Solvency and Financial Condition Report

for the Financial Year ended 31st December 2017

22nd June 2018

DARAG Group Limited
Whitehall Mansions
Ta' Xbiex Seafront
Ta' Xbiex XBX 1026
Malta

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List of Abbreviations

Asbestos / Pollution / Medical Hazard	APH
Basic Solvency Capital Requirement	BSCR
European Insurance and Occupational Pensions Authority	EIOPA
Incurred but not enough reserved	IBNeR
Incurred but not reported	IBNR
Incurred but not yet reported	IBNyR
International Accounting Standard	IAS
International Financial Reporting Standards	IFRS
Line of Business	LoB
Malta Financial Services Authority	MFSA
Minimum Capital Requirement	MCR
Net Asset Value	NAV
Own Risk and Solvency Assessment	ORSA
Protection and Indemnity	P&I
Solvency Capital Requirement	SCR
Undertaking Specific Parameter	USP

Executive Summary

Executive Summary

This document sets out the solvency and financial condition of DARAG Group Limited (“the Company”, “the Group” or “DARAG”) as at 31st December 2017 and is prepared in accordance with the supervisory reporting and disclosure requirements under the Solvency II Directive including Malta Financial Services Authority’s Insurance Rules. Its purpose is to assist stakeholders in understanding the capital position of the Group. In preparing this SFCR, the Company considered the key findings and areas for improvements published by EIOPA in a supervisory statement published on 18th December 2017.

DARAG Group Limited is a private limited company incorporated in Malta. The Company, through its subsidiaries has traditionally specialised in the acquisition of insurance companies’ legacy risks. Tailored transactions help its clients to achieve finality and capital relief, enabling them to focus on their core business. Through the acquisition of DARAG Italia S.p.A, DARAG is writting active business in Italy.

Figures for the Group represent the consolidated position of the Group’s ultimate parent company, DARAG Group Limited, and all its subsidiaries, both regulated and non-regulated. The subsidiaries are:

- **DARAG Deutsche Versicherungs- und Rückversicherungs-AG (“DARAG Germany“);**
- **DARAG Malta Insurance and Reinsurance PCC Limited (“DARAG Malta”);**
- **DARAG Italia S.p.A. (“DARAG Italia”);**
- **DARAG Emanueli Limited (“DARAG Emanueli”); and**
- **DARAG Services Limited (“DARAG Services”).**

DARAG Germany, DARAG Malta and DARAG Italia are licensed legal entities meeting all relevant regulatory and governance requirements and their individual risk profile and capital requirements are monitored to ensure ongoing regulatory compliance. These entities have prepared and submitted their own SFCR, respectively.

The figure below depicts the Group shareholding structure as at 31st December 2017:

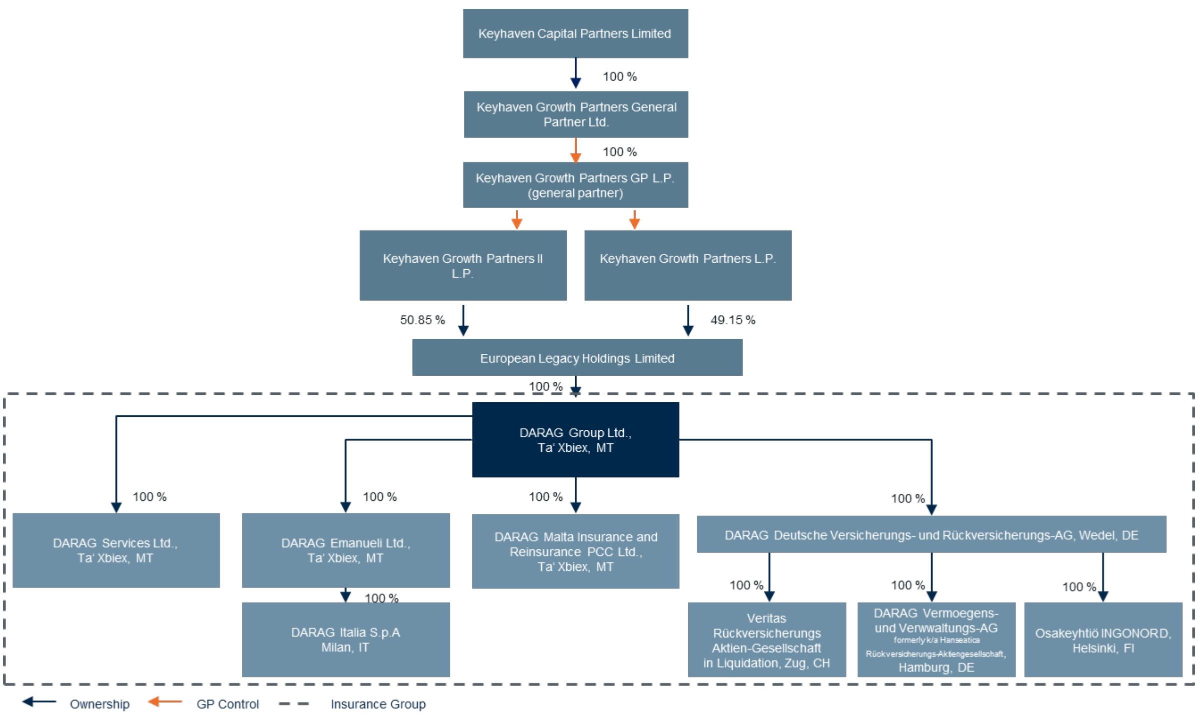


FIGURE 1: DARAG GROUP SHAREHOLDING STRUCTURE.

Business and Performance

During the reporting period DARAG Group signed two deals in respect of run-off portfolios, one of which consisted of an acquisition of a risk carrier, which transaction was subsequently concluded during 2018 through the acquisition of all shares. On the active underwriting front, the Italian subsidiary, which was fully consolidated in 2017, wrote €43m worth of premium with over 66% of such premium consisting of motor insurance business.

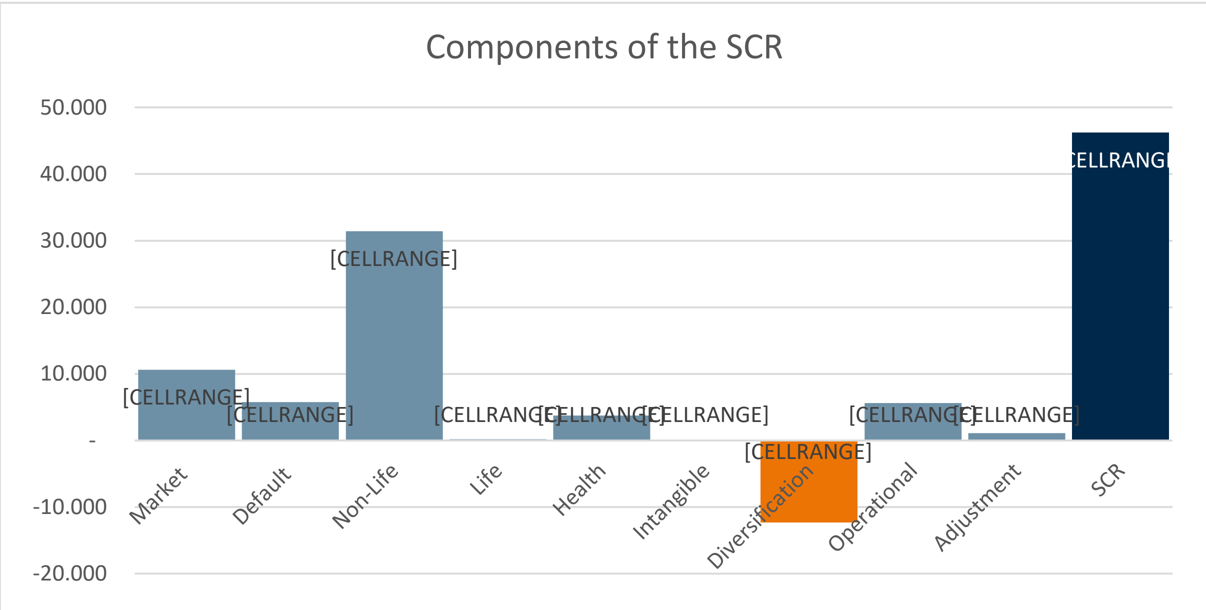
DARAG has prepared itself for growth with continual investments in team and infrastructure. The Group has also positioned itself to access the capital required to support its anticipated growth in 2018 to realise a number of capital raising initiatives commenced in 2017.

System of Governance

DARAG Group has in place systems and policies supporting the governance structure which are appropriate to the nature, scale, complexity and risk profile. These are reviewed on an annual basis. Material changes in the system of governance during the reporting period included changes to the membership of the Board of Directors, establishment of a new Board Committee – the Group Risk and Compliance Committee and some changes to persons fulfilling key functions. Senior appointments were made which strengthened the operations of the Group.

Risk Profile

The quantitative risk profile of the Group which is assessed based on the Standard Formula technical specifications issued by EIOPA remained relatively unchanged when compared to the previous reporting period. The Group's biggest exposure remains Underwriting Risk which represents approximately 68% of the Solvency Capital Requirement.



Valuation for Solvency Purposes

The recognition and valuation of assets follow the Solvency II principles of a going concern and in line with the International Financial Reporting Standards ("IFRS"). Given the structure of the liabilities, the technical provisions of the Group are solely valued as best estimate plus risk margin.

Capital Management

The Group maintains a strong capital position with Own Funds in excess of the Minimum Capital Requirement and the Solvency Capital Requirement. As at 31st December 2017 the Group Solvency Capital ratio stood at 155%% which is well above the target Group ratio of 122%. The Group's eligible Own Funds amounted to €71,614K (€74,403K as at 31st December 2016) consisting of 93% Tier 1 funds and 7% Tier 3. The Group Minimum Capital Requirement was €21,551K with eligible Own Funds of €66,436K and a Minimum Capital Requirement ration of 308%.

A. Business and Performance

A. Business and Performance

A.1 Business

Facing a market potential in Europe of close to € 250bn, DARAG Group operates as a specialist insurer in the fastest-growing segment in the industry, namely run-off insurance business. It focuses on the acquisition of insurance companies' legacy risks and is specialized in providing tailored transactions that help its clients achieve finality and capital relief. By assuming discontinued insurance business, DARAG Group reveals value directly at its origin, thereby enabling its clients to access capital and use resources that have been locked up for non-core business. To maintain its leading position in the industry and to meet future challenges, DARAG Group will continue to use its experience and expertise and create the best possible solutions for the clients.

Two years after the implementation of Solvency II, the European market has continued to present an increasing number of opportunities as insures experience the full effect of the new regulatory environment. Increasing transparency and reporting as well as the need for capital and operational optimization have been key drivers for insurers of any size. The implementation of Solvency II represents a sizeable challenge for the insurance companies and regulators in the EU, and underlines the necessity of continuously optimising capital utilisation once more. In light of a stronger focus on capital efficiency with large insurance groups disposing of parts of their portfolios, they have also encouraged smaller insurers to engage in the process.

Overall, the European insurance industry continued to face low investment returns and a soft insurance market in 2017. New challenges and opportunities are also emerging as a result of Brexit, with a continued period of economic uncertainty as negotiations still do not make a break through.

During 2017, the Group successfully achieve a full operational separation of its 2016 acquired Italian carrier, rebranded DARAG Italia. However, in doing so the Group incurred a number of 'one-off costs'. Nonetheless DARAG Group could take advantage of the now broadly emerging market in Europe. DARAG Group expects to continue to contribute to the overall development of the run-off sector due to its prominent market position.

DARAG Group is subject to Group Supervision. Contact details of the Supervisor as well as of the external auditor are as follows:

Contact details	
Group Supervisor	**External Auditor**
Malta Financial Services Authority Notabile Road Attard BKR 3000 Malta	PricewaterhouseCoopers 78, Mill Street Qormi QRM 3101 Malta

Holders of qualifying holdings and material related undertakings

DARAG Group Limited is fully owned by European Legacy Holdings Ltd., London, UK. The ultimate parent company is Keyhaven Capital Partners Limited which acts as a management company and controls 100% of the shares. Keyhaven Capital Partners is an independent company based in London that specialises in financial investments.

DARAG Group includes following related undertakings:

Name and Legal Form	Country of incorporation	Type of Undertaking	Ownership Interest held	Voting Rights held
DARAG Emanueli Limited	Malta	Intermediate holding	100%	100%
DARAG Deutsche Versicherungs- und Rückversicherungs-AG	Germany	Insurance	100%	100%
DARAG Vermögens- und Verwaltungs-AG	Germany	Asset management	100%	100%
DARAG Services Limited	Malta	Services	100%	100%
DARAG Italia S.p.A	Italy	Insurance	100%	100%
DARAG Malta Insurance and Reinsurance PCC Limited	Malta	Insurance	100%	100%
Osakeyhtio INGONORD	Finland	Ex-Insurance, in Liquidation	100%	100%

FIGURE 2: LIST OF RELATED UNDERTAKINGS.

A.2 Underwriting Performance

Due to its acquisition of run-off portfolios, DARAG's underwriting result is dominated by the run-off results relating to prior-year provisions and gains on new acquisitions and portfolio transfers. Net run-off profits in the year were €18,969K. These profits were largely responsible for delivery of the Technical result of €19,959K. Gross premiums written for the year amounted to €43,805K primarily generated from insurance premium revenue from active business underwritten by the Italian subsidiary, with an overall loss ratio of 32%. The table below illustrates the profit and loss account for year end 2017 as shown in the Company's consolidated financial statements, compared to the previous reporting year.

	2017 in € 000's	2016 in € 000's
Earned premium - net amount		
Gross written premium	**43,805**	3,060
Change in gross unearned premium provision	**(995)**	(2,267)
	42,810	793
Outward reinsurance premiums	**(1,226)**	(18)
Change in reinsurers' share of provision for unearned premiums	**(9)**	-
	41,575	775
Claims incurred, net of reinsurance		
Claims paid		
gross and net amount	**(36,640)**	(12,084)
Change in the provision for claims		
gross and net amount	**27,808**	14,680
Claims incurred, net of reinsurance	**(8,832)**	2,596
Change in other technical provisions	**140**	46
Net operating expenses	**(12,924)**	(1,865)
Technical result	**19,959**	1,552

TABLE 1: STATEMENT OF INCOME TECHNICAL ACCOUNT

Underwriting performance by material Lines of Business

		Non-Life								
Line of Business in € 000's		Workers compensation	Motor vehicle liability	Marine, aviation and transport	Fire & other damage to property	General liability	Legal expenses	Other	**Total for year 2017**	**Total for year 2016**
Premiums written	Gross – Direct Business	-	19,429	46	2,409	2,067	152	16,704	**40,807**	**(66)**
	Net	-	18,645	46	2,261	2,016	152	16,414	**39,534**	**(84)**
Premiums earned	Gross – Direct Business	-	19,254	30	2,745	2,132	146	17,069	**41,376**	**(66)**
	Net	-	18,526	30	2,588	2,070	146	16,779	**40,139**	**(84)**
Claims incurred	Gross – Direct Business	(411)	24,031	(755)	897	(3,928)	(4)	3,572	**23,402**	**3,661**
	Net	(419)	6,978	(266)	807	(1,367)	(4)	3,706	**9,435**	**161**
Expenses incurred		425	22,201	473	2,403	2,864	153	15,153	**43,673**	**12,483**
Net operating expenses		272	17,128	79	2,200	1,955	138	14,366	**36,139**	**1,402**
Investment management		2	191	9	15	31	1	79	**328**	**288**
Claims management		71	2,788	62	120	82	4	708	**3,835**	**425**
Overhead expenses		80	2,093	323	68	797	10	-	**3,571**	**10,368**

TABLE 2: UNDERWRITING PERFORMANCE BY LINES OF BUSINESS

		Non-Life				
Line of Business in € 000's		Property	Casualty	Marine, aviation and transport	**Total for year 2017**	**Total for year 2016**
Premiums written	Gross – Non-Proportional reinsurance accepted	-	-	-	**-**	**3,125**
	Net	-	-	-	**-**	**3,125**
Premiums earned	Gross – Non-Proportional reinsurance accepted	-	1,436	-	**1,436**	**859**
	Net	-	1,436	-	**1,436**	**859**
Claims incurred	Gross – Non-Proportional reinsurance accepted	911	(548)	(941)	**(577)**	**2,688**
	Net	951	(572)	(982)	**(602)**	**3,000**
Expenses incurred		11	1,640	813	**2,464**	**4,124**
Net operating expenses		-	1,257	90	**1,347**	**463**
Investment management		-	10	19	**29**	**96**
Claims management		-	-	-	**-**	**140**
Overhead expenses		10	373	704	**1,088**	**3,425**

TABLE 3: ACCEPTED NON-PROPORTIONAL REINSURANCE BY LINES OF BUSINESS

A breakdown of the underwriting performance by material line of business is presented in Table 2 and Table 3 above. The values are compared to the aggregate information of the reporting year 2016. More details in relation to reporting year 2017 can be found in template S.05.01 within the Appendix.

A.3 Investment Performance

The focus of DARAG's investments are fixed-income securities issued by governments, financial institutions and corporate institutions with investment-grade ratings. In 2017, the European insurance industry, continued to face low investment returns and a soft insurance market. The Group made good overall investment income of €6,636K (2016: €2,178K) primarily from profits realized from the sales of investments. €4,482K were in fact generated from the disposal of available-for-sale investments during the year. These profits compensated from the lower investment returns achieved from the fixed income investments during the year. The focus on the Group's investments are fixed-income securities issued by governments, financial institutions and corporate institutions with investment –grade ratings. During the year further debt securities were acquired.

Investment income together with net realised gain/losses as per IFRS, are shown below:

in € 000's	Portfolio	Dividends	Interest	Rent	Net gains and losses 2017	Net gains and losses 2016
Investment Property	2,500	-	-	199	-	-
Bonds	202,254	-	3,753	-	(967)	(1,412)
Funds	25,167	-	-	-	-	(18)
Equities	362	2	-	-	-	(43)
Promissory notes	37	-	-	-	-	-
Cash at bank	35,026	-	1	-	(4)	-
Total	**265,376**	**2**	**3,754**	**199**	**(971)**	**(1,473)**

TABLE 4: INVESTMENT PERFORMANCE

The bond portfolio which represents the most significant portion of investments generated interest of around 1.8% in 2017.

Investment management expenses for the year amounted to € 358K.

A.4 Performance of other activities

Other operating income/expenses which are not directly related to the conclusion, administration or settlement of insurance contracts or the administration of investments are listed hereunder:

in € 000's	2017	2016
Other income		
Recoveries on receivables previously written off	912	175
Gain on sale of property, plant and equipment	-	-
Income from the reversal of other non-technical provisions	1,325	117
Other income	1,227	39
Total	**3,464**	**331**
Other expenses		
Depreciation and amortisation	600	317
Professional, travelling and other expenses	10,677	6,266
Employee benefit expenses allocated to administrative expenses	11,254	5,153
Expenses for services and commissions	352	1,067
Other expenses	1,694	990
Total	**24,577**	**13,793**

Table 5: Composition of other operating income/expenses

A.5 Any other information

No other information to report.

B. System of Governance

B. System of Governance

This Section describes the Group's governance, including details of its board structure and its risk management and internal control systems. It also provides information on the role of the internal audit and actuarial functions.

Governance information specifics to the subsidiaries has been reported in their respective SFCR.

B.1 General information on the system of governance

DARAG Group is committed to effective corporate governance for the benefit of its shareholders, clients, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, policies, guidelines and processes have been designed to provide for proper organization and conduct of business within DARAG and to define the powers and responsibilities of its corporate bodies and employees.

DARAG has adopted a top-down approach in implementing a robust governance structure. The Board of Directors of DARAG Group Limited, sets the tone at the top by setting the Group business strategy and establishing the corporate culture and values which are cascaded down to the subsidiary level. Within each subsidiary insurance undertaking the local Board is responsible to implement such culture and values through a system of governance which is proportionate to the nature and scale of each subsidiary.

The Company is headed by a one-tier Board which is composed of a majority of Non-Executive and Independent Non-Executive Directors and has established a number of committees with clear terms of reference in order to provide oversight over a number of functions. Members to these committees are all Non-Executive Directors who ensure ongoing interaction with the rest of the Board. The Company adopts the 'Three Lines of Defence' model to ensure proper segregation of duties.

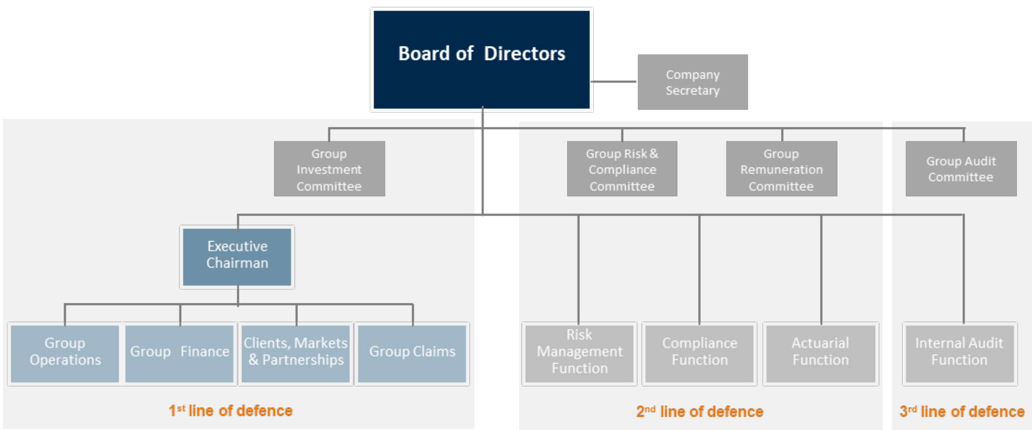


FIGURE 3: ORGANISATIONAL SET-UP OF DARAG GROUP LIMITED

Board of Directors

The key responsibilities of the Board of Directors are to:

- approve the Group's strategy, business plan, annual financial statements and regulatory submissions;
- oversee performance against the approved business plan;
- ensure sufficient capital is held to maintain the Group's target solvency ratio;
- oversee the group risk management system, including setting up the group risk strategy, group risk appetite and tolerance limits;
- ensure the Group operates in line with regulatory requirements;
- oversee the effectiveness of the internal control system including governance policies; and
- oversee the performance of outsourced functions.

During the reporting period the members of the Board of Directors were as follows:

Members of the Board of Directors	
Stuart Davies	Executive Chairman of the Board *(appointed 02.05.2017)*
Claus Stenbaek	Non-Executive Director
Sasha van de Water	Non-Executive Director
Richard Cachia Caruana	Independent Non-Executive Director
Patrick Thourot	Independent Non-Executive Director
Michael Trotman	Executive Director and Group CFO *(appointed 05.09.2017)*
Arndt Gossmann	Executive Director *(resigned 01.03.2017)*
Simon Minshall	Executive Director *(resigned 30.06.2017)*

Table 6: Members of the Board of Directors

The Board of Directors has established four Board Committees to assist in the effective discharge of its duties.

Group Investment Committee

The Group Investment Committee is responsible for assisting the Board of Directors in discharging its responsibilities for overseeing the overall investment activity of the Group and its subsidiaries. In particular it is responsible to review and approve the investment strategy framework, review performance generated by the investment assets of the group and oversee investment related risks. The Committee ensures that the Group abides with the Prudent Person Principle. The members to the Committee are a Non-Executive Director and two Independent Non- Executive Directors. The Group Chief Financial Officer is a standing invitee.

Group Risk and Compliance Committee

The Group Risk and Compliance Committee was set up during the reporting period with the aim of reviewing and evaluating the material risks to which the Company and its subsidiaries are exposed, and for monitoring and overseeing the guidelines and policies that govern the processes by which the Group identifies, assesses and manages its exposure to risk. The Committee is also responsible to oversee the outsourced Group Compliance Function.

Group Remuneration Committee

The Group Remuneration Committee is responsible for setting the remuneration policy of the Group, and for reviewing compliance with the policy in so far as it relates to Executive Directors, Senior Management and persons having key functions. The Committee approves the design of remuneration arrangements including determining the targets for any performance-related variable remuneration, and the terms of service agreement for Executive Directors, Senior Management and Key Function holders.

The Committee is chaired by an Independent Non-Executive Director and the other two members are Non-Executive Directors.

Group Audit Committee

The Group satisfies the requirement of each licensed subsidiary (excluding DARAG Italia SpA) to set up an audit committee as required by the Statutory Audit Directive, at the level of the Group. The Group Audit Committee is responsible for assisting the Board of Directors in discharging its responsibilities for monitoring the integrity of the Group's financial statements and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors, and oversight over the outsourced Actuarial Function.

Membership consists of two Independent Non-Executive Directors and a Non-Executive Director.

Key Functions

The four Group key functions:

- Risk Management function (more detail in chapter B.3)
- Compliance function (more detail in chapter B.4)
- Internal Audit function (more detail in chapter B.5)
- Actuarial function (more detail in chapter B.6)

which are required under Solvency II play an important role within the governance structure of DARAG Group: They form integral parts of the Three Line of Defence Model which provides a simple and effective way to enhance communication on risk management and internal control by clarifying essential roles and responsibilities. The Three Lines of Defence Model has been established consistently throughout the Group.

All of the Group key functions are free from influence that may compromise the function's ability to undertake its duties in an objective and proper manner. They work independently from each other and have unrestricted access to information as well as direct reporting lines to the Board. This provides the authority, resources and operational independence in the performance of their responsibilities. Their input is considered in the decision making process by including corresponding written recommendations to the Board for material decisions.

First Line of Defence – Operational Management

Every operational manager is responsible to develop adequate and proportional operational and technical controls within his/her area of responsibility, whether manual or information technology (IT) based, to provide assurance regarding the achievement of objectives of each department/function and ensure that any areas of potential conflicts of interest are identified and managed appropriately.

Such controls include (but not limited to) approvals, authorisations, verifications, reconciliations, management reviews and checking for compliance with agreed exposure limits and operating principles/instructions and follow-up on non-compliance.

Second Line of Defence – Risk Management, Compliance and Actuarial Function

The Risk Management function focuses on major risks facing the Company which might impact the achievement of DARAG's business objectives and facilitates and monitors the implementation of effective risk management practices and controls by Operational Management.

The Compliance function manages the compliance risks and ensures that all actions of the Company comply with applicable laws and regulatory requirements.

The Actuarial Function acts as a safeguard that certain control tasks of the Group are based on expert technical advice. It is a coordinating function that reviews and assesses the assumptions made and the methodologies adopted by the licensed subsidiaries in evaluating consolidated technical provisions; assesses the quality of internal data and any external data that is integrated into the calculation of technical provisions and contributes towards the effective implementation of the risk management system.

Third Line of Defence – Internal Audit Function

The Internal Audit function provides the Board of Directors independent and objective assurance on the effectiveness of governance, risk management and internal controls. In order to maintain complete independence the Group outsources the Internal Audit function to a third party service provider.

Changes in the System of Governance

During the reporting period the Group Risk and Compliance Committee was established.

Remuneration policy and practices

The remuneration structure adopted by DARAG Group consists of fixed income and a variable remuneration, which aims to create incentives for employees to embrace an entrepreneurial and performance-oriented corporate culture and support the Group's integrated business strategy.

The Group maintains a certain salary framework (base salary), which can be adjusted depending on the applicant's qualifications and experience.

The following criteria are taken into consideration in terms of salaries:

- Latest salary data, adjusted to external market/industry conditions;
- Internal salary data on similar positions;
- Standard graduate salary data for the same or similar positions;
- Salary history for the position that needs to be filled.

Variable compensation

In addition to the fixed salary, employees also receive performance-related variable remuneration for each financial year. The variable compensation is dependent on the achievement of Group's targets and the achievement of individual annual targets agreed with specific employees.

Material transactions with shareholders/key stakeholders

Related parties are defined by IAS 24 Related Party Disclosures and include parents and subsidiaries, subsidiaries of a common parent, associates, legal entities under the influence of management.

The Company has concluded the following contracts with Related Parties during the reporting period:

Related party	Object of service
Elbwort Agentur für Marketing, Hamburg	Marketing and PR services
Shareholder	Loan interest

TABLE 7: CONTRACTUAL RELATIONSHIP WITH RELATED PARTIES

B.2 Fit and proper requirements

All persons who effectively run the Company or have other key functions are required to possess a certain level of competence, professional qualifications and experience (fit and proper criteria).

Fitness for the Board of Directors means the Board's collective professional qualifications, knowledge and experience being adequate to enable sound and prudent management. To satisfy the fitness criteria, the Board of Directors possesses collective knowledge, competence and experience in the following minimum criteria:

- Market knowledge;
- Business model and strategy;
- System of governance ;
- Financial and actuarial analyses;
- Regulatory framework conditions and requirements.

The fitness of persons having key functions (including those outsourced) requires professional qualifications as well as knowledge and experience to ensure that they can fulfil their key functions' roles and responsibilities.

Being proper means that the person is honest and financially sound, based on character, behaviour and business practices including criminal, financial and regulatory aspects. Behaviour not regarded as "proper" include relevant criminal offences (such as money laundering, market manipulation, insider trading, usury, fraud, insolvency).

Persons who effectively run the undertaking or have other key functions must be of good repute and integrity.

Process for assessing the fitness and propriety of key function holders

Fitness and Properness of the Board of Directors as well as the Group key function holders, as determined by the Group Fit and Proper Policy is assessed at least on an annual basis.

The responsibility of completing a fitness and properness assessment of the members of the Board of Directors and Board Committees lies with the Chairman of the Board. The Chairman's fitness and properness is assessed by the non-executive members of the Board. The Chairman assesses the fitness and properness of senior managers and persons having key functions. These assessments are carried out on the basis of the above-mentioned assessment criteria.

Fit and proper assessments are conducted prior to appointment, re-appointments (in the case of members of the Board) and changes in key function requirements or in the event of changes in fit or proper profile of a given person.

On an annual basis the persons who effectively run the Company (i.e. members of the Board of Directors and senior managers) and persons having key functions shall declare that there have been no material changes to the original Personal Questionnaire in which case this would entail a fit and proper re-assessment of the individual concerned.

In the event that a person who runs the undertaking or is responsible for a key function, or who already holds a management or key position, does not meet or no longer meets the fitness and properness criteria, measures will be taken accordingly including possibly to replace the person in question.

In the event that a key position has been outsourced, the service provider commissioned with the task is required to name a person responsible for the task and provide the corresponding proof (in the same way as for an in-house appointment).

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

Implementation of Risk management function

The Group has a comprehensive risk management system which includes a full range of risk policies, procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis to ensure that the risk exposures that arise from operating the Group's businesses are managed appropriately.

These Group policies and procedures are cascaded down to the subsidiaries and local policies are aligned to the Group ones in order to be implemented consistently. The Group operates under a common framework through which risk management and control is embedded. Each subsidiary is required to follow consistent processes – using a common language – to identify, measure, manage, monitor and report its risks, in line with a consistent and comprehensive set of policies.

Policies set out risk assessment standards and risk appetite together with detailed procedures including minimum requirements and internal controls. Each policy is assigned a Policy Owner with responsibility for ensuring that the policy is embedded across the Group through local owners.

A Group Risk Manager is appointed and is responsible for the Group Risk Management function which is in turn responsible to establish, implement and maintain appropriate mechanisms and activities to:

- assist the Board and senior management in carrying out their respective responsibilities, including providing specialist analyses, performing reviews of the risk management system and advising on possible improvements;
- ensure implementation of the risk management framework in the day-to-day business processes;
- identify all risks (upside and downside) which the Group faces;
- assess, aggregate, monitor and help manage/mitigate identified risks effectively; this includes assessing the Group's capacity to absorb risk with due regard to the nature, probability, duration, correlation and potential severity of risks;
- gain and maintain an aggregated view of the risk profile of the Group;
- review regularly controls and mitigation actions to ensure that these remain relevant and effective;
- evaluate the internal and external risk environment on an on-going basis in order to identify and assess potential risks as early as possible;

- identify, define and regularly measure key risk indicators enabling an efficient monitoring of risks;
- consider risks arising from remuneration arrangements and incentive structures;
- conduct regular stress testing and scenario analyses;
- regularly report to senior management, key persons in control functions and to the Board on the Group's risks;
- document material changes to the Group's risk management system and report them to the Board of Directors to help ensure that the framework is maintained and improved;
- identifying and assessing emerging risks.

Risk Management Process

All risk-relevant business processes are adequately monitored and controlled. The risk management structure is based on the 3-pillar approach of Solvency II:

- securing a sufficient capital base;
- internal company risk management (detection of individual risks); and
- external risk transparency (reporting).

The Group adopts the following risk management process:

FIGURE 4: RISK MANAGEMENT PROCESS

Risk Identification, analysis and assessment

Determination of Risk Capital

The determination of sufficient capital resources as an overarching quantitative risk characteristic is carried out by the Risk Modelling Team based on the approach of Solvency II and the economic capital model approach.

Identification of Individual Risks

In addition to the risks covered by the Standard Formula, other identified risks are systematically recorded into a risk register and evaluated. A continuous quantitative assessment of these risks is carried out to permit a meaningful aggregation of the risks facing the Group.

The Group risk register, which is reviewed on a regular basis, serves as a risk checklist to ensure that risks are not overlooked. Each risk identified in the register is allocated a risk owner, and is assessed and quantified taking into consideration the mitigation techniques in place. In addition to impact, a likelihood rating is determined for each risk.

The Heads of each functional and operational unit are consulted in assessing these risks. In the absence of compelling formulas for the quantification of these risks, experiential judgement is applied.

Risk Control / Mitigation

Risk mitigation/control measures are determined depending on the seriousness of the risk in question. Cost vs benefit analysis are carried out when deciding on the control measures.

Risk Reporting

Internal risk reporting is carried out every quarter to the Group Risk and Compliance Committee based on the quarterly Solvency II calculation and every year after performing the periodic risk assessments and analysis. The quarterly report focuses on risks based on the risk ranking according to the calculation of the Solvency Capital Requirement while the annual reporting focuses on the main risks and the overall risk profile.

The Group Risk Management function also prepares the internal and supervisory ORSA Report and the sections describing the Risk Management function within the Regular Supervisory Report (RSR) and the Solvency and Financial Condition Report (SFCR).

Risk Monitoring

A number of Key Risk Indicators have been developed which are monitored by the risk owners and overseen by the Group Risk Management Function.

DARAG Group uses the standard formula for the calculation of the Solvency Capital Requirements. Currently, there is no (partial) internal model or undertaking specific parameters (USP) implemented. Furthermore, DARAG Group does not make use of any transitional measure.

Own Risk and Solvency Assessment (ORSA)

The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks which the Group faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times. In this context the assessment of the overall solvency needs represents the Group's own forward looking view of its risk profile, and the capital and other means needed to address these risks. The Company carries out the ORSA taking into consideration the nature, complexity and scale of the risks inherent in its business. The ORSA covers all pillars of Solvency II Directive by bringing together business strategy, risk strategy, and capital management, both as of the reporting date and for future periods in line with the business planning horizon.

The ORSA is an integral part of the business strategy and is taken into account on an ongoing basis in the strategic decisions of the Company.

The Board of Directors takes an active role in the ORSA by directing the process and challenging the outcome. The actual execution of the ORSA is delegated to the Group Risk Management function. Input from the Actuarial Function and Finance Team is also required.

The Board ensures that the Company has an adequate risk management framework to identify, evaluate, manage and monitor on an ongoing basis any risks facing the Group.

Assessment of the overall solvency needs and own funds

Identified material risks (including non-quantifiable risks such as strategic and reputational risks) facing the Group are documented into a risk register. Each risk is quantified in terms of likelihood and impact in order to determine the risk profile of the Group. Quantification methods include pure quantitative methodologies or judgmental assumptions.

The Group Risk Management function is also responsible to collate other data during the year which is relevant for the execution of the ORSA.

Once the risk profile is determined, the Group Risk Management Function and Risk Modelling and Actuarial Team assess the Group's own overall solvency needs by providing a quantification of the capital needs and a description of other means needed to address all material risks.

The assessment covers whether the Group currently has sufficient financial resources and realistic plans for how to raise additional capital if and when required. In assessing the sufficiency of the financial resources the Group Risk Management Function takes into account the quality and volatility of the Group's own funds with particular regard to their loss-absorbing capacity under different scenarios.

Forward looking approach

As part of the ORSA, the Group Risk Management function considers the Group's exposure to short term risks (one year) and medium term risks (three years) and project its capital needs taking into account medium term risks. Consideration is taken of the likely changes to the risk profile and business strategy over the projected period.

The Group Finance Team prepares projections taking into consideration the short to medium term strategic objectives determined by the Board of Directors.

Capital adequacy assessment

The Group analyses whether it complies on a continuous basis with the Solvency II regulatory capital requirements and as part of ORSA, the Group Risk Management function assesses the:

- potential future material changes in the risk profile;
- quantity and quality of the Group's own funds over the whole of its business planning period; and
- the composition of own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the business planning period.

For this assessment the recognition and valuation basis should be in line with the relevant principle provided by Solvency II Directive, otherwise the Group is required to explain how these differ and why taking into consideration the Company-specific risk profile.

Link between the Group's risk profile and the approved risk tolerance limits

The assessment of the Group's own risks forms an important part of the decision making process of the Group. The determination of the overall solvency needs contributes to assessments of whether to retain or transfer risk and how best to optimise the Group's capital management. In this respect, the ORSA allows the Group to assess its overall solvency needs to match its exposure to risk.

In light of the above, the overall solvency needs bring together the Group's risk profile and its approved risk tolerance limits which are determined by the Board and documented in the Risk Management Policy. When conducting the ORSA the Board will re-assess the overall risk tolerance limits and determine whether these require any revisions taking into consideration the results of the ORSA.

Frequency of the ORSA

The regular ORSA takes place on an annual basis whereas an ad-hoc ORSA is carried out immediately following the identification of any significant change to the Group's risk profile or change in strategy, whichever is the earlier.

Timing

The regular ORSA process is carried out when the Board conducts reviews of the strategic objectives for the forthcoming projected period however an ad-hoc ORSA is carried out upon any significant change to the risk profile.

B.4 Internal control system

Internal Control System

Internal control is defined as a process, effected by the Company's Board of Directors, Chairman, Management and other functions/personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

Clear reporting lines on the achievement of the main goals of the respective business unit/function and the effectiveness of internal controls are established. Every business unit / function informs Group Risk Management, Group Compliance, Group Internal Audit and the Group Actuarial Function of any facts relevant for the discharge of their duties.

The Group fosters an open communication and escalation process including adverse reporting in order to avoid employees suppressing negative information.

The effectiveness of the internal control system is monitored on a continuous basis so that any deficiencies of the system can be identified and rectified in a timely manner and ensure that established internal controls are suitable to the current business practices. Ongoing monitoring by the Operational Management, Group Risk Management, Compliance and Actuarial Functions occurs in the course of normal business operations. Random monitoring is provided by the Group Internal Audit function as per the audit plan.

Implementation of the Compliance function

The Group has established a Group Compliance Function which is outsourced to a subsidiary fulfilled by a Group Compliance Officer whose role is to assist with, enable, facilitate and monitor the effective management of the compliance risk. The Group Compliance Officer reports both to the Group Risk and Compliance Committee and the Board of Directors.

The Compliance function conducts an annual review of the operation which gives rise to the production of a report presented to the Board that highlights any breaches, possible weaknesses and includes recommendations for improvement.

B.5 Internal Audit function

Implementation of the Internal Audit function

The role of Group Internal Audit is to provide an independent, objective assurance and consulting activity designed to assist with the Group's risk management processes including determining whether an effective governance, risk management and internal control environment exists and is being maintained.

The key responsibility of the Group Internal Audit is to the Board of Directors in discharging its governance responsibilities.

The Board of Directors through delegation to the Group Audit Committee is responsible for overseeing Internal Audit and for ensuring that the Group Internal Audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. The Group Internal Audit Function is outsourced to a third party service provider to obtain operational independence.

B.6 Actuarial function

The Actuarial function is outsourced to an intra-group company and contributes to an effective risk management system by performing the following activities:

- coordination of the calculation of the technical provisions
- ensure the appropriateness of the methods and underlying models used, as well as the assumptions made in the calculation of technical provisions
- assess the sufficiency and quality of the data used in the calculation of technical provisions and contribute to data quality improvement
- compare best estimates against experience
- inform the Board of the reliability and adequacy of the calculation of technical provisions
- express an opinion on the overall underwriting policy
- express an opinion on the adequacy of reinsurance arrangements
- contribute to the effective implementation of the risk-management system

The person fulfilling Actuarial activities is not responsible for the actuarial evaluation of new portfolios during the due diligence process.

B.7 Outsourcing

The Group implements an outsourcing policy which includes strategies and processes to handle outsourcing, including identification of risks transparently and limiting these as much as possible.

This particularly comprises:

- the specification of functions to be outsourced
- a risk analysis process
- the selection of quality service providers
- details that have to be agreed on in the written contract with the service provider.

The policy is used as a basis for assessing the outsourcing service provider and for contracts with service providers. The policy is implemented consistently across the Group and subsidiaries.

Critical or important operative functions

The following processes are considered critical and important operative functions in connection to outsourcing:

- Conception and pricing in portfolio transactions
- Investing assets or asset portfolio management
- Processing of claims
- Compliance, Internal Audit, Risk Management or Actuarial Functions
- Accounting
- Data storage and processing
- ORSA process

The Board of Directors remains fully responsible for discharging all of their obligations under the Solvency II Directive when any of these critical and important functions are outsourced.

Outsourcing process

The decision to outsource is made as part of an established decision-making process and structure. The outsourcing process is led by Group Risk Management in collaboration with the respective appropriate department. The appropriate department (or parts of it) are guided by the steps of an outsourcing process:

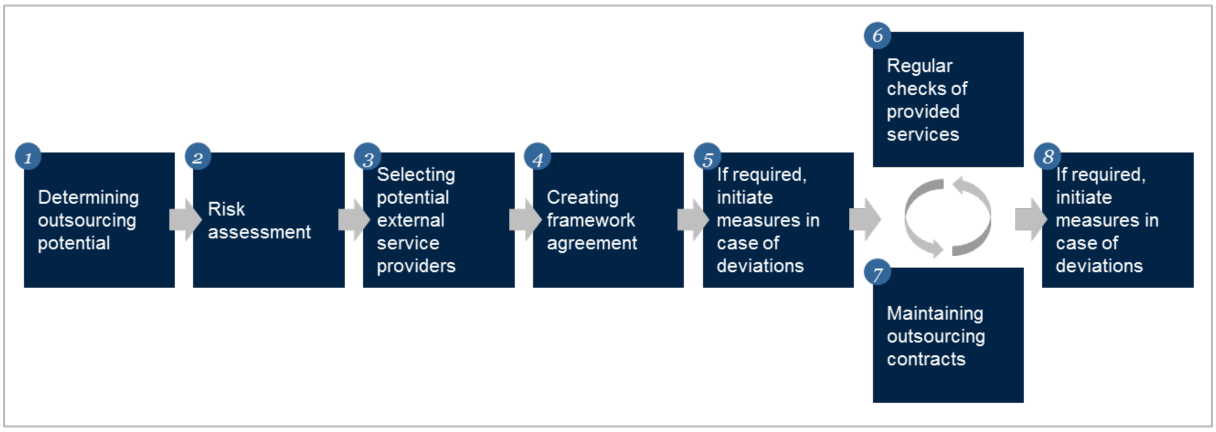


FIGURE 5: INTEGRATION OF RISK ASSESSMENTS IN THE OUTSOURCING PROCESS

Outsourcing of critical operational functions/activities

DARAG Group Limited has outsourced the following functions and activities:

Function / Activity	Jurisdiction in which service providers are domiciled
Group Compliance Function	Malta
Group Actuarial Function	Germany
Group Internal Audit Function	Malta

TABLE 8: LIST OF OUTSOURCED ACTIVITIES

B.8 Any other information

Reviews of the system of governance are carried out at least on an annual basis, taking into account the requirements of Solvency II and applicable statutory requirements, the nature, scale and complexity of the risk profile of the Group and recommendations from the Internal Audit function.

There is no other information to report.

C. Risk Profile

C. Risk Profile

The Group's risk profile is assessed through analysis of the regulatory SCR risk ranking based on the capital impact according to the standard formula and also by assessing other identified risks which are not captured in the standard formula.

The Basic SCR allocated to the risk (sub) modules during the reporting period as follows:

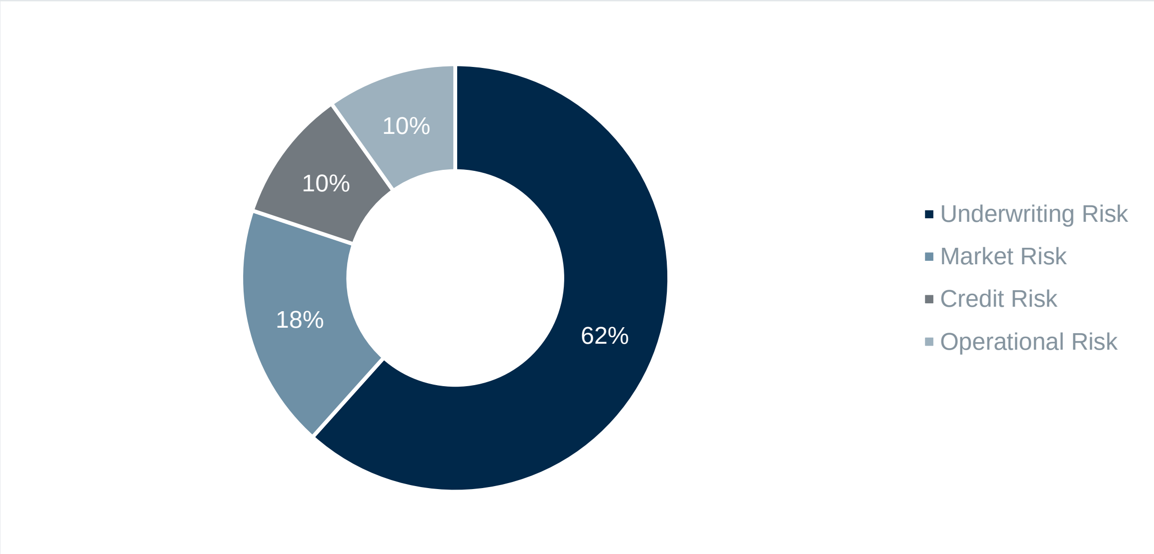


TABLE 9: DARAG GROUP'S OVERALL RISK EXPOSURE (UNDIVERSIFIED)

The SCR has decreased by 15% compared to the previous year due to a slight decrease in active business written by DARAG Italia SpA and normal settlement of run-off claims in other subsidiaries. The dominating risk for DARAG Group is the underwriting risk and followed by market risk.

Requirements regarding the following aspects do not apply to DARAG Group and will consequently not be discussed in this report:

- Special Purpose Vehicles (SPVs)
- Collateral arrangements
- Expected Profits in Future Premiums (EPIFP)

Risk concentration

The Portfolio Management Team and the Board of Directors regularly evaluate the diversification between potential and the existing portfolios to be aware of risk concentrations. By managing each portfolio on portfolio level individually, it is ensured operationally that risk concentrations are avoided in all risk modules. Policies and underwriting limits are in place to steer risk concentration deriving from the active insurance business.

C.1 Underwriting risk

Underwriting Risk – Run Off Business

Risk Exposure

Due to its business model, DARAG Group is primarily exposed to reserving risk – that is the risk of assessed technical provisions being insufficient to cover losses incurred.

The focus on the transfer and settlement of claims means that the risk strategy needs to concentrate on the review, assessment and management of claims provisions and settlements.

Additionally to the reserving risk, DARAG Group is also facing the risk of a lack of diversification of portfolios regarding lines of business and geography and a pricing risk.

For DARAG the pricing risk represents the risk of underestimating the impact of a risk transfer (e.g: portfolio transfer, acquisition of an insurance company or a reinsurance contract) from another insurance company to DARAG. DARAG has to estimate the appropriate amount of assets to cover all risks, expenses etc. which are involved in the corresponding risk transfer.

Risk Measurement

The regulatory risk exposure is determined using the standard formula by applying the risk measure Value-at-Risk ("VaR") with a confidence level of 99.5% over the period of one year, taking into account possible diversification effects. The VaR to the confidence level of 99.5% specifies the economic loss that is statistically exceeded in not more than one of 200 years, the so-called 200-year event. In other words the ruin probability of the Group is maximum 0.5% in the following year, i.e. the policyholders and beneficiaries have the security of 99.5% that all in the subsequent year incurred payment obligations can be fulfilled by the Group. In the period under review, DARAG Group has made no changes to the methods for the assessment of the risks.

Risk (sub) module in € 000's	Q4 2017	Q4 2016
Underwriting Risk - Non-Life	10,184	12,323
Underwriting Risk - Life	193	246
Underwriting Risk - Health	154	138

TABLE 10: UNDERWRITING RISK EXPOSURE (UNDIVERSIFIED SUM)

The non-life underwriting risk has decreased by 17% compared to the previous year. This is due to the normal settlement of claims during the reporting period. Assumption of new run-off portfolios partly compensates for it. Material lines of business to which the Group is exposed to are outlined in Chapter A.2.

Risk Mitigation

DARAG reduces the reserving risk by calculating provisions for claims on an individual basis and, where necessary, supplementing them with a separate additional reserve. In addition, a global reserve is formed on the basis of statistical evaluations and empirical data. This covers potential liabilities for known losses that may exceed the reserve amount and for losses that occurred but of which DARAG Group was not aware when preparing the annual financial statements.

Besides the substantial expertise utilized to assess the outstanding claims reserve (OCR) and the mentioned additional reserves reinsurance is used to reduce the reserving risk.

The Portfolio and Insurance Management Team and the Board of Directors constantly evaluate the diversification between potential and the existing portfolios to be aware of risk concentrations. External reviews of reserves are carried out periodically by independent external actuaries.

Underwriting Risk – Active Business

Risk Exposure

Due to the acquisition of DARAG Italia S.p.A in 2016, the Group is also writing active insurance business.

DARAG Italia writes mainly casualty personal lines business and is exposed to Premium, Reserve, and Catastrophe ("CAT") risks. The Premium and CAT risks arise from the possibility that the premiums are not sufficient to cover future claims, contractual expenses and the volatility of certain events. The exposure to Reserve risk is linked to the quantification of the claims reserves and the possibility that these reserves will not be sufficient in relation to the commitments made to the insured and other entitled claimants.

Additionally, active business is exposed to possible risk concentration in terms of similar lines of business and proximity of geographical areas.

Risk Measurement

The regulatory risk exposure is determined using the standard formula by applying the VaR measurement with a 99.5% confidence level.

The following table shows the movements since December 2016:

Risk (sub) module in € 000's	Q4 2017	Q4 2016
Underwriting Risk - Non-Life	25,983	29,150
Underwriting Risk - Life	0	0
Underwriting Risk - Health	4,690	4,749

Table 11: Underwriting risk exposure (undiversified sum)

Risk Mitigation

Underwriting risk is mitigated through structured underwriting that includes an approval process by senior management especially vis-a-vis new premium rates, rate adjustments and binding authority.

Reserve risk is mitigated through the calculation of reserves through actuarial techniques that take into account the uncertainty of the final number and amount of the claims payable and also consider the losses that are usually reported to the company with a delay.
DARAG Italia S.p.A is not significantly exposed to the risk of natural disasters on a net basis, as the business is focused on the risks associated with retail clients.

The main instrument for mitigating underwriting risk is through reinsurance. Reinsurance actually achieves risk mitigation and portfolio stabilisation through the effective transfer of insurance risk, with effects on solvency margin, on assets covering technical provisions and, more generally, on the technical and capital base.

DARAG Italia implements control processes and safeguards to protect against possible phenomena of concentration of underwriting risk. In particular, in view of the high concentration of the business within the Motor Vehicle Third-Party Liability class, there is a constant review of technical developments and a recurrent monitoring of the geographical location of risks.

C.2 Market risk

Risk exposure

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Market risk can be further divided into the following risk sub modules:

Risk	Description
Interest rate risk	Major change in fair value of a financial instrument due to changes of the level of the basic risk free interest rates.
Equity risk	Change in fair value of a financial instrument due to changes in equity prices including participations / investments.
Property risk	Change in fair value of the investments in real estate.
Spread risk	Change in fair value of a financial instrument due to changes in interest rates.
Currency risk	Change in fair value of a financial instrument due to changes in foreign exchange rates.
Concentration risk	Single name exposures are above the specified concentration thresholds.

Table 12: Market risk sub modules

Risk measurement

The regulatory risk exposure is determined using the standard formula by applying the VaR measurement with a 99.5% confidence level.

The following table shows the movements since December 2016:

Risk (sub) module in € 000's	Q4 2017	Q4 2016
Interest rate risk	1,532	1,556
Equity risk	3,033	3,442
Spread risk	6,267	7,095
Concentration risk	0	1,263
Currency risk	1,497	5,088
Property risk	625	625
Undiversified sum	12,954	19,069

Table 13: Market risk exposure

Risk mitigation

DARAG counters financial risks by giving adequate consideration to the security, liquidity, mix and spread of assets as its main investment principles. The criterion guiding the investment strategy is the preservation of capital. DARAG Group tries to hold a diversified portfolio and monitors the markets, issuers' credit rating, asset-liability balance as well as volume ratio of single name exposures to identify possible changes relevant for its risk profile.

Prudent Person Principle

The Prudent Person Principle is laid down in each of the subsidiaries' capital investment guidelines. These capital investment guidelines were prepared under the assumption that DARAG will generate income on the basis of reliable, sustainable as well as predictable results from the invested assets. The basis of the capital investment guidelines is to achieve sustainable investment income as well as possible growth within the investment portfolio.

The capital investment guidelines take into account both the applicable local legal provisions and constraints as well as special restrictions with regard to the various financial instruments which arise given the relevant subsidiary's business environment, operating business and risk assessment.

As a rule, the requirements pertaining to reliability, profitability and liquidity are to be met taking into account an appropriate mix and spread. The choice of possible investments pursuant to these investment guidelines was presented particularly in the context of securing the nominal value. As a result of this, securing aspects are to be reviewed prior to acquisition as well as on an ongoing basis during the course of the investment.

This gives rise to a portfolio with a long-term strategy ("buy-and-hold strategy") and a sub-portfolio with a rather short-term orientation to utilize the potential in market cycles.

The Group Investment Committee is responsible to monitor that the investment activity is performed within the individual investment guidelines and that the prudent person principle is respected.

C.3 Credit risk

Risk exposure

Counterparty default risk is defined as the risk of loss or of adverse changes in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtor to which DARAG Group is exposed. The counterparty default risk is separated into the counterparty default risks stemming from reinsurance contracts and counterparty default risks stemming from current accounts and time deposits.

Risk measurement

The regulatory risk exposure is determined using the standard formula by applying the VaR measurement with a 99.5% confidence level.

Risk (sub) module in € 000's	Q4 2017	Q4 2016
Credit risk	5,774	5,290

Table 14: Credit risk exposure

Risk mitigation

When DARAG Group enters into reinsurance obligations through the acquisition of portfolios or companies, the reinsurer's credit rating is analyzed as part of the due diligence. Reinsurance is not placed with companies having security rating lower than '-A' according to S&P. If necessary, haircuts are applied in the evaluation of the reinsurance receivables, and targeted loss adjustments are performed or additional reinsurance cover is purchased from companies with good credit rating. Bank's credit ratings are monitored on a regular basis.

C.4 Liquidity risk

Risk exposure

Liquidity risk is defined as the risk that DARAG Group is unable to realize investments and other assets in order to settle the financial obligations when they fall due as a mismatch between cash inflows and cash outflows of both assets and liabilities.

Risk measurement

No quantitative assessment of the liquidity risk is performed and no risk capital is assigned.

Risk mitigation

To encounter the liquidity risk DARAG Group performs an ongoing monitoring of short to medium term financial commitments and budgeting and set up a liquidity plan.

C.5 Operational risk

Risk exposure

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. These would include the following:

Risk	Description
People's Risks	People's risks can arise if the goals of an employee are not aligned with the goals of the entity or the Group as a whole. Other problems which can be assigned to this risk sub-category are an increase in staff turnover, a lack of communication within the company, working in silos, and a lack of succession planning.
IT Risks	IT risks arise if implemented IT systems are not able to satisfy the business needs or if the information security is insufficient, e.g. data leakages or losses of records. Other related problems are missing user acceptance tests and lack of documentation.
Failure of internal processes and controls	This risk can arise from a lack of documented internal processes and controls or internal processes and controls which are inadequate.
Regulatory / Compliance Risks	These risks can arise because of frequent changes in legislation or if the staff is not aware of certain compliance requirements which can lead to a breach of applicable laws or regulations including non-compliance to regulatory timeframes.
Disaster Recovery	This risk arises if data or records are completely lost and cannot be recovered or as a result of loss of key staff.
Fraud	This could be either financial fraud or insurance fraud.
Legal	Legal risks can arise because of disputes for or against DARAG or because of failure to correctly document, enforce or adhere to contractual arrangements. Other reasons can be an inadequate management of non-contractual rights, failure to meet non-contractual obligations or the selection of third party legal advisors.
Management override	This risk arises if management is overruling prescribed policies,

	procedures or boards decisions.
Key Man Risk	This risk arises due to employee dependence i.e. head knowledge especially if combined with lack of process documentation.

Table 15: Operational risk sub modules

Risk measurement

The regulatory risk capital calculation according to the standard formula are as follows:

Risk (sub) module in € 000's	Q4 2017	Q4 2016
Operational risk	5,634	6,326

Table 16: Operational risk exposure

Risk mitigation

The operational risk capital charge calculation within the standard formula is based on the volume of business and does not take into account the quality of the operational risk management system or the internal control framework. Some operational risks to which the Group is exposed would be difficult to quantify. Therefore the Group emphasizes more on qualitative mitigation through carefully designed controls.

DARAG Group maintains a flat and functional management hierarchy with clearly defined roles, competences and responsibilities, which clearly define the risk culture. The structural and operational organization is particularly aimed towards minimizing process risks. Any weak points identified through internal audits are promptly eliminated.

In view of the size of the Group and the business model, DARAG Group places great attention on the selection and qualifications of employees. Know-how, professionalism and integrity form the basis for the minimization of operational risks; these aspects are further enhanced through continuous on-the-job training. The comprehensive, specialist knowledge of the employees is key to DARAG's success. It is for this reason that the Group places great attention to employee satisfaction and loyalty. IT security is ensured by way of regularly updated standards and customized contingency plans. Alongside the daily backup of data, the Company has outsourced a back-up system implemented on an external server situated overseas. The IT infrastructure is designed to enable complete operational capability to be restored within days in the event of a total failure of all hardware and software systems. Access restrictions and technical safeguards ensure a high degree of security for data and operating equipment. The legal risks associated with the transfer of insurance portfolios or the acquisition of companies is managed as part of the due diligence process, with wide-ranging internal legal support and external legal assistance. A fraud risk assessment process, a whistleblower policy and data analysis by the internal auditor are implemented to prevent management overruling.

C.6 Other material risks

C.6.1 Strategic risk

Risk exposure

The main strategic risk facing DARAG is associated with the specialization in the business of insurance run-off, itself.

Furthermore, other strategic risks could arise through lack of new business, risk of insufficient risk premium, outsourcing, improper strategic planning, competition, capital funding, integration of new acquisitions, and distribution vulnerability.

Risk measurement

No quantitative assessment of the strategic risk is performed and no risk capital is assigned.

Risk mitigation

DARAG Group takes particular care to finely adjust its strategy to the market and framework conditions. The possibilities for further growth will in future continue to be determined according to the own financial strength. It is therefore especially important to have adequate capital resources.

Particularly regular monitoring helps to mitigate the strategic risks. Due to the business model of DARAG, business prospects are permanently monitored through continuous observation of the market and close communication with market players to ensure the ability to react quickly. Market trends are also regularly monitored by the Group Clients-Markets-Partners ("CMP") department as well as by the Board of Directors and discussed at Board level and funding resources are exploited. CMP ensures a good coverage of the market via a network of senior advisors across all European markets. The Board Committee assist the Board in overseeing the activity performed by outsourced service providers ensuring regular monitoring of the service providers.

C.6.2 Reputational risk

Risk exposure

A sound reputation is vitally important for DARAG Group as an institutional partner to the insurance industry. The primary aim is therefore to depict itself to its business partners as being a competent, reliable and reputable specialist insurance group.

Regulatory / Compliance risks can affect the Group's reputation in a negative manner as well as 'customer' dissatisfaction. As all solo entities belong to the same DARAG brand, the reputational risk does not only affect the respective undertaking but any impact on the reputation of a solo entity might tarnish the reputation of the whole group.

Risk measurement

No quantitative assessment of the reputational risk is performed and no risk capital is assigned.

Risk mitigation

The management of reputational risk is supported through established business principles, mandatory defined communication channels and a professional public relations operation. The Group Compliance Function manages the compliance risk to mitigate any reputational risk exposures. DARAG Group places great importance on the proper settlement and management of claims in consultation with the transferring insurers.

C.7 Stress testing and scenario analysis

DARAG Group performs annual stress tests and scenario analyses to determine the effect of factors influencing the risk profile, the solvency situation and the financial condition of the Company as part of the ORSA process. Stress testing complements other risk measures and is a fundamental part of the strategy and capital planning processes. Further stress testing is carried out whenever an ad-hoc ORSA is performed.

The stress test results and the underlying scenarios are assessed for all risk modules at senior management level within the areas of risk management, accounting and controlling. After comparison with the defined risk tolerance, the Board decides upon specific risk mitigation techniques to reduce the impact of stress in accordance with the overarching strategy and capital plan, if the predefined limits are exceeded. The stress tests carried out in the reporting period have shown that given the adverse scenarios, the financial situation is adequate to support the shock of the economic scenarios. Although the SCR ratio within particular scenarios falls below the target ratio of 122% the SCR steadily improves over the 3 year business plan time horizon across all scenarios. Therefore, no measures are to be taken.

During the reporting period the same stress scenarios evaluated in the previous year were tested and in addition a reverse stress test scenario was considered to determine the level of increase in technical provisions which could lead to the SCR and MCR ratios reaching levels very close to the 100%.

C.8 Any other information

No other information to report.

D. Valuation for Solvency Purposes

D. Valuation for solvency purposes

D.1 Assets

The recognition and valuation of assets for Solvency II purposes within DARAG Group follow the principles of a going concern and of individual valuation. Unless otherwise required by Solvency II, the recognition and valuation principles used for the assessment of assets are in line with the International Financial Reporting Standards ("IFRS").

Assets are valued at their economic value. The economic value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

IFRS 13 (Fair Value Measurement) is used for the valuation of the assets where there is no specific Solvency II requirement. Different valuation methods for Solvency II as long as significant will be explained in the following section.

For the assessment of the fair value / economic value of assets DARAG Group follows the valuation hierarchy of Solvency II, with the exception for participation in affiliated companies.

- **Mark-to-market** approach (default method): Assets traded on an active markets are valued based on the market value. For an active market there is a frequent trade with sufficient volume required. Therefore permanent price information are available. Regarding the requirements for an active market the IFRS standards have been used.
- **Marking-to-market** approach: Where there is no active market the fair value is derived from comparable assets with individual adjustments.
- **Mark-to-model**: Where marking-to-market was not possible, alternative methods such as discounted-free-cash flow or standard option-price-methods were used. In such instances individual product or rating related yield curve were used.

The accounting and valuation methods used in the consolidated annual financial statements of DARAG Group are based on IFRS. Differences with regards to recognition and valuation compared to Solvency II lead to value differences which are being outlined in the following section.

The discount rate for assets and liabilities is based on the Euro-coupon-curve as at 31st December 2017.

Asset Overview

In the following section all relevant assets are listed including their Solvency II valuation. In the sub-sections thereafter each item is presented in detail including the differences arising from the use of both valuation approaches.

Assets in € 000's	Solvency II	IFRS
Goodwill	0	0
Deferred acquisition costs	0	8,311
Intangible assets	0	1,397
Deferred tax assets	5,178	3,793
Pension benefit surplus	0	0
Property, plant & equipment held for own use	800	800
Investments (other than assets held for index-linked and unit-linked)	235,933	235,933
Property (other than for own use)	2,500	2,500
Holdings in related undertakings, including participations	5,620	5,620
Equities	362	362
Equity - listed	58	58
Equity – unlisted	305	305
Bonds	202,254	202,254
Government Bonds	86,787	86,787
Corporate Bonds	114,918	114,918
Structured notes	549	549
Collateralised securities	0	0
Collective Investments Undertakings	25,197	25,197
Derivatives	0	0
Deposits other than cash equivalents	0	0
Other investments	0	0
Assets held for index-linked and unit-linked contracts	0	0
Loans and mortgages	37	37
Loans and mortgages to individuals	0	0
Other loans and mortgages	37	37
Loans on policies	0	0
Reinsurance recoverables from:	48,636	49,916
Non-life and health similar to non-life	43,166	49,916
Non-life excluding health	43,131	49,916
Health similar to non-life	35	0
Life and health similar to life, excluding health and index-linked and unit-linked	5,470	0
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	5,470	0
Life index-linked and unit-linked	0	0
Deposits to cedants	42,479	42,479
Insurance and intermediaries receivables	8,191	13,393
Reinsurance receivables	2,355	2,355
Receivables (trade, not insurance)	5,640	5,640
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	35,026	35,026
Any other assets, not elsewhere shown	81	81
Total assets	**384,356**	**399,161**

Intangible Assets

Intangible assets, other than goodwill, are valued at zero on the solvency balance sheet, unless the intangible asset:

- can be sold separately; and
- the insurance and reinsurance undertaking can demonstrate that there is a value for the same or similar assets.

Due to a lack of active market for standard software the Solvency II value is zero.

Deferred Tax Assets

Deferred tax in the Solvency II balance sheet arise from the difference between the IFRS balance sheet and the Solvency II balance sheet. Profit or loss arising from the change in valuation basis would have a related tax impact. This impact is captured within the Solvency II balance sheet by way of the deferred tax liability or asset. Differences in recognition and measurement between the Solvency II and the IFRS balance sheet resulted in a surplus of deferred tax assets. DTAs are mostly from the Italian entity (solo net DTA of EUR 7.1m). The solo net DTA for DAG is EUR 1.7m and the PCC has virtually nil net DTAs.

Property, plant and equipment held for own use

For the IFRS financial statements, property, plant and equipment are valued according to the cost model of IAS 16, since an economic value for property, plant and equipment cannot be reliably determined. Property, plant and equipment were stated at amortized cost less accumulated depreciation. This position contains mostly office equipment.

The value under Solvency II thus corresponds to the value in the reporting data for the IFRS financial statements.

Property

Investment property is measured at fair value. Gains and losses from changes in fair value are recognized in profit or loss. The valuation is confirmed annually by external independent expert opinion by applying the discounted cash-flow method.

The same method applies for IFRS and Solvency II, therefore no adjustment is needed.

Holdings in related undertakings, including participations

Holdings in affiliated companies that are not consolidated are accounted as available for sale investments using the net asset value of the affiliate. There is only one non-consolidated affiliate (Veritas Rückversicherungs-AG, Zug, Switzerland), which is in liquidation and which is not included under IFRS as related undertaking but as non-listed equity below. The net asset value, which is net of the costs of liquidation, is the most appropriate indicator for the value of this company.

Equities and collective investments undertakings

Shares are recognized at fair value, without any deduction for transaction costs incurred on sale or other disposal. This value is determined using quoted market prices at the effective date. The existence of an active market has been checked with regards to the criteria of timely and regular market prices, high trading volumes, lower bid-ask spreads and less price volatility and confirmed accordingly.

The investment fund is unquoted. The measurement method for the investment fund uses inputs from the issuer of the fund. The valuation reflects the net asset value of the share in the fund.

Equities

Equities listed are valued at market value (available for sale) as of evaluation date under IFRS and Solvency II. The unlisted equity position is valued at net asset value and contains a non-exchange traded investment fund.

Bonds

Bonds are valued on the bases of IFRS 13 (available for sale). The fair value is equal to the economic value of Solvency II and is measured as described below.

- Bonds that are measured using (unadjusted) prices quoted directly in active, liquid markets. These primarily include highly liquid bonds traded in regulated markets.
- Bonds where there are no prices in an active market, the valuation is based on a calculation with product and rating related interest rate curves.

Since also the available-for sale principle is used for Solvency II purposes, no differences occur relative to IFRS.

Loans and mortgages

Under IFRS loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or available-for-sale. The Group initially recognises loans and receivables on the date when they are originated. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Solvency II the IFRS value is used.

Reinsurance recoverables

For Solvency II valuation the reinsurance recoverables are reduced by the expected loss of the reinsurer. Furthermore, under Solvency II the reinsurance recoverables are shown on a discounted basis whereas on IFRS on a nominal basis.

This position is described in Section D.2 Technical provisions after considering the outward reinsurance.

Deposits with cedants

This position contains deposits for reinsurance business. Receivables (lasting up to 12 months) are recognized at their nominal value as their fair value. The fair value of receivables characterized by a longer-term nature (greater than 12 months) is determined by using the discounted cash flow method. Regardless of the collection period, the default risk of the counterparties is determined based on an internal rating system based on historical default rates. The deposits have generally a long-term nature. As average term with a duration of seven years is applied. There are no differences in the valuation principle under IFRS and Solvency II.

Insurance and intermediaries receivables

Receivables from insurance companies and brokers are valued for IFRS reporting at amortized cost, so for Solvency II purposes, depending on the duration a revaluation is performed.

Receivables (lasting up to 12 months) are recognized at their nominal value as their fair value. The fair value of receivables characterized by a longer-term nature (greater than 12 months) is determined by using the discounted cash flow method. There is no difference between IFRS and Solvency II as all receivables are short term.

On the Solvency II balance sheet, a re-allocation of receivables from reinsurer to insurer by an amount has been done, resulting in the shown difference.

Reinsurance receivables

Receivables from reinsurers which have not been assigned to the item Deposits to cedants are disclosed here. If the receivables have a short-term character (up to 12 months), the nominal value is used as the fair value. For longer-term receivables (greater than 12 months) the fair value is determined by using the net present value method. The counterparty default risk is determined via an internal rating based on historical loss rates and accordingly taken into consideration in the assessment.

Receivables (trade, not insurance)

Receivables (trade, not insurance) of short-term nature (lasting up to 12 months) are recognized at their nominal value as their fair value. The fair value of receivables (trade, not insurance) characterized by a longer-term nature (greater than 12 months) is determined by using the discounted cash flow method. Individual and flat-rate value adjustments are performed analogously to the Local GAAP.

Other receivables are valued for IFRS reporting at their amortized cost, so that in principle for Solvency II purposes, depending on the maturity, a revaluation is made. Appropriate specific and general allowances were not necessary because of sufficient creditworthiness of the debtor.

In a short-term nature (lasting up to 12 months), the nominal amount is recognized as an economic value. In a longer-term nature of the claim (greater than 12 months), the economic value is determined using the discounted cash flow method. Appropriate specific and general allowances were not necessary because sufficient occupied creditworthiness of intercompany receivables and the city Wedel. Tax receivables have a maturity between 12 and 18 months for the preparation of the tax return and the final tax assessment. Since the discount rate of the euro zero-coupon curve has negative interest rates for 18 or 24 months, the nominal value was determined for these receivables.

Cash and cash equivalents

Current balances, bank balances, cheques and the cash are included in this item. The evaluation is carried out at fair value, which corresponds to the nominal value.

Any other assets, not elsewhere shown

This position consists mainly the prepaid expenses and is valued at nominal value.

D.2 Technical provisions

The Solvency II technical provisions of the DARAG Group as of 31st December 2017 amount to € 208.3m before reinsurance. The total discounted gross best estimate claims provisions sum up to € 195.1m and the overall risk margin to € 13.2m. Non-life business (incl. health similar to non-life business) makes up the largest part of the technical provisions. The technical provisions under life business relate to the nature of the underlying risks and includes pension payments originating from non-life policies (mostly MTPL).

Line of Business in € 000's	Gross best estimate	Risk margin	Gross technical provisions	Ceded technical provisions	Net technical provisions
Medical expense insurance	2,937	85	3,022	26	2,996
Income protection insurance	6,251	615	6,866	1	6,865
Workers compensation insurance	473	56	529	8	521
Motor vehicle liability insurance	123,747	7,055	130,802	33,222	97,581
Other motor insurance	4,625	206	4,831	44	4,787
Marine, aviation and transport insurance	3,415	351	3,765	167	3,598
Fire and other damage to property insurance	8,938	662	9,600	578	9,022
General liability insurance	21,830	1,310	23,140	9,020	14,120
Legal expenses insurance	152	16	168	0	168
Assistance	232	2	234	101	134
Miscellaneous financial loss	35	2	37	0	37
Non-proportional property reinsurance	126	26	152	0	152
Non-proportional casualty reinsurance	5,689	1,025	6,714	0	6,714
Non-proportional marine, aviation and transport reinsurance	8,064	1,669	9,733	0	9,733
Total Non-Life	186,512	13,081	199,593	43,166	156,427
Life	8,605	128	8,734	5,470	3,264
Total	**195,117**	**13,210**	**208,327**	**48,636**	**159,691**

The gross best estimate provisions contain provisions for expired and unexpired policies. Provisions for unexpired business (premium provisions) amount to € 21.2m and are largely attributed to DARAG Italia. DARAG Germany's best estimate provisions contain only ca. € 2.0m of premium provisions.

DARAG Group can be split up into three distinct risk carriers, the DARAG Germany, DARAG Italia and DARAG Malta. The explanation of DARAG Group reserve calculation will focus on DARAG Germany and DARAG Italia and only the major topics. For more details, it is referred to the corresponding legal entity reporting.

DARAG Malta carries exclusively an intra-group reinsurance contract from DARAG Germany. The reserves for this entity are consistently calculated with the matching reinsurance recoverable calculations made at DARAG Germany. Therefore, when describing the methods and assumptions of the reserve setting of DARAG Germany, DARAG Malta is already implicitly covered by these descriptions. In addition, the outstanding reserve is insignificant in the Group context (ca. 0.5% of technical provisions). Beyond this contract there are no other intra-group insurance relations between the entities within the Group.

DARAG Italia S.p.A

The overall gross Solvency II technical provisions amount to € 125.1m, which can be split into the present value of future best estimate claims payments of € 117.5m and a risk margin of € 7.6m.

Premium provisions

The estimate of the Premium Provisions of € 21.2m as part of the overall provisions has been obtained as the present value of the future cash flows originating from premiums and claims that will occur after the evaluation date, but within the term of the policies, in accordance with the contract boundaries specific for each LoB.

In order to calculate the Best Estimate of Premium Provisions, accordingly to the proportionality principle, it has been decided to use the LoB segmentation, considered to be an accurate representation of the business riskiness. This has been observed to be particularly true for the claim severity and the ceded risks to reinsurers.

The initial evaluation of the technical provisions is based on the assessment and the definition of the contract boundaries.

The scope of the contract boundaries assessment is to evaluate the time limit of the contract obligations to project the future cash flows linked to the policies in force at the evaluation date. The projection should include all the periods until the end of the contracts, however, if particular conditions are met (e.g. premium variations or policy suspension), the timeframe can be limited.

The policies are almost only annual policies. The quantitative investigation has found out that the proportion of premiums deriving from multi-year policies is less than 1% on the total amount of premiums collected.

In order to appraise the materiality of multi-year contracts, the company has conducted a qualitative assessment to individuate premiums with the following characteristics:

- Premiums currently applied
- Terms longer than one year
- Presence of contractual clauses that could reduce the natural term of the policy

The assessment has highlighted the presence of a Personal Accident cover currently sold that could be written either on yearly or multi-year basis accordingly to the policyholder preferences. During the year 2017, a more in depth analysis of the policies portfolio has been planned. The aim is to better determine the time limit of the contract boundaries.

The Premium Provisions have been calculated with the simplified approach described in the attachment no. 6 of the IVASS Regulation of the 15 March 2016.

Such simplification allows to calculate the Premium Provisions using a methodology based on the application of the loss ratio and the expense ratio to the premium reserve and to the future premiums within the contract boundaries.

Claims provisions

In order to calculate the gross Best Estimates of Claims Provisions of € 96.3m homogenous groups of risk have been identified. The groups have been selected taking into account the quality of data available, the homogeneity of the characteristics and the riskiness within each group.

The following segmentations (Homogenous Risk Groups, HRG) have been produced:

- LoB MTPL: separate analysis of attritional and large claims;
- LoB Fire: separate analysis of the peril Fire and Property Damage;
- LoB Assistance and LoB Miscellaneous Financial Loss: joint analysis.

Within the other LoBs, homogenous risk groups have not been identified.

The analysis procedure comprises two different phases, the first “exploratory” phases and the second “modelling” stage.

The first step involves checking and verifying that all the data used by actuarial models are correct and reconciled with different sources. Runoff triangles have been consolidated against data as at the last evaluation date. Investigations and further analysis have also been carried out to assess the correctness of the main statistics indicators, such as severity and frequency indexes, average costs and payment patterns.

During the second phase, different actuarial models for indemnity payments, allocated loss adjustment expense (ALAE) and unallocated loss adjustment expense (ULAE) have been built in order to appraise the Best Estimate Claims Provisions.

During the modelling exercise, the business relative to the Medical Malpractice cover (under the LoB 8) sold between the year 2008 and 2009 has not been taken into consideration. Such business, now discontinued, is covered by a XL reinsurance contract.

The Ultimate Cost of Claims has been calculated as the weighted average of the following actuarial models:

- Chain Ladder inflated;
- Chain Ladder incurred;
- Bornhuetter Ferguson;
- Cape Cod;
- Additive.

As already explained, several LoBs have been analysed considering different level of segmentations. The following list outlines and explains the methodology applied:

- “Motor Vehicle Liability”: following preliminary analysis, the indemnities relative to the attritional and large claims have been separately determined. The attritional ultimate losses have been calculated as the weighted average of the models described above, whereas the large losses have been estimated considering a frequency/severity approach. Ultimate amounts have been estimated implementing the Chain Ladder Inflated method and the Chain Ladder Incurred method, meanwhile Ultimate Numbers have been calculated applied a Chain Ladder method to the reported claim numbers triangle.

- Fire: the actuarial models described have been performed on the Fire Peril and on the Property Damage Peril.
- Assistance and Miscellaneous Financial Loss: These two lines have been jointly analysed due to the low volumes and materiality of the business written.

The reserve estimate has, therefore, been defined as the difference between the ultimate cost of claims and the paid claims up to date.

The Expenses Reserve has been estimated using two different methodologies, one applies to the allocated expenses, whereas the unallocated expenses have been estimated using different assumptions. The ALAE reserve has been calculated as the weighted average of the Chain Ladder Inflated method and the Additive Method, meanwhile the ULAE Reserve has been estimated applying a fixed percentage to the Claim Reserve.

The reserve estimated in such way has been projected over the next periods applying a payment pattern in order to obtain the future cash flows. These figures have been subsequently discounted using the risk free interest rate curve as at 31st December 2017 published by the EIOPA (basic RFR curves – no volatility adjustment).

Recoverables

In accordance with the Directive, the Best Estimate of technical provisions has been calculated gross of the Reinsurance effect and SPV. Such amounts are estimated separately, using assumptions provided by the Directive.

As far as the calculation of the Premium Provision Recoverables is concerned, a direct estimate using the simplified calculation method outlined by the Directive has been implemented. This calculation frameworks has also been applied to the estimate of the BE Gross.

With regards to the best estimate of the claims provisions, the amount of the recoverables has been defined using a point-estimate approach: the amount of the ceded part of the reserve has been calculated according to the individual reinsurance contract characteristics. The payment pattern has been applied to these amounts to find out the specific recoverables cash flows.

Adjustments to take into account counterparty risks have been determined using the simplification described be the Article 61 of the Delegated Acts. This simplification assumes that the counterparty risks is constant throughout the whole period under consideration.

Risk margin

In order to measure the value of the technical provisions, the amount of Risk Margin has been appraised. It has been assumed the projected SCR would be proportional to the technical provisions, due to the proportionality principle, the stability of the core business and the reinsurance agreements in force.

Data

With regards to data quality, all the inputs used to calculate the technical provisions have been retrieved from the company data warehouse and from the technical data provided from the individual corporate functions.

Reconciliations with accounting data and regulatory reports have been performed in order to ensure the accurateness, adequacy and completeness of all the inputs used.

In order to produce the estimate of the Premium Provisions, several prospective indicators (loss ratio, expensed) have been used; these factors have been reconciled against balance sheet figures and against market trends.

Data inputs have also been checked to ensure the:

- Completeness: relative to evaluate the eligibility and the integrity of historical data and their sufficiency. The sufficiency of the data has been judged in light of the capability of capturing underlying risks and risk tendencies.
- Accurateness: relative to the presence of material errors in the data, recorded in a promptly manner and consistent across different periods.
- Adequacy: relative to the quality of the data. In particular the data has been checked against the potential to generate a material error in the calculation of the TP, i.e. an error that will influence the decision of the adequacy of TP itself.

DARAG Deutsche Versicherungs- und Rückversicherungs-AG

DARAG Germany concentrates on acquisition and final settlement of portfolios from inactive non-life business. Technical provisions are therefore only added to the balance sheet by taking over new discontinued insurance portfolios from any transferee. Based on this special structure no significant future premium income is produced and thereby DARAG Germany has no significant premium reserve. The technical provisions largely contain claims provisions. A replication of underwriting cash flows by using financial instruments and thus a valuation as a whole is not applicable.

As of 31st December 2017 DARAG Germany holds under Solvency II technical provisions of € 78.5m gross of reinsurance, which can be split up into the amount of the gross discounted reserves of € 73.4m and a risk margin of € 5.1m.

Claims provisions

The entire portfolio of DARAG Germany comprises of (in parts or in entirety) transferred portfolios underwritten by other insurance or reinsurance companies in non-life line of business. Due to different underlying risk structure, underwriting years or geographic allocation, these portfolios differ significantly even for the same LoB. For the assessment of the claims provisions the entire portfolio is therefore separated into homogeneous risk groups, which uses the underlying original portfolio as much as the lines of business. The LoBs used for assessment are mainly Solvency II LoBs. If data quantity and quality are sufficient, a line of business might be broken down into sub-LoBs where appropriate. Currently for marine, aviation, transport (MAT) aviation is partially assessed separately as well as a separate analysis for risks regarding different subclass in marine insurance.

As a result of the specific structure of DARAG's portfolio, no standard approach for the calculation of claims provisions is possible for all homogeneous risk groups.

Instead the approach used depends for each segment on:

- Availability of historical claims data;

- Availability of further information, e.g. historical premium, number of contracts / number of claims, coverage;
- Progress on run-off development (ratio of open to closed claims).

Depending on the given situation, the technical provisions are then calculated using:

- Actuarial methods on the basis of run-off triangles
- Actuarial methods for specific lines of business:
    - APH (Asbestos / Pollution / Health Hazard) as part of third-party liability
    - Annuities
- Simplified approach

Major claims are separated and assessed separately using specific methods. These include frequency-severity approaches as well as individual assessments by expert judgement for single major claims. The large loss threshold is determined depending on the specific homogeneous risk group.

As a run-off specialist DARAG's portfolios contain LoBs with expected settlement periods of up to several decades: different types of liability-risks (General Liability, MTPL) or transport and aviation insurance (see table of LoBs). Therefore the tail-assessment is of specific importance to those LoBs. Not only the run-off pattern observed in the data is extrapolated, but also appropriate market parameters are used.

Trends in e.g. claims frequency, inflation or reserving philosophy are determined and if necessary the assessment is adjusted accordingly. In that respect not only the own data is considered but also external information by claims adjusters, lawyers, advisors or market information.

Indirectly the assessment takes into account receivables arising from recourse, recoveries and co-insurance.

The projected cash flows are used for discounting based on the EIOPA risk free yield curve for the corresponding currency.

Payments as well as outstanding loss reserves include ALAE, which then are implicitly predicted in the further development.

Provisions for ULAE are calculated individually, taking into account the specific business model of DARAG. For portfolios managed internally, the average internal claims adjustment costs are identified by LoB and open claims. (No IBNR is held for these portfolios.) The amount of provisions is determined depending on expected future cash flows by LoB. For portfolios managed by external claims adjusters the provisions are determined using the contractual agreements.

Particular attention and special methods in the evaluation of the reserves require two separate homogeneous risks groups: APH (as part of General liability) and annuities stemming from non-life contracts.

Characteristics of APH-liabilities (LoB – General Liability)

Part of the general liability business contains indirect US APH-risks.

Claims from this area are typically characterised by a run-off pattern that clearly differs from other liability claims. In particular, until final settlement, run-off periods of several decades has to be assumed as well as loss adjustment expenses that generally exceed the compensation benefit. Therefore these risks are valued independently in a separate homogeneous risk group using a survival ratio approach with benchmarks and cash-flows from the latest market studies.

Characteristics of annuities (LoB – MTPL, General Liability and MAT)

Valued using actuarial methods of life insurance.

As of 1st January 2018 the little number of annuities in DARAG's portfolio result only from MTPL, General Liability and (one) from Aviation. Currently no annuities from accident contracts are held.

As required under Solvency II the annuities are valued using methods of life insurance. The age and gender of the injured person, as well as current survival ratio underlying the mortality tables (second order, without security margin) from the German Actuarial Society are taken into account in evaluating the expected annuity payments.

This approach also provides the estimated future cash flows.

For annuities in indirect business no sufficient biometric information is available. Therefore the future development of these provisions are assumed to follow the same pattern as the annuities from direct business.

Simplifications used for valuation

In a run-off portfolio the volume will decrease by normal settlement process (by definition). Therefore it is inevitable that each homogeneous risk group will reach the situation where the volume is no longer sufficient for a proper actuarial assessment. The situation may also arise from a segment with only limited data. If merging with another similar homogeneous risk group is not appropriate, one or more of several possibilities for an adapted or simplified approach are used.

- Assessment using last year's development factors (if in the past there has been a large volume with appropriately stable development pattern and there is no significant change invalidating its use)
- Use of benchmarks (if available and applicable for the respective homogeneous risk group)
- Expert judgement on individual claims (provided the settlement has already progressed up to a manageable number of open claims and no further late reported claims are expected)

If a homogeneous risk group contains reserves held in several currencies, these are converted to the predominant currency for actuarial valuation. As of 31st December 2017 DARAG Germany's reserves are calculated in four main currencies: EURO, US Dollar, British Pounds, New Turkish Lira and Swedish Krona.

DARAG's technical provisions are composed entirely of portfolios acquired and underwritten by different insurance companies. As a result the reserves within one line of business may contain very different parts with different underlying risks, geographic coverage, currency or underwriting periods.

Accordingly, the technical provisions are separated into homogeneous risk groups in a matrix scheme not only by line of business but more importantly by underlying portfolio / transferee. On the other hand the liabilities in each homogeneous risk group are assessed in the respective dominate currency in order to achieve adequate statistical volume. Reserves in LoBs with insignificant volume are assigned to similar segments.

Consideration of ceded reinsurance

Sufficient data on the historical development of ceded reinsurance (by homogeneous risk group) is not available. Therefore no assessment on net data (neither payments not incurred) is possible. Instead the Best Estimate on ceded reinsurance share is composed of:

- RI-loss reserve for claims already reported as booked (RI share on current OCR)
- Reconciliation of IBNR where relevant (i.e. where a significant part of the estimated gross IBNR is assumed to affect the ceded reinsurance)

In addition, and to a small extent, only in segments of general liability, fire, as well as MAT IBNR has to be considered as RI relevant. Here the RI share is calculated on a proportionality approach using the ceded / gross OCR-ratio in the respective segments.

Risk margin

For the calculation of the risk margin the future development of the appropriate SCR is approximated proportionally to the run-off pattern of the respective portfolio. The allocation across the single lines of business is done proportionally to the SCR.

D.3 Other liabilities

The following section presents and explains the other liabilities (other than technical provisions) including their fundamentals, methods and assumptions. The following summary table shows the relevant other liabilities, stating their amounts for Solvency II and financial reporting according to IFRS.

Liabilities in € 000's	Solvency II	IFRS
Contingent liabilities		
Provisions other than technical provisions	53,413	53,147
Pension benefit obligations	7,989	7,989
Deposits from reinsurers	172	172
Deferred tax liabilities	0	287
Debts owed to credit institutions	23,854	22,187
Insurance & intermediaries payables	931	931
Reinsurance payables	224	224
Payables (trade, not insurance)	11,965	12,944
Subordinated liabilities	0	0
Subordinated liabilities not in Basic Own Funds	0	0
Any other liabilities, not elsewhere shown	2	2
Total other liabilities	**98,550**	**97,881**

Provisions other than technical provisions

Provisions other than technical provisions are valued in accordance with the provisions of IAS 37 equivalent to the expected settlement amount. Provisions with a maturity of more than one year are discounted with the corresponding market interest rates that reflect the risk and the remaining time until the settlement of the obligation.

Pension benefit obligations

Liabilities under defined benefit pension plans are calculated separately for each plan according to actuarial principles. Pension liabilities are measured in accordance with IAS 19 "Employee Benefits" using the projected unit credit method. Measurement reflects current pension payments at the reporting date, together with their future trends. They are calculated in accordance with actuarial principles and take into consideration length of service and the estimated future salary trends for employee salaries. The interest rate used for discounting pension liabilities is based on the rates applicable to prime-rated corporate bonds whose currency and duration match the pension liabilities. The results of these measurements are updated as at the reporting date in order to account for material transactions and changes in parameters.

The fair value of the IFRS accounting method is also used for Solvency II therefore no adjustment is needed.

Deposit from reinsurers

For Solvency II deposits from reinsurers are recognized at their fair value, i.e. their nominal value, because the maturity of the liability is less than 12 month.

Financial liabilities other than debts owed to credit institutions

During 2015 DARAG Group Limited concluded a loan of € 21,500K from its shareholder. The loan is accounted for a current liability as per year end.

In June 2016 DARAG Group Limited concluded the conversion of € 21,500K of the loan from its shareholder into a capital contribution to the equity reserves, releasing the company from the repayment commitment.

The fair value equals the notional value due to the short term character of the loan.

Under Solvency II the present value of the future interest and redemption payments is shown. The prescribed EIOPA risk-free yield curve w/o any adjustments is used for this purpose.

Insurance and intermediaries payables

For Solvency II liabilities from direct business are assessed at their economic value. That is their settlement amount. The liabilities are mainly outstanding loss payments. The maturity is less than 12 months.

Due to the same evaluation method no differences arise.

Reinsurance payables

For Solvency II reinsurance payables are recognized at their fair value, i.e. their nominal value, because the maturity of the liability is less than 12 month.

Due to the same evaluation method no differences arise.

Payables (trade, not insurance)

Payables (trade, not insurance) (lasting up to 12 months) are recognized at their nominal value as their fair value. This item comprises current tax liabilities. As all maturities of the tax liabilities are less than 12 month the nominal value applies.

SolvencyII uses IFRS values but allocates slightly different between this position and other liabilities.

Any other liabilities, not elsewhere shown

Other liabilities are recognized at their fair value, i.e. their nominal value, because the maturity of the liability is less than 12 month.

D.4 Alternative methods for valuation

There are no alternative valuation methods for the Company's assets and liabilities other than those set out in sections D.1, D.2 and D.3, to which reference is made.D.5 Any other information

There is no other material information to report.

E. Capital Management

E. Capital Management

E.1 Own Funds

The Group Finance department is responsible for the capital management strategy, which is approved by the Board of Directors of the insurance holding company. The Board agrees once a year on the capital management strategy. The policy on the capital management strategy sets out the framework.

Due to an active capital management DARAG Group ensures, that the capital resources are always adequate. The available own funds are maintained at a sufficient level to meet all requirements, which DARAG has to fulfil corresponding to the Solvency Capital Requirements calculated by the standard formula. This is assured by the SCR projection corresponding to the business plan and the Own Risk and Solvency Assessment (ORSA) and an ad-hoc SCR calculation during a due diligence of a project – transfer / reinsurance of an insurance portfolio or acquisition of an insurance company. The objectives for the management of the own funds are:

- to increase financial strength;
- withstand any potential large claims; and
- endure substantial changes or shocks in the stock exchange.

To be sufficiently capitalized, DARAG continues to define a certain level of economic Own Funds, which exceed the required regulatory capital. Unrequired capital may be distributed by a dividend, as long as the strategic plans and the capital strength allow this.

The overall solvency is monitored and controlled regularly to meet all solvency requirements. A 3 year period is fixed for the planning of capital management activities and overall solvency needs assessments (ORSA).

The capital management plan of DARAG considers the internal requirements of the capital management policy next to the weekly liquidity planning.

DARAG implemented the following processes for the Own Funds management:

- The Group Finance department reports the balance sheet positions and their items and characteristics.
- The Actuarial and Risk Modelling Team reports the distribution of the technical provisions on each line of business, currency and country.
- The Actuarial and Risk Modelling Team calculates the SCR and the own funds. It classifies the eligible Own Funds based on a checklist according to the criteria of the respective tiers.
- Group Risk Management reports the overall solvency as the basis for limitation.
- The required level of adaptation is calculated to meet the regulatory requirements of Own Funds.

The overall solvency capital requirement of DARAG is compared to the eligible Own Funds. The eligible Own Funds are calculated as the surplus of assets over liabilities reduced by ineligible items.

The Group wide own funds are calculated based on the consolidated Group balance sheet, i.e. the assets over liabilities are calculated as net of intra-group transactions.

The following describes the items in more detail.

At the 31st December 2017, the excess of assets over liabilities of DARAG were € 77,479K. The calculation of the Own Funds was done using the bottom-up method.

Own-Fund Items

Minimum Capital

Solvency II introduced a three-tiered capital system designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement levels. The tiered capital system classifies capital requirements into a given tier based on their loss absorbency characteristics. The highest quality being Tier 1.

Currently the minimum capital of DARAG Group consists only of Tier 1 capital.

Tier 1 capital generally consists of paid-in share capital, additional share capital, non-distributed capital, hybrid capital and subordinated liabilities.

The following items generally have to be deducted from Own Funds: own shares, foreseeable dividends and shares on financial and credit institutions.

DARAG has no additional Own Funds.

Deductions

The surplus of assets over liabilities amount to € 77,479K. Some items are deducted from the overall surplus, due to restrictions, lack of availability and transferability or other restrictions which do not belong to Own Funds. The following table presents in greater detail the deductions and the remaining original Own Funds:

Own Funds in € 000's	Q4
Excess of assets over liabilities	77,479
Deductions	
Own Shares	0
Foreseeable Dividends	0
Participation in credit and financial institutions	0
Total basic own funds after deductions	77,479

Moreover, no further restrictions exist, which influence the availability and transferability of Own Funds with the exception of Ring Fenced Funds of € 5,865K as also mentioned in the section on Eligible Own Funds below.

Original Own Funds

As shown above the own funds after deductible but before adjustments due to ring-fenced funds account to € 77,479K as at 31st December 2017. The Own Funds are composed of Tier 1 capital of ca. 93% and of Tier 3 capital of ca. 7% (see table below).

in € 000's	2017			2016		
	Tier 1 - unrestricted	Tier 2	Tier 3	Tier 1 - unrestricted	Tier 2	Tier 3
Total available own funds to meet the SCR	66,436	0	5,178	66,254	0	8,223
Total eligible own funds to meet the MCR	66,436	0	0	66,254	0	0
Ordinary share capital (gross of own shares)	1	0	0	1	0	0
Reconciliation reserve	66,435	0	0	66,253	0	0
Subordinated liabilities	0	0	0	0	0	0
An amount equal to the value of net deferred tax assets	0	0	5,178	0	0	8,223

Ancillary Own Funds

Ancillary Own Funds can be added, if required. After approval, further items, which are classified as Own Funds, can be added to cover losses.

DARAG does not have currently any ancillary Own Funds.

Reconciliation reserve

The reconciliation reserve amounts to ca. € 66,435K. The adjustment for restricted own funds comes from the specific transaction mentioned above which results in ring-fencing and non-fungible capital at the amount of ca. € 5,865K.

Total Reconciliation reserve in € 000's	66,435
Excess of assets over liabilities	77,479
Other basic own funds items	5,179
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	5,865

Eligible Own Funds

The excess of assets over liabilities make up € 77,479K of Total Own Funds. After making an adjustment of € 5,865K due to Ring Fenced Funds, the remaining Total eligible Own Funds as at 31st December 2017 are € 71,614K. Capital fungibility is restricted in respect of a specific transaction where capital is tied up in a ring-fenced fund structure, i.e. capital losses somewhere else in the Group cannot be offset by the capital dedicated to this specific transaction. Otherwise, there are no restrictions to capital fungibility or transferability.

Loss absorbency mechanism

Currently no loss absorbency mechanism is used.

Differences between equity shown in the financial statements and surplus of assets over liabilities.

The own funds as presented above can be reconciled to the IFRS shareholder's equity of € 86,859K at 31st December 2017. The difference between both is € 15.2m and explainable by a variety of factors shown on the table below. The top row shows the accounting assets, liabilities and equity. The accounting figures are subsequently reconciled row-wise. The main effects are stemming from the different valuation on the asset side under Solvency II.

Assets		Liabilities		Excess of Assets over Liabilities	
Total assets at BS AN 2017 - IFRS	**399,161,319**	**Total liabilities at BS AN 2017 - IFRS**	**312,302,448**	**Shareholders Funds**	**86,858,871**
Deferred acquisition costs	-8,311,233	Changes in TP due to BE (discounting) and due to adding Risk margin	-6,091,669	Changes in Assets	-14,805,401
Intangible assets are not recognised under SII	-1,396,981	Cash-flow approach for "Provisions other than technical provisions"	-713,232	Changes in Liabilities	5,425,228
Discounting of reinsurance recoverables under SII	-1,279,934	Deposits from passive reinsurance DIT	213		
Insurance and intermediaries receivables	-5,202,405	DTA and DTL are netted	-286,900	Adjustment of Own Funds due to RFF	-5,864,692
Deferred tax assets	1,385,152	Future Interest payments for Loan DIT	1,666,360		
Different market and booked values for investments					
Any other assets, not elsewhere shown Accrued interest incl. In the dirty SII value, deposits to cedants					
Higher DTA due to different valuation of assets and liabilities	0				
Total assets at BS Q4 - SII	**384,355,918**	**Total liabilities at BS Q4 - SII**	**306,877,219**	**Total Eligible Own Funds**	**71,614,007**

Grandfathering

As at 31st December 2017 DARAG did not have any hybrid capital.

Eligible Own Funds (covering SCR and MCR per Tier)

Under Solvency II, the following limitations exist, which have to be considered by adding eligible Own Funds and capital requirements (SCR/MCR). DARAG, uses the following limitations according to Level II for the determination of eligible Own Funds to fulfil the capital requirements:

Cover	Delegated Regulation (EU) 2015/35
SCR-Cover	
Minimum tier 1 capital	50% of OF
Maximum tier 3 capital	15% of OF
MCR-Cover	
Minimum tier 1 capital	80% of OF

The following table illustrates the eligible Own Funds of DARAG and the amounts to SCR and MCR of eligible Own Funds on 31st December 2017:

SCR	in € 000's	In %
SCR		
Tier 1 Capital to meet the group SCR	66,436	93
Tier 2 Capital to meet the group SCR	0,00	0
Tier 3 Capital to meet the group SCR	5,178	7
MCR		
Tier 1 Capital to meet the group MCR	66,436	100%
Tier 2 Capital to meet the group MCR	0	0

E.2 Solvency Capital Requirement and Minimum Capital Requirement

DARAG uses the standard formula for capital requirements calculation. Currently the Company does not use any undertaking specific parameters (USP).

Since DARAG uses the standard formula, the following section shows the development of SCR and MCR for different risk modules according to the standard formula. For the respective modules of BSCR, the height of BSCR is shown. The Group SCR and MCR are calculated on the consolidated balance sheet, ie the exposures on the consolidated Group level are the basis for the Group SCR and MCR calculation. The SCR and MCR calculation is made in accordance with Articles 87f resp. 248f of the Delegated Acts.

On a Group level diversification effects results from a number of different drivers. Within the non-life risk diversification arises out of a spread of risks across different geographical areas. Also premium and reserve risks diversify better on a Group level with a larger volume of reserves. The counterparty default risk diversifies relatively better with increasing number of independent exposures. Similar effect can be observed on the market risk side. In particular, the concentration risk drops significantly in comparison to the sum of concentration risk of the solo entities due to a significant reduction in relative exposure on the larger balance sheet. In between the risk categories diversification arises out of the situation that Standard Formula assumes specific interdependency assumptions out of the observation that the occurrence of a loss in one risk category does not necessarily results in a simultaneous loss on another category.

The diversification effect between the risk categories is ca 20% compared to the simple sum of the SCR of the risk categories.

For the calculation of the Group SCR, the accounting-consolidation method was used. The following table shows the method for the different sub modules and items:

Module	Method
Own Funds	Bottom-up
Defered taxes	Bottom-up
IFRS balance	Top-Down
Solvency II balance	Top-Down
Equity risk	Top-Down
Spread risk	Top-Down
Concentration risk	Top-Down
Interest risk	Top-Down
Property risk	Top-Down
Currency risk	Top-Down
Default risk	Top-Down

The composition of the SCR is illustrated in the following graph. All values are in Euro and in thousands. Not represented values are zero.

The risks are described in more detail under chapter C.

Risk Modules in € 000's	2017	2016
Market Risk	**10,607**	13,656
Counterparty default risk	**5,774**	5,290
Life underwriting risk	**193**	246
Health underwriting risk	**3,745**	4,993
Non-life underwriting risk	**31,419**	38,731
Diversification	**-12,262**	-15,007
Intangible asset risk	**-**	-
Basic Solvency Capital Requirement	**39,476**	47,909
Adjustment due to RFF/MAP nSCR aggregation	**1,092**	-
Operational Risk	**5,634**	6,326
Solvency Capital Requirement	**46,203**	54,325
SCR Ratio	**155%**	137%
Minimum Capital Requirement	**21,551**	24,898
MCR Ratio	**308%**	266%

The overall reduction in SCR is at a large extent driven by the reduction in non-life underwriting risk. The non-life underwriting risk decreased by natural run-off of claims reserves. The reduction in claims reserves reduced then the reserving risk as part of the non-life underwriting risk.

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

DARAG does not make use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

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

DARAG uses the standard formula to calculate the capital requirements. Currently no internal model is implement.

E.5 Non-compliance with the SCR & MCR

During 2017, DARAG was at all times in compliance with the SCR and MCR.

E.6 Any other information

There is no other information to report.

Appendix I – Public Disclosure Quantitative Reporting Templates (QRTs)

QRT	Content	Group
S.02.01	Balance Sheet	.02
S.05.01	Premiums, claims and expenses by line of business	.02
S.05.02	Premiums, claims and expenses by country	.01
S.23.01	Own funds	.22
S.25.01	SCR – for groups on Standard Formula	.22
S.32.01	Undertakings in the scope of the group	.22

S.02.01.02 – Balance Sheet in € 000's

		Solvency II value
Assets		C0010
Intangible assets	R0030	-
Deferred tax assets	R0040	5,178
Pension benefit surplus	R0050	-
Property, plant & equipement held for own use	R0060	800
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	235,933
Property (other than for own use)	R0080	2,500
Holdings in related undertakings, including participations	R0090	5,620
Equities	R0100	362
Equities - listed	R0110	58
Equities - unlisted	R0120	305
Bonds	R0130	202,254
Government Bonds	R0140	86,787
Corporate Bonds	R0150	114,918
Structured notes	R0160	549
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	25,197
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	37
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	37
Reinsurance recoverables from:	R0270	48,636
Non-life and health similar to non-life	R0280	43,166
Non-life excluding health	R0290	43,131
Health similar to non-life	R0300	35
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	5,470
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	5,470
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	42,479
Insurance and intermediaries receivables	R0360	8,191
Reinsurance receivables	R0370	2,355
Receivables (trade, not insurance)	R0380	5,640
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	35,026
Any other assets, not elsewhere shown	R0420	81
Total assets	R0500	384,356

S.02.01.02 – Balance Sheet in € 000's

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	199,593
Technical provisions – non-life (excluding health)	R0520	189,176
TP calculated as a whole	R0530	-
Best Estimate	R0540	176,851
Risk margin	R0550	12,324
Technical provisions - health (similar to non-life)	R0560	10,417
TP calculated as a whole	R0570	-
Best Estimate	R0580	9,661
Risk margin	R0590	757
Technical provisions - life (excluding index-linked and unit-linked)	R0600	8,734
Technical provisions - health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	8,734
TP calculated as a whole	R0660	-
Best Estimate	R0670	8,605
Risk margin	R0680	128
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	53,413
Pension benefit obligations	R0760	7,989
Deposits from reinsurers	R0770	172
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	23,854
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	931
Reinsurance payables	R0830	224
Payables (trade, not insurance)	R0840	11,965
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	2
Total liabilities	R0900	306,877
Excess of assets over liabilities	R1000	77,479

S.05.01.02 – Premiums, claims and expenses by line of business in € 000's

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**									Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	**R0110**	2,089	7,282	-	19,430	4,804	46	2,409	2,067	-	152	865	1,663					40,807
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0130**													-	-	-	-	-
Reinsurers' share	**R0140**	-	60	-	784	32	-	149	51	-	-	194	4	-	-	-	-	1,274
Net	**R0200**	2,089	7,222	-	18,646	4,772	46	2,260	2,015	-	152	672	1,659	-	-	-	-	39,533
Premiums earned																		-
Gross - Direct Business	**R0210**	2,181	7,571	-	19,254	4,739	30	2,745	2,132	-	146	830	1,747					41,375
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0230**													-	1,436	-	-	1,436
Reinsurers' share	**R0240**	-	64	-	727	36	-	158	62	-	-	186	4	-	-	-	-	1,237
Net	**R0300**	2,181	7,507	-	18,527	4,703	30	2,587	2,070	-	146	644	1,744	-	1,436	-	-	41,575
Claims incurred																		-
Gross - Direct Business	**R0310**	913	-101	-411	24,031	1,764	-755	897	-3,928	-	-4	139	858					23,403
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	49	-	-656	-	-	-	-					-607
Gross - Non-proportional reinsurance accepted	**R0330**													-	-548	-941	911	-578
Reinsurers' share	**R0340**	5	-209	8	17,053	-32	-440	90	-3,218	-	-	109	-8	-	24	41	-40	13,383
Net	**R0400**	908	108	-419	6,978	1,796	-266	807	-1,367	-	-4	30	866	-	-571	-981	951	8,836
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**													-	-	22	-	22
Reinsurers'share	**R0440**	-	-	-	-	-	110	-8	-	-	-	-	-	-	-	-	-	102
Net	**R0500**	-	-	-	-	-	-110	8	-	-	-	-	-	-	-	22	-	-80
Expenses incurred	**R0550**	1,825	6,717	425	22,201	4,222	473	2,403	2,865	-	153	790	1,600	-	1,724	791	11	46,200
Other expenses	**R1200**																	-
Total expenses	**R1300**																	46,200

S.05.02.01 – Premiums, claims and expenses by country in € 000's

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		TURKEY					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	40,807	-	-	-	-	-	40,807
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	1,274	-	-	-	-	-	1,274
Net	R0200	39,534	-	-	-	-	-	39,534
Premiums earned								
Gross - Direct Business	R0210	41,376	-	-	-	-	-	41,376
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	1,436	-	-	-	-	1,436
Reinsurers' share	R0240	1,237	-	-	-	-	-	1,237
Net	R0300	40,139	1,436	-	-	-	-	41,575
Claims incurred								
Gross - Direct Business	R0310	23,402	-	-	-	-	-	23,402
Gross - Proportional reinsurance accepted	R0320	- 608	-	-	-	-	-	- 608
Gross - Non-proportional reinsurance accepted	R0330	- 577	-	-	-	-	-	- 577
Reinsurers' share	R0340	13,385	-	-	-	-	-	13,385
Net	R0400	8,832	-	-	-	-	-	8,832
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	22	-	-	-	-	-	22
Reinsurers'share	R0440	103	-	-	-	-	-	103
Net	R0500	- 80	-	-	-	-	-	- 80
Expenses incurred	R0550	46,199	-	-	-	-	-	46,199
Other expenses	R1200							-
Total expenses	R1300							46,199

DARAG
The origin of value

S.23.01.22 – Own Funds in € 000's

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	1	1			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	66,435	66,435			
Subordinated liabilities	R0140	-				
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	5,178				5,178
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	R0280					
Total basic own funds after deductions	R0290					
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					

Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Reconciliation reserve	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	71,614	66,436			5,178
Total available own funds to meet the minimum consolidated group SCR	R0530	66,436	66,436			
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	71,614	66,,436			5,178
Total-eligible own funds to meet the minimum consolidated group SCR	R0570	66,436	66,436			
Minimum consolidated Group SCR (Article 230)	R0610	21,551				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	308				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	71,614	66,436			5,178
Group SCR	R0680	46,203				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	155				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	77,479				
Own shares (included as assets on the balance sheet)	R0710	1				
Forseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	5,179				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	5,865				
Other non available own funds	R0750					
Reconciliation reserve before deduction for participations in other financial sector	R0760					
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770		-			
Expected profits included in future premiums (EPIFP) - Non- life business	R0780		-			
Total EPIFP	R0790		-			

S.25.01.22 – Solvency Capital Requirement – Standard Formula in € 000's

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
Market risk	R0010	10,607		-
Counterparty default risk	R0020	5,774	-	-
Life underwriting risk	R0030	193		
Health underwriting risk	R0040	3,745		-
Non-life underwriting risk	R0050	31,419		-
Diversification	R0060	-12,262	-	-
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	39,476	-	-
			-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5,634
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	46,203
Capital add-on already set	R0210	
Solvency capital requirement	R0220	46,203
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	1,092
Minimum consolidated group solvency capital requirement	R0470	21,551
Information on other entities		-
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non--regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		-
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	46,203

DARAG
The origin of value

S.32.01.22 – Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of accounting consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Malta	5299003W5RRJAW7VNK61	LEI	DARAG Emanueli Limited	Insurance holding company	Limited liability company	Non-mutual	MFSA	100.00	100.00	100.00		Dominant influence		Yes		Method 1
Finland	74370016V8HMVCKNCW11	LEI	Ingo Nord Insurance Company	Other	Aktiengesellschaft	Non-mutual		100.00	100.00	100.00		Dominant influence		Yes		Method 1
Malta	529900D6UC3BEU9ZQ552	LEI	DARAG Services Limited	Services company	Limited liability company	Non-mutual	MFSA	100.00	100.00	100.00		Dominant influence		Yes		Method 1
Germany	52990086P0XJFF6QOU49	LEI	DARAG Vermogens- und Verwaltungs	Other	Aktiengesellschaft	Non-mutual		100.00	100.00	100.00		Dominant influence		Yes		Method 1
Germany	5299006IHU8OKTI4GR33	LEI	DARAG Deutsche Versicherungs- und Ruckversicherungs AG	Non-Life undertaking	Public Limited Liability Company	Non-mutual	BaFin	100.00	100.00	100.00		Dominant influence		Yes		Method 1
Italy	529900WDYD5HJQWW7E09	LEI	DARAG Italia SpA	Non-Life undertaking	Limited liability company	Non-mutual	IVASS	100.00	100.00	100.00		Dominant influence		Yes		Method 1
Malta	5299007HTVA16UK7Q491	LEI	DARAG Group Limited	Insurance holding company	Limited liability company	Non-mutual	MFSA	100.00	100.00	100.00		Dominant influence		Yes		Method 1
Malta	529900XUVYX8CX0PMR94	LEI	DARAG Malta Insurance and Reinsurance PCC Limited	Non-Life undertaking	Limited liability company	Non-mutual	MFSA	100.00	100.00	100.00		Dominant influence		Yes		Method 1