Borealis Insurance A/S
(captive insurance company)
Solvency and Financial Condition Report
Financial Year ended 31st December 2018

General

The new, harmonised EU-wide regulatory regime for Insurance Companies, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers and some of that is required to be published on the Company's public website. This document is the second version of the Solvency and Financial Condition Report ("SFCR") that is required to be published by Borealis Insurance A/S (captive insurance company) (BIAS).

This report covers the Business and Performance of BIAS, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate responsibility for all of these matters is the BIAS's Board of Directors with the support of various governance and control functions that has been put in place to monitor and manage the business.

BIAS is an active retention vehicle operated as a Captive for the Borealis Group, and the focus of the Board and Management Team is the orderly management of the existing book of policies in line with their policy terms and conditions. BIAS´s strategy is to insure own assets or assets under management control. BIAS is required to hold sufficient assets to match its policyholder liabilities at all times and a primary responsibility of the Board is to ensure that BIAS's capital is adequate to cover the required solvency for the nature and scale of the business and the expected operational requirements of the business. A number of mechanisms are in place to evaluate those levels and the outcome of those assessments indicate that BIAS's capital is adequate at this time and for the expected requirements in the short to medium term.

BIAS's financial year runs to 31st December each year and it reports its results in EUR.

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A. Business and Performance

A.1 Business

BIAS was established in 1996. BIAS operates as a Captive for the Borealis Group, including entities where the Group has management control. BIAS provides insurance protection for selected Group risks world-wide:

- The Company Name is: Borealis Insurance A/S
- The Company Address is: c/o Gorrissen Federspiel, Axeltorv 2, DK - 1609 Copenhagen V, Denmark
- Registration no: 19 32 32 93

BIAS is incorporated as a privately owned company with limited liability (A/S: Aktieselskab) and is a 100% owned subsidiary of Borealis AG . BIAS has granted a loan to Borealis AG according to permission from the Danish Financial Supervisory Authority. The loan yields interest at arm's length basis. BIAS entered into an agreement with the Borealis Group, related to fees for risk management and other services for Captive operation.

BIAS is domiciled in Denmark under supervision of the Danish Financial Services Authority Finanstilsynet (DFSA), Århusgade 110, 2100 Copenhagen Ø.

BIAS has license to conduct direct insurance and reinsurance business for the below listed insurance classes:

- 7 (Marine Cargo)
- 8 (Fire and natural forces)
- 9 (Other damage to property)
- 12 (General liability)
- 16 (Miscellaneous financial losses)

BIAS is audited by PricewaterhouseCoopers (PWC), Strandvejen 44, 2900 Hellerup.

BIAS mitigate and protect the capital by the procurement of reinsurance. In accordance with BIAS′ reinsurance policy, all reinsurers must have a minimum A- rating by Standard & Poors or similar unless specifically approved by the Board.

The development during reporting period has predominately been influenced by the implementation of Solvency II, including the governance structure of the 4 key functions and the adequate policies, procedures and guidelines.

A.2 Insurance Results

BIAS writes risks within the business areas of Marine Cargo, Property Damage / Business Interruption (PD/BI) and Liability.

Net risk retentions are limited per incident and in the aggregate. As of the end of December 2018, BIAS's maximum net exposure is limited for PD/BI to EUR 28 million per occurrence and EUR 44 million in the aggregate per policy year, and for casualty to EUR 2.0 million per occurrence and in the annual aggregate.

1000 EUR:

Year	Total gross premium earned	Total net premium earned	Total gross claims incurred	Total net claims incurred	Operating Expenses	Profit after tax	Combined ratio
2014	16,405	5,134	5,656	5,656	186	1,235	1,05
2015	17,446	6,898	8,874	8,874	265	(121)	1,13
2016	17,14	6,818	74	74	209	6,278	0,62
2017	16,672	6,478	(5,770)	(5,770)	166	10,448	0,62
2018	16,664	6,592	5,063	5,063	259	1,382	0,92

A.3 Investment Results

BIAS´ investment portfolio consists of:

Instruments		Currency	TEUR
Deposits/Cash	Nordea	EUR	12,742
Bonds (Market value)	EU Government Bonds	EUR	12,426
Mutual Funds		EUR	9,418
Loan Borealis Group		EUR	48,000
Total investments at market value			82,586

BIAS´ result from Investment activities can be broken down as follows:

Investment result (TEUR)	2018	2017	2016	2015	2014
Interest Income	1,059	1,085	1,099	1,148	1,274
Value adjustments	-547	236	197	933	1,148
Total	512	1,321	1,296	2,081	2,422

A.4 Results of Other Activities

BIAS does not perform other activities generating other income or results.

A.5 Other information

There is no other information.

B. Management System

B.1 General Information

The Board of BIAS is involved in strategic decisions as well as significant decisions which fall outside the scope of the Management.

BIAS´ Board of Directors consist of:

- Katja Tautscher (Chairman)
- Gernot Kriegbaum
- Koen Timmermans
- Niels Bang

BIAS has no audit committee, as the Board has decided that due to the size and complexity of BIAS, this is not necessary.

From 2019 BIAS´ management consist of two part time employees:

- Claus Kirk, Managing Director and Key Person for the Actuarial, Risk Management and the Compliance functions
- Peter Rienckens, Managing Director and Key Person for the Intern Audit function

BIAS has to a large extent outsourced the operation, including Risk Management, Compliance, Actuarial, Underwriting, Reinsurance, Claims handling, Legal, Tax, Accounting, Investment, Reporting, IT, etc. The Risk Management function and Underwriting, Reinsurance, Claims handling, Legal, Tax, Accounting, Investment, Reporting and IT are outsourced to the parent company. The Actuarial, Internal audit, and the Compliance functions are outsourced to external parties.

The 4 key functions have the following key persons:

Internal audit function	Compliance function	Actuarial function	Risk function
Peter Rienckens	Erik Yllen, Marsh*	Fabien Graeff, Marsh*	Erik Yllen, Marsh*

* Replaced by Claus Kirk at RISK MAP from 2019/01.

Remuneration

The Chairman of the Board of BIAS must submit the remuneration policy for the general assembly and the annual general meeting with regard to management's wages.

The Board carries out ongoing monitoring and verification of the remuneration policy and will review the policy at least yearly.

BIAS does not pay remuneration to its executive director of the management board and has no pension scheme or incentive scheme. If an external executive director is employed, who does not work for another company in the Borealis Group, the fee payable to such a director shall not exceed EUR 10,000 per year

B.2 Compliance with Fit and Proper requirements

Legal requirement

1. FIL § 64 defines the requirements which individual members of the Board and Directors of financial companies must meet with regard to the fit and proper.

2. FIL § 71 paragraph. 3, the group 1 insurance companies identify 4 key persons to perform specific responsibilities. In accordance to § 64 paragraph. 8, assessment of integrity and Fit and Proper for the 4 key persons must be performed.

A policy for fit & proper is approved by the Board of Directors in BIAS. The purpose of this policy is to establish the framework and requirements for the procedures for assessing fit & proper compliance, in order to ensure that the persons running the company, at any time are fit and proper.

Based on the business model, the risk profile and the organization - the Board of Directors assess that following persons are subject to fit and proper compliance:

- Board of Directors members
- Managing Directors
- The key persons for the four key functions

Individual requirements for suitability - Fit and Proper assessment

The requirements for Fit & Proper imply that members of the Board, the management, and key persons on an individual basis must:

- have sufficient knowledge, skills, and experience to carry out the duties in the company
- have a good reputation
- not become subject to criminal liability

- not be in bankruptcy
- not have caused the company a loss or risk of loss

The above requirements must be fulfilled from the time of appointment of the key persons throughout the period of duties.

The assessment of whether a person is suitable, will include an assessment of the person's professional and formal qualifications, knowledge and relevant experience in the insurance industry and other financial sectors or other companies, and should take into account the respective duties that the person has been assigned to and, where applicable, the person's insurance, financial, accounting, actuarial and management skills.

In assessing whether a member of the Management is fit, the duties that the individual members have been assigned to must be taken into account. This is done in order to ensure adequate diversification in terms of skills, knowledge and relevant experience, so they can manage and supervise the company in a professional manner.

The assessment of whether a person is proper, includes an assessment of the person's honesty and financial soundness based on the evidence of their character, personal behavior and business conduct, including any criminal, financial and regulatory aspects relevant to the assessment.

The persons covered by the fit & proper requirements, are obliged to, without delay, inform the Management or the Chairman of the Board of Directors, if there are any changes in the factors underlying the assessment of fit & proper.

Fit & proper assessment from the FSA

In relation to election or recruitment, persons subject for fit & proper shall be approved by the FSA - fit and proper approval. The form and criminal record must be submitted to the FSA. If any changes in the reported conditions to the FSA occurs, a new fit and proper form has to be submitted to the FSA.

Board of Directors self assessment

The Board of Directors performs at least once a year a self-assessment, to examine whether the Board of Directors has the necessary knowledge and experience to run the company. In relation to this evaluation, each Board of Directors member confirms that no changes that can affect the previous approved assessment of the fit & proper compliance have occurred.

B.3 The Risk Management system and ORSA

BIAS's Managing Director must keep the Chairman of the Board informed of all issues of significant relevance to BIAS. The following issues must be presented to the Board for approval:

- loan agreements, guarantees, or security which are not part of the usual business
- significant changes in existing agreements with bank connections
- purchase, sale, or mortgaging of the most significant assets of BIAS, including properties or facilities
- making of significant changes in BIAS's structure, including the capital structure or type of business
- significant changes to the operating budgets
- start of significant new activities, including activities within new classes of insurance
- significant changes to the organisation of BIAS, including significant reductions and increases in the number of employees
- entering into settlements in larger trial cases or arbitrations
- entering into or changes to reinsurance agreements
- activities or matters that fall outside the description of BIAS's description of procedures and operational plan
- activities which fall outside the guidelines and policies

The Board follows the "Rules of procedure for the Board" and "Board meeting plan (annual cycle)".

Risk Management Function

BIAS requires that the risk management function must:

- assist the Board and other functions in the effective operation of the risk management system
- monitor the risk management system and the general risk profile of BIAS as a whole
- provide detailed reporting on risk exposures and advising the Board on risk management matters, including strategic affairs such as corporate strategy, mergers and acquisitions, major projects, and investments
- report to the Board at least on an annual basis
- identify and assess emerging risks
- ensure the effectiveness of the risk management system according to BIAS's risk appetite and overall risk tolerance limits, as well as manage the main risk management strategies and policies
- establish, implement and maintain a risk management system to be undertaken in the upcoming years when taking into account all activities and the complete system of governance of BIAS
- take a risk-based approach in deciding its priorities
- verify compliance with the decisions taken by the Board of the undertaking on the basis of the recommendations
- co-operate closely with the actuarial function
- provide self-assessment of the function and the processes and implement or monitor needed improvements

Own risk and solvency assessment - ORSA

The Risk management function must conduct BIAS's own risk and solvency assessment, ORSA. The ORSA must be an integrated part of the business strategy and must be taken into account in the strategic decisions of BIAS on an ongoing basis.

In addition an assessment of whether the calculated solvency capital requirement takes sufficiently into account all significant risk effects within the next 12 months should be carried out. This assessment is made based on the business model, risk profile and risk tolerance limits.

This assessment is documented in the ORSA submitted to the Board of Directors for approval at least once a year. The Board of Directors and the Management must ensure that procedures for risk measurement and risk management are in place and updated, so BIAS can continuously assess, maintain and ascertain that the capital is of such a level that it is sufficient to cover the risks. The capital plan and a capital contingency plan describes the actions to be taken, in case of loss of capital or increasing solvency capital requirements.

The Management shall approve the calculation of the solvency capital requirement and make sure that there is evidence that the Board of Directors have approved the method used. The documentation must include Board of Directors approval and assessment of the methods, assumptions and procedures that are used. This documentation derives from the ORSA.

The Board of Directors are responsible for assessing own risk and solvency requirement based on the business model, the risk profile and the risk tolerance limits. The Board of Directors shall ensure that the assessment of own risk and solvency requirements is made from a going concern assumption for both short term and the long term perspectives. The risks caused by the activities carried out by BIAS, are primarily due to the insurance risks, operational risks and market risks.

For calculation of the solvency capital requirement the Board of Directors have decided to use the standard model according to the Commission Delegated Regulation (EU) 2015/35 of October 10th, 2014 and the Order no. 1164 of October 31st, 2017 regarding the calculation of the solvency capital requirement by using the standard formula.
As a part of the Management and Board of Directors' approval of the applied method for calculation of the solvency capital requirement, the Management and the Board of Directors are obliged to assess whether the applied method gives a true and fair estimate of the calculated solvency for BIAS.

This requires that the Board of Directors and the Management:

- are aware of the principles for provisions and major risks connected hereto
- are aware of risks that shall be covered by capital and risks that shall be covered in other ways
- approves estimated risk amounts that cannot be quantified specifically
- assess whether the company has the required expertise on selected areas

The Board of Directors and Management shall in relation to the solvency capital requirement ensure that BIAS has the required resources to calculate the solvency capital requirement. In case external assistance is needed, these resources must be available.
The Board of Directors and Management shall on a regular basis and at least once a year, re-estimate the method used. The Management shall ensure that the necessary follow-up on the solvency capital requirement is an ongoing process and that the follow-up and control is carried out.

B.4 The internal control system

The internal control system shall ensure that MELES Insurance A/S complies with applicable laws and regulations, and that MELES Insurance A/S is operated efficiently in accordance with the decided business model and that financial and non-financial information is available and reliable.
The Management must ensure that the employees know their responsibilities and tasks within the internal control system.

The Management must also ensure that checks are done in relation to all essential and risk bearing tasks, including:

- compliance with all limits set by the Board of Directors according to adopted policies and guidelines and limits in the legal legislation
- tasks that can cause significant economic risks or other significant risks for MELES Insurance A/S, including the disposition of the company accounts and tasks relating to the production or preparation of the basis for accounting reports, calculation of the solvency capital requirement and the risk assessment.

The Management must ensure that the internal control system is operating according to the following structure:

- In the 1st line of defense, quality checks of the work done in the performing part of the organization are carried out. It should be checked whether the work is performed in accordance with agreed procedures and chosen limits and restrictions set by the Board of Directors. It must also be checked whether potential limitations under the law are fulfilled. (day-to-day controlling of daily work tasks)

- In the 2nd line of defense, controls are carried out by the compliance function, the risk management function and the actuarial function. The functions are controlling compliance with laws and standards, significant risks which may affect the company as well as provisions and liabilities. This is described in detail in the policies and descriptions for the functions.

- In the 3rd line of defense the internal audit function monitors that the control system is operating and functioning properly so that all significant risks are subject to a minimum of 3 lines of defense.

All employees must have the necessary qualifications and experience to perform their work tasks.

BIAS requires that the compliance function must:

- establish, implement and maintain appropriate activities to identify, assess, report on key legal and regulatory obligations
- ensure BIAS monitors and has appropriate policies and controls in respect of key areas of legal and regulatory obligation
- hold regular training on key legal and regulatory obligations
- address compliance shortcomings and violations
- report the compliance plan to the Board of BIAS, including ensuring that adequate disciplinary actions are taken and any necessary reporting to the supervisor or other authorities is made
- issue a compliance report to the BIAS Board based on the results of work carried out including findings and recommendations to the Board
- submit the compliance report to the Board at least on an annual basis
- verify compliance with the decisions taken by the Board on the basis of the recommendations
- conduct regular self-assessments of the compliance function and the compliance processes and implement or monitor needed improvements

B.5 Internal Audit Function

BIAS's Internal Audit must:

- review the adequacy and effectiveness of the main governance process installed by other governance functions on a regular basis
- ensure a fair exchange of information with other governance functions
- discuss with other governance functions risk categorisation, opinion parameters, reporting tools, materiality metrics, etc. and thus enable all governance functions to speak to the Board using the same language
- use the output from other governance functions to build independent risk-oriented audit plans. Internal Audit must proactively work to enhance effective collaboration, clear responsibilities, and peer acceptance with other governance functions in addition to obtain Board approval of the above-mentioned topics

BIAS requires that the Internal Audit function must:

- establish, implement, and maintain an audit plan disclosing the audit work to be undertaken in the upcoming years when taking all activities and the complete system of governance into account
- take a risk-based approach in deciding its priorities
- report the audit plan to BIAS's Board of Directors of the undertaking
- issue an internal audit report to the Board of Directors based on the result of work carried out in accordance with point (a) including findings, recommendations, the appointed period of time to remedy the shortcomings as well as the persons responsible, and information on the achievement of audit recommendations
- submit the internal audit report to the Board of Directors of the undertaking at least on an annual basis
- verify compliance with the decisions taken by the Board of Directors of the undertaking on the basis of the recommendations
- provide self-assessment

B.6 Actuarial Function

The actuarial function has the overall responsibility for the insurance provisions for BIAS.

The tasks for the actuarial function in relation to insurance provisions are:

- Coordinate the calculation of insurance provisions
- Ensure that the methods and models used in the calculation are reassuring
- Assess the adequacy and quality of data, and provide recommendations on internal procedures for improving the quality of the data where appropriate

- Assess whether the methods and assumptions used in the calculation is relevant for the business, as well as for the manner in which the business is conducted
- Compare best estimates with previous experience
- Inform the Board of Directors whether the calculations of insurance provisions are adequate and reliable.
- Supervision of the calculation of insurance provisions, in the specific cases where data is insufficient.

The actuarial function shall report to the Management and the Board of Directors. Any conditions detected that will impact the compliance risks are reported immediately.

The actuarial function shall, at least annually, prepare a report to the Management and the Board of Directors regarding the work carried out including the results and possible recommendations.

The report must document the tasks which the actuarial function has carried out and the results thereof. The report must also clearly identify any deficiencies and make recommendations to correct such deficiencies.

The report must also explain significant discrepancies between actual experience and best estimates, investigate the reasons and propose changes in assumptions and modifications in the valuation model in order to improve the best estimate.

The report shall include a reasoned analysis of the reliability and adequacy of the calculations and the sources and the uncertainty associated with the estimation of insurance provisions.

B.7 Outsourcing

Outsourcing important areas of activity must be decided by the Board of Directors.

There must be regular reports to the Board of Directors to ensure compliance is followed. The Board of Directors must assess regularly whether activities are being carried out satisfactorily. The responsibilities of the BIAS Board of Directors for carrying out the activities may not be outsourced.

On establishment of the contract, the outsourcing undertaking must ensure that the service provider possesses the ability and capacity to carry out the outsourced activities satisfactorily and in this respect, has the licenses required by the relevant legislation for the specific outsourcing area.

The outsourcing undertaking must regularly check that the service provider meets the obligations in the contract. The outsourcing undertaking must monitor whether, in carrying out the outsourced activities, the service provider is complying with the relevant regulations for the area.

if the service provider fails to meet the requirements of the contract and the relevant provisions for the specific outsourcing area, the outsourcing undertaking must take appropriate measures to ensure that the service provider meets these and, if necessary, the undertaking itself or through contracting with a new service provider must ensure that the requirements of the contract and the relevant provisions for the specific outsourcing area are met within an appropriate time limit given the circumstances.

The outsourcing undertaking must have adequate insight to ensure that the service provider and the service meet the requirements of the contract and the relevant provisions for the specific outsourcing area.

B.8 Other information

No other information.

C. Risk Profile

BIAS's Board of Directors have identified and evaluated a register of risks (see appendix 1).

C.1 Insurance Risks

The insurance risk for BIAS is limited to risks within the insurance classes for which BIAS holds a license.

BIAS writes risks within the areas of Marine Cargo, Liability and Property Damage / Business Interruption (PD/BI) risks.

Net retention/Risk Appetite :

BIAS´ risk appetite is constituted by the maximum possible net exposures undertaken (net of reinsurance), combined with the goal to fulfil the solvency requirement 140 %

BIAS´ net retention (net of reinsurance cover) is for the policy period 2018/19:

PD/BI: EUR 28 million per occurrence.

Environmental liability: EUR 2 million per occurrence.

C.2 Market Risks

BIAS is exposed to a selected range of market, counterparty, and credit risks which are summarised in the table below. All risks that BIAS is exposed to are approved by the Board of Directors.

C.3 Credit Risks

BIAS is exposed to a selected range of market, counterparty, and credit risks. All risks that BIAS is exposed to are approved by the Board of Directors.

Exposure defined as loans, deposits, bonds and shares, and market-to-market of derivatives.
Concentration risk for the company's risks from excessive reliance on a particular asset class, investment market or a particular investment.

BIAS' reinsurers are selected in accordance with the following criteria:

- Minimum rating S&P - A
- Good level of capital surplus which also takes into account the potential gross exposures and ratings
- BIAS has a large number of high quality reinsurers and therefore benefits from diversification

C.4 Liquidity Risks

Due to the nature of the business model, the liabilities in BIAS are short termed as they are mainly consisting of claims which are onetime payments. In order to match the duration of the liabilities, the assets are short termed as well. Bonds have less than 8 year duration, the loan to Borealis Group company can be withdrawn within 10 banking days, and all deposits are of few months duration. This ensures a balanced liquidity in BIAS as claims can be paid on time even with short notice.

C.5 Operational Risks

The Board has assessed that the following types of events are a part of operational risks:

- losses due to administration errors to the extent they are not covered by the administrator (the supplier in the outsourcing agreement)
- costs resulting from fraud
- costs due to key staff severance
- losses due to the termination of the outsourcing agreement by the system administrator
- losses due to IT downtime, fire damage, etc.

The list is not exhaustive.

The policy for operational risk states that administrative tasks are outsourced to Borealis Group company, which according to the outsourcing agreement is assumed to run administration and IT at a comfortable level.

Economic losses caused by reasons other than insurance events and developments in the financial market are continuously recorded based on booked loss values.

To ensure that the Board of Directors is aware of operational risks in BIAS, they review a yearly report.

C.6 Other material risks

The Board of Directors has identified a number of strategic risks which include:

- Board competence
- Mix of risks accepted
- Premium level
- Change in law incl. tax law
- Reputational risks

The strategic risks are assessed at least once a year in connection with the Board of Directors assessment of own risk and solvency (ORSA)

C.7 Other information

Outsourcing

BIAS has to a large extent outsourced the operation, including underwriting, reinsurance, claims handling, actuarial services, legal, tax, accounting, investment, reporting, IT, risk management functions, etc.

Underwriting, reinsurance, claims handling, legal, risk management, tax, accounting, investment, reporting, IT are outsourced to Borealis Group company.

The actuarial function, the Internal audit function and the compliance function are outsourced to external parties.

D. Valuation for solvency purpose

D.1 Assets

The solvency and financial condition report must include all of the following information regarding the valuation of the assets of the insurance or reinsurance undertaking for solvency purposes:

a) separately for each material class of assets, the value of the assets, as well as a description of the bases, methods and main assumptions used for valuation for solvency purposes

b) separately for each material class of assets, a quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used by that undertaking for the valuation for solvency purposes and those used for its valuation in financial statements.

All assets have been retained as accounting values given their short-term and liquid nature.

D.2 Provisions of insurance and reinsurance

The solvency and financial condition report must include all of the following information regarding the valuation of the technical provisions of the insurance or reinsurance undertaking for solvency purposes:

a) separately for each material line of business, the value of technical provisions, including the amount of the best estimate and the risk margin, as well as a description of the bases, methods and main assumptions used for its valuation for solvency purposes

Best estimate provisions are valued at "best estimate" which reflects the timing and likelihood of payments.

Provisions are valued on not discounted due to the nature of the business (very short tail).

Risk Margin

The risk margin is a function of the SCR and is calculated to be EUR 455,000.

Whilst liabilities under SII are measured at best estimate, these are inherently uncertain and the risk margin provides a margin to ensure liabilities are valued at fair value. It can also be described as the amount that an undertaking would require above the best estimate liabilities in order to take over and meet the obligations.

This is calculated by determining the cost of providing an amount of capital equal to the SCR necessary to support the obligations over their lifetime.

A 6% Cost of Capital rate is assumed to determine the cost of providing the funds as defined in Solvency SII.

b) a description of the level of uncertainty associated with the value of technical provisions;

Areas of uncertainty within the Technical Provisions valuation include:

Settlement period: The risks being underwritten are mainly short-tailed. We have assumed that 99% of the risks would run off within 1 year.

Discount rate: Current yields are very low and close to zero, which means that no discounting is applied to the Technical Provisions given the risks underwritten by BIAS are short-tailed.

Expenses: The total expense involved in the operation of the captive is small compared with other elements in the calculation of the technical provisions.

Claims provision

BIAS's classes of risk are low frequency, high severity and as such BIAS does not have a high volume of claims.

Premium provision

As agreed with the DFSA, BIAS's Solvency II premium provision assumes a 100% loss ratio, i.e. no advance credit is taken for expected underwriting profits. This is prudent given BIAS's historical experience.

c) separately for each material line of business, a quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used by that undertaking for the valuation for solvency purposes and those used for their valuation in financial statements

Included above.

d) where the matching adjustment referred to in Article 77b of Directive 2009/138/EC is applied, a description of the matching adjustment and of the portfolio of obligations and assigned assets to which the matching adjustment is applied, as well as a quantification of the impact of a change to zero of the matching adjustment on that undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement;

N/A for BIAS as no matching adjustment is applied.

e) a statement on whether the volatility adjustment referred to in Article 77d of Directive 2009/138/EC is used by the undertaking and quantification of the impact of a change to zero of the volatility adjustment on that undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement;

N/A for BIAS as no volatility adjustment is applied.

f) a statement on whether the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is applied and a quantification of the impact of not applying the transitional measure on the undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement;

N/A for BIAS as no transitional measure is applied.

g) a statement on whether the transitional deduction referred to in Article 308d of Directive 2009/138/EC is applied and a quantification of the impact of not applying the deduction measure on the undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement.

N/A for BIAS as no transitional deduction is applied.

h) a description of the following:

i. the recoverable from reinsurance contracts and special purpose vehicles;

BIAS does not utilise special purpose vehicles, however, reinsurance recoverable are included in the valuation of assets as described in section 1.

ii. any material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

There are no material changes, BIAS have been following the same approach since 2012.

D.3 Other liabilities

The solvency and financial condition report must include all of the following information regarding the valuation of the other liabilities of the insurance or reinsurance undertaking for solvency purposes:

a) separately for each material class of other liabilities the value of other liabilities as well as a description of the bases, methods and main assumptions used for their valuation for solvency purposes

b) separately for each material class of other liabilities, a quantitative and qualitative explanation of any material differences with the valuation bases, methods and main assumptions used by the undertaking for the valuation for solvency purposes and those used for their valuation in financial statements.

N/A for BIAS

D.4 Alternative asset valuations

The solvency and financial condition report must include information on the areas set out in Article 260 in complying with the disclosure requirements of the insurance or reinsurance undertaking as laid down in paragraphs 1 and 3 of this Article.

N/A for BIAS

D.5 Other information

The solvency and financial condition report must include in a separate section any other material information regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own Funds

The management of own funds is governed by the Policy for Capital Structure where the overall responsibility and tasks are defined. According to this policy, the equity of the company must be sufficient to ensure the continued operation of the company and at the same time sufficient to meet all regulatory requirements. The company is constantly focusing on matters which might influence the capital structure, e.g. the company's investment policy. The value creation of the company is meant to primarily be generated from acceptance of insurance risk rather than by acceptance of investment risk. The time horizon for business planning including development of own funds is minimum 3 years.

Own funds as at the reporting date consists only of tier 1 capital as follows:

Own funds (tEUR)	31.12.2018	31.12.2017	31.12.2016
Ordinary share capital	7,092	7,092	7,092
Accumulated profit	68.456	67,074	56,626
Total own funds	75,548	74,166	63,718

According to the Commission Delegated Regulation (EU) 2015/35 of 10th October 2014, the Tier 1 capital must, at any time, at least be at a minimum of 50% of Solvency Capital Requirement and 80% of the minimum capital requirement. This part of the capital must not be imposed by any burdens and shall fully absorb losses.

Total own funds as shown above are eligible for meeting both the SCR and MCR.

The expected development in own funds over the planning period of the company is an increase of EUR 2-3 million each year.

The development of own funds is based on the assumption that dividend is not paid to shareholders during the planning period.

E.2 Solvency capital requirement and Minimum Capital Requirement

The company uses the standard formula for calculating the SCR and MCR.

As at 31 December 2018, the capital requirements of the company were as follows:
Solvency Capital Requirement: tEUR 41,170
Minimum capital requirement: tEUR 10,292

SCR and capital base (TEUR)	2018
Insurance risks	32.922
Counterparty risks	12.444
Market risks	255
Operational risks	497
Diversification	-4.948
SCR	**41.170**
Base capital	**75.548**
Excess	**34.378**
Excess in %	**184%**

Simplified calculations are not used in any of the risk modules of the standard formula.

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

The company has not invested in shares and this section is therefore not relevant.

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

The company does not make use of an internal model.

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

The Board of BIAS has decided that the solvency ratio of the company as a minimum target should be 1.40. This target is considered whenever new business opportunities are evaluated and when considering the future strategy of the company.

The actual solvency ratio is calculated by the company's actuaries on a quarterly basis and additionally in connection with assessing new significant risks. The future estimated solvency ratio is included in the company's budgets which are updated yearly and covers at least a three year period.

BIAS' Board of Directors has established the following capital emergency plan:

Solvency Ratio	Action
1.40	The targeted minimum ratio – no action required
1.30	The Board is summoned and will meet within one week and will based on presentations from Management decide any actions which must be initiated
1.25	The Board is summoned and will meet within one week with the purpose of improving the solvency ratio quickly. The Board will inform the Danish FSA.

E.6 Other information

There is no other information in relation to capital management.

Approved by the Supervisory Board on 11th April 2019

Katja Tautscher
Chairman

Niels Bang

Gernot Kriegbaum

Koen Timmermans