AXIS Re SE

Solvency and Financial Condition Report

Year Ended 31 December 2017

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As used in this report, references to 'we', 'us', 'our', or 'Company' refers to AXIS Re SE. The Solvency and Financial Condition Report is presented in thousands of US Dollars (USD'000) unless otherwise stated. Amounts in tables may not reconcile due to rounding differences.

On 4 November 2015, Ireland transposed the Solvency II Directive (Directive 2009/138/EC) as amended by the Omnibus II Directive (2014/51/EC) (together "the Solvency II Directive") into Irish Law effective 1 January 2016. This transposition took the form of secondary Irish legislation in the form of a Statutory Instrument, the European Union (Insurance and Reinsurance) Regulations 2015, which together with the Solvency II Directive are collectively referred to as "Solvency II" in this report.

This Solvency and Financial Condition Report ("SFCR") for AXIS Re SE is for year ended 31 December 2017.

The SFCR is produced as part of our compliance with the reporting requirements under Solvency II. It covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management.

Business and Performance
AXIS Re SE operates from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2. The Company has a branch office in Zurich, Switzerland, which trades as "AXIS Re Europe". The Company has marketing offices in Spain, Brazil, France and Dubai.

The Company is a part of the AXIS Capital Holdings Limited ("AXIS Capital") group. AXIS Capital is a Bermuda-based holding company. At 31 December 2017, it had common shareholders' equity of USD 4.6 billion, total capital of USD 6.4 billion and total assets of USD 24.8 billion.

The principal activity of the Company is the transaction of treaty and facultative reinsurance business in respect of the risks of third parties, primarily in the marine, transit, property (including energy and engineering), liability, accident and health, motor and credit and surety classes of business.

In 2017, the Company continued to achieve positive results. The profit for the year increased to USD 51.9 million compared to USD 30.4 million in 2016. Gross premiums written in 2017 of USD 1.1 billion were below prior year by USD 75.2 million. The Company's investment portfolio of USD 1.4 billion generated returns of USD 82.2 million in 2017 (2016: return of USD 3.6 million).

The Directors were satisfied with the performance of the Company in 2017, given current market conditions.

Refer to Section A for further detail relating to business and performance.

System of Governance
The Company adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders through the diligent oversight of policies, processes and decision making. The Board of Directors are ultimately responsible for the good governance, performance and strategy of the Company.

The Company ensures that all persons, who effectively run the Company or have other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

Risk governance is executed through a three lines of defence model, as described below:

First Line of Defence Business Units	Second Line of Defence Risk Management	Third Line of Defence Internal Audit
• Management is responsible for the design and implementation of risk policies, processes and controls to manage risk	• Provide oversight and guidance of the management of risk across the business by supporting and challenging risk owners in their identification, assessment, and mitigation and reporting of risk.	• Perform risk audits of execution against the risk standards, practices, processes and controls.

Refer to Section B for further detail on the Company's system of governance.

Risk Profile
The Company's risk landscape comprises underwriting, market, credit, liquidity, operational and other risks that arise as a result of doing business. Across these risk categories, emerging threats and opportunities are identified and evaluated through a framework that includes the assessment of potential surprise factors that could affect known loss potentials.

Underwriting risk is managed through rigorous protocols, including peer review and underwriting guidelines, which provide a framework for consistent pricing and risk analysis while ensuring alignment to risk appetite. The Company seeks to mitigate reserving risk by, among other things, diligently monitoring claims and maintaining a structured process and control framework for determining carried reserves.

The management of market and credit risk comprises the identification, assessment and controlling of the risks inherent in the financial and credit markets and includes monitoring of compliance with the Company's risk management standards, including various risk tolerance limits. The Company seeks to mitigate investment risk by, among other things, closely managing its investment managers through investment policies and guidelines which place limits on asset class and individual security exposures.

The Company aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. The Company manages liquidity through risk limits which define the minimum percentage of the Company's cash and investments to mature within a defined timeframe.

The Company manages operational risk through the application of strong process controls, via operational risk standards set out in the Operational Risk Policy and through ongoing risk assessment and monitoring processes.

Refer to Section C for further detail on the Company's risk profile.

Valuation for Solvency Purposes
The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. As used in this report, references to 'GAAP' refer to the accounting standards and regulations under which the financial statements have been prepared.

The Solvency II balance sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

The valuation of assets and liabilities for GAAP is the same as Solvency II except for:
- differences in the valuation of technical provisions and associated reinsurance recoverables,
- the financial statements include property, plant and equipment at cost, which are valued at fair value under Solvency II; and
- additional deferred tax calculated on the expected tax impact once the valuation adjustments from GAAP to Solvency II unwind.

Refer to Section D for further detail on valuation for Solvency purposes.

Capital Management

The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements.

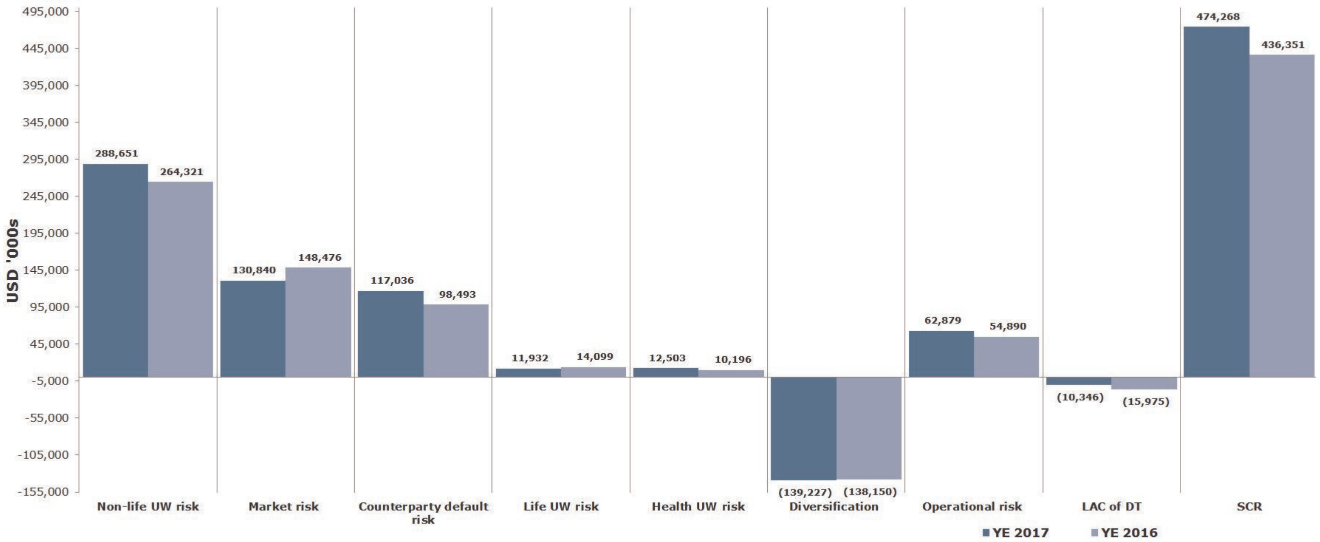
For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 98.6% of the Company's own funds are classified as Tier 1.

	2017	2016
	USD'000	USD'000
Solvency II own funds	664,990	674,154
Restricted own fund item	(6,640)	(5,050)
Eligible own funds	**658,350**	**669,104**

In accordance with certain local regulatory and contractual requirements, the Company has a restricted cash balance of USD 6.6 million on deposit at 31 December 2017.

The Company applies the Standard Formula approach in calculating the Solvency II Solvency Capital Requirement ("SCR").

The SCR at 31 December 2017 was USD 474.3 million with a coverage ratio of 138.8%.



"LAC of DT" - Loss absorbing capacity of Deferred Tax

The Minimum Capital Requirement ("MCR") at 31 December 2017 was USD 118.6 million with a coverage ratio of 547.7%.

The final SCR and MCR amounts remain subject to supervisory assessment. The Company was compliant with Solvency II capital requirements throughout the year.

Refer to Section E for further detail on Capital Management.

A. BUSINESS AND PERFORMANCE

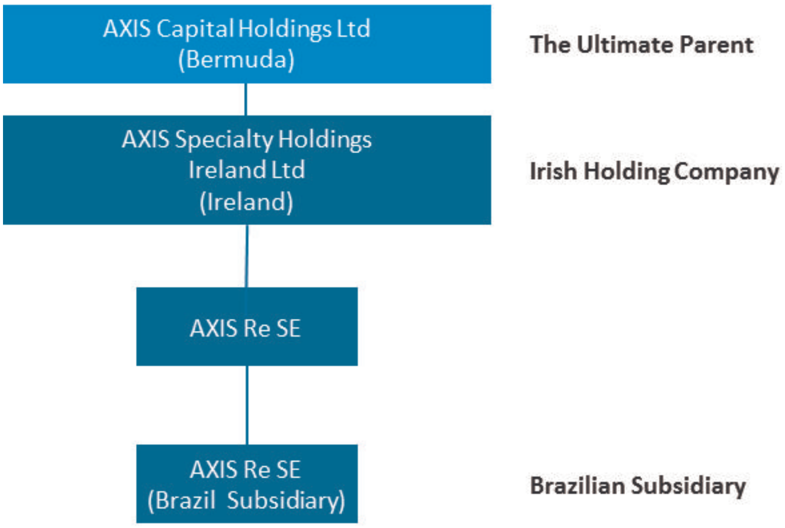
A.1 Business

Company Profile
The Company was incorporated in Ireland on 12 February 2002 as a limited liability company. On 10 September 2012, the Company re-registered as a Societas Europaea ("SE") having received Irish High Court approval.

The Company is 100% owned by AXIS Specialty Holdings Ireland Limited ("ASHIL"), an Irish registered company which is 100% owned by AXIS Capital, a company incorporated in Bermuda. The Bermuda Monetary Authority acts as the group supervisor of AXIS Capital.

At 31 December 2017, AXIS Capital had common shareholders' equity of USD 4.6 billion, total capital of USD 6.4 billion and total assets of USD 24.8 billion.

Simplified Group Structure



Refer to Appendix I for the AXIS Capital group structure including the Company and its related undertakings.

AXIS Re SE operates from its Head Office at Mount Herbert Court, 34 Upper Mount Street, Dublin 2. The Company has a branch office in Zurich, Switzerland, which trades as "AXIS Re Europe". The Zurich branch has a registered office address at Alfred Escher-Strasse 50, CH-8002 Zurich, Switzerland.

The Company has established representative offices as follows:

- In February 2010, the Company set up a representative office in Madrid, Oficina de Representación en España (Madrid), (the "Madrid Representative office") with a registered address at Paseo de la Castellana 141 Portal IV - Planta 8, 28046 Madrid, which provides marketing services on behalf of the Company.

- In December 2010, the Company established a subsidiary in Brazil to provide marketing services for the Company. AXIS Re Limited Escritorio de Representaçao No Brasil Ltda (the "Brazil Subsidiary") is registered at the Chamber of Commerce in Brazil with a registered address at Alameda Santos, nº 2326 - 9º andar, CEP 01418-100, São Paulo. The Company was granted its license by the Superintendence of Private Insurance ("SUSEP") as an admitted reinsurer in Brazil in March 2011.

- In June 2011, the Company set up a representative office in Barcelona, Oficina de Representación en España (Barcelona) (the "Barcelona Representative office") with a registered address at Avda. Diagonal 640, 6th Floor, Door A, Office 622, 08017 Barcelona, which provides marketing services on behalf of the Company.

- In October 2011, the Company set up a representative office in Paris, AXIS Re SE, French Representative Office with a registered address at 28 Rue Cambacérès, F-75008 Paris, which provides marketing services on behalf of the Company.

- In December 2015, the Company received approval from the Dubai Financial Services Authority to open a representative office in Dubai, AXIS Re SE, Dubai Representative Office, with a registered address at Unit 42, Level 3, Gate Village Building 4, Gate Village, DIFC, PO Box 507026, Dubai. In November 2017, the Dubai Representative Office was incorporated as a subsidiary of AXIS Specialty Holdings Ireland Limited trading as 'AXIS Reinsurance (DIFC) Limited'. In December 2017, AXIS Reinsurance DIFC Limited was grated a Category 4 license by the Dubai Financial Services Authority.

Shared Services within the AXIS Group

The AXIS Group ("Group") operates a global business providing a range of specialty (re)insurance products and services. Business segments and legal entities within the Group rely on the breadth of support functions offered by the Group. The Group operates a federated structure so that the business segments have access to many of their own vital support functions, such as Finance, Actuarial, Human Resources ("HR") and Information Technology ("IT"), and these are overlaid with further functions and support at Group level, such as Corporate Finance, Treasury & Investments, Corporate Risk and Ceded Reinsurance. Certain functions have centralised support, such as HR and IT, with a dedicated representative within the business segment. This also applies to the legal entities where many of the business and support function leaders have a shared responsibility, with some of those having obligations at both business segment and legal entity level.

Supervision and External Audit

The Company is regulated by the Central Bank of Ireland ("CBI"), New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3, Ireland.

The Company's external auditor is Deloitte, Chartered Accountants and Statutory Audit Firm, whose address is 29 Earlsfort Terrace, Dublin 2, Ireland.

Performance

On a GAAP basis, the profit for the year ended 31 December 2017 was USD 51.9 million (2016: USD 30.4 million).

	2017	**2016**
	USD'000	**USD'000**
Gross premiums written	1,062,301	1,137,498
Technical result	13,067	3,935
Net investment income / (expense)	82,173	3,647
Foreign exchange gains	(35,621)	23,408
Profit on ordinary activities before taxation	59,619	30,990
Taxation on profit on ordinary activities	(7,701)	(576)
Profit on ordinary activities after taxation	**51,918**	**30,414**

The Company writes business world-wide primarily across marine, transit, property (including energy and engineering), liability, accident and health, motor and credit and suretyship classes of business. Accident and health business includes medical expense, income protection, assistance and health non-proportional business.

In 2017, the gross written premiums were below prior year by USD 75.2 million. The decrease was primarily driven by the credit and surety and energy offshore lines of business, in particular there was a decrease in treaties written on a multi-year basis in 2017.

Despite the market improvements the Company saw at the 1 January 2018 renewals, broadly across all lines of business, the 2018 trading environment is expected to remain competitive and the Company plans to continue to focus on diversification and pursuit of opportunities to expand those lines of business which provide the best return on capital, while remaining committed to taking the underwriting actions necessary to achieve a stable return. A prudent underwriting approach together with protection from its reinsurance program enables the Company to continue to maintain its current financial strength.

A.2 Performance from Underwriting activities

	2017 USD'000	2016 USD'000
Gross premiums written	1,062,301	1,137,498
Net premiums written	228,502	251,212
Gross premiums earned	1,102,213	1,008,026
Net premiums earned	240,489	221,942
Other technical income (net)	1,169	483
Net losses and loss expenses	(161,934)	(153,068)
Net operating expenses	(66,656)	(65,422)
Technical result	**13,068**	**3,935**

Gross premiums written in 2017 of USD 1,062.3 million were below prior year by USD 75.2 million. The decrease was primarily driven by the credit and suretyship and energy offshore lines of business. In particular, there was a decrease in treaties written on a multi-year basis in 2017.

The net combined ratio, which relates net losses and other expenses incurred to net premiums earned, is the primary indicator of the underwriting and therefore Company performance. During 2017, the Company's net combined ratio was 95.0% compared to 98.5% in 2016. The 2017 ratio included 5.8 points in relation to cat losses, following a particularly active Atlantic hurricane season featuring five major hurricanes, combined with earthquakes in Mexico and wild fires in California. The 2016 ratio included 5.6 points in relation to a reduction in the discount rate used for calculating damages for UK personal injury claims.

Premiums

The following table provides premium written and net premium earned by line of business:

	Gross premiums written 2017 USD'000	Gross premiums written 2016 USD'000	Net premiums earned 2017 USD'000	Net premiums earned 2016 USD'000
Direct business and accepted proportional reinsurance				
Medical expense	91,423	102,599	22,178	17,749
Income protection	2,050	(408)	339	63
Motor vehicle liability	202,017	195,419	46,036	41,719
Other motor	86,514	80,479	19,715	17,181
Marine, aviation and transport	5,148	13,127	1,217	2,333
Fire and other damage to property	186,282	160,533	34,221	30,673
General liability	38,159	34,477	8,035	7,624
Credit and suretyship	114,982	254,993	38,736	45,928
Assistance	9,778	1,164	1,310	133
Accepted non-proportional reinsurance				
Health	31,117	25,659	6,916	5,452
Casualty	161,793	131,021	35,925	28,168
Marine, aviation, transport	1,010	1,937	240	534
Property	132,028	136,498	25,622	24,384
Total	**1,062,301**	**1,137,498**	**240,490**	**221,942**

Analysis of gross premiums written by geographic location of cedent

	2017	2016
	USD'000	**USD'000**
Europe	730,182	822,665
Asia	195,236	188,794
Central & South America	106,506	93,331
North America	15,525	22,900
Africa	10,807	8,508
Oceania	4,045	1,300
	1,062,301	**1,137,498**

Refer to Appendix II S.05.02.01 for further detail on the top five countries by gross written premium.

In 2017, credit and suretyship gross written premium decreased due to a decrease in multi-year treaties written. Energy onshore and energy offshore lines of business also decreased from 2016 due to expired policies and reduced premiums. In 2017, Motor & Personal Accident performed better than 2016 due to new business written, along with the property line of business which also saw new business in the year. Accident and health continued to expand.

The Company purchases both proportional and non-proportional reinsurance to reduce the risk of exposure to loss from both third parties and group companies. Ceded premiums written in 2017 decreased to USD 833.8 million, compared to USD 886.3 million driven by the decrease in gross premiums written.

Other technical income (net)

In consideration for the Company's appointment of certain intermediaries as reinsurance intermediary / broker for the placement and servicing of treaty reinsurance purchased or renewed by the Company on or after 1 April 2009, and in consideration of the Company's performance of various administrative services to assist the reinsurance intermediary/broker, the intermediaries agree to share the received brokerage revenue derived from the business written on behalf of the Company.

During 2017, the Company received USD 0.9 million (2016: USD 1.2 million) in relation to third party capital performance based fees (including profit commissions) and USD 3.1 million (2016: USD 0.7 million) in relation to third party capital reimbursements (including override commissions, underwriting fees and fronting fees). Resultant other technical income recognised in 2017 net of reinsurance was USD 1.2 million (2016: USD 0.5 million).

Net losses and loss expenses

	Net losses and loss expenses 2017 USD'000	Net loss ratio 2017 %	Net losses and loss expenses 2016 USD'000	Net loss ratio 2016 %
Direct business and accepted proportional reinsurance				
Medical expense	18,263	82.3 %	15,473	87.2%
Income protection	389	707.9 %	446	707.9%
Motor vehicle liability	37,205	80.8 %	33,744	80.9%
Other motor	15,933	80.8 %	13,896	80.9%
Marine, aviation and transport	(2,590)	(212.7)%	3,094	132.6%
Fire and other damage to property	21,564	63.0 %	15,956	52.0%
General liability	6,943	86.4 %	3,816	50.0%
Credit and suretyship	16,633	42.9 %	25,527	55.6%
Assistance	866	58.6 %	78	58.6%
Accepted non-proportional reinsurance				
Health	3,795	54.9 %	2,304	42.3%
Casualty	20,126	56.0 %	24,488	86.9%
Marine, aviation, transport	93	41.8 %	223	41.8%
Property	22,713	88.6 %	14,023	57.5%
Total	**161,934**	**67.3 %**	**153,068**	**69.0%**

The Company's net loss ratio reduced to 67.3% from 69.0% in 2016. The decrease was largely driven by an increase in net favourable prior year development compared to 2016.

Net operating expenses

Net operating expenses include net acquisition costs and net general and administrative expenses incurred during the year.

	2017	2016
Net operating expense ratio	27.7%	29.5%

The decrease in the net acquisition cost ratio was primarily due to the impact of loss sensitive feature adjustments in prior years offset by higher acquisition costs in new business written across certain lines of business. Net general and administrative expense ratio reduced compared with prior year.

Net operating expenses by line of business

	Net operating expenses 2017 USD'000	Net operating expenses 2016 USD'000
Direct business and accepted proportional reinsurance		
Medical expense	5,316	4,428
Income protection	71	38
Motor vehicle liability	12,109	11,133
Other motor	5,186	4,585
Marine, aviation and transport	(62)	428
Fire and other damage to property	9,849	10,642
General liability	2,869	2,979
Credit and suretyship	19,842	22,341
Assistance	593	93
Accepted non-proportional reinsurance		
Health	1,182	970
Casualty	4,537	3,530
Marine, aviation, transport	59	166
Property	5,106	4,089
Total	**66,656**	**65,422**

A.3 Performance from Investment activities

The Company's investment portfolio comprises debt, equity, cash and cash equivalents, hedge funds and derivatives (used only for hedging foreign currency exposure). The portfolio includes investments in securitisations of USD 2.5 million.

	Dividends	Interest	Realised gains/(losses)	Unrealised gains/ (losses)	Total
	2017	2017	2017	2017	2017
	USD'000	USD'000	USD'000	USD'000	USD'000
Government Bonds	—	3,465	(1,608)	13,476	15,333
Corporate Bonds	—	13,943	(12,564)	13,899	15,278
Equity instruments	5,258	—	1,535	34,595	41,388
Collateralised securities	—	4,021	(602)	114	3,533
Cash and deposits	—	5,567	6	—	5,573
Other investments	—	—	—	4,218	4,218
	5,258	**26,996**	**(13,233)**	**66,302**	**85,323**

	Dividends	Interest	Realised gains/(losses)	Unrealised gains/ (losses)	Total
	2016	2016	2016	2016	2016
	USD'000	USD'000	USD'000	USD'000	USD'000
Government Bonds	—	3,206	1,264	(9,226)	(4,756)
Corporate Bonds	—	10,167	(10,685)	(2,435)	(2,953)
Equity instruments	5,341	—	2,962	(4,602)	3,701
Collateralised securities	—	5,420	332	(2,097)	3,655
Cash and deposits	—	4,890	—	—	4,890
Other investments	—	—	—	1,566	1,566
	5,341	**23,683**	**(6,127)**	**(16,794)**	**6,103**

Investment Performance
The Company's investment portfolio generated returns from investments of USD 82.2 million in 2017 (2016: USD 3.6 million). This translated to a total return on average cash and investment (pre-tax) of 5.9% in 2017 (2016: 0.3%). The tightening of credit spreads and the rally in equity markets had a positive impact on the investment portfolio in 2017. Currency risk is not part of the investment strategy and unrealised losses are generally offset by foreign exchange gains on liabilities.

	2017	2016
	USD'000	USD'000
Investment expenses and charges	2,189	2,453

Investment expenses and charges relate to costs associated with the management of the investment portfolio including custodian fees and third party investment manager fees. It is not practicable to allocate investment management costs between the different investment classes.

A.4 Performance of other activities

In the normal course of its operations, the Company has entered into a "Central Services Agreement" within the AXIS group and performs services on behalf of other AXIS companies. There have been no other significant activities undertaken by the Company.

Leasing arrangements
The Company leases office space in a number of locations. Charges relating to lease obligations of USD 3.6 million (2016: USD 1.6 million) are included in net general and administrative expenses.

In December 2016, a ten year lease agreement was negotiated for a new Zurich office with an effective start date of March 2017. This lease runs until 28 February 2027, with a break option after five years on 28 February 2022.

The lease for the Dubai Representative Office expires in February 2018 and a new 6 month lease will be negotiated at this time. The Company currently has three leases in Spain, two in Madrid and one in Barcelona, for the Representative Offices in these locations, which end on 30 April 2018 and 31 May 2018 respectively. The Madrid and Barcelona leases are expected to be renegotiated in 2018. During 2013 a lease was entered into for the French Representative Office and this lease ends on 31 August 2022.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	USD '000
Lease commitments payable:	
Within 1 year	2,486
Within 2 to 5 years	9,675
After 5 years	10,049
	22,210

The Company is not party to any finance leases as at 31 December 2017.

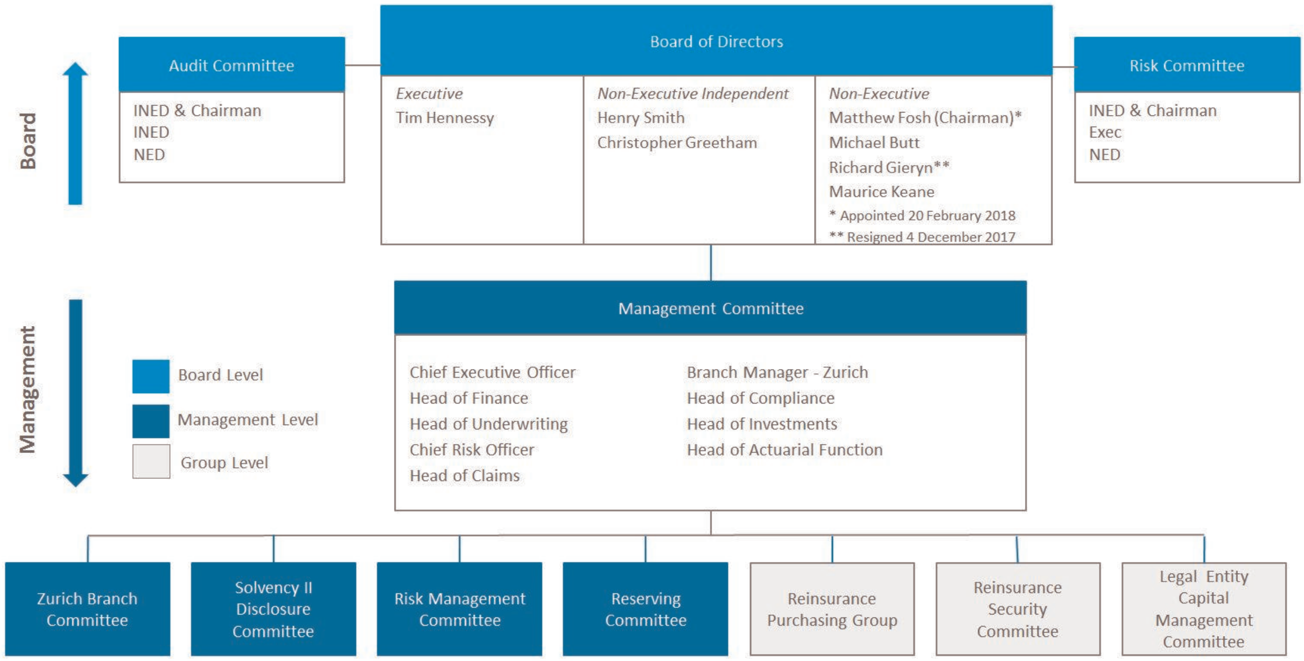
A.5 Any other information

All material information regarding business and performance has been disclosed in Sections A.1 - A. 4 above.

B. SYSTEM OF GOVERNANCE

B.1 General governance arrangements

AXIS Re SE adheres to the principle that good corporate governance is founded on a solid framework which delivers security and protection for policyholders and value for shareholders through the diligent oversight of policy, process and decision making. There were no changes in the system of governance over the reporting period.



Board of Directors
The Company has established a Board of Directors comprising a minimum of five directors including at least two non-executive directors.

The Board of Directors is responsible for the following:
- setting the business strategy for the Company,
- monitoring and oversight of the business activities of the Company,
- corporate, regulatory and compliance governance,
- compliance with all legal and regulatory requirements,
- effective, prudent and ethical oversight of the Company,
- oversight of Board of Directors Committees,
- ensuring key control functions including, risk, internal audit and compliance are properly managed, are independent of business units and have adequate resources and authority to operate effectively,
- appointment, monitoring and removal of persons performing Controlled Functions or Pre-approval Controlled functions on behalf of the Company,
- defining and documenting the responsibilities of Directors, Board of Directors Committees and senior management to ensure that no single person has unfettered control of the business,
- succession planning for the Board of Directors and senior management; and
- monitoring the performance of outsourced providers.

The Board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the Company's activities. The Board will meet at least four times a year.

The Board is responsible for ensuring that the system of governance is internally reviewed on a regular basis and should determine the appropriate scope and frequency of the reviews, taking into account the nature, scale and complexity of the business. The Board is also responsible for determining who within the Company should conduct the review and should ensure that they are suitably independent.

The Board of Directors has established Committees as required by law or regulation and as it deems appropriate given the nature, scale and complexity of the Company. The roles and responsibilities of the Committees are further described in this section.

Audit Committee
The Audit Committee is a sub-committee of the Board and its purpose is to assist the Board of Directors in its oversight of:
- the integrity of the Company's financial statements,
- the Company's compliance with legal and regulatory requirements,
- the independent auditors' qualifications, independence and effectiveness; and
- the effectiveness, adequacy and performance of the Company's internal audit, internal controls and IT systems.

The Audit Committee also reviews external reports and disclosures pursuant to the rules promulgated by the CBI and otherwise. In fulfilling its purpose, the committee maintains free and open communication with the Company's independent auditors, internal auditors and management.

The Audit Committee comprises non-executive directors, the majority being independent, and neither the Chairman of the Board nor the Chief Executive Officer are members.

The Committee consists of no fewer than three directors, as determined by the Board of Directors. Committee members shall be appointed annually by a majority vote of the Board of Directors. The Committee chairman is an independent non-executive director appointed by a majority vote of the Board of Directors.

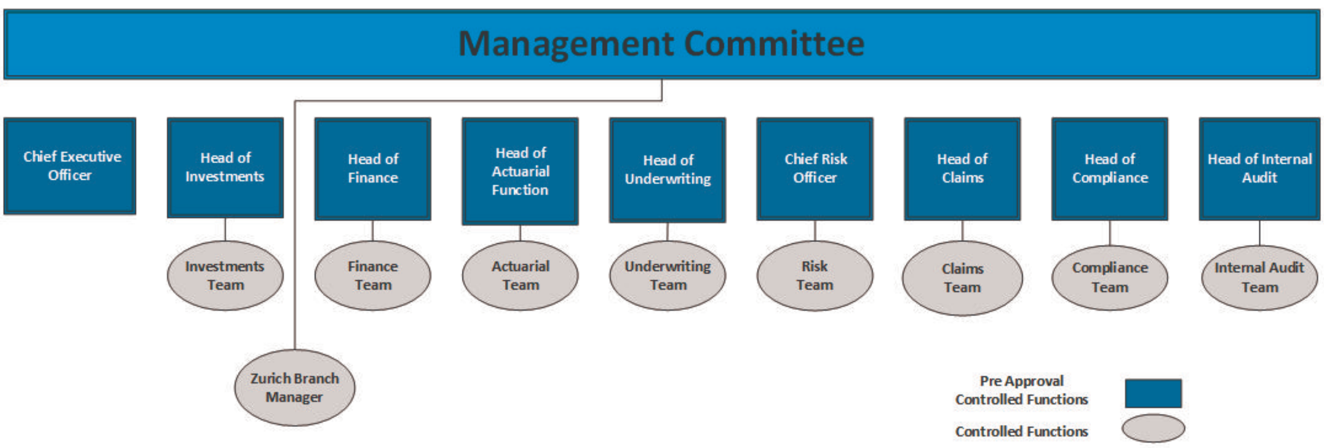
Risk Committee
The purpose of the Risk Committee is to assist the Board of Directors in overseeing the integrity and effectiveness of the Company's enterprise risk management framework, and ensuring that the Company's risk assumption and risk mitigation activities are consistent with that framework.

In furtherance of its purpose, the Risk Committee has the following duties and responsibilities:
- review and approve the Company's Enterprise Risk Management Framework, and monitor management's effective implementation of this framework,
- review and approve annually the Company's Risk Management Strategy and Reinsurance Management Strategy documents,
- review and approve any changes to the Company's Solvency Standard and Risk Limits,
- review and approve the Company's annual Own Risk and Solvency Assessment ("ORSA") policy and ORSA report,
- before a decision to proceed is taken by the Board, review the inherent risks associated with any proposed strategic transactions, focusing in particular on risk aspects and implications on the Company's Solvency Standard and Risk Limits,
- meet on a regular basis with the Chief Risk Officer in a separate executive session,
- to review and recommend for approval to the Board, the Company's three-year business plan, focusing in particular on risk aspects and implications for the Company's Solvency Standard and Risk Limits.

The Risk Committee shall consist of no fewer than three directors, as determined by the Board of Directors. The Committee shall include a chairman who shall be a non-executive director.

Management Committee
The Committee was established as a functional Committee used to assist the Chief Executive Officer and senior management to discuss matters of strategy or of significant importance to the Company.

The Management Committee includes the Company Executive's holding Pre-approval controlled function ("PCF") positions:



The Management Committee has established a number of functional internal Committees to support the management and governance of the Company's activities. It is also supported by various AXIS Group committees including the Risk Management Committee, the Reinsurance Purchasing Group, the Reinsurance Security Committee and the Legal Entity Capital Committee.

Zurich Branch Management Committee
The Zurich Branch has a functional committee whose responsibilities include:
- effective, prudent and ethical oversight of the Zurich Branch, including managing the business activities and back office function of the Zurich Branch,
- implementing and monitoring the annual business plan of the Zurich Branch as approved by the Board of Directors,
- approve the Zurich Branch Underwriting guidelines; and
- managing the interaction and relationship with other management and AXIS Group committees.

The Zurich Branch Management Committee includes Zurich branch executives holding senior control function positions.

Reserving Committee
The purpose of the Reserving Committee is to determine Management's Best Estimate ("MBE") of the Reserves for Loss and Loss Expenses to be recorded in the financial statements.

Core responsibilities of the Reserving Committee include:
- determining management's best estimate for Reserves for Loss and Loss Expenses to be recorded in the company financial statements in line with reserving policy as approved by the Company's Board of Directors,
- review of the management best estimate recommendations of the Company's Head of Actuarial Function and the sensitivities identified by the Segment Reserve Committees,
- critically evaluate the group and business segment analysis performed by the internal and external actuaries,
- review the sensitivities and make final decisions for the reserve estimates,
- discuss the process and methods used by the internal and external actuaries, including how the reserve calculations changed quarter over quarter; and
- review the catastrophic loss events and market share analysis to determine an appropriate reserve for events.

The Reserving Committee includes the Chief Executive Officer, Head of Finance, Head of Actuarial Function, Chief Risk Officer and Segment Chief Actuaries.

Risk Management Committee
The purpose of the Risk Management Committee is a functional Committee whose main purpose is to oversee the the integrity and effectiveness of the Company's enterprise risk management framework, and to ensure that the Company's risk assumption and risk mitigation activities are consistent with that framework.

The Risk Management Committee comprises the Chief Risk Officer, Chief Executive Officer, Head of Underwriting, Head of Finance and Head of Actuarial Function.

Solvency II Disclosure Committee
The purpose of the Solvency II Disclosure Committee is to provide a forum that ensures that Solvency II Reporting and Disclosures are accurate, complete and present fairly in all material respects the financial condition and results of operations of the Company and are made in a timely manner in accordance with applicable laws, rules and regulations. The Committee reviews annual Solvency II reporting and recommends board approval. On a quarterly basis, the Board of Directors has delegated authority to the Solvency II Disclosure Committee to approve the quarterly reporting.

The Solvency II Disclosure Committee comprises the Head of Finance, Chief Executive Officer, Head of Investments, Chief Risk Officer, Head of Compliance and Head of Actuarial Function.

Key Functions
Under Solvency II, the following are considered key functions:
- Risk management function,
- Compliance function,
- Internal audit function; and
- Actuarial function.

The Company ensures that key functions have the necessary authority, resources and operational independence to carry out their tasks and fulfil their obligations. All key functions present regular updates to the Board of Directors on a quarterly basis. The roles and responsibilities of each function are further described later in this section.

Conflicts of interest
Conflicts of interests, and the appearance of conflicts, are prohibited under the AXIS Code of Business Conduct. Each employee, officer and director of the Company is required to conduct business with integrity and to comply with all applicable laws.

B.1.2 Remuneration

An AXIS Europe Remuneration Policy has been established to cover AXIS Re SE and its sister company, AXIS Specialty Europe SE.

The remuneration policy and practices incorporate the following principles and shall:

- be in line with AXIS Europe's business and risk management strategy plan, its risk profile, objectives, risk management practices, its long-term interests and performance as a whole,
- ensure that conflicts of interest are avoided,
- promote sound and effective risk management and shall not encourage risk taking that exceeds AXIS Europe's risk appetite and risk tolerance limits,
- incorporate non-financial performance metrics as part of the annual performance management process,
- reward employees who demonstrate a significant contribution to the success of the business,
- remain competitive to attract, retain and motivate high performing staff with appropriate experience, qualifications and talent; and
- be non-discriminatory.

AXIS Europe's remuneration structure includes both fixed and variable components.

Fixed:

The fixed component of the remuneration structure shall be of a sufficiently high proportion of total remuneration to the effect that employees are not dependent on the variable remuneration component.

Variable:

- variable remuneration payments shall be flexible and discretionary,
- the variable component of remuneration shall be determined by a combination of individual performance and the performance of the AXIS Capital Group,
- employee's performance shall be evaluated based on achievement of both financial goals related to business targets and non-financial goals,
- metrics used to measure AXIS performance in determining the variable component of the remuneration shall allow for a downwards adjustment for exposure to current and future risks; and
- a portion of the variable remuneration applicable to employees at senior vice president level and above shall be deferred over a period of not less than three years.

The variable component of remuneration of employees engaged in risk, compliance, internal audit and actuarial functions shall be independent from the performance of the individual operational units they monitor and/or test.

Other Remuneration

Termination or severance payments shall be related to performance achieved over the employees entire period of activity and shall be designed not to reward failure.

Employees subject to this policy are prohibited from hedging the economic risk of owning AXIS Capital stock or pledging AXIS Capital stock for loans or other obligations in accordance with the AXIS Insider Trading Policy.

B.1.3 Material transactions with shareholders and the Board of Directors

There have been no material transactions during the reporting period with the company's sole shareholder ASHIL outside the normal course of business. There were no contracts or arrangements of any significance in relation to the business of the Company in which the Directors had a material interest, as defined by the Companies Act 2014, at any time during the reporting period.

Director emoluments include all payments made by the company to the Board of Directors. Fees paid by the Company to non-executive Directors are included in 'Aggregate emoluments in respect of qualifying services'.

	2017	**2016**
	USD'000	**USD'000**
Aggregate emoluments in respect of qualifying services	637	727
Aggregate emoluments receivable under long-term incentive schemes	609	307
Company contributions in respect of qualifying services to Pension Scheme Fund, a defined contribution retirement benefit scheme	28	26
Compensation paid or payable, in respect of loss of office or other termination payments to Directors of the Company in the financial year	790	—
	2,064	**1,060**

B.2 Fit and proper requirements

The Company has a Fitness and Probity ("F&P") policy which complies with Part 3 of the Central Bank Act, 2010 covering control functions ("CF") and PCFs. The policy also covers the CBI's SI No 437 of 2011 on 1 September 2011, SI No 615 of 2011 on 30 November 2011, SI No 394 of 2014 and SI No 485 of 2015.

F&P imposes a requirement on persons performing a CF or a PCF on behalf of the Company to comply with certain standards of competence, capability, honesty, integrity and financial prudence ("F&P Standards"). The policy sets out the approach to assessing the fitness & probity of existing staff and new hires.

In order to meet the F&P requirements, the Company applies the below criteria for CFs and PCFs and must satisfy itself on reasonable grounds that the person complies with the F&P Standards:

- an assessment of whether an individual's Conduct is deemed Competent and Capable,
- an assessment of whether an individual's Conduct is deemed Honest, Ethical and Acting with Integrity; and
- an assessment of an individual's Financial Soundness.

CFs and PCFs are requested annually to attest to continuing compliance with F&P Standards.

B.3 Risk management system including the Own Risk and Solvency Assessment ("ORSA")

B.3.1 Overview of the Risk Management Framework
AXIS has established a Group-Wide Enterprise Risk Management ("ERM") framework which provides a structured and consistent approach to ensuring that risks are appropriately identified, monitored and controlled with clear ownership and appropriate levels of oversight. This framework is implemented in a consistent manner across the AXIS Group, including the Company.

The following are the key elements of the Company's ERM Framework which are described in further detail below:

- Risk Management Strategy
- Governance Framework
- Risk Appetite and Limit Framework
- Risk Policy Framework
- Risk Controls
- Internal Capital model

Risk Management Strategy ("RMS")
Risk management is a strategic priority embedded in our organizational structure and we are continuously monitoring, reviewing and refining our enterprise risk management practices. The operationalization of the risk strategy is achieved through the ERM framework. The key objectives of the strategy are to:

- protect the capital base and earnings by monitoring risks are against the Company's stated risk appetite and limits,
- promote a sound risk management culture through disciplined and informed risk taking,
- support decision making process by providing reliable and timely risk information,
- achieve legal and regulatory risk obligations,
- support external credit rating assessments; and
- safeguard AXIS' reputation.

The Risk Management Strategy ("RMS") articulates AXIS's approach to Enterprise Risk Management ('ERM') in a single document suitable for both internal and external stakeholder communications. As appropriate and as needed, legal entity and branch requirements are included as additional appendices under the umbrella of the Group-wide document. The RMS is approved annually by the Board of Directors and embedded in the Company's strategy and policy setting processes and the normal working routines and activities of the Company. Consequently, risk management is an intrinsic part of the way business is conducted and allows the Company to respond quickly to evolving risks, which may arise internally or externally.

Governance framework
At the heart of the ERM framework is a governance process with responsibilities for taking, managing, monitoring and reporting risks. Risk governance at AXIS is executed through our three lines of defense model, with the business units ("first line") responsible for the design and implementation of risk policies, processes and controls to manage risk; the Risk Management Function ("second line") providing oversight and guidance on risk management across the business by supporting and challenging risk owners in their identification, assessment, mitigation and reporting of risk; and Internal Audit ("third line") performing risk audits of execution against the risk standards, practices, processes and controls.

The roles and responsibilities for risk management are communicated throughout the organization, from the Company Board of Directors and the Chief Executive Officer to business and functional areas, thus embedding risk management throughout the business.

The key elements of the Company's governance framework, as it relates specifically to risk management, are described below.

Board of Directors' Level
The Risk Committee of the Board ("Board Risk Committee" or "Risk Committee") assists the Board of Directors in overseeing the integrity and effectiveness of the ERM framework, and ensuring that risk assumptions and risk mitigation activities are consistent with that framework.

Executive Management Level
The Executive Management Committee is responsible for the implementation of the Company's ERM framework, and is supported in this role by the Risk Management Committee ("RMC"). The RMC formulates any recommendations relating to the risk framework prior to presentation to the Board Risk Committee for final approval. The Chief Risk Officer and Chief Executive Officer are both members of the Executive Management Committee and RMC as well as the Group RMC. This facilitates information exchange and helps to ensure that the Company's risk framework is consistent and aligned with the AXIS Group.

Risk management function
The Risk Management Function for the Company is outsourced to the Group Risk Management Function, which is responsible for legal entity risk management across the AXIS Group. The Group Risk Management function forms the "second line of defence" and is responsible for the oversight and implementation of the Group's ERM framework in each of the AXIS companies as well as providing guidance and support for risk management practices.

The risk governance structure is further complemented by the Legal Department which seeks to mitigate legal and regulatory compliance risks with support from other departments. This includes ensuring that significant developments in law and regulations are observed and that impending legislative and regulatory changes and applicable court rulings are appropriately managed.

Risk appetite and limit framework
The integrated risk management framework considers material risks in the business either from investments, underwriting or operations. Large risks that might accumulate and have the potential to produce substantial losses are subject to the risk appetite and limit framework. The Company's risk appetite, as authorized by the Board of Directors, represents the acceptable amount of risk within the constraints imposed by capital resources as well as the expectations of stakeholders as to the type of risk held within the business.

Specific risk limits are defined and translated into a consistent framework across the identified risk categories and are intended to limit the impact of individual risk types or accumulations of risk. Individual limits are established through an iterative process to ensure that the overall framework complies with the Company's requirements on capital adequacy and risk accumulation.

Risk is monitored through, for example, risk dashboards and limit consumption reports. These are intended to allow detection of potential deviations from internal risk limits at an early stage. A quarterly risk dashboard is presented to the Company's RMC and Board Risk Committee comparing current risk exposures and trends against Board-approved risk limits. Any breaches of risk limits are identified and remedial actions agreed.

Risk universe and register
In terms of risk identification, the Company's "Risk Universe" describes the risk landscape to which the Company is exposed. It encompasses risks common across the industry, namely, strategic risks, assumed risks (i.e. the underwriting and market risks that the Company is paid to assume), financial risks and operational risks inherent in running the business. The Risk Universe is updated annually (or as required) for example by analysing the evolution of emerging risks and is approved each year by the Board Risk Committee. All material risks facing the Company are identified and included in the Risk Register, which provides management's documentation and assessment of the governance, processes and controls to manage risk.

Risk Controls

Each risk in the Risk Universe has an individual Risk Owner, usually a Head of Function role. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. The control environment consists of processes, policies, guidelines, standards of practice / procedures, collectively referred to as 'Risk Controls' deployed by the Risk Owner to manage risk. Risk Owners provide an overall assessment of each risk and any deficiencies and remedial plans in place in the Risk Register, which is reported each quarter to the Company's RMC and the Board Risk Committee. The internal controls are stored and maintained in the AXIS risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

Risk policy framework

To support our governance process, we rely on our documented policies and guidelines. For each risk in the Risk Universe, there is separate ERM Risk Policy which affirms AXIS's group-wide approach and risk mitigation/control philosophy for managing each risk. These policies generally apply across the Group, but where necessary legal entity specifics will be included as appendices to the policies. The Company also had some standalone policies such as its Capital Management Policy and Outsourcing Policy. The Risk Policies are approved annually by the Company's RMC and Board Risk Committee.

Emerging risk management

An emerging risk management framework is in place to ensure that emerging risks are identified, assessed and managed in an appropriate and timely manner. The Group Emerging Risk Committee ("ERC") is responsible for the oversight of the framework and acts as a focal point for coordinating AXIS' response to identified emerging risks. The ERC provides a forum in which emerging risks throughout the Group can be raised and discussed. Business segment emerging risk committees and forums are also in place to support the Group Emerging Risk Committee in the identification and assessment of emerging risks.

An Emerging Risk Register is maintained by Group Risk and reviewed by the ERC on a quarterly basis. The Register identifies and categorizes emerging risks according to their potential impact and the time frame in which the emerging risk is likely to develop, from a Group and legal entity perspective. The ERC reports at least annually to the Board Risk Committee of the Company.

Internal capital model

An important aspect to the risk management framework is the internal capital model. Utilizing this modelling framework provides a holistic view of the capital at risk in any year by allowing us to understand the relative interaction among the risks impacting us. This integrated approach recognizes that a single risk factor can affect different sub-portfolios and that different risk factors can have different mutual dependencies. The model and its parameters are continuously reviewed and updated as the risk landscape and external environment continue to evolve. As well as being used to measure internal risk capital, our internal capital model is used as a tool in managing our business and for strategic planning via capital allocations and through to portfolio monitoring, reinsurance purchasing and investment asset allocations.

Other material risks

For risks that cannot be fully or explicitly quantified across the Company, using the internal capital model or the standard formula SCR, a systemic approach with respect to identification, analysis, assessment and monitoring is used. The most important of these other risks include strategic, liquidity and reputational risk which are discussed in the 'Risk Profile' section.

B.3.2 Own Risk and Solvency Assessment

The ORSA is the framework of overarching processes and reporting employed by management to:

- identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face (risk assessment),
- determine the own funds necessary (capital requirements) to ensure that the Company's overall solvency needs are met at all times (solvency assessment); and
- document the outcome of the risk assessment and calculation of capital requirements (ORSA reporting).

The main objectives of the ORSA are to support decision making by ensuring that key day-to-day decisions are consistent with the Company's risk framework; inform short-term and longer-term strategic management; and ensure the Company has sufficient capital at all times.

The ORSA operates continuously throughout the year to ensure that the objectives set out above are met at all times. A core component of the ORSA process is the forward looking assessment, whereby the impact of new business plans on the risk profile and capital needs of the Company is assessed. As part of this, the outputs from the internal capital model and Solvency II Standard Formula are reviewed to analyse changes in risk composition, prospective risk exposures (relative to risk limits) and overall risk capital requirements. The ORSA process also includes various forms of stress tests and scenario analysis whereby the resilience of the Company's solvency ratios to adverse stress scenarios is assessed. The outcome of the ORSA process is formally documented into an annual ORSA report which includes a summary of the ORSA activity during the previous year and forms the baseline for the coming year.

The Board of Directors is responsible for overseeing the Company's ORSA, with the Risk Committee serving as the focal point for that oversight. The Board Risk Committee governs the ORSA in a number of ways, including:

- annual business plan review, including the SCR standard formula projections, prospective risk exposures and internal model outputs (e.g. risk composition changes),
- annual review and approval of ORSA report,
- quarterly review of net risk exposures relative to internal risk limits,
- quarterly review of the Company's Risk Register including the outcome of the quarterly risk and control assessments; and
- quarterly review of risk capital requirements and own funds/capital position relative to the Company's target SCR Solvency Ratio range (130% - 150%).

B.4 Internal control system

Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels.

The AXIS internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992, and updated in 2013.

The AXIS internal controls are documented and maintained in 'MyGRC', the AXIS risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

The internal control framework includes the following five interrelated components:

- Control Environment: The primary responsibility of the Board of Directors is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to help broaden the perspective of executive management. The Board has established the Audit Committee to facilitate and assist in the execution of its responsibilities. In terms of internal control oversight, it is the responsibility of the Audit Committee to review and periodically discuss with the Board the adequacy and effectiveness of the Company's internal control structure. There are several oversight committees such as the RMC which help set the management tone in terms of the control environment. AXIS operates with a three lines of defence model.
- Risk Assessment: The Internal Controls policy lists the risks ('Risk universe') to which the Company is exposed, which the Risk Committee of the Board and Risk Management Committee annually evaluate. For each risk in the universe, there is a separate risk standard which affirms AXIS's group-wide approach and risk mitigation/control philosophy for managing each risk.
- Control Activities: Each risk policy identifies an individual Risk Owner, normally a member of the AXIS Group Executive Committee, having appropriate experience and knowledge of the risk. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. Activities include, but are not limited to, reconciliation's, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.
- Information and Communication: In terms of communication, AXIS has clear reporting and communication lines in place. Role profiles make clear each individual's role, their reporting lines and functional terms of reference set out responsibilities by function. Clear organizational and structure charts are also maintained. There is an escalation policy in place to ensure matters are reported upwards as required by employees. The AXIS Whistle-blower Policy also provides various lines of communication for reporting violations and concerns.
- Monitoring: The effectiveness of the internal control framework is independently validated via regular internal audit reviews which are conducted on a rotational basis with findings reported to the Audit Committee. There are also Management Initiated Audits ("MIAs") done on claims and underwriting transactions which are reported to the Management Audit Committee. There are various monitoring activities performed by the second line of defence Group Risk and Legal/Compliance.

The internal control framework is regularly reviewed and updated and annually assessed by the external auditors. The Internal Audit department also validate that the COSO 2013 framework is present and functioning as part of its annual internal audit plan.

Internal Compliance Function

The Company has a Compliance Function which is part of the Group Legal Department, predominantly staffed by lawyers and compliance experts.

The Board has appointed a Compliance Officer of the Company. The Compliance Officer is primarily responsible for ensuring the activities of the Company are conducted in compliance with the Regulations, and reporting to the Board and to the CBI and other Regulatory Authorities as applicable.

The Compliance Officer oversees the Compliance Function and ensures it is appropriately resourced and meets all material service level requirements. The Compliance Function has access to specialist external expertise to assist on particular matters or jurisdictions.

Principal responsibilities of the Compliance Officer include:

- obtaining the approval of the CEO and the Board for a Policy statement on compliance with the insurance acts and regulations, with guidelines issued by the CBI and with other applicable legislation,
- monitoring the implementation of compliance and reporting periodically, through the Compliance Function to the CEO and the Audit Committee,

- reviewing products, procedures and systems on a planned basis from the viewpoint of effective compliance and taking the necessary steps to ensure compliance; and
- reviewing staff training processes to ensure appropriate compliance capabilities.

In addition, the duties of the Compliance Function include assessing the adequacy of the measures adopted by the Company to prevent non-compliance.

In line with Article 279 of the Delegated Regulation and Article 46 of the Solvency II Directive, the Compliance Function maintains a Compliance Manual and Policy to track applicable law, regulation and corporate requirements.

The Compliance Officer reports administratively to the Chief Executive Officer and functionally to the Audit Committee.

In line with Article 270 of the Delegated Regulation, the board reviews the Company Compliance Policy at least annually and ensures that recommendations for improvements are adequately incorporated and approve proposals for Policy amendment.

B.5 Internal audit function

Internal Audit assists the Board and management in accomplishing its objectives by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal control. In addition to the responsibilities of the management and risk teams as the first two lines of defence within the Company, Internal Audit is the third and last line of defence. Members of the AXIS Group Internal Audit department perform assurance testing of the adequacy and effectiveness of the internal controls and system of governance within the Company. In addition to existing resources, staffing support will be provided locally by the department’s co-source partner KPMG. Members of the Internal Audit department are independent of management and do not assume responsibility for any other functions within the Company.

Internal audits are performed across the Company’s audit universe, which encompasses all areas of the business and the Company, within a three-year cycle. Areas of higher risk will be audited more frequently than every third year. Audits selected for the annual plan are submitted for approval to the Company’s Audit Committee and Board. Over the course of each year, auditors meet with key personnel to monitor performance, changes in the business, and emerging risks within the Company. Resulting mid-term changes to the audit plan will be recommended and submitted to the Audit Committee for approval. Internal audit efforts will be conducted in accordance with the International Standards for the Practice of Internal Auditing (the IIA Standards).

The scope of each audit is determined using a risk based approach. At the conclusion of each audit, an audit report containing any issues requiring corrective action by management is published. Management is responsible for implementing these agreed upon action plans. Internal Audit is responsible for monitoring implementation of these action plans and verifying satisfactory performance. The Audit Committee is briefed quarterly on the status of internal audits in progress, completed audits, open corrective action plans, and any other important matters concerning the Company. Evidence supporting Internal Audit’s conclusions is maintained in the “MyGRC” Governance, Risk and Compliance management tool.

B.6 Actuarial function

The main purpose of the Actuarial function is to effectively support the Company reserving framework and governance, including principles, policies, standards of practice, processes and controls and reporting.

The Actuarial function has the following duties and responsibilities:
- calculation and recommendation of the technical provisions,
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions,
- peer reviewing and signing off on work product and recommendations that relate to governance and control function responsibilities. This includes the peer reviewing of pricing and planning loss ratios as necessary,
- ensuring the sufficiency and quality of the data used in the calculation of technical provisions,
- informing the Board of Directors of the reliability and adequacy of the calculation of technical provisions,
- ensuring the sufficiency of processes and controls supporting the AXIS reserving framework and maintaining comprehensive documentation for all aspects of this framework,
- expressing an opinion on the overall underwriting policy and the adequacy of reinsurance arrangements,
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements,
- establishing and maintaining a reserving platform, infrastructure and reporting capabilities to support US GAAP, local statutory and management needs; and
- ensuring that the reserving framework is applied effectively in the Company.

The Head of Actuarial function provides a written report to the Board presenting the tasks undertaken by the Actuarial function and their results, as well as any deficiencies identified and recommendations on how such deficiencies should be remedied. A full Actuarial report is provided at least annually, with updates addressing specific aspects of the work of the Actuarial function provided on a more regular basis.

B.7 Outsourcing

Outsourcing is an arrangement of any kind between the Company and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the Company itself. Where appropriate, the Company uses service providers when it is more efficient and more cost effective than utilising its own resources.

The Company is subject to the AXIS European Group outsourcing policy which is derived from Directive 2009/138/EC (the “Solvency II Directive”), Commission Delegated Regulation (EU) 2015/35 (the “Delegated Regulation”), the EIOPA Guidelines on System of Governance and the Central Bank of Ireland Guidelines on Preparing for Solvency II – System of Governance.

The Company determines whether an outsourced function or activity is ‘critical or important’, giving primary consideration to the protection of policyholders. Where policyholders are sufficiently removed from an outsourced function so as not to be affected should a breakdown in the process occur, the function or activity is not classified as one of critical importance.

The Board of Directors is ultimately responsible for ensuring that there is adequate oversight and governance in relation to outsourcing. The outsourcing of a 'critical or important' activity must be approved by a PCF holder (“Business Leader”) prior to the commencement of an outsourcing arrangement. Business leaders responsible for initiating a new outsourcing arrangement are responsible for ensuring appropriate due diligence for new arrangements.

The Company has access to the AXIS Vendor Management Office ("VMO"), a Group function that oversees procurement activities (excluding underwriting and claims activities which are monitored directly by the business leader allocated to that service). Outsourcing arrangements are managed effectively through Service Level Agreements ("SLAs") which are reported to and monitored by the VMO reporting relevant issues to the business leader. The VMO ensures that all relevant aspects of a service providers risk management, financial resources and internal control systems are adequate and robust, in addition to ensuring that the outsourcing activities do not impact AXIS governance or operational risk.

The table below outlines outsourced 'critical or important' activities and the jurisdiction of where the service provider is located:

Function	Description of Service Provided	Jurisdiction
Internal		
Cross function	The Company benefits from the support services offered by the AXIS group. Group shared services provide access to necessary skills and resources enabling the Company to operate effectively to meet regulatory and business requirements. Shared services include Underwriting management, Reinsurance, Claims, Exposure management, Risk management, Actuarial, Compliance & legal, Internal Audit, Finance, Investment management, Operations & IT.	Multi-jurisdictional
External		
Finance	Finance Outsourcing include provision of accounting and reconciliation services	Multi-jurisdictional
Internal Audit	Internal audit support	Multi-jurisdictional
Investments	Investment service outsourcing includes investment management of assets, custodian and trustee services, accounting and risk solutions.	Multi-jurisdictional
IT	IT service outsourcing includes provision of data storage and IT application development and maintenance	Multi-jurisdictional
Claims Operations	Claims operations outsourcing includes claims business process and modelling support	Multi-jurisdictional

B.8 Assessment of governance

The Board of Directors is responsible for ensuring sound governance, that the operational effectiveness of the risk management and control environment is maintained and that effective risk management policies are adhered to within the risk management framework. Risk assessment and evaluation takes place as an integral part of the annual planning and budgeting process, the results of which are reviewed by senior management and the Board of Directors. There is also an ongoing program of operational reviews and audits and annual self assessment of financial controls. The results of these reviews are reported to the Audit Committee, whose purpose is to assist the Board of Directors in the oversight of the effectiveness, adequacy and performance of the Company's internal controls.

B.9 Any other information

All material information regarding system of governance is disclosed in sections B.1 - B.8.

C. RISK PROFILE

The integrated risk management framework considers all material risks which the business faces across an agreed set of risks. Definitions of these risk categories are provided in the following sections as well as the related risk management activities. Across these risk categories, emerging threats and opportunities are identified and evaluated through a framework that includes the assessment of potential surprise factors that could affect known loss potentials.

C.1 Underwriting Risk

Underwriting risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to us through the underwriting process. Underwriting risk encompasses Premium and Catastrophe (natural and man-made) risk, and Reserve Risk:

Premium risk
Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred being higher than expected. Premium risk is mitigated mainly through internal and external reinsurance and selective underwriting criteria which can include, but are not limited to, higher premiums and deductibles and more specifically excluded policy risks. Premium risk is also managed through the Company's underwriting risk governance and control framework. A key component of this is the peer review process which allows for a collaborative review of risk and pricing by management, and ensures underwriting is within established protocols and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis. Limits are set on underwriting capacity, and cascade underwriting authority to individuals based on their specific roles and expertise.

In addition, underwriting and claims is subject to Management Initiated Audits ("MIAs"). MIAs are audits of underwriting and claims files performed by teams independent of those who originated the transactions, the purpose of which is to test the robustness of underwriting, claims and operating processes and to recognize any early indicators of future trends in operational risk.

Catastrophe risk
Catastrophe risk represents the risk of additional, unexpected losses due to having unknown and/or unintended risk concentrations where aggregation of risk exposure is not understood or managed appropriately. The Company's catastrophe risk exposure arises mainly from natural (e.g. earthquakes, storms and floods) and man-made catastrophes (such risks as train collisions, aeroplane crashes, terrorism or cyber-attacks).

Catastrophe risk is mitigated through diversification (i.e. offering a variety of products across different geographic regions), internal and external reinsurance and the Company's exposure management framework and governance. This includes the risk limit framework which limits exposure to potential sources of catastrophe risk, in line with risk appetite. For example, in managing natural catastrophe risk, the internal risk tolerance framework for the Company aims to limit the impact to the Company's Solvency II SCR coverage ratio from an aggregation of natural peril catastrophe events. The Board-approved Risk Limit for natural catastrophes sets out the maximum acceptable losses for the Company calibrated to a 1% annual probability (1 in 100 year event).

Through the effective monitoring and reporting of catastrophe risk, the Company is able to effectively intervene and mitigate the risk on a timely basis. Mitigation actions might include abstaining from additional underwriting commitments (or non-renewing existing commitments upon expiry) or purchasing additional treaty or facultative reinsurance for peak exposures.

Stress and scenario testing is performed to enhance the understanding of the Company's exposure to Catastrophe risk and measure the potential impact of stress scenarios to the Company's solvency ratios. Stress testing performed covers natural catastrophe peril exposures and Realistic Disaster Scenario (RDS) stresses measuring the loss impact to the business on man-made catastrophe scenarios covering accumulations and clashes across all classes of business. Results are reported to the RMC and Board Risk Committee.

Reserving risk
Reserve risk is defined as the risk that loss reserves we have established to cover losses already incurred are insufficient. The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. New information, events or circumstances, unknown at the original estimation date, may lead to future developments in the Company's ultimate losses being significantly greater (or less) than the reserves currently provided. The actual final cost of settling claims outstanding is uncertain. There are many factors that would cause reserves to increase or decrease, which include, but are not limited to, changes in claim severity, changes in the expected level of reported claims, judicial action changing the scope and / or liability of coverage, changes in the legislative, regulatory, social and economic environment, unexpected changes in loss inflation and the emergence of new systemic risks.

The AXIS reserve framework is designed to ensure that the process of establishing reserves is supported by appropriate governance structure and reserving risk management practices including robust governance, processes and controls over the reserving cycle and internal and external independent assessment of the adequacy of loss reserves. Reserves are calculated in accordance with actuarial best practice based on substantiated assumptions, methods and assessments and selected through a quarterly reserving process which involves the collaboration of underwriting, claims, actuarial, legal, ceded reinsurance and finance departments. Reserve risk is modelled on a quarterly basis using the Company's internal model in order to monitor reserve deterioration exposure and its compliance with reserve risk appetite.

Sensitivity analysis of the reserves for unpaid losses and loss expenses

Expected loss ratios are a key assumption in the estimate of ultimate losses for business at an early stage of development. All else remaining equal, a higher expected loss ratio would result in a higher ultimate loss estimate, and vice versa. Assumed loss development patterns are another significant assumption in estimating the loss reserves. The uncertainty in the timing of the emergence of claims (i.e. the length of the development pattern) is generally greater for a company with a limited operating history which, therefore, must rely on industry benchmarks to a certain extent when establishing loss reserve estimates.

The following tables show the effect on the estimate of gross and net loss reserves of reasonably likely changes in the two key assumptions used to estimate our gross and net loss reserves at 31 December 2017 and 31 December 2016. When projecting the estimated effect on reserves of changes in expected loss ratios, we have increased and decreased our aviation, credit and political risk, marine and property and other class expected loss ratios by +5% and -5% respectively, and our credit and surety, liability, motor and professional lines class loss ratios by +10% and -10% respectively. When projecting the estimated effect on reserves of changes in the loss development patterns, we have increased (i.e., moved to a slower pattern) and decreased (i.e., moved to a faster pattern) our aviation, credit and political risk, marine and property and other class assumed loss development by three months in each direction, and our credit and surety, liability, motor and professional lines class assumed loss development by six months in each direction.

31 December 2017	**Estimated Effect on Gross Reserves**	**Estimated Effect on Net Reserves**
Reserve Sensitivity Scenario	**USD'000**	**USD'000**
Higher expected loss ratios with no change in loss development factors	105,406	26,141
Higher expected loss ratios with lower loss development factors (i.e., faster pattern)	23,298	5,919
Higher expected loss ratios with higher loss development factors (i.e., slower pattern)	266,638	66,105
No change in expected loss ratios with lower development factors (i.e., faster pattern)	(84,022)	(20,719)
No change in expected loss ratios with higher development factors (i.e., slower pattern)	151,463	37,541
Lower expected loss ratios with no change in loss development factors	(98,986)	(24,536)
Lower expected loss ratios with lower loss development factors (i.e., faster pattern)	(189,110)	(46,799)
Lower expected loss ratios with higher loss development factors (i.e., slower pattern)	48,452	12,019

31 December 2016	**Estimated Effect on Gross Reserves**	**Estimated Effect on Net Reserves**
Reserve Sensitivity Scenario	**USD'000**	**USD'000**
Higher expected loss ratios with no change in loss development factors	98,179	24,312
Higher expected loss ratios with lower loss development factors (i.e., faster pattern)	32,743	8,808
Higher expected loss ratios with higher loss development factors (i.e., slower pattern)	249,503	61,227
No change in expected loss ratios with lower development factors (i.e., faster pattern)	(64,533)	(15,322)
No change in expected loss ratios with higher development factors (i.e., slower pattern)	146,561	35,771
Lower expected loss ratios with no change in loss development factors	(94,496)	(23,391)
Lower expected loss ratios with lower loss development factors (i.e., faster pattern)	(158,263)	(38,566)
Lower expected loss ratios with higher loss development factors (i.e., slower pattern)	56,451	13,524

SCR Coverage Scenario Testing - Underwriting Risk
SII SCR coverage scenario testing is performed on a quarterly basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios. A summary of the stress testing for underwriting risk as at 31 December 2017 is provided in section C.8. The resulting SCR and SCR coverage impact was in line with expectations and none of the scenarios tested resulted in a breach of 100% of the SCR solvency Ratio. One scenario results in a ratio below the Company's target SCR solvency ratio range (130% - 150%).

The Company has a number of ways by which it can manage its solvency coverage and ensure that it returns within target. This includes changing gross exposures or external reinsurance arrangements, changing the internal reinsurance arrangements or other traditional forms of capital management (e.g. capital injections, cease dividend payments etc.).

C.2 Market Risk

Market risk is the risk that financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign exchange rates. The Balance Sheet includes a substantial amount of assets whose fair values are subject to market risks. The Company does not currently anticipate significant changes in primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

The Company manages these risks through stressing diversification and conservation of principal and liquidity in the investment guidelines. Assets are invested in accordance with the Company's investment policy which states the Company's desire and intent to assure the prudent investment of capital and cash flow from underwriting. Liquidity needs arising from potential claims are of primary importance and are considered in asset class participation and the asset allocation process.

Through asset and liability management, the Company aims to ensure that market risks influence the economic value of investments and that of loss reserves and other liabilities in the same way, thus mitigating the effect of market fluctuations. For example, important features of liabilities are reflected, such as maturity patterns and currency structures, on the asset side of the balance sheet by acquiring investments with similar characteristics. Asset and liability management is supplemented with various internal policies and limits. The management of assets is centralized to control aggregation of risk, and provide a consistent approach to construct portfolios and to select external asset managers. As part of the strategic asset allocation process, various asset allocations are simulated and stressed in order to assess an appropriate portfolio within the risk constraints. Additionally, investment policies and guidelines include permitted assets, credit quality and issuer limits.

Investment portfolios are stress tested using historical and hypothetical scenarios to analyse the impact of unusual market conditions and to ensure potential investment losses remain within risk appetite.

The Balance Sheet includes a substantial amount of assets whose fair values are subject to market risks. The Company does not currently anticipate significant changes in primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Equity price risk
The portfolio of equity securities, excluding the foreign bond mutual funds, has exposure to equity price risk. This risk is defined as the potential loss in fair value resulting from adverse changes in stock prices. The global equity portfolio is managed to a benchmark composite index, which consists of a blend of the S&P500 and MSCI World Indices. Changes in the underlying indices have a corresponding impact on the overall portfolio.

The fair value of equity securities at 31 December 2017 was USD 87.2 million (2016: USD 78.2 million). At 31 December 2017, the impact of a 20% increase or decrease in the overall market prices of equity exposures would be a USD 17.4 million (2016: USD 15.6 million) increase or decrease, on a pre-tax basis.

Investments in hedge funds have significant exposure to equity strategies with net long positions. At 31 December 2017, the impact of an instantaneous 15% increase or decrease in the fair value of the investment in hedge funds would be a USD 9.3 million (2016: USD 8.6 million) increase or decrease, on a pre-tax basis.

Interest rate and credit spread risk
Interest rate risk includes fluctuations in interest rates and credit spreads that have a direct impact on the fair value of fixed term maturities. As interest rates rise and credit spreads widen, the fair value of fixed term maturities falls, and the converse is also true.

Sensitivity to interest rate changes and credit spread changes is monitored by revaluing fixed maturities using a variety of different interest rates (inclusive of credit spreads). Duration and convexity is used at the security level to estimate the change in fair value that would result from a change in each security's yield. Duration measures the price sensitivity of an asset to changes in yield rates. Convexity measures how the duration of the security changes with interest rates. The duration and convexity analysis takes into account changes in prepayment expectations for MBS and ABS securities. Risk assessments are updated on a quarterly basis with all risk owners.

The following table presents the estimated pre-tax impact on the fair value of fixed maturities at 31 December 2017 due to an instantaneous increase or decrease in the U.S. yield curve of 100 basis points and an additional 100 basis point credit spread widening or narrowing for corporate debt, non-agency residential and commercial MBS, ABS and municipal bond securities. There is no impact on other comprehensive income.

		Potential Change in Fair Value			
	Fair Value	**Increase in Interest rate by 100 basis points**	**Decrease in Interest rate by 100 basis points**	**Widening of Credit Spreads of 100 basis points**	**Narrowing Credit Spreads of 100 basis points**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
As at 31 December 2017					
U.S. government and agency	167,819	(3,475)	3,475	—	—
Non U.S. government	95,399	(3,334)	3,334	—	—
Agency MBS	159,995	(7,408)	7,408	—	—
Securities exposed to credit spreads:					
Corporates	607,444	(18,790)	18,790	(19,455)	19,455
Non Agency CMBS	22,767	(1,805)	1,805	(1,826)	1,826
Non Agency RMBS	265	(2)	2	(6)	6
Asset-backed securities	639	(19)	19	(19)	19
U.S. State and municipals	3,006	(110)	110	(110)	110
	1,057,334	**(34,943)**	**34,943**	**(21,416)**	**21,416**

		Potential Change in Fair Value			
	Fair Value	**Increase in Interest rate by 100 basis points**	**Decrease in Interest rate by 100 basis points**	**Widening in Interest Rates by 100 basis points**	**Narrowing in Interest Rates by 100 basis points**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
As at 31 December 2016					
U.S. government and agency	170,056	(4,697)	4,697	—	—
Non U.S. government	95,087	(3,063)	3,063	—	—
Agency MBS	162,846	(8,111)	8,111	—	—
Securities exposed to credit spreads:					
Corporates	464,929	(16,568)	16,568	(16,910)	16,910
Non Agency CMBS	23,735	(91)	91	(92)	92
Non Agency RMBS	1,032	(1)	1	(13)	13
Asset-backed securities	618	(23)	23	(23)	23
U.S. State and municipals	2,998	(141)	141	(139)	139
	921,301	**(32,695)**	**32,695**	**(17,177)**	**17,177**

Currency risk

Currency risk is the risk that the fair value of future cash flows, assets and liabilities will fluctuate because of changes in foreign exchange rates. Foreign currency risk is managed by seeking to match the estimated insurance liabilities payable in foreign currencies with assets, including cash and investments that are also denominated in such currencies.

The table below provides an analysis of the Company's exposure to foreign currencies:

As at 31 December 2017	AED USD'000	BRL USD'000	CHF USD'000	EUR USD'000	GBP USD'000	JPY USD'000	Other USD'000	Total
Invested assets	581	—	2,773	157,778	150,807	658	3,413	316,010
Other net assets/(liabilities)	(351)	(8,759)	(1,514)	(205,795)	(31,399)	(2,676)	13,445	(237,049)
Total Foreign Currency Exposure	**230**	**(8,759)**	**1,259**	**(48,016)**	**119,408**	**(2,018)**	**16,858**	**78,961**
Pre-tax impact of net foreign currency exposure on shareholders' equity given a hypothetical 10% rate movement	23	(876)	126	(4,802)	11,941	(202)	1,686	7,896

As at 31 December 2016	AED USD'000	BRL USD'000	CHF USD'000	EUR USD'000	GBP USD'000	AUD USD'000	Other USD'000	Total
Invested assets	1,461	—	3,986	173,739	138,102	1,179	4,275	322,742
Other net assets/liabilities	(30,199)	(12,172)	(8,425)	(245,262)	(20,739)	(5,279)	(6,877)	(328,953)
Total Foreign Currency Exposure	**(28,738)**	**(12,172)**	**(4,439)**	**(71,523)**	**117,363**	**(4,100)**	**(2,602)**	**(6,211)**
Pre-tax impact of net foreign currency exposure on shareholders' equity given a hypothetical 10% rate movement	(2,874)	(1,217)	(444)	(7,152)	11,736	(410)	(260)	(621)

The Company mitigates foreign currency risk by seeking to match the estimated liabilities payable in foreign currencies with assets, including cash and investments denominated in such currencies.

SCR Coverage Scenario Testing - Market Risk
SII SCR coverage scenario testing is performed on a quarterly basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios. A summary of the stress testing for market risk as at 31 December 2017 is provided in section C.8. The resulting SCR and SCR coverage impact was in line with expectations and none of the scenarios tested resulted in a breach of the Company's target SCR solvency Ratio range (130% - 150%).

C.3 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance program, amounts due from policyholders and intermediaries, and credit risk assumed through reinsurance contracts such as surety and trade credit business.

A credit risk exposure database is used to monitor and control the Company's credit risk accumulations consistent with the Company's risk limit framework. The various types of credit risk that the company is exposed to is also monitored through the Company Risk Register, which details the effectiveness of the controls, processes, governance and any issues and enhancements required.

The following sections discuss specific components of credit risk.

Investment portfolio
In relation to its investment portfolio, the Company is exposed to potential losses arising from the diminished creditworthiness of issuers of bonds as well as third party counterparties such as custodians. Exposure to such credit risk is limited through diversification, issuer exposure limitation and, with respect to custodians, through contractual and other legal remedies. The maximum nominal credit exposure to an external company or group of companies, is no more than 2% of invested assets. Additionally, individual fixed maturity issuers rated BBB and below can be no greater than 1% of invested assets.

The credit ratings of fixed term maturities are shown below. The methodology for assigning credit ratings to fixed term maturities is in line with the methodology used for the Barclays U.S Aggregate Bond Index. This methodology uses the middle of S&P, Moody's and Fitch ratings. When ratings from only two of these agencies are available, the lower rating is used. When a rating from only one agency is available, it is used.

	2017	2016
	USD '000	USD '000
Rating		
AAA	445,463	392,324
AA	128,340	109,176
A	231,364	197,664
BBB	197,237	169,141
Below BBB	54,930	52,996
	1,057,334	**921,301**

The Company also has credit risk relating to cash and cash equivalents. In order to mitigate concentration and operational risks related to cash and cash equivalents, the maximum amount of cash that can be deposited with a single counterparty is limited and the Company invests in acceptable counterparties based on current rating, outlook and other relevant factors.

		2017	2016
		USD '000	USD '000
Rating	**Rating Agency**		
AAAm	S&P	34,477	64,857
P-1	Moody's	20,381	25,606
		54,858	**90,463**

Cash and cash equivalents comprise cash at bank and investment in money market funds.

Reinsurance recoverable assets

Within the reinsurance purchasing activities the Company is exposed to the credit risk of a reinsurer failing to meet its obligations under the reinsurance contracts. To help mitigate this, all reinsurance purchasing is subject to financial security requirements specified by the Reinsurance Security Committee. The Reinsurance Security Committee maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty tolerance levels for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty’s financial strength, industry position and other qualitative factors.

Counterparty credit quality and exposures are monitored, with special monitoring of those cases that merit close attention.

	2017	2016
	USD '000	USD '000
Rating		
A++	882	373
A+	2,300,276	2,108,781
A	54,430	88,790
A-	573	366
Not rated	58,863	31,512
	2,415,024	**2,229,822**

The A+ balance includes USD 2,278.1 million (2016: USD 2,068.2 million) recoverable from ASL, a related party.

Premium receivables

The largest credit risk exposure to receivables is from brokers and other intermediaries; the risk arises where they collect premiums from customers or pay claims to customers on behalf of the Company. There are policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

Underwriting portfolio

The Company provides reinsurance of credit and bond insurers exposed to the risks of financial loss arising from non-payment of trade receivables covered by a policy (credit insurance) or non-performance (bonding). The Company's credit insurance exposures are concentrated primarily within Western European economies, while the surety bond exposures are concentrated primarily within Latin American and Western European economies. The underlying risk associated with the Company's credit related business is governed through the underwriting risk management framework.

SCR Coverage Scenario Testing - Credit Risk

SII SCR coverage scenario testing is performed on a quarterly basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios. A summary of the stress testing for credit risk as at 31 December 2017 is provided in section C.8. The resulting SCR and SCR coverage impact was in line with expectations and none of the scenarios tested resulted in a breach of 100% of the SCR solvency ratio. Two scenarios result in ratios below the Company's target SCR solvency ratio range (130% - 150%).

The Company has a number of ways by which it can manage its solvency coverage and ensure that it returns within target. This includes changing gross exposures or external reinsurance arrangements, changing the internal reinsurance arrangements or other traditional forms of capital management (e.g. capital injections, cease dividend payments etc.).

C.4 Prudent person principle and investments

The Company is required to invest in assets in accordance with the 'prudent person principle'.

As part of its prudent person approach, when the Company invests its assets it considers the following:
(a) takes into account the type of business carried on by the undertaking, in particular the nature, the amount and the duration of the expected claims payments, in such a way as to secure sufficiency, liquidity, security, quality, profitability and matching of the undertaking's investments,
(b) diversification and adequate spread of assets so as to enable appropriate response to changing economic circumstances, in particular developments in the financial markets and real estate markets or large impact catastrophic events,
(c) keep to a prudent level of investments in assets that are not traded on a regulated financial market,
(d) proper diversification of the assets so as to avoid excessive reliance on any particular asset, issuer or group of undertakings and accumulations of risk in the portfolio as a whole,
(e) not invest in assets issued by the same issuer, or by issuers belonging to the same group, in such a way as to expose the undertaking to excessive risk concentration; and
(f) assess the impact of irregular market circumstances on its assets and diversify those assets to ensure that that impact is reduced.

The Company may invest in derivative instruments to the extent that they help to reduce investment risks or facilitate efficient portfolio management. However, the Company shall value those investments on a prudent basis, taking into account the underlying assets and must include a valuation of the relevant institution's assets. The Company will also avoid excessive risk exposure to a single counterparty and to other derivative operations.

The requirements specified in paragraph (d) and (e) above do not apply to investment in government bonds.

C.5 Liquidity Risk

Liquidity risk is the risk that there would not be sufficient liquid financial resources to meet obligations when they fall due, or would have to incur excessive costs to do so. As an insurer, the core business generates liquidity primarily through premium and investment income. Exposure to liquidity risk stems mainly from the need to cover potential extreme loss events.

To manage this risk, a range of liquidity policies and measures are in place including maintaining cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows, as well as those that could result from a range of potential stress events. There are set internal limits on the minimum percentage of the investment portfolio to mature within a defined time frame. Forecasts are prepared regularly to predict required liquidity levels over both the short- and medium- term.

The effectiveness of liquidity management methods is monitored by comparing liquidity metrics for the Company against Board approved Risk Limits each quarter.

Expected profit in future premium

The expected profit included in future premiums is calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

At 31 December 2017, the expected profit in future premiums is USD 47.8 million.

C.6 Operational Risk

Operational risk represents the risk of loss due to inadequate or failed processes, people and systems, or from external events. The Company manages operational risk through a broad range of systems, procedures, process controls and governance structures (including the RMC). In addition there are various assurance processes including control certification, risk management oversight and Internal Audit reviews. The key principles for operational risk management are as follows:

- to design appropriate governance, processes and controls to ensure that operational risk is mitigated to acceptable levels, given cost/benefit considerations,
- to maintain an internal control framework consistent with the principles of the COSO framework, including the maintenance of appropriate process and control documentation,
- to assign ownership for processes and controls, with those individuals providing a quarterly self-assessment (certification) that those processes and controls are designed and operating effectively,
- to maintain an operational risk register, updated quarterly, providing a self-assessment by each Risk Owner of residual operational risk for each risk in the AXIS risk universe,
- to maintain a loss event database outlining the operational risk losses and incidents (near-misses) to assist in risk management and risk learning,
- to develop appropriate key risk indicators and other metrics to help monitor the Company's operational risk profile; and
- to ensure there is appropriate governance and monitoring with respect to any operational risk associated with major new or change initiatives within the Company.

Group Risk is responsible for coordinating and overseeing a Group-wide framework for operational risk management. An operational loss events database assists in monitoring and analyzing potential operational risk, identify any trends, and, where necessary, put in place improvement actions to avoid occurrence or recurrence of operational loss events. Transaction type operational risks are managed through the application of process controls throughout the business. In testing these controls, the work of the internal audit team is supplement with regular underwriting and claim MIAs (as discussed above).

Specific processes and systems are in place to focus on high priority operational matters such as information security, managing business continuity, and third party vendor risk:

- Major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, represent a significant operational risk to the Company. The Business Continuity Management framework strives to protect critical business functions from these effects to enable them to carry out their core tasks in time and at the quality required. During 2017, the Company continued to review its Business Continuity Planning procedures through cyclical planned tests.
- A number of Information Technology ("IT") platforms, applications and security controls have been developed to support the Company's business activities. Dedicated security standards for IT systems are in place to ensure the proper use, availability and protection of information assets.
- The use of third party vendors exposes the Company to a number of increased operational risks, including the risk of security breaches, fraud, non-compliance with laws and regulations or internal guidelines and inadequate service. Material third party vendor risk is managed, by, among other things, performing a thorough risk assessment on potential large vendors, reviewing a vendor's financial stability, ability to provide ongoing service and business continuity planning.

C.7 Other material risks

Strategic risk
Strategic risk is the risk of an unexpected negative change in the company value arising from the adverse effect of management decisions regarding business strategies and their implementation. This includes the risk that business strategy is not adapted to changes in the internal and external environment.

To ensure proper implementation of strategic goals in the current business plan, management monitors market and competitive conditions, regulatory conditions, etc. to decide whether to make strategic adjustments. Output from the AXIS Group ERC is also incorporated into strategic planning processes

Group contagion risk
Group contagion risk is the risk of financial or non-financial loss in the Company due to linkages or interdependencies with other parts of the AXIS Group. Group contagion risk is primarily managed through AXIS' Group wide Risk Management Framework which ensures that each entity operates within its defined solvency standards and risk limits, thus limiting their exposure to the above risks.

Reputational risk
Reputational risk is the risk of a loss resulting from damage to the Company's public image - the Company is potentially exposed to reputational risk stemming from an act or omission by the Company or an employee, or from an event from within the broader AXIS Group. Any damage to the Company's reputation may result in a loss of trust among its clients and stakeholders.

Every risk type has potential consequences on the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to reputation. The Group Risk Register impact assessment undertaken across all risks considers reputational impacts to the Company. Additionally, the Company and AXIS Group endeavours to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles in the AXIS Code of Conduct, which includes integrity and good business practices. Mitigation of legal or regulatory breach is undertaken by the skilled and qualified compliance team, by ongoing monitoring of the regulatory landscape, through business conduct standards and policies, implementation of background and compliance checks and staff training. Effectiveness of the processes and governance to mitigate legal and compliance risk is monitored each quarter in the Company Risk Register. The AXIS Group centrally manages certain aspects of reputation risk, for example, communications, through dedicated functions with appropriate expertise.

C.8 Any other information

SII SCR Coverage scenario testing

SII SCR Coverage scenario testing is performed on a quarterly basis to assess the sensitivity of the SCR and the SCR coverage ratio to various scenarios stressing the Company's material risks. A summary of the scenario testing results has been provided by risk category below and in each relevant risk category section above. The resulting SCR impact and SCR coverage reduction were in line with expectations, and neither of the scenarios tested resulted in a breach of 100% of the SCR Solvency Ratio. Two scenarios result in ratios below the Company's target SCR Solvency ratio range (130% - 150%). The Company has a number of ways by which it can manage its solvency coverage and ensure that it returns within target. This includes changing gross exposures or external reinsurance arrangements, changing the internal reinsurance arrangements or other traditional forms of capital management (e.g. capital injections, cease dividend payments etc.).

Scenario	Scenario Description	Risk Category	SCR Impact	SCR Coverage
Baseline	**Based on 2017 Annual SCR**			139%
Increase in net premium volume by $20m	Increase next year plan net earned premium by $20m	Underwriting Risk	$18m	133%
Increase in net claims provision by $50m	Increase net claims provision by $50m, and the corresponding ceded claims provision accordingly	Underwriting Risk & Counterparty Default Risk	$30m	120%
Increase man-made fire net exposure by $50m	Increase the top 200m radius fire / terror scenario such that the net exposure increases by $50m	Underwriting Risk	$8m	137%
Increase yield curve by 100bp	Increase the yield curve across all periods by 100bp	Market Risk	-$9m	136%
Equity valuations decrease by 40%	Reduce equity investment values by 40%	Market Risk	-$12m	131%
Increase overdue 3 months receivable by $50m	Increasing overdue 3 months receivable by $50m, while decreasing less than 3 months overdue receivable by $50m	Counterparty Default Risk	$26m	131%
Reduce rating of largest reinsurance counterparty by 1 credit quality step	Reduce the Credit Quality Step of AXIS Specialty Limited by 1, from CQS 2 to 3	Counterparty Default Risk	$75m	117%

No future management actions are assumed in any of the scenarios.

All material information regarding the Company's risk profile is disclosed in sections C.1 - C.7.

D. VALUATION FOR SOLVENCY PURPOSES

The Company's financial statements including the balance sheet have been prepared under the historical cost convention, as modified by the inclusion of certain investments at fair value and in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland, and comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The Solvency II balance sheet recognises assets and liabilities in conformity with the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 (IFRS as adopted by the EU) unless otherwise stated within Solvency II.

D.1 Assets

	Solvency II 2017 USD'000	GAAP 2017 USD'000	Difference 2017 USD'000	Adjustment Type
Deferred acquisition costs	—	36,223	(36,223)	Valuation
Deferred tax asset (net)	8,947	1,822	7,125	Valuation
Property, plant & equipment held for own use	—	10,215	(10,215)	Valuation
Holdings in related undertakings, including participations	96	96	—	
Government Bonds	246,364	266,224	(19,860)	Reclassification
Corporate Bonds	630,218	607,444	22,774	Reclassification
Collateralised securities	188,844	188,231	613	Reclassification
Collective Investments Undertakings	231,758	133,815	97,943	Reclassification
Derivatives	2,194	2,194	—	Reclassification
Deposits other than cash equivalents	7,975	—	7,975	Reclassification
Other investments	101,390	209,768	(108,378)	Reclassification
Other loans and mortgages	3,341	—	3,341	Reclassification
Investments	1,412,180	1,407,772	4,408	
Deposits to cedants	275,502	332,711	(57,209)	Valuation
Insurance and intermediaries receivables	42,185	617,328	(575,143)	Valuation
Reinsurance receivables	3,903	3,903	—	
Cash and cash equivalents	27,074	24,223	2,851	Reclassification
Any other assets, not elsewhere shown	3,876	11,282	(7,406)	Reclassification
	1,773,667	2,445,479	(671,812)	

Reclassification for solvency purposes are differences in classifications of balances between GAAP and Solvency II balance sheet line items. Valuation adjustments are valuation differences between GAAP and Solvency II.

D.1.1 Deferred acquisition costs

Acquisition costs vary with and are directly related to the acquisition of reinsurance contracts and consist primarily of fees and commissions paid to brokers and premium taxes.

Under Solvency II, cash flow projections used in the calculation of Solvency II Technical Provisions include acquisition costs associated with reinsurance contracts. Deferred acquisition costs are valued at nil in order to avoid double counting as acquisition costs are considered in the Solvency II Technical Provision calculations.

Under GAAP, acquisition costs are deferred over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi year contracts.

D.1.2 Deferred tax
The balance sheet is restated from GAAP to a Solvency II valuation for all assets and liabilities. The restated assets and liabilities are analysed for permanent differences arising between Solvency II restated accounts and tax accounts. All material differences are considered and deferred tax is provided on any temporary differences arising. Current tax legislation and rates are applied to calculate the deferred tax.

Under GAAP, deferred taxation is calculated on the differences between the Company's taxable profits and the results as stated in the financial statements. These differences arise as a result of timing differences on restricted stock units and capital allowances.

D.1.3 Property, plant and equipment
Property, plant and equipment includes software & computer equipment, fixtures & fittings, leaseholds improvement.

Under Solvency II, the Company must apply the revaluation model of IAS 16 when valuing property, plant and equipment. Property, plant and equipment are valued at nil on the SII economic balance sheet as an active secondary market does not exist.

Under GAAP, property, plant and equipment is measured at cost less depreciation. The Company provides depreciation at cost less estimated residual value in equal annual instalments over the estimated useful lives of the assets.

D.1.4 Investments
The Company’s investments comprise debt, equity and other investments.

Under Solvency II, investments are measured in accordance with IAS 39 at fair value through profit & loss. Fair value measurement is consistent with GAAP except for the recognition of accrued interest. Under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised separately in 'Any other assets'.

Fair Value Measurement
Under GAAP, investments are measured in accordance with FRS 102 section 11 and section 12. The Company determines the classification of its investments at initial recognition and re-evaluates this at each reporting date. The Company classifies its investments on a portfolio by portfolio basis and has designated all investment portfolios as at fair value through profit and loss. These portfolios are managed and their performance evaluated on a fair value basis. Short-term investments comprise debt securities that, at purchase, have a maturity greater than three months but less than one year. Due to the short-term nature of these investments amortized cost is used to approximate fair value. All purchases and sales of investments are recorded on the trade date, which is the date that the Company commits to purchase or sell the assets. The fair values of listed investments are based on closing bid prices. For investments not traded on an active market, the Company establishes fair value based on quoted market prices of similar instruments or on other valuation techniques.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. The fair value hierarchy used gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level A - The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted price is usually the current bid price.
- Level B - When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level C - If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal business considerations.

Classification
Under GAAP, classification of investments is in accordance with FRS 102 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. Under Solvency II, certain investments have been reclassified where necessary in order to conform to Solvency II asset categories.

Holdings in related undertakings
According to Article 13(20) of the SII directive, the term "participation" means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking.

The Company holds 99.99% of the share of the Brazil Subsidiary with the remaining 0.01% held by ASHIL. Under GAAP, the Company recognizes the investment at cost valued at USD 95,849.

Article 13 of the Delegated Regulation (EU) 2015/35 sets out the valuation methods for related undertakings providing three options:
- the default valuation method (quoted market prices),
- the adjusted equity method; and
- the valuation method using market prices for a similar asset or liability.

Considering the materiality of the investment in the Brazil Subsidiary, the investment in subsidiary has not been revalued under Solvency II and is recognized at cost.

D.1.5 Deposits to Cedents
Amounts relate to funds withheld balances held by the cedent. For a number of reinsurance contracts, it is agreed within the contract wording that a percentage of the premium or a loss reserve deposit will be held on the cedent's balance sheet, on which the Company will generally earn interest of between 2-3%. A revolving deposit is maintained until cessation of the contract and is normally reimbursed and recalculated on a quarterly basis based on the quarters premium and claims reserves. As the calculations are carried out and balances are normally settled quarterly, they are deemed to be at fair value at the reporting period end.

Funds withheld include balances related to retroactive contracts. Retroactive contracts are agreements under which the Company agrees to reimburse a ceding company for liabilities incurred as a result of past insurable events. Under GAAP, initial gains in connection with retroactive reinsurance contracts are deferred and earned over the settlement period while losses are recognised immediately. When changes in the estimated amount payable to the cedent or in the timing of payments related to that amount occur, a cumulative amortisation adjustment is recognised in the period of the change so that the deferred gain reflects the balance that would have existed had the revised estimate been available at the inception of the reinsurance transaction.

Under Solvency II, the best estimate calculation includes all expected cash flows. For Solvency II, GAAP balances related to retroactive contracts are re-allocated and booked as part of technical provisions.

D.1.6 Insurance and intermediaries receivables
Under Solvency II, premium and commission receivable balances past due are recognised at fair value. Balances past due greater than one year are discounted using the risk free interest rate curve. Under Solvency II, technical provisions are calculated on a cash-flow basis. Premiums and commission receivable balances not yet due are included in technical provision best estimate calculations and eliminated from the GAAP Insurance and intermediaries receivable balance. A balance is deemed not yet due at the balance sheet date, if the receivable is not aged (overdue) and will become due for payment by the client sometime after the balance sheet date.

Under GAAP, premium and commission receivable balances arising under insurance contracts are recognised when due and measured at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.1.7 Reinsurance receivables
Under GAAP, ceded premium advances and losses paid recoverable are recognised at cost with a provision for impairment if identified.

Under Solvency II, similar to Insurance and intermediaries receivables, balances deemed not yet due are included in best estimate calculation in technical provisions and removed from the GAAP reinsurance receivable balance.

D.1.8 Cash and Cash Equivalents
Cash and cash equivalents are carried at face value and include fixed income securities that, at purchase have a maturity 3 months or less.

Under Solvency II, certain cash deposits have been reclassified to investments where necessary in order to conform to Solvency II asset categories. As noted in 'Investments' under Solvency II, accrued interest is included in the valuation of cash and cash equivalents. Under GAAP, accrued interest is recognised separately in 'Any Other Assets'.

D.1.9 Any other assets
Any other assets includes amounts such as amounts due from group companies, prepaid expenses, accrued interest and other taxes receivable in the GAAP balance sheet. The amounts are measured at a value for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. As noted above, under Solvency II, accrued interest is included in the valuation of debt and cash instruments. Under GAAP, accrued interest is recognised in 'Any Other Assets'.

D.2 Technical provisions

The valuation methodology for technical provisions in accordance with Solvency II differs significantly from the valuation in the financial statements.

		Solvency II		GAAP
	2017	**2017**	**2017**	**2017**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Net technical provisions	**Best Estimate**	**Risk Margin**	**Total**	**Total**
Direct business and accepted proportional reinsurance				
Medical expense	9,976	2,810	**12,786**	**27,675**
Income protection	406	62	**468**	**669**
Motor vehicle liability	61,448	14,010	**75,458**	**98,120**
Other motor	26,055	5,941	**31,996**	**41,652**
Marine, aviation and transport	8,639	2,042	**10,681**	**12,580**
Fire and other damage to property	51,318	13,917	**65,235**	**104,320**
General liability	23,703	6,063	**29,766**	**35,015**
Credit and suretyship	54,433	13,904	**68,337**	**100,098**
Assistance	557	129	**686**	**1,848**
Accepted non-proportional reinsurance				
Health	4,569	1,429	**5,998**	**8,402**
Casualty	238,325	52,133	**290,458**	**293,905**
Marine, aviation, transport	2,346	525	**2,871**	**112**
Property	37,197	9,738	**46,935**	**51,265**
Total Non-Life obligation	518,972	122,703	**641,675**	**775,661**
Accepted Life reinsurance	—	—	—	—
Total	**518,972**	**122,703**	**641,675**	**775,661**

*Accepted Life reinsurance relates to reserves for claims which are settled using at least in part, structured annuity payments known as Periodical Payment Orders ("PPOs").

D.2.1 GAAP technical provisions

Claims reserves
Claims Reserves represent an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for reinsureds events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ('case reserves') and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

Reserves for losses and loss expenses are reviewed on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds, reassureds and/or brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgement regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilised in this process, including the Expected Loss Ratio, Bornhuetter-Ferguson and Chain Ladder methods. The Company estimate is highly dependent on management's critical judgement as to which method(s) are most appropriate for a particular accident year and class of business. The Company's historical claims data is often supplemented with industry benchmarks when applying these methodologies.

Any adjustments to previous reserves for losses and loss expenses estimates are recognised in the period they are determined. While management believes that reserves for losses and loss expenses are adequate, this estimate requires significant judgement and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the balance sheet.

Unearned premium reserves
Insurance premiums written are recorded in accordance with the terms of the underlying policies. Insurance premiums are earned over the period during which the Company is exposed to the underlying risk which is generally one to two years with the exception of multi year contracts. Insurance unearned premiums represent the portion of insurance premiums written which is applicable to the unexpired risks under contracts in force.

D.2.2 Solvency II technical provisions
Technical provisions on a Solvency II basis combine the data and results from the GAAP based reserving process with additional information and calculations.

The calculation of the Solvency II technical provisions is split into three parts:
i. **Provisions relating to earned business ('Claims Provision')**: The best estimate amount of earned, unpaid claims (i.e., reported outstanding claims and earned IBNR from the standard reserving process) and associated runoff expenses. Under Solvency II it is also necessary to ensure that the technical provisions include an allowance for 'Events not in Data' ("ENIDs"). The best estimate of ultimate claims under the traditional GAAP basis generally only reflects actual historic losses and development patterns. The Technical Provisions for Solvency II require that allowance is also made for events or circumstances that are not reasonably foreseeable (i.e., have low probabilities) and are at levels not contained in the historical data (i.e., have potentially large severities). This additional reserve amount is referred to as 'Events not in Data'.
ii. **Provisions relating to unearned business ('Premium Provision'):** Unearned business comprises unearned business already incepted, as well as business that is not yet incepted but has been already been bound before the valuation date. As with the earned provision, the claim amount is also loaded for ENIDs that could impact unearned business, includes associated runoff expenses and is offset by future premiums to be received.
iii. **Risk Margin:** A Risk Margin is then applied to reflect the premium that would be required by a third party assuming the business at the valuation date.

Both the earned and unearned provisions take account of the expected reinsurance recoveries to be received in respect of this business, reduced for reinsurance bad debt.

All elements of the provisions take account of the assumed cash flow pattern on a best estimate basis (i.e., excluding margins for prudence) and are discounted at the EIOPA provided discount rates. It is intended that the Best Estimate captures a probability-weighted average of all future outcomes, including the possibility of claim events that have not been seen in the Company's history.

D.2.3 Differences between Solvency II and GAAP valuation bases
The main changes from the methodology used to derive the technical provisions on a GAAP basis are as follows:
i. Standard Solvency II classes of business are used for reporting in addition to the standard reserving classes and also at the original currency level, with all minor currencies being grouped into an 'Other' category.
ii. The reserves held for future claims are calculated on a best-estimate basis with an explicit risk margin added onto this best estimate. This is different from the GAAP basis where booked reserves may include some implicit margin for uncertainty.
iii. The technical provisions also contain an allowance for ENIDs representing low frequency/high severity events.
iv. Future premium income and claims outgoing are all discounted for the time value of money using the relevant risk free interest rate term structure.
v. Bound unincepted business is included in the analysis, with the expected claims offset by the future premium income for this business.
vi. Unearned claims are estimated rather than 100% unearned premium reserve being held.
vii. The expected cost of future claims is offset by the future premium income.
viii. All calculations are based on a cash flow basis. This means that any transactions that have taken place but where the cash has not yet been paid or received will be included as a future cash flow.
ix. Additional allowance for expenses is made on the basis that the provision includes the expected expense amount needed to service all existing policies throughout their lifetime.

D.2.4 Level of uncertainty
The level of the technical provisions on both a GAAP and on a Solvency II basis is heavily dependent on the reliability and accuracy of the underlying reserving process. In particular, future claims development is inherently uncertain and subject to future events that cannot be known accurately at the present time. The best estimate of ultimate claims, while considered to have been derived using a reasonable methodology and set of assumptions, may still differ, potentially significantly, from the eventual cost of ultimate claims.

D.2.5 Recoverables from reinsurance contracts

The Company purchases reinsurance to reduce the risk of exposure to loss. Four types of reinsurance cover are purchased; facultative, excess of loss, quota share and stop loss. Facultative covers are typically individual risk purchases. Excess of loss covers provide a contractually set amount of cover after an excess point has been reached. This excess point can be based on the size of an industry loss or a fixed monetary amount. Generally these covers are purchased on a package policy basis, and they may provide cover for a number of lines of business within one contract. Quota share covers provide a proportional amount of coverage from the first dollar of loss and stop loss cover protects the Company's net ultimate loss ratio.

All of these reinsurance covers provide for recovery of a portion of losses paid and loss reserves from reinsurers. Under its reinsurance security policy, the Company predominantly cedes business with reinsurers rated A- or better by Standard & Poors and/or AM Best Company. The Company remains liable to the extent that reinsurers do not meet their obligations under these agreements either due to solvency issues, contractual disputes or some other reason. Included within the Company's GAAP reinsurance recoverable as at 31 December 2017 were amounts of USD 1,773.1 million (2016: USD 1,575.3 million) recoverable from ASL.

D.2.6 Any other information

The Company has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure of the transitional deduction in calculating Solvency II technical provisions.

D.3 Other Liabilities

	Solvency II	GAAP	Difference	
	2017	2017	2017	
	USD'000	USD'000	USD'000	Adjustment Type
Derivatives	—	—	—	Reclassification
Insurance & intermediaries payables	17,860	38,672	(20,812)	Valuation
Reinsurance payables	178,554	655,968	(477,414)	Valuation
Any other liabilities, not elsewhere shown	39,053	39,053	—	
	235,467	**733,693**	**(498,226)**	

D.3.1 Insurance & intermediaries payable

Under Solvency II, similar to insurance and intermediaries receivable, balances not yet due for payment are recognised in technical provisions and removed from insurance and intermediaries payable. A balance is deemed not yet due at the balance sheet date, if payment will become due after the balance sheet date.

Under GAAP, amounts payable to policyholders, insurers and other business linked to reinsurance such as commissions due to intermediaries but not yet paid are recognised at cost.

D.3.2 Reinsurance payables

Similar to 'Insurance and intermediaries payable', under Solvency II, balances not yet due for payment are removed and recognised in technical provisions.

Under GAAP, premium payables are recognised at cost. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

D.3.3 Any Other Liabilities

Under Solvency II, any other liabilities are recognised at fair value. Cost is considered to approximate fair value on the basis that duration is less than one year and no discounting is required.

Under GAAP, ‘Amounts payable to group companies’, ‘Net payable for investments purchased’, ‘Other taxes payable’ and ‘Accrued expenses’ are recognised at cost and payable in less than one year.

D.4 Any other information

All material information regarding valuation is disclosed in sections D.1 - D.3.

E. CAPITAL MANAGEMENT

Capital management is a business process that links risk and return preferences with strategy setting and business planning. It requires cross functional collaboration, and involves a significant commitment from business segments, corporate functions, risk management and the Board of Directors.

The Company's Capital Management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times, in line with its risk appetite and capital requirements, and that it fulfils its obligations to monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements.

Business strategy, capital and risk are closely integrated within decision making, and embedded through the ORSA process which assess that the prospective risk profile is in line with the Company's risk appetite framework. The SCR projections performed as part of the ORSA process provide input into the Company's capital management strategy.

E.1 Own Funds

Eligible Own funds
For Solvency II, own funds are divided into levels of quality, known as tiers, depending on their loss absorbency. Tier 1 unrestricted, which is not subject to a limit, is of the highest quality, Tier 3 the lowest. 98.6% of the Company's own funds are classified as Tier 1.

	2017	**2017**	**2017**	**2017**
	USD'000	**USD'000**	**USD'000**	**USD'000**
	Total	**Tier 1**	**Tier 2**	**Tier 3**
Ordinary share capital	1,011	1,011	—	—
Reconciliation reserve	648,392	648,392	—	—
Net deferred tax asset	8,947	—	—	8,947
Eligible own funds	**658,350**	**649,403**	**—**	**8,947**

	2016	**2016**	**2016**	**2016**
	USD'000	**USD'000**	**USD'000**	**USD'000**
	Total	**Tier 1**	**Tier 2**	**Tier 3**
Ordinary share capital	1,011	1,011	—	—
Reconciliation reserve	667,494	667,494	—	—
Net deferred tax asset	599	—	—	599
Eligible own funds	**669,104**	**668,505**	**—**	**599**

The reconciliation reserve includes the following:

- shareholders' equity on a GAAP basis as per the financial statements,
- revaluation reserve (adjustments from GAAP to Solvency II economic valuation basis); and
- deduction for restricted own fund items.

A reconciliation of shareholders' equity to eligible own funds is as follows:

	2017	**2016**
	USD'000	**USD'000**
GAAP shareholders' equity	725,080	673,161
Revaluation reserve	(60,090)	993
Restricted own fund item	(6,640)	(5,050)
Eligible own funds	**658,350**	**669,104**

The decrease in eligible own funds is primarily driven by a decrease in the SII revaluation reserve arising from GAAP to SII valuation adjustments, offset by the USD 51.9 million profit recognised in the year. Restricted own fund items relate to USD 6.6 million restricted cash balances (2016: USD 5.1 million) held by the Company.

E.2 Solvency capital requirement and Minimum capital requirement

The 2017 and 2016 results presented are based on the 2017 Annual and prior year returns submitted to the CBI respectively.

The SCR has been calculated using the standard formula.

Solvency Capital Requirement	**2017**	**2016**
	USD'000	**USD'000**
Market risk	130,840	148,476
Counterparty default risk	117,036	98,493
Life underwriting risk	11,932	14,099
Health underwriting risk	12,503	10,196
Non-life underwriting risk	288,651	264,321
Diversification	(139,227)	(138,150)
Basic solvency capital requirement	**421,735**	**397,435**
Operational risk	62,879	54,890
Loss-absorbing capacity of deferred taxes	(10,346)	(15,975)
Solvency capital requirement	**474,268**	**436,350**
Eligible own funds	**658,350**	**669,104**
Ratio of eligible own funds to SCR	**138.8%**	**153.3%**

Use of simplifications and undertaking specific parameters

Simplified calculation of the risk mitigating effect for reinsurance arrangements
The Company has applied a simplified calculation of the risk-mitigating effect for reinsurance, which computes the risk mitigating effect on underwriting risk of the reinsurance arrangements for all counterparties as the difference between the following capital requirements:

- the hypothetical capital requirement for underwriting risk of the Company if none of the reinsurance arrangements exist;
- the capital requirements for underwriting risk of the Company.

The risk mitigating effect on underwriting risk of a particular reinsurance arrangement is then calculated based on its share of the total best estimate amount recoverable from all counterparties. Applying the simplification approach has no material impact on the SCR.

Undertaking specific parameters
The Company does not use any undertaking specific parameters in the calculation of the SCR.

MCR

The MCR is calculated in accordance with Solvency II requirements using a factor-based formula calibrated using a Value-at-Risk measure with an 85% confidence level over a one-year period. The Company is required to maintain the higher of the minimum required capital (imposed by the regulations) of EUR 3.6 million or the MCR at all times during the year.

	2017	2017	2017
	Total	**Tier 1**	**Tier 2**
	USD'000	**USD'000**	**USD'000**
Eligible own funds to meet the MCR	649,403	649,403	—
MCR	**118,567**		
Ratio of eligible own funds to MCR	**547.7%**		

	2016	2016	2016
	Total	**Tier 1**	**Tier 2**
	USD'000	**USD'000**	**USD'000**
Eligible own funds to meet the MCR	669,104	668,504	—
MCR	**109,088**		
Ratio of Eligible own funds to MCR	**612.8%**		

The inputs used to calculate the MCR of the Company are as follows:

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	2017	**2017**
	USD'000	**USD'000**
Direct business and accepted proportional reinsurance		
Medical expense	9,976	21,306
Income protection	406	489
Motor vehicle liability	61,448	47,288
Other motor	26,055	20,251
Marine, aviation and transport	8,639	570
Fire and other damage to property	51,318	36,788
General liability	23,703	8,976
Credit and suretyship	54,433	20,128
Assistance	557	2,353
Accepted non-proportional reinsurance		
Health	4,569	7,159
Casualty	238,325	37,703
Marine, aviation, transport	2,346	185
Property	37,197	25,305

E.3 Use of duration based equity risk sub module in the calculation of SCR

Duration based equity risk sub module was not used in the calculation of the SCR.

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

No internal or partial internal model was used for the calculation of the SCR.

E.5 Non Compliance with SCR and MCR

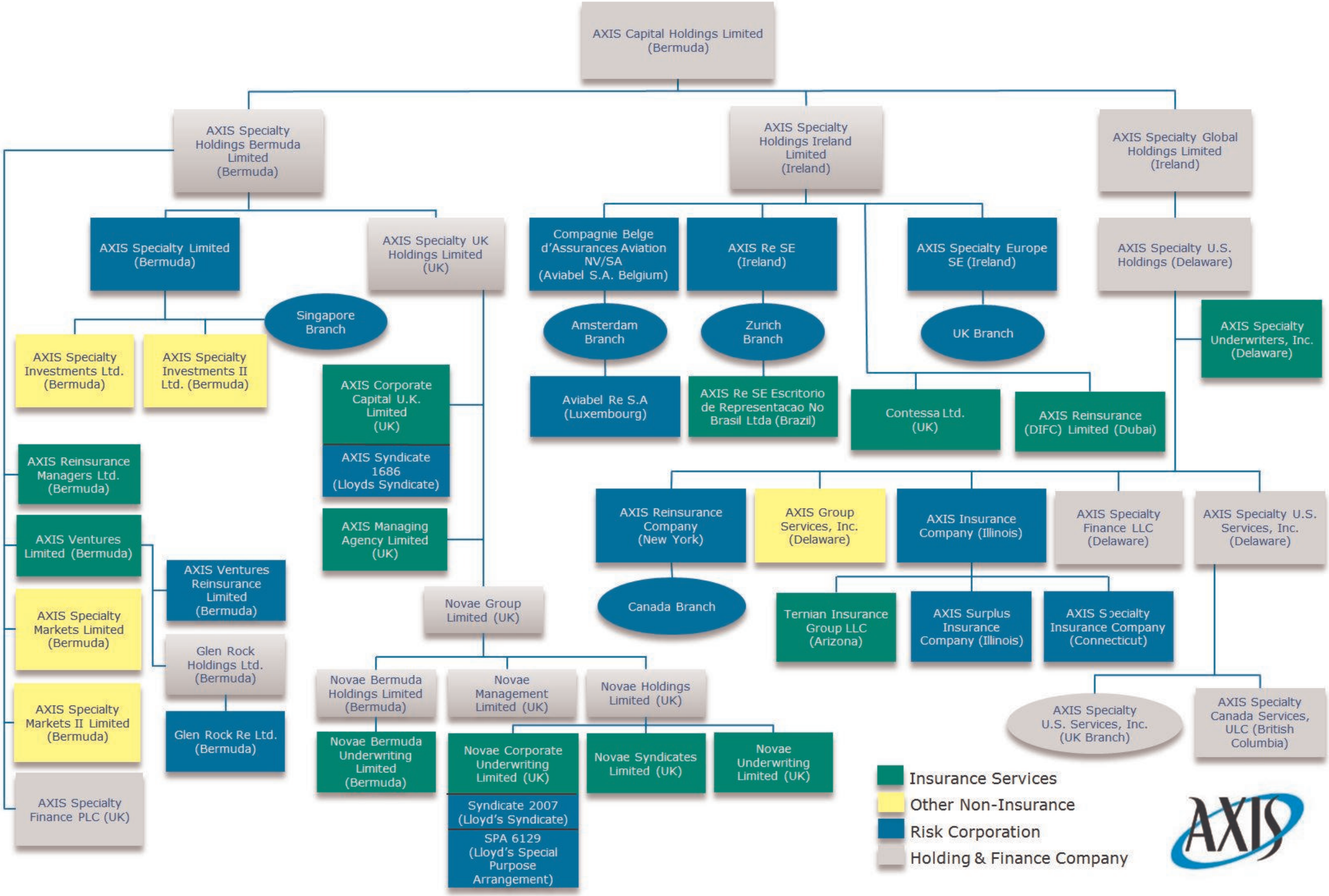
The Company has maintained capital sufficient to meet its SCR and MCR over the reporting period.

The final SCR and MCR amounts remain subject to supervisory assessment.

E.6 Any other information

All material information regarding capital management has been disclosed in Sections E.1 - E.5 above.

AXIS Group Structure



S.02.01.01 Balance Sheet (USD'000s)

		Solvency II value
Assets		**C0010**
Goodwill	R0010	
Deferred acquisition costs	R0020	—
Intangible assets	R0030	—
Deferred tax assets	R0040	214,639
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	—
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,404,422
Property (other than for own use)	R0080	—
Holdings in related undertakings, including participations	R0090	96
Equities	R0100	—
Equities - listed	R0110	—
Equities - unlisted	R0120	—
Bonds	R0130	1,061,008
Government Bonds	R0140	246,364
Corporate Bonds	R0150	630,218
Structured notes	R0160	—
Collateralised securities	R0170	184,426
Collective Investments Undertakings	R0180	231,758
Derivatives	R0190	2,194
Deposits other than cash equivalents	R0200	7,975
Other investments	R0210	101,390
Assets held for index-linked and unit-linked contracts	R0220	—
Loans and mortgages	R0230	3,341
Loans on policies	R0240	—
Loans and mortgages to individuals	R0250	—
Other loans and mortgages	R0260	3,341
Reinsurance recoverables from:	R0270	1,615,635
Non-life and health similar to non-life	R0280	1,567,214
Non-life excluding health	R0290	1,521,346
Health similar to non-life	R0300	45,868
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	48,421
Health similar to life	R0320	—
Life excluding health and index-linked and unit-linked	R0330	48,421
Life index-linked and unit-linked	R0340	—
Deposits to cedants	R0350	275,502
Insurance and intermediaries receivables	R0360	42,185
Reinsurance receivables	R0370	3,903
Receivables (trade, not insurance)	R0380	—
Own shares (held directly)	R0390	—
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	—
Cash and cash equivalents	R0410	27,074
Any other assets, not elsewhere shown	R0420	3,876
Total assets	**R0500**	**3,590,576**

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	2,208,889
Technical provisions – non-life (excluding health)	R0520	2,143,770
Technical Provisions calculated as a whole	R0530	—
Best Estimate	R0540	2,025,368
Risk margin	R0550	118,402
Technical provisions - health (similar to non-life)	R0560	65,119
Technical Provisions calculated as a whole	R0570	—
Best Estimate	R0580	60,818
Risk margin	R0590	4,300
Technical provisions - life (excluding index-linked and unit-linked)	R0600	69,058
Technical provisions - health (similar to life)	R0610	—
Technical Provisions calculated as a whole	R0620	—
Best Estimate	R0630	—
Risk margin	R0640	—
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	69,058
Technical Provisions calculated as a whole	R0660	—
Best Estimate	R0670	65,258
Risk margin	R0680	3,799
Technical provisions – index-linked and unit-linked	R0690	—
Technical Provisions calculated as a whole	R0700	—
Best Estimate	R0710	—
Risk margin	R0720	—
Contingent liabilities	R0740	—
Provisions other than technical provisions	R0750	—
Pension benefit obligations	R0760	—
Deposits from reinsurers	R0770	206,432
Deferred tax liabilities	R0780	205,692
Derivatives	R0790	—
Debts owed to credit institutions	R0800	49
Insurance & intermediaries payables	R0820	17,860
Reinsurance payables	R0830	178,554
Payables (trade, not insurance)	R0840	—
Subordinated Liabilities	R0850	—
Subordinated liabilities not in Basic Own Funds	R0860	—
Subordinated liabilities in Basic Own Funds	R0870	—
Any other liabilities, not elsewhere shown	R0880	39,053
Total liabilities	**R0900**	**2,925,586**
Excess of assets over liabilities	**R1000**	**664,990**

S.05.01.01 - Premiums, claims and expenses by line of business (USD'000s)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									Line of business for: accepted non-proportional reinsurance				
		Medical expense	Income protection	Motor vehicle liability	Other motor	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	Assistance	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0090		C0130	C0140	C0150	C0160	C0200
Premiums written															
Gross - Direct Business	R0110	—	—	—	—	5,142	7,136	(4)	815	—					13,089
Gross - Proportional reinsurance accepted	R0120	91,423	2,050	202,017	86,514	6	179,146	38,164	114,167	9,778					723,265
Gross - Non-proportional reinsurance accepted	R0130										31,117	161,793	1,010	132,028	325,948
Reinsurers' share	R0140	70,117	1,561	154,729	66,263	4,578	149,494	29,183	94,854	7,425	23,958	124,090	825	106,723	833,800
Net	R0200	21,306	489	47,288	20,251	570	36,788	8,976	20,128	2,353	7,159	37,703	185	25,305	228,501
Premiums earned															
Gross - Direct Business	R0210	—	—	—	—	8,252	9,471	10	815	—					18,548
Gross - Proportional reinsurance accepted	R0220	94,910	1,450	197,008	84,369	138	167,402	34,383	179,053	5,605					764,318
Gross - Non-proportional reinsurance accepted	R0230										30,145	154,391	1,232	133,579	319,347
Reinsurers' share	R0240	72,732	1,111	150,972	64,654	7,172	142,653	26,358	141,132	4,295	23,229	118,466	993	107,957	861,724
Net	R0300	22,178	339	46,036	19,715	1,217	34,221	8,035	38,736	1,310	6,916	35,925	240	25,622	240,490
Claims incurred															
Gross - Direct Business	R0310	—	—	—	—	(19,235)	(3,038)	13,044	(243)	—					(9,472)
Gross - Proportional reinsurance accepted	R0320	72,936	1,554	148,201	63,467	416	114,310	19,837	73,065	3,463					497,249
Gross - Non-proportional reinsurance accepted	R0330										15,146	79,925	207	104,888	200,166
Reinsurers' share	R0340	54,702	1,166	111,151	47,600	(16,202)	89,849	25,970	56,299	2,597	11,359	60,035	115	82,242	526,883
Net	R0400	18,234	389	37,050	15,867	(2,618)	21,423	6,911	16,523	866	3,786	19,890	92	22,646	161,059

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									Line of business for: accepted non-proportional reinsurance				
		Medical expense	Income protection	Motor vehicle liability	Other motor	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship	Assistance	Health	Casualty	Marine, aviation, transport	Property	Total
Changes in other technical provisions															
Gross - Direct Business	R0410	—	—	—	—	—	—	—	—	—					—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—	—	—					—
Gross - Non- proportional reinsurance accepted	R0430										—	—	—	—	—
Reinsurers'share	R0440	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net	R0500	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Expenses incurred	**R0550**	**6,539**	**79**	**12,357**	**5,292**	**71**	**10,189**	**2,917**	**20,048**	**664**	**1,407**	**4,846**	**76**	**5,237**	**69,722**
Other expenses	**R1200**	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenses	**R1300**	**6,539**	**79**	**12,357**	**5,292**	**71**	**10,189**	**2,917**	**20,048**	**664**	**1,407**	**4,846**	**76**	**5,237**	**69,722**

S.05.02.01 - Premiums, claims and expenses by country (USD'000s)

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			UNITED KINGDOM	FRANCE	SWITZERLAND	UNITED ARAB EMIRATES	GERMANY	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross - Direct Business	R0110	—	271	—	—	3	941	1,215
Gross - Proportional reinsurance accepted	R0120	1,669	243,431	38,767	48,667	66,933	38,374	437,841
Gross - Non-proportional reinsurance accepted	R0130	9,879	93,296	62,206	29,361	6,858	31,299	232,898
Reinsurers' share	R0140	9,064	264,538	81,631	61,244	57,920	55,425	529,822
Net	R0200	2,484	72,460	19,342	16,784	15,873	15,189	142,133
Premiums earned								
Gross - Direct Business	R0210	—	391	—	—	3	1,339	1,733
Gross - Proportional reinsurance accepted	R0220	873	218,324	35,628	46,395	75,742	35,781	412,742
Gross - Non-proportional reinsurance accepted	R0230	9,879	90,543	61,736	28,065	4,381	29,100	223,705
Reinsurers' share	R0240	8,406	241,797	77,615	58,213	62,644	51,772	500,447
Net	R0300	2,346	67,461	19,749	16,246	17,483	14,448	137,733
Claims incurred								
Gross - Direct Business	R0310	—	(181)	—	—	—	163	(18)
Gross - Proportional reinsurance accepted	R0320	4,723	167,092	11,960	18,066	56,017	14,115	271,973
Gross - Non-proportional reinsurance accepted	R0330	1,978	134,591	14,825	7,107	4,680	3,915	167,097
Reinsurers' share	R0340	5,133	230,919	20,514	19,280	46,487	13,999	336,331
Net	R0400	1,569	70,583	6,271	5,893	14,210	4,195	102,721
Changes in other technical provisions								
Gross - Direct Business	R0410	—	—	—	—	—	—	—
Gross - Proportional reinsurance accepted	R0420	—	—	—	—	—	—	—
Gross - Non-proportional reinsurance accepted	R0430	—	—	—	—	—	—	—
Reinsurers' share	R0440	5,133	230,919	20,514	19,280	46,487	13,999	336,331
Net	R0500	(5,133)	(230,919)	(20,514)	(19,280)	(46,487)	(13,999)	(336,331)
Expenses incurred	R0550	515	16,766	5,923	5,205	4,228	3,981	36,617
Other expenses	R1200							—
Total expenses	R1300							36,617

S.17.01.01 Non-life Technical Provisions (USD'000s)

		Direct business and accepted proportional reinsurance									accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income Protection Insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Assistance	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0120	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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	R0050	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Technical provisions calculated as a sum of BE and RM															
Best estimate															
Premium provisions															
Gross - Total	R0060	(8,754)	541	(1,423)	(610)	(2,557)	(50,676)	(12,399)	(32,569)	11	(6,865)	29,520	61	(40,957)	(126,677)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(6,278)	408	(782)	(335)	(2,147)	(40,320)	(9,234)	(25,383)	24	(5,100)	22,231	41	(34,997)	(101,872)
Net Best Estimate of Premium Provisions	R0150	(2,475)	133	(642)	(275)	(410)	(10,357)	(3,165)	(7,186)	(13)	(1,765)	7,289	20	(5,959)	(24,805)
Claims provisions															
Gross - Total	R0160	49,652	1,084	231,151	97,949	46,775	297,477	112,543	250,365	2,273	25,161	897,851	10,551	190,032	2,212,864
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	37,200	811	169,061	71,619	37,726	235,802	85,675	188,746	1,703	18,827	666,814	8,225	146,876	1,669,085
Net Best Estimate of Claims Provisions	R0250	12,451	273	62,090	26,330	9,049	61,675	26,868	61,619	570	6,334	231,036	2,326	43,157	543,778
Total Best estimate - gross	R0260	40,898	1,625	229,728	97,339	44,217	246,801	100,144	217,797	2,284	18,295	927,370	10,612	149,076	2,086,186
Total Best estimate - net	R0270	9,976	406	61,448	26,055	8,639	51,318	23,703	54,433	557	4,569	238,325	2,346	37,197	518,972
Risk margin	R0280	2,810	62	14,010	5,941	2,042	13,917	6,063	13,904	129	1,429	52,133	525	9,738	122,703
Amount of the transitional on Technical Provisions															
TP as a whole	R0290	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Best estimate	R0300	—	—	—	—	—	—	—	—	—	—	—	—	—	—

		Direct business and accepted proportional reinsurance									accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income Protection Insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Assistance	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0120	C0140	C0150	C0160	C0170	C0180
Risk margin	R0310	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Technical provisions - total															
Technical provisions - total	R0320	43,708	1,687	243,738	103,280	46,260	260,718	106,207	231,700	2,413	19,725	979,504	11,137	158,813	2,208,890
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	30,922	1,219	168,279	71,284	35,579	195,482	76,441	163,363	1,727	13,727	689,045	8,266	111,879	1,567,213
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	R0340	12,786	468	75,459	31,996	10,681	65,236	29,766	68,337	686	5,998	290,459	2,871	46,934	641,677

S.19.01.01 Non-life insurance claims (USD'000s)

Accident year/ Underwriting year	Z0010	Accident Year														
Gross Claims Paid (non-cumulative)																
(absolute amount)		**Development Year**														
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			**In Current year**	**Sum of years (cumulative)**
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											596,291		R0100	5,758	596,291
N-9	R0160	83,724	110,363	18,015	54,786	43,771	(7,976)	(163,27)	(54,195)	4,719	(3,086)			R0160	(3,086)	86,849
N-8	R0170	105,510	73,630	26,448	18,864	23,368	346,832	89,543	8,981	7,315				R0170	7,315	700,491
N-7	R0180	121,905	87,880	55,433	73,342	96,349	17,090	10,003	4,163					R0180	4,163	466,165
N-6	R0190	34,173	159,939	83,257	214,956	10,647	21,077	15,393						R0190	15,393	539,443
N-5	R0200	129,145	139,981	28,175	31,475	26,648	35,639							R0200	35,639	391,062
N-4	R0210	154,383	36,938	120,056	50,777	40,626								R0210	40,626	402,780
N-3	R0220	383,960	181,712	120,017	39,388									R0220	39,388	725,076
N-2	R0230	77,957	172,849	169,111										R0230	169,111	419,917
N-1	R0240	106,238	(48,730)											R0240	(48,730)	57,508
N	R0250	378,519												R0250	378,519	378,519
													Total	R0260	644,098	4,764,103

Gross undiscounted Best Estimate Claims Provisions																
(absolute amount)																
		Development Year														
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											167,193		R0100	167,193	167,193
N-9	R0160	—	—	—	—	—	—	—	—	—	66,501			R0160	66,501	66,501
N-8	R0170	—	—	—	—	—	—	—	—	78,897				R0170	78,897	78,897
N-7	R0180	—	—	—	—	—	—	—	77,831					R0180	77,831	77,831
N-6	R0190	—	—	—	—	—	—	116,399						R0190	116,399	116,399
N-5	R0200	—	—	—	—	—	167,994							R0200	167,994	167,994
N-4	R0210	—	—	—	—	161,633								R0210	161,633	161,633
N-3	R0220	—	—	—	193,727									R0220	193,727	193,727
N-2	R0230	—	—	312,079										R0230	312,079	312,079
N-1	R0240	—	413,813											R0240	413,813	413,813
N	R0250	676,679												R0250	676,679	676,679
													Total	R0260	2,432,747	2,432,747

S.23.01.01 Own Funds (USD'000s)

		Total	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,011	1,011		—	
Share premium account related to ordinary share capital	R0030	—	—		—	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—	—		—	
Subordinated mutual member accounts	R0050	—		—	—	—
Surplus funds	R0070	—	—			
Preference shares	R0090	—		—	—	—
Share premium account related to preference shares	R0110	—		—	—	—
Reconciliation reserve	R0130	648,392	648,392			
Subordinated liabilities	R0140	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	8,947				8,947
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	—				
Deductions						
Deductions for participations in financial and credit institutions	R0230	—	—	—	—	
Total basic own funds after deductions	R0290	658,350	649,403	—	—	8,947
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—			—	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—			—	
Unpaid and uncalled preference shares callable on demand	R0320	—			—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—			—	—
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—			—	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—			—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—			—	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—			—	—
Other ancillary own funds	R0390	—			—	—

		Total	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	—			—	—
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	658,350	649,403	—	—	8,947
Total available own funds to meet the MCR	R0510	649,403	649,403	—	—	
Total eligible own funds to meet the SCR	R0540	658,350	649,403	—	—	8,947
Total eligible own funds to meet the MCR	R0550	649,403	649,403	—	—	
SCR	R0580	474,268				
MCR	R0600	118,567				
Ratio of Eligible own funds to SCR	R0620	138.8%				
Ratio of Eligible own funds to MCR	R0640	547.7%				
		Total				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	664,990				
Own shares (held directly and indirectly)	R0710	—				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	9,958				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	6,640				
Reconciliation reserve	R0760	648,392				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	—				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	47,778				

S.25.01.01 Solvency Capital Requirement for undertakings on Standard Formula (USD'000s)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	130,840		—
Counterparty default risk	R0020	117,036		
Life underwriting risk	R0030	11,932	—	—
Health underwriting risk	R0040	12,503	—	—
Non-life underwriting risk	R0050	288,651	—	—
Diversification	R0060	(139,227)		
Intangible asset risk	R0070	—		
Basic solvency capital requirement	R0100	421,735		
Calculation of Solvency Capital Requirement				
Operational risk	R0130	62,879		
Loss-absorbing capacity of technical provisions	R0140	—		
Loss-absorbing capacity of deferred taxes	R0150	(10,346)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency Capital Requirement excluding capital add-on	R0200	474,268		
Capital add-on already set	R0210			
Solvency capital requirement	R0220	474,268		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440			

S.28.01.01 Minimum Capital Requirement - Only life or non-life insurance or reinsurance activity (USD'000s)

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
	R0010	102,808	
MCR_{NL} Result			
		Non-life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
Medical expense	R0020	9,976	21,306
Income protection	R0030	406	489
Motor vehicle liability	R0050	61,448	47,288
Other motor insurance	R0060	26,055	20,251
Marine, aviation and transport	R0070	8,639	570
Fire and other damage to property	R0080	51,318	36,788
General liability insurance	R0090	23,703	8,976
Credit and suretyship	R0100	54,433	20,128
Assistance	R0120	557	2,353
Non-proportional health	R0140	4,569	7,159
Non-proportional casualty	R0150	238,325	37,703
Non-proportional marine, aviation and transport reinsurance	R0160	2,346	185
Non-proportional property reinsurance	R0170	37,197	25,305

Linear formula for life insurance and reinsurance obligations

		C0040	
MCR_L Result	R0200	353,589	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0090	C0100
Obligations with profit participation - guaranteed benefits	R0210	—	
Obligations with profit participation - future discretionary benefits	R0220	—	
Index-linked and unit-linked insurance obligations	R0230	—	
Other life (re)insurance and health (re)insurance obligations	R0240	16,838	
Total capital at risk for all life (re)insurance obligations	R0250		—
Overall MCR calculation			
		C0070	
Linear MCR	R0300	103,162	
SCR	R0310	474,268	
MCR cap	R0320	213,421	
MCR floor	R0330	118,567	
Combined MCR	R0340	118,567	
Absolute floor of the MCR	R0350	4,327	
		C0070	
Minimum Capital Requirement	R0400	118,567	