, independent of the first line of defence.

The CFO monitors financial risks and financial reporting issues.

Third Line of Defence: Internal and External Audit

The Internal Audit Function is the principal means by which TMRUK Ltd senior management gains assurance around the robustness of its governance arrangements and systems of controls. This is described in more detail in the next section.

External Audit are also within the third line of defence, and provide an independent review of the Financial reporting processes and controls. External Audit are completely independent of internal functions including the Board and Audit Committee.

B.6 Internal Audit Function

B.6.1 Overview

The internal audit function of TMRUK Ltd is outsourced to Grant Thornton LLP who operate in accordance with TMRUK Ltd's Internal Audit Charter. This allows TMRUK Ltd access to a wider array of skills to carry out audits of different parts of the business. The Internal Audit Charter contains the following information on the roles of the internal auditor.

Internal auditors are authorised to:

- Have unrestricted access to all functions, records, property, and personnel relevant to a review;
- Have full and free access to the Chief Executive Officer and the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of TMRUK Ltd where they perform audits, as well as other specialised services from within or outside TMRUK Ltd.

Internal auditors are not authorised to:

- Perform any operational duties for TMRUK Ltd or its affiliates;
- Initiate or approve accounting transactions outside of the internal auditing function;
- Direct the activities of any company employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors; or
- Have direct authority over, or responsibility for, any of the activities reviewed. Management retains full control over the implementation of Internal Audit recommendations.

Internal Audit provides the Board of Directors and senior management with assurance based on their independence and objectivity. Internal Audit reviews and provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. The scope of this assurance, which is reported to senior management and to the Audit Committee includes:

- A broad range of objectives, including effectiveness of controls within operations, safeguarding of assets, reliability and integrity of reporting processes, compliance with laws, regulations, policies, procedures. All elements of the risk management and internal control framework, which includes: internal control environment; all elements of an organization’s risk management framework (i.e. risk identification, risk assessment, and response); information and communication; and monitoring;
- The overall entity, divisions, subsidiaries, operating units, and functions – including business processes, safety, customer functions and operations – as well as supporting functions (e.g., revenue and expenditure accounting, human resources, purchasing, payroll, budgeting, infrastructure and asset management, inventory, and information technology).

B.7 Actuarial Function

B.7.1 Overview

The actuarial function is led by the Chief Actuary, who is a qualified actuary, with the support of an actuarial team. The actuarial team are subject to professional standards set out by the Institute and Faculty of Actuaries (“IFoA”) and the Financial Reporting Council. In addition, the Chief Actuary holds a Chief Actuary (non-life) practising certificate from the IFoA and also the roles of Chief Risk Officer (“SIMF4”) and Chief Actuary (“SIMF20”) under the Senior Insurance Managers Regime.

The actuarial function is kept free of external influence of the Board, performing all regulated tasks as set out in Solvency II Directive: Article 48 and Delegated Acts: Article 272. The actuarial team naturally conduct many other tasks throughout the year. Many of these tasks further the knowledge and involvement of the actuarial team allowing them to fulfil the role of actuarial function more effectively.

B.7.2 Actuarial Contribution to Risk Management

The actuarial function is required to contribute to the effective implementation of the risk management system of TMRUK Ltd, in particular with respect to the risk modelling underlying the calculation of the capital requirements.

The Chief Actuary and the CRO roles in TMRUK Ltd are performed by the same person. This naturally enables a high level of meaningful interaction between the actuarial function and the separate risk function. Risk management work is documented in a combined ORSA and risk management report (“ORSA report”) which is produced annually with quarterly updates by Chief Risk Officer. It is sent to the Executive Committee, Audit Committee and Board.

The Actuarial Function is responsible for the recommendation of the Technical Provisions to the Reserve Committee: this is a key part of the overall governance and risk management framework.

Two aspects of TMRUK Ltd’s risk management process are materially dependent on the Technical Provisions work conducted by the Actuarial Function. These are the Standard Formula (“SF”) calculation of the SCR as well as the assessment of Own Funds through a Solvency II balance sheet.

B.8 Outsourcing Policy

TMRUK Ltd recognises that outsourcing is a key element of its business and that there are associated risks. The Outsourcing Risk Policy covers TMRUK Ltd’s approach and processes for outsourcing from the inception to the end of the contract.

Outsourced functions, services and activities are subject to the ICS framework in the same way as internal activities from the inception to the end of each contract.

The way in which the requirements set out in the ICS framework are implemented in each area will vary depending on the type, size and complexity of the inherent risks.

B.8.1 Outsourced Functions

As at 31 December 2017, TMRUK Ltd had the following outsourced key functions, all of which are located in the UK:

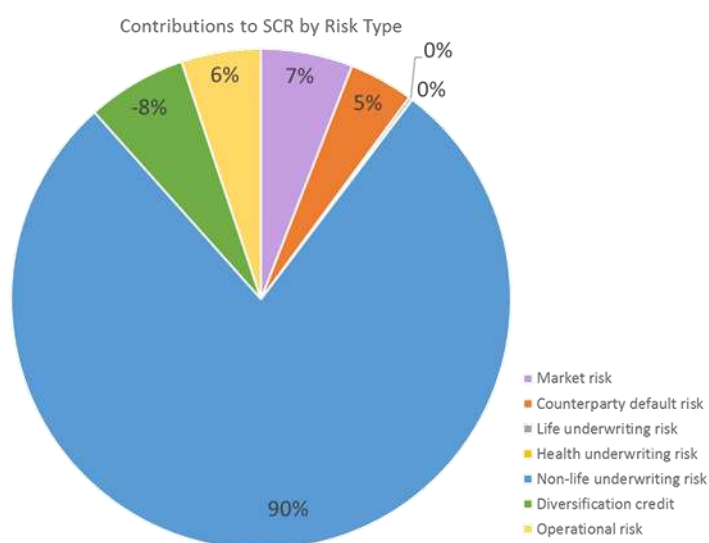
- Internal Audit function outsourced to Grant Thornton UK LLP
- Investment Management to BlackRock Investment Management (UK) Ltd
- Investment Management to Threadneedle Asset Management Ltd
- Payroll to BDO LLP

C. Risk Profile

Overview of Risk Profile for TMRUK Ltd

For a run-off company the main focus is on effective and efficient capital management to ensure that the run-off is successful.

The most significant risks to TMRUK Ltd are all captured under the Solvency II SF stress tests used to determine the Solvency Capital Requirement (“SCR”). The profile of TMRUK Ltd’s main risks is shown by the components of the SCR as at 31 December 2017 in the chart below and in Section E2.2.



C1. Underwriting Risk

Underwriting risk refers to the uncertainties in the valuation of claims liabilities and related expenses. As a company closed to new business, the underwriting risk for TMRUK Ltd mostly relates to the valuation of reserves, i.e. reserve risk, which is the most significant risk faced by the company. TMRUK Ltd has little remaining other underwriting risk, i.e. premium and catastrophe risks, which have reduced significantly during 2017.

TMRUK Ltd maintains a significant focus on setting accurate reserves, which are subject to robust challenge by the business through the reserve and audit committees on a quarterly basis. TMRUK Ltd also commissions annual independent, external reserve reviews on both UK GAAP and Solvency II bases, which are reviewed by the reserve and audit committees and the Board of Directors.

TMRUK Ltd performs various validation exercises to assess the adequacy and level of prudence in its reserves, including monitoring the development of reserves from prior years.

Material exposures and risk concentrations

TMRUK Ltd's Technical Provisions are largely concentrated in motor, liability and political risks classes (65%, 15% and 6% of total respectively), which are also the most uncertain. The motor and liability classes have significant exposures to long-tailed injury claims, including periodical payment orders (PPOs). The political risks class business with long policy periods and is exposed to the global economic environment.

Risk Mitigation

Reserve risk is managed by monitoring compliance with the reserving policy by the reserve committee and the audit committee. The effectiveness of this is assessed by comparing the internal and external reserve reviews and by application of TMRUK Ltd's risk management framework, including the ORSA process, including quarterly monitoring offing and reporting of various risk measures against risk tolerances and limits.

TMRUK Ltd places limited reliance on reinsurance and has only previously bought reinsurance from Group companies. This related to either assumed Group business, or direct and facultative classes, which were not part of the core business during the last five years of underwriting.

C2. Market Risk

Market risk refers to the uncertainties arising from market movements a firm may be exposed to in relation to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets.

The Market risks that TMRUK Ltd believes it is exposed to are recorded in the Risk Register, and include risks relating to:

- Changes in Interest rates;
- Changes in the value of financial market instruments (such as Money Market Funds ("MMFs"), bonds and other financial instruments) including those resulting from changes in credit spreads not matched by a corresponding movement in the value of liabilities;
- Changes in the value of other assets including equities; and
- Exchange rate movements.

TMRUK Ltd considers Market and Liquidity risks together and has developed a strategy to ensure that TMRUK Ltd can pay its liabilities, including day-to-day cash requirements. TMRUK Ltd aims to achieve this objective by holding investment assets types with highly secured, good quality and liquid nature such as cash, MMFs and highly rated bonds, where appropriate, so that TMRUK Ltd can minimise investment credit risks and liquidity risks and focus its risk management activities to risks resulting from the movements in interest rates and exchange rates.

TMRUK Ltd's investment management policy ensures its continued compliance with the Prudent Person Principle as laid down in Article 132 of the Directive 2009/138/EC. The overall investment mandate for TMRUK Ltd are that the average investment portfolio is "AA" (or equivalent) rated corporate bonds.

All assets shall be invested in such a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Assets held to cover the Technical Provisions shall also be invested in such a manner appropriate to the nature and duration of the liabilities. Monitoring of liability durations is maintained to ensure the appropriate asset and liability matching is achieved.

Assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer, trading sector or group of undertakings.

C3. Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where TMRUK Ltd is exposed to credit risk are:

- exposure to investments in debt securities, money market funds and cash deposits;
- reinsurers' share of insurance/reinsurance claim reserve liabilities;
- claim recovery amounts due from reinsurers in respect of claims already paid;
- premium amounts due from insurance/reinsurance policyholders/cedants; and
- premium amounts due from insurance/reinsurance intermediaries.

TMRUK Ltd monitors its exposure to a single counterparty, or groups of related counterparties, and to territorial and industry segments and sets limits on these.

There is no significant credit risk in respect of reinsurers as TMRUK Ltd's reinsurers are the Tokio Marine group companies.

C4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. In order to meet such calls, the Board sets minimum limits on the maintenance of cash deposits and investments. As such, liquidity risk is not a significant risk to TMRUK Ltd.

C5. Operational Risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including Legal, Strategic and Reputational risks.

TMRUK Ltd's Risk Register recognises Operational risks for TMRUK Ltd and those resulting from TMRUK Ltd being part of a group i.e. including Operational risks from the parent company, sister companies and subsidiaries.

Risk mitigations include:

- Annual reviews of policies and procedures
- Robust systems monitoring and auditing
- Exposure to fraud is limited owing to small size of company

C6. Risk Sensitivities

TMRUK Ltd's risk assessment and validation also includes the use of quantitative techniques including using techniques such as stress and scenario testing. Risks are monitored to ensure that the risk profile falls within the risk appetite, tolerance and limits of the company.

TMRUK Ltd considered the following sensitivities related to the key reserve risks identified in section C1.

- A. The impact of 1-in-50-year and 1-in-200 year losses to the political risks class, e.g. generated by global economic downturn. The impacts of these scenarios increase technical provisions (and reduces own funds) by £4m and £6m respectively; they increase the SF SCR by GBP1 million and GBP2 million respectively; and would reduce TMRUK Ltd's coverage of its SF SCR from 155% to 149% and 146% respectively.
- B. The impact of reducing the assumed proportion of future large injury claims that will settle as Periodical Payment Orders to zero. The impact of this scenario increases technical provisions (and reduces own funds) by £0m; they increase the SF SCR by GBP5 million; and would reduce TMRUK Ltd's coverage of its SF SCR from 155% to 147%.
- C. The impact of the Ogden discount rate for calculating lump sum settlements for large injury claim settlements changing from -0.75% to either -1.0% or -1.5%. The impact of these scenarios increase technical provisions (and reduces own funds) by £8m and GBP26 million respectively; they increase the SF SCR by GBP4 million and GBP13 million respectively; and would reduce TMRUK Ltd's coverage of its SF SCR from 155% to 141% and 115% respectively.

There is no allowance for any future management actions in the evaluation of the scenarios above. As they relate to external factors and events impacting business written before mid-2015 and with business no longer being written by TMRUK Ltd, we believe that any management actions would not have a material impact of the valuation of these scenarios.

In summary, TMRUK Ltd.'s Own Funds does not fall below the Solvency Capital Requirement in any of the risk sensitivities considered above.

C7. Other Material Risks

All material risks are covered in above.

D. Valuation for Solvency Purposes

Solvency II Balance Sheet as at 31 December 2017

Basis of preparation

TMRUK Ltd's Solvency II balance sheet is prepared as of 31 December 2017. The balance sheet is prepared in compliance with the Solvency II regulations.

Assets and liabilities are valued based on the assumption that TMRUK Ltd will pursue its business as a going concern.

TMRUK Ltd may by ordinary resolution declare a dividend, subject to Board approval. The articles of association do not prohibit the cancellation of a dividend at any time including after declaration.

Technical Provisions are recognized with respect to all insurance and reinsurance obligations towards policyholders and beneficiaries of insurance or reinsurance contracts. The value of Technical Provisions corresponds to the current amount that TMRUK Ltd would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") and the Companies Act 2006, under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"), provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive 2009/138/EC:

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction (without adjustment to take account of TMRUK Ltd's own credit standing).

The main adjustments between FRS 102 UK GAAP and Solvency II assets and liabilities relate to:

- Re-measurement of assets that are not measured at fair value in the FRS 101 financial statements;
- Re-measurement of Technical Provisions including allowance for discounting;
- Recognition of the Risk Margin;
- Re-measurement of reinsurance assets and liabilities; and
- Deferred tax impacts related to the adjustments above (where applicable).

These adjustments are detailed hereafter in this section.

The preparation of the balance sheet in accordance with Solvency II requires the use of estimates and assumptions. It requires the application of Solvency II principles described below. The main balance sheet account impacted are assets accounted at fair value, deferred tax assets and assets and liabilities relating to the insurance business. The principles set out below specify the measurement methods used for these items.

Unless otherwise stated, TMRUK Ltd's valuation principles have been consistently applied to all the periods presented.

The Solvency II balance sheet is presented in GBP, being TMRUK Ltd's functional currency. TMRUK Ltd operates mainly in the three transactional currencies of GBP/EUR/USD. All non-GBP/EUR/USD transactions are translated into GBP/EUR/USD at the exchange rates prevailing on the dates of the transactions. Assets and liabilities resulting from transactions denominated in foreign currencies are translated at the local closing exchange rate.

D1. Assets

Fair value measurement

The table below summarizes for each material class of assets, the value of the assets of TMRUK Ltd according to Solvency II provisions together with the values of the assets recognised and valued on a UK GAAP accounting basis as at 31 December 2017.

Asset Class (GBP'000)	Assets per GAAP	Reclassify for Solvency purposes	Solvency II valuation adjustment	Solvency II Valuation
Property, plant and equipment	37	-	-	37
Investments in government and corporate bonds	326,927	2,440	-	329,367
Collective investment undertaking	18,674	-	-	18,674
Cash and cash equivalents	64,472	176	-	64,648
Deferred acquisition costs	497	-	(497)	-
Reinsurers share of unearned premium	316	-	(316)	-
Reinsurers share of claims reserve/Technical Provision	1,750	-	(353)	1,397
Receivables (trade, not insurance)	1,297	-	-	1,297
Insurance and intermediaries receivable	13,117	-	(13,117)	-
Other assets	4,380	(2,616)	-	1,764
Total Assets	431,467	-	(14,283)	417,184

D1.1 Valuation principles

The valuation principles applied to these assets are consistent with those used in the UK GAAP accounts, notably:

D1.1.1 Property, plant and equipment, and intangible assets

These are valued at the same method as the annual financial statements, which follow UK GAAP.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. The costs of property, plant and equipment are capitalised on the UK GAAP Statement of Financial Position within various categories, and depreciated on a straight-line basis over the estimated useful lives, details of which can be found in the statement of accounting policies in the UK GAAP annual report for the year ended 31 December 2017. The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The costs of intangible assets are capitalised on the UK GAAP Statement of Financial Position, and depreciated on a straight-line basis over the estimated useful life, details of which can be found in the statement of accounting policies in the UK GAAP annual report for the year ended 31 December 2017. Where factors indicate the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new

circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Property, plant and equipment, and intangible assets are considered to be valued at fair value under Solvency II.

D1.1.2 Investments in government and corporate bonds

Investments in government and corporate bonds are all valued at fair value, being the quoted market price on close of business 31 December 2017, in the UK GAAP accounts. Solvency II valuation is fair value plus any accrued interest (which is included in the Other assets account in the UK GAAP balance sheet). All gilts and bonds are investment grade and their valuations represent quoted prices in active markets (being a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis).

D1.1.3 Collective investment undertaking

As at the reporting date, TMRUK Ltd held assets in collective investment undertakings. The collective investment undertakings are externally-managed funds, containing underlying assets that are highly credit rated and of short duration. Collective investment undertakings are valued at fair value under Solvency II based on market prices at the reporting date. As these are publicly traded securities, the market prices are readily available and are actively traded. The value of these funds in the financial statements is the same as for Solvency II.

D1.1.4 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Such deposits are classified as cash equivalents where they have maturity dates of three months or less from date of acquisition. Cash and cash equivalents are valued at fair value by the relevant financial institution. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset.

D1.1.5 Insurance and intermediaries receivable

Under UK GAAP these figures relate primarily to the amount owed to TMRUK Ltd from policyholders. However, under Solvency II, these amounts are included as part of premium provisions within Technical Provisions and therefore do not feature within Solvency II assets.

D1.1.6 Deferred tax asset

Deferred tax assets and liabilities are valued based on the UK GAAP expected tax impact. Deferred tax asset or liability arises from differences in timing between the recognition of taxable profits/losses in the UK GAAP financial statements, versus their recognition in the tax computation. Deferred tax assets are recognised to the extent that it is regarded more likely than not that these will be recovered. No deferred tax asset has been recognised from the transition from UK GAAP to Solvency II valuation as per the PRA Supervisory Statement SS2/14 (November 2016).

The deferred tax asset balance at December 31 2017 was nil.

With effect from 1 April 2017 the UK headline rate of corporation tax reduced from 20% to 19%, and will reduce further to 17% on 1 April 2020. The rate reductions to 19% and 17% were substantively enacted at the balance sheet date. The closing deferred tax balance is recognised at a blended rate between 19% and 17% based on when the deferred tax balance is estimated to reverse.

D1.1.7 Reinsurers share of unearned premium

Under Solvency II, these amounts are included within Technical Provisions and therefore do not feature within Solvency II assets.

D1.1.8 Deferred acquisition costs

Deferred acquisition costs are defined as acquisition costs relating to contracts in force at the balance sheet date which are carried forward from one reporting period to subsequent reporting periods, relating to unexpired periods of risks. Deferred acquisition costs are not recognised within Solvency II assets.

D1.1.9 Reinsurers share of claim reserves (Reinsurers share of Technical Provisions)

Under the Solvency II balance sheet the reinsurers' share of Technical Provisions are valued using the same approach as for gross, as part of net Technical Provisions, as described in Section D2 below. This has been calculated as the reinsurers' share of the unearned premium provision multiplied by the expected claim rate for each Solvency II line of business.

D1.1.10 Receivable (trade, not reinsurance)

Receivable (trade, not reinsurance) relate to other receivables which are due within 1 year and UK GAAP carrying value (being equivalent to IFRS carrying values) are taken to approximate fair values under Solvency II.

D1.1.11 Other Assets

Other assets relate to prepayments, interest receivable and sundry debtors which are due within 1 year under UK GAAP and represent the fair value of the assets. Interest receivable has been reclassified to investments under Solvency II. The other assets valuation is considered to be valued at fair value under Solvency II.

D2. Technical Provisions

Technical Provisions are split between Non-life and Life (Periodic Payment Orders or “PPOs”).

The table below summarises TMRUK Ltd’s non-life Technical Provisions under Solvency II as at 31 December 2017:

Solvency II line of business (GBP'000)		2017			2016		
		Net Best Estimate	Risk Margin	* Technical Provisions	Net Best Estimate	Risk Margin	* Technical Provisions
Direct business and accepted proportional reinsurance	Medical expense insurance	275	38	313	1,687	206	1,893
	Motor vehicle liability insurance	40,950	5,705	46,655	46,882	5,725	52,607
	Marine, aviation and transport insurance	3,480	485	3,965	563	69	632
	Fire and other damage to property insurance	19,609	2,732	22,341	36,752	4,488	41,240
	General liability insurance	23,224	3,236	26,460	28,478	3,478	31,956
	Miscellaneous financial loss	12,711	1,771	14,482	39,625	4,839	44,464
Accepted non-proportional reinsurance	Non-proportional health reinsurance	(9)	(1)	(10)	(25)	(3)	(28)
	Non-proportional casualty reinsurance	88,427	12,321	100,748	98,437	12,021	110,458
	Non-proportional marine, aviation and transport reinsurance	3,891	542	4,433	6,932	846	7,778
	Non-proportional property reinsurance	313	44	357	825	100	925
Total non-life obligation		192,871	26,873	219,744	260,156	31,769	291,925

* - being Technical Provisions minus recoverables from reinsurance

The table below summarises TMRUK Ltd’s life Technical Provisions under Solvency II as at 31 December 2017:

Solvency II line of business (GBP'000)		2017			2016		
		Net Best Estimate	Risk Margin	* Technical Provisions	Net Best Estimate	Risk Margin	* Technical Provisions
Accepted reinsurance	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations	33,311	4,641	37,952	22,798	2,784	25,582
Total (Life other than health insurance, incl Unit-linked)		33,311	4,641	37,952	22,798	2,784	25,582

* - being Technical Provisions minus recoverables from reinsurance

General Principles

Technical Provisions are measured as the sum of:

- Best Estimate Liabilities (“BEL”); and
- Risk Margin for non-hedgeable risks that is added to the BEL.

The BEL is grouped into the following key components:

- Claims provisions: Best Estimate of provisions that relate to the earned exposure; and
- Premium provisions: Best Estimate of provisions that relate to the unearned exposure.

The BEL corresponds to the probability-weighted average of future cash flows including policyholder’s benefit payments, expenses, and premiums related to existing insurance and reinsurance contracts taking into account the time value of money (i.e. by discounting these future cash flows to present value using EIOPA yield curves). The calculation of the BEL is based upon up-to-date reliable information and realistic assumptions. The cash-flow projection used in the calculation includes all the cash in- and out-flows required to settle the insurance and reinsurance obligations over their lifetime.

The BEL is calculated using standard actuarial methods with method selection varying according to class of business, loss category and age of development. The two key assumptions feeding into the BEL outputs are the development patterns and initial expected loss ratios (“IELRs”). Consideration is given to adding in further loads for Events Not In Data (“ENIDs”). The BEL is calculated in this way both gross of reinsurance and separately for reinsurance cash flows. These are then used to estimate the Technical Provisions net of reinsurance.

The Risk Margin is defined as the cost of non-hedgeable risk, i.e. a margin in addition to the expected present value of liability cash flows required to manage the business on the basis of transferring the portfolio to another insurance or reinsurance company. It is deemed to be the present value of the cost of future economic capital requirements for non-hedgeable risks. The Risk Margin is determined as the present value at the basic risk-free interest rate structure of the future capital charges using a 6% cost of capital for all lines of business.

Uncertainty Associated with the Value of Technical Provisions

The main sources of uncertainty in the valuation of the Technical Provisions are around the assumptions used for:

- Uncertainty on the claims performance (both number and severity); and
- Uncertainty on the level of expenses.

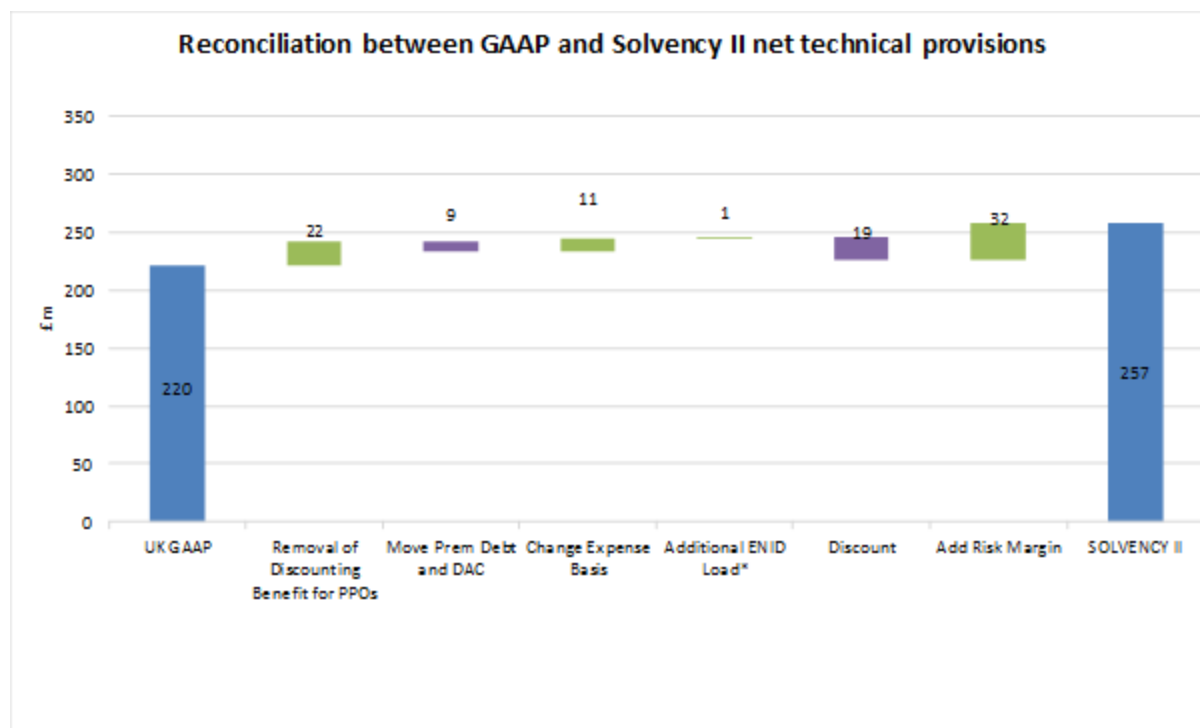
The assumptions are the best estimate assumptions based on TMRUK Ltd's own experience. Although TMRUK Ltd has more than 10 years of experience, the data only includes the limited outcomes of the underlying distribution. Therefore, there are possible events that have not been experienced by TMRUK Ltd and thus cannot be captured for the analysis. This could result in the best estimate assumptions being mis-estimated.

TMRUK Ltd believes that the Technical Provisions for lump sum Motor claims are appropriate and adequate, but does recognise the sensitivities of key assumptions involved in the calculation of the reserve. These include the assumption made for future Ogden discount rates for bodily injury settlements and the ages of claimants. For example, a 5 year change in the average age of the claimant and/or life expectancy of the claimant may have a material impact on the Technical Provisions for lump sum Motor claims.

On 30th March 2018, the Lord Chancellor announced provisions in the proposed Civil Liability Bill, which will be heard in parliament later in 2018. This is the proposed legislation that was initially announced in 2017 when the government stated that based on current market environment they would expect an updated Ogden rate to most likely be between 0% and +1%; however, the rate currently remains at -0.75%. TMRUK Ltd. continues to base its technical provisions on an assumed Ogden discount rate at -0.75%. If and when the legislation passes and the rate changes, it is likely that there will be a release of technical provisions.

Reconciliation between Financial Statements and Solvency II Technical Provisions

The chart below shows a reconciliation between UK GAAP reserves in TMRUK Ltd's Financial statements and the Solvency II Technical Provisions on a net-of-reinsurance basis.



The larger items driving the difference are:

- For Solvency II Technical Provisions, an explicit Risk Margin is calculated. This has been calculated by projecting different elements of the Solvency II Standard Formula for the SCR over future years to estimate the appropriate SCR at those times. The Risk Margin is then derived by applying the cost of capital of 6% and discounting the future costs using EIOPA's risk-free yield curve;
- Movement of premium debt, which is an asset in the Financial Statements, but reduces claims liabilities under Solvency II;
- Change in discounting basis. In the financial statements, only liabilities relating to PPOs are discounted, whereas most liabilities are not discounted. The discount rate is estimated using market data for AA-rated corporate bonds. Under Solvency II all liabilities are discounted, but at a lower rate provided by EIOPA; and
- Change in the basis of calculation for expenses.

Allowance for ceded reinsurance

TMRUK Ltd only has ceded technical provisions relating to outwards reinsurance on a single line of business, where all claims that occur after 31/12/2011 are 100% reinsured. These ceded best estimate technical provisions amount to GBP1.0 million.

The gross technical provisions are calculated on an accident year basis, so that the ceded technical provisions are simply equal to the gross technical provisions for accident years 2012 onwards.

Changes in assumptions over the year

During 2017, there were some modifications to assumptions underlying the propensity for large bodily injury claims to be settled as PPO's rather than lump sums and payment patterns for potential PPO claims, and the payment pattern for potential PPO claims.

Other notes regarding the Technical Provisions

The following are not applied by TMRUK Ltd:

- The volatility adjustment referred to in Article 77d of the Directive;
- The transitional risk-free interest rate-term structure referred to in Article 308c of the Directive; and
- The transitional deduction referred to in Article 308d of the Directive.

TMRUK Ltd used no significant simplifications in the calculation of the Technical Provisions.

D3. Other Liabilities

The table below shows the other liabilities class for the year ended 31 December 2017.

Other liability class (GBP'000)	2017		2016	
	UK GAAP	Solvency II	UK GAAP	Solvency II
Payable (trade, not insurance)	404	404	184	184
Deferred tax liability	235	235	-	-
* Lease	335	335	133	133
Other creditors	1,047	1,047	2,412	2,412

* - Leases are shown within other creditors (Ro880 - Any other liabilities, not elsewhere shown) in Appendix S.02.01, Balance Sheet

There are no differences between the bases, methods and main assumptions used by TMRUK Ltd for the valuation of other liabilities for solvency purposes and those used for their valuation in financial statements.

D3.1 Payable (trade, not insurance)

Payable (trade, not insurance) include amounts due to suppliers, public entities etc. which have been invoiced by 31 December 2017 and are not insurance related. Payable (trade, not insurance) solely comprise amounts which fall due within 12 months and are considered to be held at fair value.

D3.2 Deferred Tax Liabilities

Deferred tax liabilities valuation disclosure is detailed together with deferred tax assets in the asset section in D1.1.6.

D3.3 Leases

Lease obligations apply to dilapidation costs on an operating lease which expired on May 22 2017.

D3.4 Other creditors

Other creditors include liabilities of uncertain timing including accruals to suppliers, amounts due to employees etc. The liabilities are recognised when they represent obligations as at 31 December 2017 and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Other creditors solely comprise amounts which fall due within 12 months and are considered to be held at fair value.

D3.5 Contingent liabilities

Contingent liabilities are:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; and
- A present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Under Solvency II, possible contingent liabilities that are material are recognized as liabilities, unlike FRS 102 where they are only disclosed. Contingent liabilities are material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgment of the intended user of that information, including the supervisory authorities.

TMRUK Ltd has not recognised any contingent liabilities as at 31 December 2017.

D4. Alternative Valuation Methods

There were no alternative methods required or considered for the valuation of TMRUK Ltd's assets or liabilities.

D5. Any other material information

There is no other material information to be disclosed regarding the valuation of TMRUK Ltd's assets and liabilities for solvency purposes.

E. Capital Management

E1. Own Funds

E1.1 Capital Structure

TMRUK Ltd has a Capital Management Policy and a Medium Term Capital Management Plan which outline the overall aim and approach to be taken for capital management, together with the standards and parameters which must be adhered to and reporting requirements and responsibilities.

The objective is to ensure that TMRUK Ltd has sufficient capital resources to remain solvent on both a regulatory basis (Solvency II Pillar I) and an economic basis (Solvency II Pillar II).

The capital projections shown in the ORSA over the 3-year business planning period facilitate Board discussion on the capital requirements for TMRUK Ltd.

TMRUK Ltd also has an unconditional and irrevocable guarantee from its immediate parent in Japan.

There have not been any material changes to the capital management policy or processes in 2017.

E1.2 Own Funds

TMRUK Ltd's Own Funds are classified as Tier 1 unrestricted capital and Tier 3 capital as follows:

Own Fund Item (GBP'000)	Tier	2017	2016
Share capital	1 - unrestricted	125,000	125,000
Reconciliation reserve	1 - unrestricted	31,069	19,153
Deferred tax asset	3	-	730
Total Own Funds		156,069	144,883

The reconciliation reserve is classified as Tier 1 unrestricted capital in accordance with the Solvency II regulations. It is calculated as follows:

Description (GBP'000)	2017	2016
Solvency II excess of assets over liabilities	156,069	144,883
Less:		
Ordinary share capital	(125,000)	(125,000)
Deferred Tax assets	-	(730)
Reconciliation Reserve	31,069	19,153

The value of the reconciliation reserve is directly related to the value of the excess of assets over liabilities and is therefore subject to potential volatility of those assets and liabilities. Regular Solvency II balance sheet forecasting is undertaken to monitor the expected future value of assets and liabilities. Where risks are identified, management actions are undertaken to mitigate any impact on solvency coverage.

During the year, no dividends were paid and no dividends are proposed.

E1.3 Tiering of Capital

Only TMRUK Ltd's Tier 1 Own Funds may be used towards meeting the Minimum Capital Requirement ("MCR"). TMRUK Ltd's Tier 1 and Tier 3 Own Funds, of which there were none, may be used towards meeting the Solvency Capital Requirement.

Description (GBP'000)	2017	2016
Eligible Own Funds to meet MCR	156,069	144,153
Eligible Own Funds to meet SCR	156,069	144,883

E1.4 Reconciliation from UK GAAP to Solvency II excess of assets over liabilities

For the excess of assets over liabilities, the attribution of valuation differences is as follows:

Description (GBP'000)	2017	2016
UK GAAP excess of assets over liabilities	204,523	197,258
Deferred Acquisition Costs	(476)	(2,261)
Risk Margin	(31,514)	(34,553)
Technical Provisions net of reinsurance recoverables	(16,464)	(15,561)
Solvency II excess of assets over liabilities	156,069	144,883

Capital resources are allocated differently under UK GAAP and Solvency II resulting from differences in the classification and valuation of certain items under Solvency II definitions compared to UK GAAP:

- Deferred acquisition costs are not allowed under Solvency II (difference arising from Solvency II valuation of assets above); and
- Technical Provisions are recalculated under Solvency II on a discounted best estimate basis (difference arising from Solvency II valuation of Technical Provisions above).

E2. Solvency Capital Requirement and Minimum Capital Requirement

General Principles

The Solvency II directive provides for two separate levels of solvency margin: (i) the MCR, which is the amount of Own Funds below which policy holders and beneficiaries are exposed to an unacceptable level of risk should TMRUK Ltd be allowed to continue its operations, and (ii) the SCR, which corresponds to a level of eligible Own Funds that enables insurance and reinsurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made.

TMRUK Ltd uses the standard formula to calculate its SCR.

E2.1 Amount of SCR and MCR

The table below shows the SCR and MCR position and the admissible Own Funds as at 31 December 2017 and prior year ended 31 December 2016.

Description (GBP'000)	2017	2016
Minimum Capital Requirement	28,076	38,438
Solvency Capital Requirement	100,994	132,933

E2.2 SCR components by risk type

The table below shows the components of TMRUK Ltd's SCR at 31 December 2017 and prior year ended 31 December 2016.

Net Solvency Capital Requirement (GBP'000)	2017	2016
Market risk	6,887	6,244
Counterparty default risk	4,827	9,289
Life underwriting risk	237	135
Health underwriting risk	46	285
Non-life underwriting risk	90,501	118,237
Undiversified basic SCR	102,498	134,190
Diversification credit	(7,482)	(9,270)
Diversified basic SCR	95,016	124,920
Operational risk	5,978	8,013
Final standard formula SCR	100,994	132,933

E2.3 MCR

The table below shows the inputs into the MCR calculation as at 31 December 2017 and prior year ended 31 December 2016. Note, the absolute floor of the minimum capital requirement (“AMCR”) is prescribed by EIOPA and stated in Great British Pounds.

Overall MCR Calculation (GBP'000)	2017	2016
AMCR (in GBP)	3,251	3,332
Linear MCR	28,076	38,438
MCR Cap	45,447	59,820
MCR Floor	25,248	33,233
SCR	100,994	132,933
Combined MCR	28,076	38,438
Minimum Capital Requirement	28,076	38,438

E3. Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

TMRUK did not make use of the duration-based equity risk sub-module during the reporting period.

E4. Non-compliance with SCR and MCR

TMRUK Ltd has complied with the MCR and the SCR throughout 2017 and does not expect to breach the requirements over TMRUK Ltd's plan period.



**Tokio Millennium Re (UK) Limited
Solvency and Financial Condition Report**

Appendix

Year ended 31 December 2017

(monetary amounts in GBP'000)

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	37
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	348,041
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	329,367
R0140	<i>Government Bonds</i>	195,216
R0150	<i>Corporate Bonds</i>	134,151
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	18,674
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	1,397
R0280	<i>Non-life and health similar to non-life</i>	1,397
R0290	<i>Non-life excluding health</i>	1,397
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	1,504
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	1,297
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	64,648
R0420	Any other assets, not elsewhere shown	260
R0500	Total assets	417,184
Liabilities		
R0510	Technical provisions - non-life	221,141
R0520	<i>Technical provisions - non-life (excluding health)</i>	220,838
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	194,002
R0550	<i>Risk margin</i>	26,836
R0560	<i>Technical provisions - health (similar to non-life)</i>	303
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	266
R0590	<i>Risk margin</i>	37
R0600	Technical provisions - life (excluding index-linked and unit-linked)	37,952
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	37,952
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	33,311
R0680	<i>Risk margin</i>	4,641
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0730	Other technical provisions	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	235
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)	404
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	1,383
R0900	Total liabilities	261,114
R1000	Excess of assets over liabilities	156,069

S.05.02.01

Premiums, claims and expenses by country

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	
Non-life	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
		GI	IS	MX	QA	ES		
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140	
Premiums written								
R0110 <i>Gross - Direct Business</i>	(2)	0	0	51	67	55	171	
R0120 <i>Gross - Proportional reinsurance accepted</i>	(3,545)	251	0	0	0	0	(3,294)	
R0130 <i>Gross - Non-proportional reinsurance accepted</i>	830	61	18	0	0	0	909	
R0140 <i>Reinsurers' share</i>	(2)	0	0	51	67	55	171	
R0200 <i>Net</i>	(2,715)	312	18	(0)	(0)	(0)	(2,385)	
Premiums earned								
R0210 <i>Gross - Direct Business</i>	188	0	0	60	77	55	381	
R0220 <i>Gross - Proportional reinsurance accepted</i>	1,741	1,921	0	0	0	0	3,662	
R0230 <i>Gross - Non-proportional reinsurance accepted</i>	1,368	224	18	0	0	0	1,611	
R0240 <i>Reinsurers' share</i>	188	0	0	60	77	55	381	
R0300 <i>Net</i>	3,109	2,145	18	(0)	(0)	(0)	5,273	
Claims incurred								
R0310 <i>Gross - Direct Business</i>	(1)	0	0	24	229	(1,271)	(1,020)	
R0320 <i>Gross - Proportional reinsurance accepted</i>	(2,963)	1,965	0	0	0	0	(998)	
R0330 <i>Gross - Non-proportional reinsurance accepted</i>	475	806	2	0	0	0	1,283	
R0340 <i>Reinsurers' share</i>	(3)	0	0	54	516	(2,871)	(2,304)	
R0400 <i>Net</i>	(2,486)	2,771	2	(30)	(288)	1,600	1,569	
Changes in other technical provisions								
R0410 <i>Gross - Direct Business</i>							0	
R0420 <i>Gross - Proportional reinsurance accepted</i>							0	
R0430 <i>Gross - Non-proportional reinsurance accepted</i>							0	
R0440 <i>Reinsurers' share</i>							0	
R0500 <i>Net</i>	0	0	0	0	0	0	0	
R0550 Expenses incurred	1,029	1,839	27	24	64	39	3,021	
R1200 Other expenses								
R1300 Total expenses							3,021	

S.12.01.02
Life and Health SLT Technical Provisions

R0010 **Technical provisions calculated as a whole**
R0020 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

R0030 **Gross Best Estimate**

R0080 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re

R0100 **Risk margin**

Amount of the transitional on Technical Provisions

R0110 Technical Provisions calculated as a whole

R0120 Best estimate

R0130 Risk margin

R0200 **Technical provisions - total**

Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl Unit-linked)			
			C0090	C0100	C0150
				0	0
				0	0

		33,311	33,311
		0	0
	0	33,311	33,311

		4,641	4,641
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			0
			0
			0

	0	37,952	37,952
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S.17.01.02
Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance				Total Non-Life obligation
	Medical expense insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0020	C0050	C0070	C0080	C0090	C0130	C0140	C0150	C0160	C0170	C0180
R0010 Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0
R0050 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole											0
Technical provisions calculated as a sum of BE and RM											
Best estimate											
Premium provisions											
R0060 Gross - Total	0	0	0	252	0	984	0	0	0	97	1,333
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				(91)							(91)
R0150 Net Best Estimate of Premium Provisions	0	0	0	343	0	984	0	0	0	97	1,424
Claims provisions											
R0160 Gross - Total	275	40,950	3,481	20,753	23,225	11,727	(9)	88,427	3,891	216	192,935
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				1,488							1,488
R0250 Net Best Estimate of Claims Provisions	275	40,950	3,481	19,265	23,225	11,727	(9)	88,427	3,891	216	191,447
R0260 Total best estimate - gross	275	40,950	3,481	21,006	23,225	12,711	(9)	88,427	3,891	313	194,268
R0270 Total best estimate - net	275	40,950	3,481	19,609	23,225	12,711	(9)	88,427	3,891	313	192,871
R0280 Risk margin	38	5,706	485	2,732	3,236	1,771	(1)	12,321	542	44	26,873
Amount of the transitional on Technical Provisions											
R0290 TP as a whole											0
R0300 Best estimate											0
R0310 Risk margin											0
R0320 Technical provisions - total	313	46,655	3,966	23,738	26,460	14,482	(11)	100,748	4,433	357	221,141
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	1,397	0	0	0	0	0	0	1,397
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	313	46,655	3,966	22,341	26,460	14,482	(11)	100,748	4,433	357	219,744

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year Underwriting Year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	Development year					C0100	C0110	C0170	C0180	
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)	
R0100	Prior											1,638	1,638	
R0160	N-9	1,414	15,790	15,830	12,468	5,576	4,923	3,243	424	842	1,047	1,047	61,558	
R0170	N-8	546	14,772	13,281	5,969	3,825	6,164	1,139	1,534	310		310	47,541	
R0180	N-7	3,197	22,535	11,805	2,230	2,525	1,632	894	(178)			(178)	44,640	
R0190	N-6	5,330	12,825	14,015	3,900	2,144	136	2,833				2,833	41,183	
R0200	N-5	1,119	11,972	9,855	4,265	4,556	11,037					11,037	42,804	
R0210	N-4	1,838	19,045	12,707	9,378	7,583						7,583	50,551	
R0220	N-3	2,169	24,136	18,876	12,522							12,522	57,702	
R0230	N-2	5,529	35,310	18,820								18,820	59,659	
R0240	N-1	0	0									0	0	
R0250	N	0										0	0	
R0260		0										0	0	
												Total	55,612	407,277

Gross undiscounted Best Estimate Claims Provisions														
(absolute amount)														
Year	C0200	C0210	C0220	C0230	Development year					C0290	C0300	C0360		
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)		
Prior												3,415		
N-9	0	0	0	0	0	0	0	0	0	4,115	3,516	3,454		
N-8	0	0	0	0	0	0	0	0	6,397	4,699		4,444		
N-7	0	0	0	0	0	0	5,871	2,675				2,624		
N-6	0	0	0	0	0	7,060	2,778					2,733		
N-5	0	0	0	0	33,238	14,801						14,118		
N-4	0	0	0	50,961	40,560							39,570		
N-3	0	0	68,567	58,825								57,823		
N-2	0	79,675	65,917									64,754		
N-1	0	0										0		
N	0											0		
												Total	192,935	

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Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
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Deductions

R0230	Deductions for participations in financial and credit institutions
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R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
125,000	125,000		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
31,069	31,069			
0		0	0	0
0				
0	0	0	0	0

0

0	0	0	0	
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156,069	156,069	0	0	0
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0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

156,069	156,069	0	0	0
156,069	156,069	0	0	
156,069	156,069	0	0	0
156,069	156,069	0	0	

100,994
28,076
154.53%
555.89%

C0060
156,069
0
125,000
0
31,069

0

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Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	6,886		
R0020 Counterparty default risk	4,827		
R0030 Life underwriting risk	237		
R0040 Health underwriting risk	46		
R0050 Non-life underwriting risk	90,501		
R0060 Diversification	(7,482)		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	95,016		
	Calculation of Solvency Capital Requirement		
R0130 Operational risk	5,978		
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	100,994		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	100,994		
	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		

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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	28,076
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
275	0
0	0
0	0
40,950	680
0	0
3,481	0
19,609	0
23,225	1,377
0	0
0	0
0	0
12,711	0
0	0
88,427	458
3,891	488
313	0

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR _L Result	0
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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	28,076
R0310	SCR	100,994
R0320	MCR cap	45,447
R0330	MCR floor	25,248
R0340	Combined MCR	28,076
R0350	Absolute floor of the MCR	3,251

R0400	Minimum Capital Requirement	28,076
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