FGIC UK Limited

Solvency and Financial Condition Report (SFCR)

31 December 2016

11 May 2017

Index

Summary

Amounts in £000ôs unless otherwise noted.

This document is the Solvency and Financial Condition Report (ñSFCRò) for FGIC UK Limited (ñFGIC UKò or the ñCompanyò) for the year ended 31 December 2016.

FGIC UK is an insurance company subject to regulation by the Prudential Regulation Authority (ñPRAò) and the Financial Conduct Authority (ñFCAò).

Business and performance

FGIC UK is no longer engaged in the business of writing new financial guarantees and is responsible for administering its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law.

The Company reported a profit of £12,286 for the year ended 31 December 2016 which is primarily driven by the premiums earned on financial guarantee insurance policies and investment income.

As of 31 December 2016, FGIC UK does not anticipate paying claims on any of the transactions it has insured, and has therefore not recorded a provision for claims within its financial statements. FGIC UK monitors its insured transactions for credit deterioration.

The Investment Portfolio of FGIC UK as of 31 December 2016 was mainly invested in long-term United Kingdom (ñUKò) government and investment grade corporate bonds with the remainder in units in collective investment schemes.

Systems and governance

As of 31 December 2016, FGIC UKôs Board of Directors (the ñBoardò) consisted of four directors, including three members of senior management of FGIC and one independent non-executive director. In March 2017, a second independent non-executive director was appointed, subject to PRA approval. There were no Board committees at 31 December 2016.

Risk profile

Non-life underwriting risk refers to the risk arising from financial guarantees and the uncertainty of a change in value due to a deviation of the actual claims payments from the expected amount of claims, including expenses. This is the key driver of FGICôs Solvency II capital requirements and is made up of insurance risk and catastrophe risk

Market risk represents the potential for losses that could result from changes in the value of a financial instrument as a result of changes in market conditions. The primary market risk for FGIC UK relates to its investment portfolio.

The primary credit risk for FGIC UK relates to future premiums due not being collected. Expected premium receipts are monitored against actual premium receipts on a monthly basis. Any discrepancies are reported and investigated. Credit quality is monitored on a regular basis and is reported to the Board on a quarterly basis.

Liquidity risk relates principally to the adequacy of FGIC UKôs available claims paying resources to pay claims under its financial guarantees, should any such claims arise in the future. The Board considers the effect on the investment portfolio and related Liquidity Risk that changes in interest rates could have on available assets if a claim ever had to be paid on a quarterly basis. FGIC UK considers Liquidity Risk to be low.

Expected profits in future premiums are £28,777 at 31 December 2016 and represent the net present value of future premiums less the present value of cash outflows.

FGIC UKôs Operational Risk includes the risk that FGIC or its other outsourced service providers fail or cause errors that result in regulatory action.

Operational risk from other outsourced service providers is mitigated by the robust systems and controls in place to regularly monitor and assess the performance of the outsourced service providers.

Valuation for solvency purposes

An analysis of the adjustments made from the Statutory Accounts to the SII assets and liabilities are provided in sections D1 and D3 of this report. Comparisons to the prior period are not made as the Solvency II regime came into force on 1 January 2016, after the end of the prior period.

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

Capital management

Under the European Unionôs Solvency II Directive (2009/138/EC) (ñSolvency IIò or ñSIIò), FGIC UKôs Own Funds at 31 December 2016 are £20.7m. Based on the standard formula, FGIC UKôs Minimum Capital Requirement (ñMCRò) is £29.4m and its Solvency Capital Requirement (ñSCRò) is £117.7m. FGIC UK therefore has a capital deficit of £8.7m against the MCR and £96.9m against the SCR at 31 December 2016.

FGIC UK has notified the PRA of its non-compliance with the Solvency II capital requirements and the limited access to incremental capital available to FGIC UK to remediate this non-compliance.

There were no material changes to the Companyôs business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period.

FGIC UK Limited

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

Financial Year Ended 31 December 2016

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

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

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

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

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

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

On behalf of the Board

Director

11 May 2017

Report of the external independent auditor to the Directors of FGIC UK Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01, ('the Templates subject to audit').

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

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

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01 and S19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of FGIC UK Limited as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK & I) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.** The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

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

Ernst + Young LLP

Ernst & Young LLP
London
19 May 2017

The maintenance and integrity of the Financial Guaranty Insurance Company web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Business and Performance

A.1 Business

General information:

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

Tower Bridge House
St Katharineôs Way
London
E1W 1DD

FGIC UK is an insurance company subject to regulation by the PRA and the FCA. The Company was authorised to write financial guarantee business in the UK and had passport rights to write business in other European Economic Area member countries. FGIC UK previously issued financial guarantees covering public finance, structured finance and other obligations. FGIC UK is responsible for administering its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law. FGIC UK is no longer engaged in the business of writing new financial guarantees.

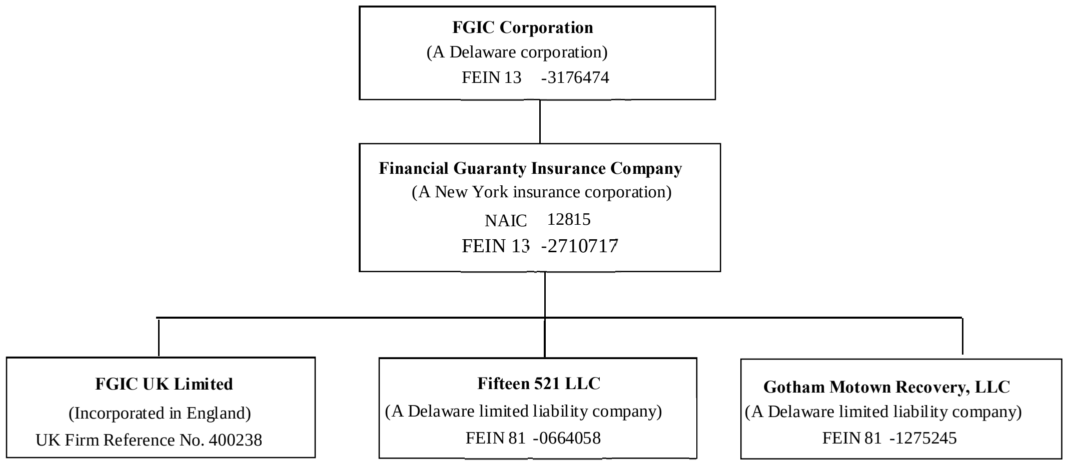
FGIC UK is a wholly owned subsidiary of Financial Guaranty Insurance Company (ñFGICò), a New York stock insurance corporation, which in turn is a wholly owned subsidiary of FGIC Corporation (ñFGIC Corp.ò), a Delaware corporation.

FGIC Corp. emerged from a proceeding under Chapter 11 of the United States Bankruptcy Code on 19 April 2013, and conducts no business other than owning the common shares of FGIC.

FGIC previously issued financial guaranty insurance policies insuring public finance, structured finance and other obligations, but is no longer engaged in the business of writing new policies. On 28 June 2012, the Supreme Court of the State of New York issued an order placing FGIC in rehabilitation. Such court subsequently approved the First Amended Plan of Rehabilitation for FGIC, dated 4 June 2013, together with all exhibits and the plan supplement thereto (the ñRehabilitation Planò). The Rehabilitation Plan became effective on 19 August 2013 (the ñEffective Dateò), whereupon FGICôs rehabilitation proceeding terminated. On the Effective Date, FGIC emerged from its rehabilitation proceeding as a solvent insurance company under the New York Insurance Law, with its policies restructured in a manner intended to ensure that FGIC remains solvent. From and after the Effective Date, FGIC is obligated to pay only a percentage of each permitted policy claim upfront in cash (subject to any setoff rights FGIC may have), with such cash payment amount determined as set forth in the Rehabilitation Plan. The portion of such claim not paid in cash general shall be considered a deferred payment obligation under the policy, which shall only be payable by FGIC when, if and to the extent provided in the Rehabilitation Plan.

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

The group structure diagram below presents the identities of and legal links between the Company, its parent undertaking and its related entities as at 31 December 2016:



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

Lacrosse Financial Products Member, LLC (ñLacrosseò) holds 34.5% of FGIC Corpôs Creditor New Class A common stock. Lacrosse is an affiliate of MBIA Inc., which (on behalf of itself and its affiliates) in accordance with New York Insurance Law has relinquished control it might have with respect to the FGIC Corp. shares held by Lacrosse. All other shareholders or FGIC Corp hold <10% of the share capital and do not exercise significant control.

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

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

The independent auditors of the Company are:

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Business overview:

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

As of 31 December 2016, FGIC UK is closely monitoring two transactions due to the identified potential risks they pose to the Company. The Reliance Rail Finance Pty Limited PPP ("Reliance Rail") transaction faces significant refinancing risk in September 2018. Recent senior debt upgrades reflect the projectôs strong operational performance since it reached practical completion in 2014. Any further improvement in ratings is constrained until the project can successfully manage the refinancing risk. Based on current market conditions, FGIC UK believes a successful refinancing is achievable by September 2018, and FGIC UK therefore believes it will not incur a loss and accordingly has not established a loss reserve for this transaction.

FGIC UK has heightened its surveillance on the Peterborough PLC (ñPeterboroughò) transaction, which is secured by a long-term concession with three UK National Health Service Trusts, due to potential risks associated with certain issues asserted by the trusts. As a result of a standstill agreement and other developments, these risks have been mitigated and FGIC UK therefore believes it will not incur a loss and accordingly has not established a loss reserve for this transaction.

If either the Reliance Rail or the Peterborough transaction were to incur a material loss, it could materially adversely affect the Companyôs ability to continue its business.

All of FGIC UKôs business results from contracts concluded in the UK.

Significant business events during the reporting period

In June 2016 the UK voted to leave the European Union (ñEUò). This vote, also referred to as Brexit, and the subsequent invoking of Article 50 on 29 March 2017, creates potential risks for FGIC UK that could impact both its assets and liabilities and has created uncertainty surrounding the future of regulation of insurers in the UK.

The terms of the UKôs exit from the EU are not yet defined and the impact on law and regulation is currently unknown. However, as EU legislation is effectively passed down into UK law, FGIC UK anticipates that the UK will continue to require compliance with existing law and regulation with little near term amendment that would require significant change to the Companyôs policies and procedures and compliance with regulatory obligations.

FGIC UK believes that it is unlikely that potential cross border issues arising from Brexit would adversely impact the one remaining EU obligor in its portfolio. However, FGIC UK will monitor developments in this area.

A.2 Underwriting Performance

The table below shows the Companyôs premiums, claims and expenses for the years ended 31 December 2016 and 2015. All amounts are in respect of the Solvency II Credit and Suretyship insurance line of business.

	2016 **£'000**	**2015** **£'000**
Gross premium written	203	(23,536)
Gross premium earned	13,763	24,874
Gross claims	520	501
Net operating expenses	2,073	4,241

Gross claims consist solely of loss adjusting expenses such as legal expenses. This is included under the óClaims management expensesô heading within the óS.05.01 Premiums, claims and expenses by line of businessô Quantitative Reporting Template (QRT).

The investment management expenses of £66 included under the óInvestment management expensesô heading within the óS.05.01 Premiums, claims and expenses by line of businessô QRT are included within the profit and loss non-technical account.

The recorded premium receivable is estimated based on assumptions and circumstances at the time of inception of the guarantee. The actual premiums collected by the Company could differ materially from the estimated premiums initially recorded by the Company due to changes in estimated par due to amortization, indices, and foreign exchange rates as well as policy terminations, including commutations, in periods subsequent to the contract inception. These changes are recorded as gross premiums written.

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

The table below shows the gross premiums written by geographical area for the years ended 31 December 2016 and 2015.

Gross premiums written by geographical area for the year ended 31 December	**2016 £'000**	**2015 £'000**
United Kingdom	-	10,564
France	-	(34,288)
Australia	203	188
Total	203	(23,536)

In 2015, there were three early terminations, which resulted in the reversal of gross premiums written.

The par in force of the Companyôs insured portfolio at 31 December 2016 and 2015 is set out below. The par in force decreased 8% from 31 December 2015. The mix of the portfolio remained broadly constant. The decrease is due to the termination of several guarantees in the year and normal amortisation of the insured obligations partially offset by increases due to index-linked policies and foreign exchange differences. FGIC UK voluntarily ceased writing financial guarantees concerning new or additional risks in January 2008.

	31 December 2016 £'000	**31 December 2015 £'000**
Utility	1,361,928	1,804,533
PFI	1,750,225	1,584,288
Transportation	88,964	71,946
Total	3,201,117	3,460,767

A.3 Investment performance

FGIC UKôs current investment strategy provides for investment primarily in UK government bonds and highly rated corporate bonds. As of 31 December 2016, 61% of the investments were in UK government bonds (2015: 66%) and 38% in corporate bonds (2015: 33%). Excess cash balances are invested in óAAAô rated Undertakings for Collective Investments in Transferable Securities (ñUCITSò), as appropriate in accordance with short-term liquidity requirements. The investments strategy of the UCITS focuses on debt obligations of governments, international organisations, and corporations or financial institutions of high credit standing. Income generated from the UCITS is accumulated daily and reinvested at each month end. At 31 December 2016, 1% of investments were in UCITS.

The assets held by FGIC UK fall into the following categories:

	31 December 2016		31 December 2015	
	£'000	**%**	**£'000**	**%**
UK government bonds	42,119	60.5	41,747	66.0
Corporate bonds	26,582	38.2	20,613	32.6
UCITS	941	1.3	884	1.4
Total Investments	69,642	100.0	63,244	100.0
Cash and cash equivalents	1,679		1,102	
Total Investments and Cash	71,321		64,346	

The annualised investment yield of the portfolio at year end was 1.9% (2015: 1.9%)

FGIC UK recognised investment income of £2,017 (2015: £1,404), a realised gain of £548 (2015: £956) and an unrealised gain of £1,494 (2015: unrealised loss of £2,033) for the same period. Investment management fees for the year were £66 (2015: £60).

There were no gains and losses recognized directly in equity.

There were no investments in securitizations.

A.4 Performance of other activities

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

A.5 Any Other Information

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

Systems of Governance

B.1 General Information on the System of Governance

As of 31 December 2016, FGIC UKôs Board of Directors (the ñBoardò) consisted of four directors, including three members of senior management of FGIC and one independent non-executive director. In March 2017, a second independent non-executive director was appointed, subject to PRA approval. There were no Board committees at 31 December 2016. All of FGIC UKôs activities are overseen by the Board. FGIC UK is managed by its Chief Executive Officer (ñCEOò), who has responsibility, under the immediate authority of the Board, for managing the whole of FGIC UKôs business. FGIC UKôs CEO is also the CEO of FGIC.

The Company has no direct employees (2015: Nil). Certain directors are employees of and paid by FGIC; no amounts were directly charged to the Company in respect of their time in 2016 (2015: Nil). Remuneration of the directors employed by FGIC is set by the FGIC Board and subject to the remuneration policies in place at FGIC. Directors of FGIC are paid on a fixed basis.

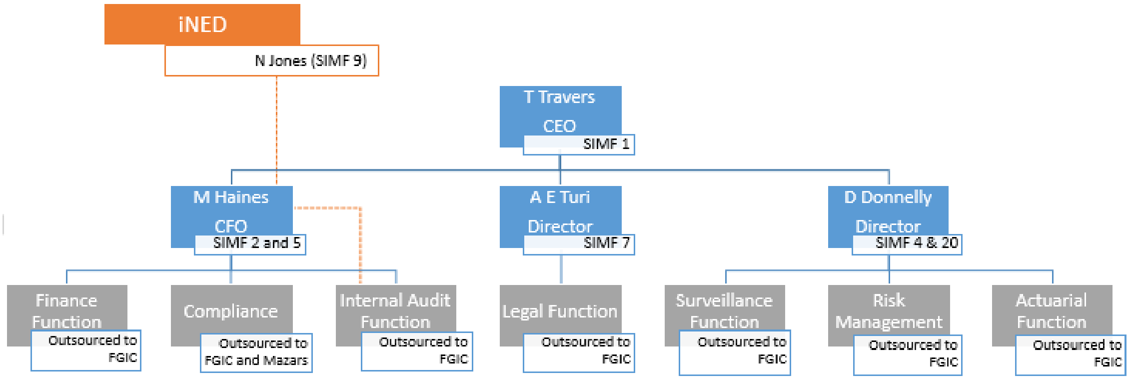
Emoluments for the directors paid directly by the Company amounted to £50 (2015: £50). Amounts paid by the Company are paid on a fixed salary basis and do not include any element of variable remuneration.

No material changes in the system of governance have taken place for the years ended 31 December 2016 and 2015. The Board intends to establish an Audit Committee in 2017, which will be chaired by an independent non-executive director.

FGIC UK does not directly employ any staff, hence there is no remuneration, fixed or variable. Instead it has contracted with FGIC and Mazars LLP (ñMazarsò), as outsourced service providers, to provide it with substantially all of its management and administrative services (including the services of the three directors who are members of senior management of FGIC). FGIC UK also has contracted to receive certain other services from third party providers, including investment management services and investment accounting services. FGIC UK directly remunerates its independent non-executive director(s), but does not provide any direct remuneration to the three directors who are members of senior management of FGIC.

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

The following organisation chart provides an overview of key function holders and their responsibilities:



Below is a table showing the allocation of the PRAœs prescribed principal responsibilities to the members of the Board and senior management. ñSIMRò refers to the ñSenior Insurance Managers Regimeò and ñSIMFò refers to the ñSenior Insurance Mangers Function.ò

Allocation of Prescribed Responsibilities to SIMF	**Responsible**
Ensuring that the firm has complied with the obligation to satisfy itself that persons performing a key function are fit and proper; Responsibility for ensuring that the firm has complied with its obligation in Insurance Fitness & Propriety 2.1 to ensure that every person who performs a key function (including those in respect of whom an application under section 59 of FSMA is made) is a fit and proper person.	Timothy Travers
Leading the development of the firmœs culture; Responsibility for leading of the firmœs culture by the governing body as a whole.	Timothy Travers
Overseeing the adoption of the firmœs culture in its day to day management; Responsibility for overseeing the adoption of the day to day culture in the day to day management of the firm.	Timothy Travers
Production and integrity of the firmœs financial information and regulatory reporting	Michael Haines
Management of the allocation and maintenance of the firmœs capital and liquidity	Michael Haines
Development and maintenance of the firmœs business model; responsibility for the development and maintenance of the firmœs business model by the governing body.	Michael Haines
Performance of the firmœs Own Risk & Solvency Assessment (ORSA).	Michael Haines
Policies and procedures for the induction, training and professional development for all members of the firmœs governing body; Responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction and training and professional development of all members of the firmœs governing body.	Timothy Travers
Policies and procedures for the induction, training and professional development for all the firmœs key function holders (other than members of the firmœs governing body); Responsible for monitoring effective implementation of policies and procedures for the induction, training and professional development of all the firmœs key function holders (other than members of the firmœs governing body)	Timothy Travers
Maintenance of the independence, autonomy and effectiveness of the whistleblowing policies and procedures including those for the protection of staff raising concerns; Responsibility for the independence, autonomy and effectiveness of the firmœs policies and procedures on whistleblowing including the procedures for the protection of staff who raise concerns from detrimental treatment	Nicholas Jones
Development and oversight of the firmœs remuneration policies and practices	Nicholas Jones

The Company is a party to a cost sharing arrangement with FGIC whereby FGIC provides management and support services to the Company as part of the outsourcing arrangement discussed above. Charges in connection with this agreement include amounts allocated in respect of overhead and staff costs incurred by FGIC as well direct charges paid by FGIC on behalf of the Company. In 2016, the Company was charged £947 (2015: £1,042) in respect of allocated expenses under this arrangement. £305 was due to FGIC in respect of this arrangement at the year end (2015: £394). The management charge includes amounts allocated in respect of staff employed by FGIC, the Companyǿs immediate parent, including for service as directors of FGIC UK.

B.2 'Fit and Proper' requirements

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

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

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

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

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

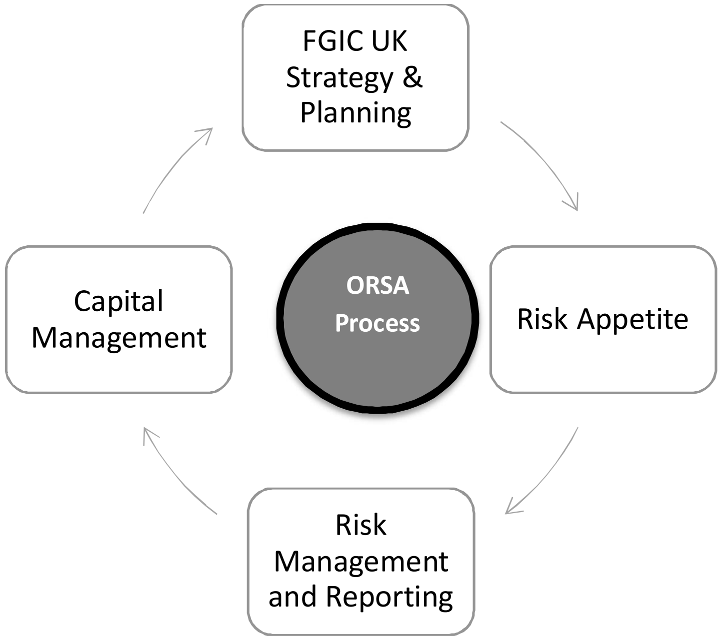
Following appointment by the Board, PRA approval is also required before the position is formalised.

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

The Companyǿs Own Risk & Solvency Assessment (ñORSAò) is made up of three high level processes:

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

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



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

Risk management and reporting

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

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

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

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

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

Capital management

FGIC UK utilises a capital management tool based upon the SII Standard Formula which projects Managementôs Own Economic Capital Assessment (ñOECAò) over a three-year time horizon. The capital management tool is owned and maintained by FGICôs Director of Budget and Specialised Reporting with support from Mazars.

Strategy and planning

FGIC UKôs strategy is set by the Board and reviewed annually. A scheme of operations is prepared annually and reviewed and approved by the Board.

All major decisions affecting the Company are reviewed and approved by the Board, including decisions to commute, terminate or amend any material terms of the outstanding financial guarantees or any material terms of the Companyôs investment policy.

The ORSA report includes a summary of the Companyôs business strategy over a three-year planning horizon. In the next business planning cycle, the Company intends to increase the planning horizon to a longer time frame, more consistent with its long-tailed book of business.

The ORSA is a continuous process that generates outputs for senior management and the Board on a regular basis. Many elements follow a quarterly cycle and reports are produced on this basis to ensure that the Board is regularly made aware of any unexpected deviations from the Companyôs risk profile. The annual ORSA report is provided to the Board and the PRA annually and as required in accordance with regulatory requirements.

The FGIC UK ORSA process, and related ORSA policy, reflect that FGIC UK is no longer writing any new business and its business strategy is running off its existing insured portfolio in an orderly and efficient manner, maximizing value for policyholders and shareholders.

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

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

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

B.4 Internal Control System

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

FGIC UK utilises internal controls that are consistent with those used by its primary service providers, FGIC (its parent) and Mazars, and believes that reliance on the expert resources of FGIC and Mazars is the most effective and efficient method of running off its existing portfolio in an orderly and efficient manner.

B.5 Internal Audit Function

Given FGIC UKôs size, lack of complexity and run-off status, FGIC UK does not have an internal audit function.

B.6 Actuarial Function

The Actuarial Function is outsourced to FGIC and overseen by a FGIC UK SIMF holder. FGIC UK uses the services of the actuarial team within Mazars where required. FGIC UK believes that the FGIC internal staffing and the professional services provided by Mazars are appropriate for the nature, scale, and complexity of the risks to which FGIC UK is exposed.

B.7 Outsourcing

FGIC UK does not directly employ any staff. Instead, it has contracted with FGIC, as an outsourced service provider, to provide it with portfolio surveillance and remediation, financial reporting, administration and information technology services. These outsourced service costs are based on an approved hourly rate for each employeeôs time spent. This is a common way for parent and subsidiary insurance companies to operate and FGIC UK benefits from this structure through more efficient use of personnel resources. These services are provided at FGICôs actual or allocated cost pursuant to an agreement between FGIC UK and FGIC, which was approved or not objected to by the PRA and the New York State Department of Financial Services (ñNYSDFSò). FGIC UK also has contracted to receive certain services from third party providers, including investment management services from Wellington Management International Ltd (ñWellingtonò) and investment accounting services from Clearwater Analytics, LLC (ñClearwaterò). FGIC UK also has retained Mazars to provide certain services (e.g., accounting, financial and regulatory reporting, tax and corporate secretarial).

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

A summary of FGIC UKôs outsourcing arrangements is outlined below:

Outsourced Provider	Service Outsourced	Jurisdiction
FGIC	Portfolio Surveillance and Remediation	US
	Financial Reporting	
	Administration	

Outsourced Provider	Service Outsourced	Jurisdiction
	Information Technology	
Mazars LLP	Accounting	UK
	Financial and Regulatory Reporting	
	Tax	
	Corporate Secretarial	
Wellington Management International Ltd	Investment Management Services	US
Clearwater Analytics, LLC	Investment Accounting Services	US

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

B.8 Any Other Information

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

C. Risk Profile

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

C.1 Underwriting risk

Non-life underwriting risk

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

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

Insurance risk

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

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

> **Risk Category 1 – Performing credits:** Transaction is performing with no expectation of loss. Financial strength of the transaction enables it to withstand volatility in performance without risk of non-payment on timely debt service. Transaction is considered to be investment grade quality. Although rating changes may occur, it is not expected that a downgrade would be to below investment grade.
>
> **Risk Category 2 – Watch List credits under heightened surveillance:** Transactions in this category typically would be considered marginal investment grade or in the upper range of ñnon-investment grade.ò Deals in this risk category have been determined to require heightened surveillance, taking into account the totality of circumstances surrounding the particular credit, but have not deteriorated to the level that they would be considered impaired and require a claim reserve.

Risk Category 3 – Watch List credits experiencing credit impairment: Credit deterioration has occurred and there is substantial uncertainty as to the creditôs ability or willingness to pay its debt service obligations in a timely manner. Credits in this category typically would have suffered sustained negative trends or would have been the subject of a significant adverse event, but are currently not in payment default. Credits in this category have been determined to be impaired, and there is an increased probability of default, but the company has not determined, or been able to determine, that policy claims are probable and estimable.

Risk Category 4 – Watch List credits currently or likely to be in payment default: Credits in this category have deteriorated to the point where payment default on debt service obligations has occurred or is probable, and the ultimate loss can be reasonably estimated. Loss reserves are established on a case basis and are inclusive of any anticipated recoveries from the particular credit or the related collateral. Credits in this category would be consistent with the lowest or in-default credit ratings. Credits in this risk category are reviewed and updated on at least a quarterly basis for any change in status.

Review of insurance risk concerns

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

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

With the exception of two Watch List transactions (Reliance Rail and Peterborough, described above, representing £1.13 billion in total par outstanding), all credits in the FGIC UK portfolio are in Risk Category 1 (performing credits). FGIC UK closely monitors both Watch List transactions.

As noted above, if either the Reliance Rail or the Peterborough transaction were to incur a material loss, it could materially adversely affect the Companyôs ability to continue its business.

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

FGIC UKôs Board requested FGICôs Surveillance team to prepare a report on risk aggregation, specifically addressing correlated or overlapping exposures between FGIC UKôs investment portfolio and its counterparty risk within the insured portfolio. Based on such report, the Board concluded that such risks were insignificant.

Material risk concentration is not a concern as there are only 16 obligors in FGIC UKôs insured portfolio and no new business is being written.

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

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

Catastrophe ("CAT") Risk

CAT Risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty related to extreme or exceptional events. As of 31 December 2016, there is no expectation of such losses within the FGIC UK insured portfolio.

C.2 Market risk

Market risk represents the potential for losses that could result from changes in the value of a financial instrument as a result of changes in market conditions. Market risk for FGIC UK relates primarily to FGIC UK's investment portfolio, of which 99% (2015: 81%) was invested in long-term fixed rate bonds as of 31 December 2016.

Review of market risk concerns

- ***The value of investments declines due to unexpected changes in market factors related to interest rates resulting in an impairment to capital resources***

Nearly all of FGIC UK's assets consist of investments in UK government and investment grade corporate bonds and cash equivalents. FGIC UK's investment portfolio is managed by Wellington pursuant to Investment Guidelines (the "Guidelines") that have been approved by the Board. Each quarter the Board reviews an investment performance report, prepared by Wellington that includes a detailed portfolio review, a market analysis and a compliance report.

The Guidelines require a weighted average portfolio rating of A/A2 or better and individual securities must be rated BBB-/Baa3 or better at the time of purchase provided that the triple-B rated category does not exceed 30% of the portfolio. To the extent that a security is downgraded to below BBB-/Baa3, or if investments in the triple B category exceed 30%, Wellington is required to notify the Company and provide an evaluation and a recommended plan of action. Money market funds and other short-term investments must be rated A-1/P-1 or the equivalent at the time of purchase.

The prudent person principle

FGIC UK ensures assets are invested so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. FGIC UK's investment portfolio is managed by Wellington pursuant to Investment Guidelines (the "Guidelines") that have been approved by the Board. Each quarter the Board reviews an investment performance report, prepared by Wellington, that includes a detailed portfolio review, a market analysis and a compliance report. Further details regarding the Guidelines are provided in Section C2 'Market Risk'. All investments held by the Company are located in the UK.

- ***Currency risk is the risk arising when a company's liabilities are in a different currency than the assets it holds to cover those liabilities.***

FGIC UKøs investment assets are denominated in GBP. The Companyøs insured portfolio is denominated principally in GBP, but it has some large exposures denominated in EUR and AUD, which exposes FGIC UK to adverse movements in the exchange rate between GBP and each of the other currencies to which it is exposed should FGIC ever be required to pay claims in non-GBP currencies. In the event that a non-GBP claim appeared imminent, FGIC would consider hedging currency risk to partially mitigate this risk. Expenses related to services provided by FGIC and certain other vendors are exposed to adverse exchange rate fluctuations between USD and GBP. Such expense currency risk is not considered material.

- ***Exposure on index-linked credits increases due to changes in market factors relating to interest and inflation rates resulting in increased loss exposure for the Company***

The Company closely watches exposures which are linked to inflation. Of the 16 outstanding credits, 9 financial guarantees are linked to changes in the inflation rate. Changes in gross par outstanding are monitored by Surveillance and are reported to the Board on a quarterly basis.

C.3 Credit Risk

The primary credit risk for FGIC UK relates to future premiums due not being collected. For transactions still outstanding, 26% were paid up-front, 13% were partially paid up-front (with the remainder on an instalment basis) and 61% are payable on an instalment basis. For instalment transactions FGIC UK projects future instalment premiums of £68 million over the 40 year run-off period of which 68% of premiums owed are obligations of investment-grade rated counterparties and 32% of premiums is related to Reliance Rail and Peterborough. Expected premium receipts are monitored against actual premium receipts on a monthly basis. Any discrepancies are reported and investigated. Credit quality is monitored on a regular basis and is reported to the Board on a quarterly basis.

C.4 Liquidity Risk

Liquidity risk relates principally to the adequacy of FGIC UKøs available claims paying resources to pay claims under its financial guarantees, should any such claims arise in the future.

Review of Liquidity Risk concerns

- ***The Company's investments may be worth less than anticipated when needed to pay claims and/or expenses as they fall due.***

FGIC UKøs liquidity risk relates principally to the adequacy of FGIC UKøs available claims paying resources (i.e., its investment portfolio) to pay claims under its financial guarantees, should any such claims arise in the future. FGIC UK had cash and investments of £71.3 million at 31 December 2016, an increase of nearly £7 million from the prior year.

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

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

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

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

FGIC UKós investment portfolio represents the majority of its assets. FGIC UKós management has determined, after considering FGIC UKós size and type of insured exposures and the nature, management and custody of its investment portfolio, that there is nothing further that FGIC UKós management should currently do to plan for the highly unlikely event that neither FGIC nor FGIC UK have access to funds due to a material cybersecurity event affecting Wellington or State Street. FGIC UKós management determined that they should react to such an unlikely situation by implementing the relevant provisions of FGICós business continuity and disaster recovery plans.

FGIC UK at its quarterly Board meetings considers the effect on the investment portfolio and related Liquidity Risk that changes in interest rates could have on available assets if a claim ever had to be paid. FGIC UK considers Liquidity Risk to be low.

- ***The Company may not be able to collect future instalment premiums.***

The expected profit in future premiums is £28,777 at 31 December 2016.

C.5 Operational Risk

Operational Risk refers to the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational Risk may include legal risks, reputation risks and regulatory risks. FGIC UKós Operational Risk includes the risk that FGIC or its other outsourced service providers fail or cause errors that result in regulatory action.

The risk of failure of FGIC has been reduced to a minimal probability following FGICós rehabilitation process.

Operational risk from other outsourced service providers is mitigated by the robust systems and controls in place to regularly monitor and assess the performance of the outsourced service providers. Operational risk is further minimized because FGIC UK represents a significant investment by FGIC and FGIC will not allow errors or failures by other outsourced service providers that could affect the operations of FGIC UK or could invoke action by the UK regulatory authorities. Further, FGIC UK retains only highly qualified outsourced service providers.

Reputation risk is minimal for FGIC UK as it only conducts the run-off of its business. FGIC UK is not writing, nor does it intend to seek to write, any new insurance business.

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

At 31 December 2016, FGIC UK failed to comply with applicable Solvency II capital requirements. To date, the PRA has shown forbearance with respect to this non-compliance, but there can be no assurance that it will continue do so. If the PRA were to discontinue this forbearance, it could materially adversely affect the Companyøs ability to continue its business.

The terms of the UKøs exit from the EU are not yet defined and the impact on law and regulation is currently unknown. However, as EU legislation is effectively passed down into UK law, FGIC UK anticipates that the UK will continue to require compliance with existing law and regulation with little near term amendment that would require significant change to the Companyøs policies and procedures and compliance with regulatory obligations.

FGIC UK makes it a priority to maintain solid working relations with the PRA.

C.6 Other Material Risks

There are no other material risks to be disclosed for the Company.

C.7 Stress Tests

Reverse stress-tests are stress tests that require a firm to assess scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities. In FGIC UKøs case the business model has already been determined to be unviable and the Company has ceased underwriting new financial guarantees.

FGIC UKøs Overriding Business Strategy is to run off the existing portfolio in an orderly and efficient manner, maximizing protection for policyholders and value for shareholders. Accordingly, Risk Appetite is limited with protection of capital the main concern and no new business is being sought or entertained. Therefore, Reverse Stress Testing scenario analysis normally necessary to secure consumer protection and market confidence would not produce meaningfully different results and as such is deemed by FGIC UK not to be required.

However, FGIC UK Management has recognized that a review of various Long Term and Emerging Risks that could create a business failure is appropriate. Recognizing that Reverse Stress Testing starts from an outcome of business failure and identifies circumstances where this might occur FGIC UK Management considered a number of scenarios which included the impact of FGIC being unable to support FGIC UK and the impact of a new financial crisis and a requirement to establish a permanent presence in the UK.

FGIC UK considered four stress scenarios that could be significant to its future, these are detailed in the ORSA Report previously submitted to the PRA. In summary, the four stress scenarios selected were as follows:

1) Claim on the Reliance Rail policy
2) Claim on the Northern Gas policy
3) Increase in interest rates by 200 basis points and 500 basis points
4) Increase in Consumer Price Index by 7% per year over the next three years

Scenarios (1) and (2) are considered highly unlikely by Management. However, should either of these events occur the result could be significant for FGIC UK.

Under scenarios (3) and (4) Management concluded FGIC UK would be able to survive as long as these conditions did not coincide with any claim under its insurance policies.

D. Valuation for Solvency Purposes

D.1 Assets

The following table provides a comparison of the valuation of assets in FGIC UKøs financial statements for the year ended 31 December 2016 (ñStatutory Accountsò) compared to the valuation for Solvency II purposes shown on the Solvency II Balance Sheet. The Statutory Accounts have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ï óThe Financial Reporting Standard applicable in the UK and Republic of Irelandô (óFRS 102ô), Financial Reporting Standard 103 ï óInsurance Contractsô (óFRS 103ô) and with the Companies Act 2006.

As at 31 December 2016	**Statutory Accounts Valuation £'000**	**Solvency II Valuation Adjustment £'000**	**Solvency II Valuation £'000**
Deferred acquisition costs	4,639	(4,639)	-
Deferred tax assets	1,243	(1,243)	-
Investments	69,643	601	70,244
Insurance and intermediaries receivables	63,237	(63,237)	-
Cash and cash equivalents	1,679	1	1,680
Prepayments and accrued income	602	(602)	-
Total Assets	**141,043**	**(69,119)**	**71,924**

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

Deferred acquisition costs

On a Statutory Accounts basis certain costs incurred related to the production of business have been deferred. These costs include direct and indirect expenses related to underwriting, marketing and policy issuance. Acquisition costs which relate to a subsequent financial year are deferred and charged or credited to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the proportion of premiums written which are unearned at the balance sheet date.

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

Deferred tax assets

On a Statutory Accounts basis deferred taxation is recognised in respect of all timing differences that have originated but have not been reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are not recognised on the SII Balance Sheet.

Investments

Investments comprise UK government bonds, corporate bonds and UCITS. For both the Statutory Accounts and the SII Balance Sheet all financial investments are valued at fair value. The UCITS are classified as level 1 of the fair value hierarchy. Level 1 investments are securities with quoted prices in active markets, where the quoted prices represent actual and regularly occurring market transactions on an arm's length basis. All other investments are classified as level 2 of the fair value hierarchy, which values investments with quoted prices in active markets for similar assets or other valuation techniques for which all significant inputs are based on observable market data.

On a Statutory Accounts basis accrued income of £601 related to investments is shown in prepayments and accrued income, but is included within investments on the Solvency II balance sheet.

Insurance and intermediaries receivables

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

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

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

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

Cash and cash equivalents

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

On a Statutory Accounts basis accrued income of £1 related to cash and cash equivalents is shown in prepayments and accrued income, but is included within cash and cash equivalents on the Solvency II balance sheet.

Prepayments and accrued income

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

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

D.2 Technical Provisions

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

Where the premium on a policy is received up front, the premium is recognised as written at the date of inception and earned in the technical account on a basis proportionate to the remaining scheduled periodic maturity of principal and payment of interest to the original total principal and interest insured. When an issue insured by the Company has been repaid or retired in full or legally defeased prior to stated maturity, the remaining unearned premium is earned at that time.

When the premium on a policy is receivable in instalments, the total estimated premium is recognised as written at the inception date. Instalment premiums are collected periodically and premiums on such policies are earned in the technical account ï general business on a straight-line basis pro-rata over the period of the premium instalments. The recorded premium receivable is based on assumptions and circumstances at the time of policy inception and actual premiums collected could differ materially. In addition, the estimated premium receivable could change due to changes in estimated par amortization and policy terminations in periods subsequent to the contract inception.

Technical provision calculation methodology under Solvency II

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

Best Estimate of Technical Provisions

The claims and premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising from FGIC UK's existing financial guarantees. FGIC UK currently does not have an expectation of any claim payments; hence the drivers of the technical provisions are the expenses and future premiums. Future premiums exceed future expenses and therefore the Solvency II Gross Best Estimate of Liabilities is negative.

Risk Margin of Technical Provisions

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

The technical provisions at 31 December 2016 on the Solvency II Balance Sheet are made up as follows:

	£'000
Best Estimate	(28,777)
Risk Margin	79,491
	50,714

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

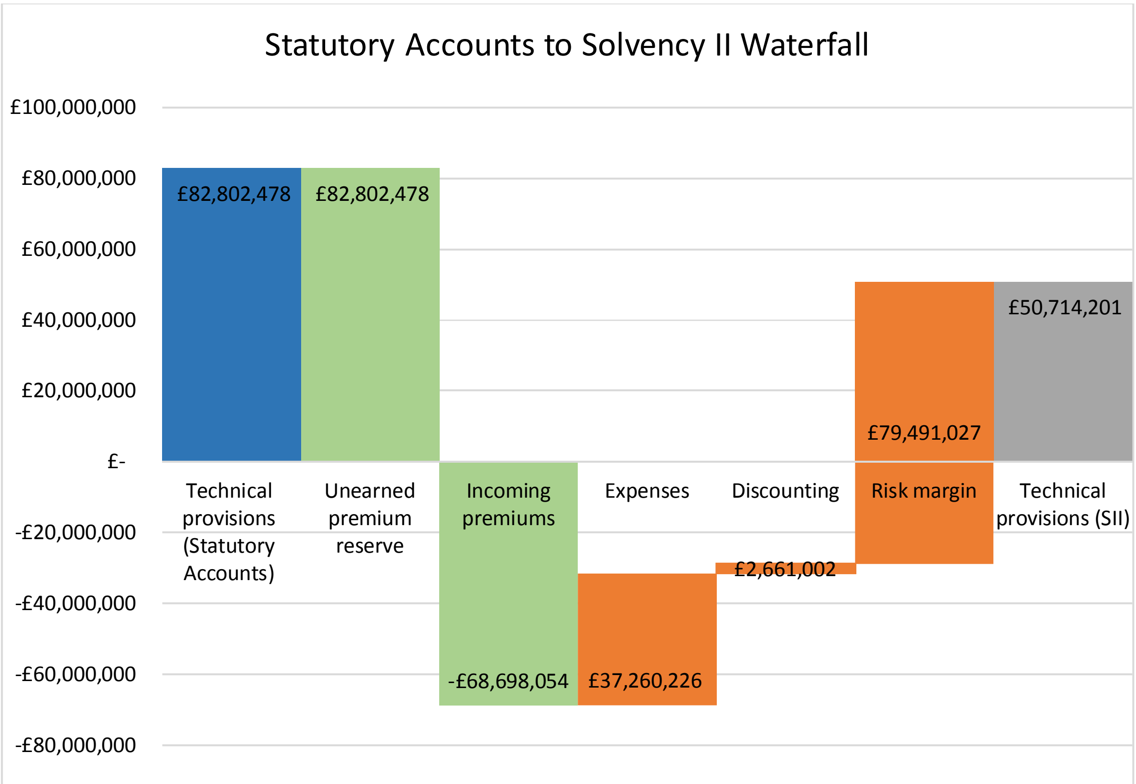
Solvency II and Statutory Accounts valuation differences- technical provisions

The table below shows a reconciliation of the Statutory Accounts valuation of technical provisions to the Solvency II technical provisions at 31 December 2016.

	£'000
Technical provisions - Statutory Accounts valuation	82,802
Adjustments for Solvency II	(111,579)
Gross Best Estimate Liabilities	(28,777)
Risk Margin	79,491
Technical provisions – Solvency II valuation	**50,714**

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

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



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

- Removal of the unearned premium reserve;
- Inclusion of future premium cash flows;
- Allowance for expected expenses payable;
- Discounting of future cash flows; and
- Addition of the risk margin

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

Uncertainty associated with the valuation of technical provisions primarily arises from how future actual experience will differ from the best estimate assumptions used to calculate technical provisions. The key assumptions driving technical provisions are estimates of future premiums, interest rates and future expenses. A robust assumption setting process is followed by the Company in order to ensure the uncertainty is well understood.

D.3 Other Liabilities

As at 31 December 2016	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Payables (trade, not insurance)	305	-	305
Accruals and deferred income	181	-	181
Total Other Liabilities	**486**	**-**	**486**

Payables (trade, not insurance)

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

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

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

Accruals and deferred income

Accruals and deferred income are classified under όany other liabilities, not elsewhere shownô on the SII Balance Sheet.

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

D.4 Alternate Methods for Valuation

Alternative methods for valuation are not used by the Company. The investments are classified as level 1and level 2 of the fair value hierarchy. Level 1 investments are securities with quoted prices in active markets, where the quoted prices represent actual and regularly occurring market transactions on an arm's length basis. Level 2 investments are investments with quoted prices in active markets for similar assets or other valuation techniques for which all significant inputs are based on observable market data.

D.5 Any Other Information

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

E. Capital Management

E.1 Own Funds

Objective, policies and processes of managing Own Funds

FGIC UK is no longer engaged in the business of writing new financial guarantees and is responsible for administering its outstanding guarantees in accordance with the terms and conditions of such guarantees and applicable law. FGIC UK has no access to new funds and is unable to pay dividends without the prior approval of the PRA. The Companyös investment portfolio is managed by Wellington pursuant to Investment Guidelines (see Section C2 for further details).

An analysis of Own Funds is shown below:

	Tier	£'000
Ordinary share capital	1	175
Share premium account	1	17,272
Reconciliation reserve	1	3,278
Total Own Funds		20,725

As at 31 December 2016	Statutory Accounts Valuation £'000	Solvency II Valuation Adjustment £'000	Solvency II Valuation £'000
Assets	**141,043**		
Exclusion of DAC		(4,639)	
Exclusion of deferred tax asset		(1,243)	
Exclusion of insurance receivables		(63,237)	
Total Assets	**141,043**	**(69,119)**	**71,924**
Liabilities			
Technical Provisions	82,802	(32,088)	50,714
Other Liabilities	486	-	486
Total Liabilities	**83,288**	**(32,088)**	**51,200**
Total Own Funds	**57,755**	**(37,031)**	**20,725**

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

The reconciliation reserve represents retained earnings and reconciliation adjustments from the Statutory Accounts balance sheet to SII Balance Sheet.

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

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

The Statutory Accounts Own Funds of FGIC UK at 31 December 2016 were £57,755, compared to Solvency II Own Funds of £20,725. The difference primarily arises due to the difference in valuation of technical provisions as well as the adjustments made in respect of deferred acquisition costs and deferred tax assets discussed in Section D.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR of the Company at 31 December 2016 are as follows:

	£'000
SCR	117,665
MCR	29,416

The SCR is calculated using the standard formula. The final amount of the SCR is subject to supervisory assessment.

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

	2016 £'000
SCR Interest Rate	712
SCR Spread	1,713
SCR Currency Risk	6,715
SCR Concentration	5
Sub total	**9,145**
Less Diversification	(1,536)
SCR Market risk	**7,609**
SCR Counterparty	**23**
SCR U/W Risk	21,791
SCR Cat Risk	107,709
Sub total	**129,500**
Less Diversification	(14,393)
SCR Non-life risk	**115,107**
Total	**122,738**
Less Diversification	(5,486)
BSCR	**117,252**
SCR Operational Risk	**413**
SCR	**117,665**

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

Undertaking specific measures have not been used by the Company.

The UK has exercised the option not to require separate disclosure of capital add on and undertaking specific parameters until 2020.

The inputs to calculate the MCR are as follows:

	£'000
AMCR (3,700 in Euros)	3,332
Linear MCR	23
SCR	117,665
Combined MCR	29,416
MCR	**29,416**

The Absolute Minimum Capital Requirement (ñAMCRò) of 3,700,000 EUR is the absolute floor for the minimum capital requirement which is provided in the technical specifications.

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

The overall MCR is the maximum of the combined MCR and the absolute floor for the MCR.

There are no material changes to the SCR and MCR over the reporting period.

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

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

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

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

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

Under Solvency II, FGIC UKôs Own Funds at 31 December 2016 are £20.7m. Based on the standard formula, FGIC UKôs MCR is £29.4m and its SCR is £117.7m. FGIC UK therefore has a capital deficit of £8.7m against the MCR and £96.9m against the SCR at 31 December 2016.

Non-compliance with the MCR and the SCR arises from the change in basis of calculation of capital resources and capital resource requirements between Solvency I and Solvency II. The primary differences driving non-compliance with the MCR and the SCR are highlighted below:

- FGIC UK has included a substantial risk margin in its estimated Solvency II Balance Sheet at 31 December 2016. The risk margin is intended to be the premium that another insurer taking on the liabilities at the valuation date would require over and above the best estimate of technical provisions. It is calculated using a cost-of-capital approach. Since FGIC UKøs insured portfolio has a very long duration (over 30 years), the risk margin is a material consideration for FGIC UK.
- FGIC UKøs SCR includes an amount for catastrophe risk based on its two largest exposures. Since FGIC UKøs top two exposures represent over 13% by number and over 35% by Gross Par in Force of FGIC UKøs outstanding insured exposures at 31 December 2016, the catastrophe risk element is a material consideration for FGIC UK. Approximately 92% of the SCR at 1 January 2017 relates to catastrophe risk.

FGIC UK has notified the PRA about this non-compliance with the Solvency II capital requirements and about the limited access to incremental capital available to FGIC UK to remediate this non-compliance.

FGIC UK has already ceased, and has no plans to recommence, writing new business. FGIC UKøs overriding business strategy is to run off its remaining insured portfolio in an orderly and efficient manner, seeking to maximise protection for policy holders and value for shareholders.

As a potential means to remediate this non-compliance, FGIC UK is exploring ways to reduce its insured exposure through commutations, reinsurance transactions and other methods on appropriate economic and other terms. The ability to meaningfully reduce insured exposure is impacted by many factors beyond the control of FGIC UK, and such opportunities may be limited, given the nature of FGIC UKøs insured portfolio.

E.6 Any Other Information

There is no further information to disclose in relation to the Companyøs capital management.

FGIC

Appendix

Annual Quantitative Reporting Templates (QRTs)

FGIC UK LIMITED

Solvency and Financial Condition Report

Disclosures

31 December

2016

(Monetary amounts in GBP thousands)

General information

Undertaking name	FGIC UK LIMITED
Undertaking identification code	213800ZWVZNGTY15PP67
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	70,244
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	69,303
R0140	*Government Bonds*	41,923
R0150	*Corporate Bonds*	27,379
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	941
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,679
R0420	Any other assets, not elsewhere shown	1
R0500	**Total assets**	71,924

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	50,714
R0520	*Technical provisions - non-life (excluding health)*	50,714
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-28,777
R0550	*Risk margin*	79,491
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	305
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	180
R0900	**Total liabilities**	51,200
R1000	**Excess of assets over liabilities**	20,725

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business									203								203
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net									203								203
	Premiums earned																	
R0210	Gross - Direct Business									13,763								13,763
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net									13,763								13,763
	Claims incurred																	
R0310	Gross - Direct Business																	0
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net									0								0
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net									0								0
R0550	**Expenses incurred**									2,660								2,660
R1200	**Other expenses**																	
R1300	**Total expenses**																	2,660

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			AU	FR				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		203					203
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	0	203	0	0	0	0	203
	Premiums earned							
R0210	Gross - Direct Business	12,856	777	130				13,763
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	12,856	777	130	0	0	0	13,763
	Claims incurred							
R0310	Gross - Direct Business							0
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	0	0	0	0	0	0	0
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	2,561	99					2,660
R1200	**Other expenses**							
R1300	**Total expenses**							2,660

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**									0								0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross									-28,777								-28,777
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**									-28,777								-28,777
	Claims provisions																	
R0160	Gross									0								0
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**									0								0
R0260	**Total best estimate - gross**									-28,777								-28,777
R0270	**Total best estimate - net**									-28,777								-28,777
R0280	**Risk margin**									79,491								79,491
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**									50,714								50,714
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**									0								0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**									50,714								50,714

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	**In Current year**	**Sum of years (cumulative)**
R0100	Prior											0	0	0
R0160	N-9	0	107,951	0	0	0	0	0	0	0	0		0	107,951
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	0	0	0									0	0
R0240	N-1	0	0										0	0
R0250	N	0											0	0
R0260												**Total**	0	107,951

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	**Year end (discounted data)**
R0100	Prior											0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	0	0	0	0	0			0
R0180	N-7	0	0	0	0	0	0	0	0				0
R0190	N-6	0	0	0	0	0	0	0					0
R0200	N-5	0	0	0	0	0	0						0
R0210	N-4	0	0	0	0	0							0
R0220	N-3	0	0	0	0								0
R0230	N-2	0	0	0									0
R0240	N-1	0	0										0
R0250	N	0											0
R0260												**Total**	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	175	175		0	
R0030	Share premium account related to ordinary share capital	17,272	17,272		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	3,278	3,278			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	20,725	20,725	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	20,725	20,725	0	0	0
R0510	Total available own funds to meet the MCR	20,725	20,725	0	0	
R0540	Total eligible own funds to meet the SCR	20,725	20,725	0	0	0
R0550	Total eligible own funds to meet the MCR	20,725	20,725	0	0	
R0580	**SCR**	117,665				
R0600	**MCR**	29,416				
R0620	**Ratio of Eligible own funds to SCR**	17.61%				
R0640	**Ratio of Eligible own funds to MCR**	70.45%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	20,725
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	17,447
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	3,278
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	28,777
R0790	**Total Expected profits included in future premiums (EPIFP)**	28,777

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	7,609		
R0020	Counterparty default risk	23		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	115,107		
R0060	Diversification	-5,486		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	117,252		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	413
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	117,665
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	117,665
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	23

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	203
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

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

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

	Overall MCR calculation	C0070
R0300	Linear MCR	23
R0310	SCR	117,665
R0320	MCR cap	52,949
R0330	MCR floor	29,416
R0340	Combined MCR	29,416
R0350	Absolute floor of the MCR	3,332
R0400	**Minimum Capital Requirement**	29,416