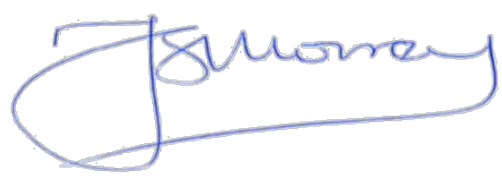
SOLVENCY AND FINANCIAL CONDITION REPORT

Builders Insurance Holdings S.A.

Group Report

2019



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Glossary of Terms

CAA – Commissariat aux Assurances: the Luxembourg Insurance Supervisor

SCR – Solvency Capital Requirement: level of eligible own funds that enables a (re)insurance undertaking to absorb significant losses and gives reasonable assurance to policyholders and counterparties that payments will be made if liabilities arise. The Solvency Capital Requirement is the economic capital to be held by insurance and reinsurance undertakings in order to ensure that financial ruin occurs no more often than once every 200 years. The SCR is calculated using either the standard formula or an approved internal model.

MCR – Minimum Capital Requirement: the Minimum Capital Requirement should ensure a minimum level below which the amount of financial resources should not fall. It is calculated in accordance with a simple formula which is subject to a defined floor and cap and is based on the risk-based Solvency Capital Requirement.

Standard formula: a risk-based mathematical formula used by (re)insurers to calculate their Solvency Capital Requirement under Solvency II. The standard formula is intended for use by most European (re)insurers, although some choose to develop an internal model.

QRT - Quantitative reporting templates: quarterly and annual templates required to be submitted under Solvency II regulatory reporting.

Insurance Law: refers to the Luxembourg Law dated 7th December 2015 transposing Solvency II.

EIOPA – European Insurance and Occupational Pensions Authority

SII - Solvency II: a set of European rules applicable to European insurance undertakings whose objective is to ensure that (re)insurance undertakings have sufficient capital to cover the risks to which they are exposed.

ORSA – Own Risk and Solvency Assessment: refers to the processes and procedures for identifying, measuring, monitoring, managing and reporting all of an insurance undertaking's short and long term risks and determining the overall solvency requirements to cover them over the company’s Business Plan period. ORSA is a risk assessment tool used for strategic planning purposes. A key deliverable from the process is a comprehensive quantitative and qualitative assessment of the (re)insurance undertaking's own risks. The ORSA report is submitted to the Board of Directors for approval.

IBNR – Incurred But Not yet Reported: an estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period.

BE - Best Estimate: corresponds to the best estimate of insurance liabilities as calculated in accordance with Solvency II principles.

List of abbreviations

CAA – Commissariat Aux Assurances

BIH – Builders Insurance Holdings S.A.

BRe – Builders Reinsurance S.A.

BDi – Builders Direct S.A.

HRe – Hollenfels Re S.A.

IRiS – Independent Re-insurance Services S.A.

SMAF – Steinfort Multi-Asset Fund SICAV-SIF S.A.

BG – Builders Group being Builders Insurance Holdings S.A. and its insurance and reinsurance subsidiaries

IAS/IFRS – International Accounting Standards / International Financial Reporting Standards

EXECUTIVE SUMMARY

Introduction

This report is the Solvency and Financial Condition Report (SFCR) of the Builders Group of companies (hereafter "BG") for the reporting period ended 31st December 2019.

This report is established pursuant to the requirements of the Insurance Law dated 7th December 2015 (the "Insurance Law"), the Solvency II Directive 2009/138/EC (the "SII Directive"), the Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure.

The Report has been prepared exclusively in accordance with Solvency II Regulations governing insurance group reporting.

A. Business and Performance

For Solvency II purposes, a Luxembourg insurance group is formed, the Builders Group (BG), governed by the Grand-Ducal Regulation dated 7th December 2015. BG is composed of the following entities:

- a holding company: Builders Insurance Holdings S.A.
- a direct insurance company: Builders Direct S.A. (100% Shareholding)
- a reinsurance company: Builders Reinsurance S.A. (100% Shareholding)
- a reinsurance associate: Hollenfels Re S.A. (25% Shareholding)

Builders Insurance Holdings S.A owns 3 wholly-owned companies and one associate company, all of which are located in the Grand Duchy of Luxembourg.

BG's core business is non-life reinsurance but it also undertakes primary insurance and insurance administration services to complement these activities.

B. System of Governance

The executive management of BG entities places great emphasis on strong corporate governance and has established a 'three lines of defence' model being: a governance framework, a system of internal controls, and independent committees to discharge this function across BG. This model aims to ensure that management is effective, decision making is timely, appropriate and open to challenge from the actuarial, risk, compliance, finance and audit corporate departments.

C. Risk profile

Fig. 1

Risks are measured using the standard formula and are managed through the risk management system.

D. Key figures

Key Solvency figures as at 31/12/2019 are reported below.

	K EUR BIH Group
SCR	160,397
Tot Available Capital	598,800
Solvency Ratio	373.32%

E. Capital Management

BG uses the standard model for the calculation of the Solvency Capital Requirement ('SCR').
As at 31 December 2019, BG's Available Capital amount to TEUR 598,800 the SCR amounted to TEUR 160,397 and the MCR to TEUR 48,540. Therefore, the BG solvency ratio was 373.3%.

BG complied with the MCR and the SCR during the financial year 2019.

A. Business and Performance

A.1. Business

A.1.1 General information

Builders Insurance Holdings S.A. (hereafter BIH), is a Luxembourg company registered on 16th September 2013 as a "*société anonyme*". The Company's registered office is 8c, rue Collart, L-8414 Steinfort, Luxembourg.

BIH owns three wholly-owned companies and one associate company.

The 100% wholly-owned subsidiaries are Builders Reinsurance S.A. (BRe), Builders Direct S.A. (BDi) and Independent (Re)insurance Services S.A. (IRiS). It owns 25% of Hollenfels Re S.A. (HRe).

Moreover, BIH, BRe, BDi and 25% of HRe form part of a Luxembourg insurance group, the Builders Group (BG), governed by the Grand-Ducal Regulation dated 7th December 2015.

BG's core business is non-life reinsurance but also undertakes primary insurance and insurance administration services to complement such activities.

As at end of 2019, BIH employs staff in the fields of human resources, investments, IT, quality & project, accounting, facilities and general administration. It provides support, coordination and control services to its subsidiaries in Luxembourg.

A.1.2 Supervision

BG is regulated by the *Commissariat aux Assurances* (CAA) based at:

7, Boulevard Joseph II,
L-1840 Luxembourg
Tel : +352 22 69 111
www.caa.lu

A.1.3 External Auditors

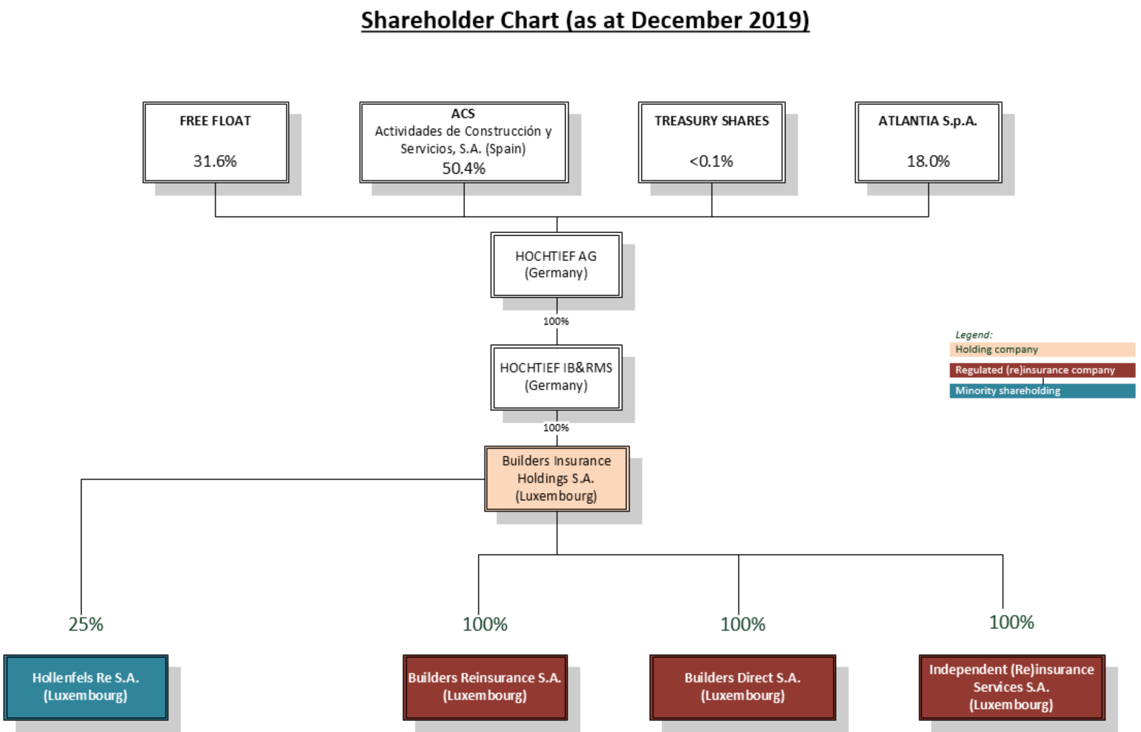
The external auditor of BG's entities is:

KPMG Luxembourg, Société coopérative
39 avenue John F. Kennedy
L-1855 Luxembourg
Tel: +352 22 51 51 1

A.1.4 Group Structure

BIH is wholly owned by HOCHTIEF Insurance Broking and Risk Management Solutions GmbH (HOCHTIEF IB&RMS), a subsidiary of the German group: HOCHTIEF Aktiengesellschaft Germany (HOCHTIEF AG) listed on the Frankfurt stock exchange, ISIN DE 0006070006 (see shareholder chart below in Fig. 2.)

Fig. 2 – Legal structure of the Group entities as of 31st December 2019



Hollenfels Re is 25% owned by BIH and 75% by Ramius Enterprise Luxembourg Holdco Sàrl (Ramius). Ramius is wholly owned by Cowen Inc, a company listed on the New York stock exchange (NASD).

BIH owns 100% of the following entities:

Builders Reinsurance S.A. (BRe)	A reinsurance company created in October 2014 and licenced on 27th January 2015 which underwrites non-life reinsurance business worldwide and is supervised by the Luxembourg Insurance Regulator (CAA). BRe is registered at 4 rue de Neuerburg L-2215, Luxembourg, Luxembourg (with effect as of 1st February 2020).
Builders Direct S.A. (BDi)	A regulated direct insurance company created in March 2013, which underwrites non-life insurance business. The classes of business covered include accident, illness, surety bonds, goods in transit, fire and natural disaster, motor insurance, general and public liability for the Luxembourg market and within Europe (primarily the UK, Belgium, Norway and Germany) under a freedom of service special license and outside of Europe (primarily Australia). The registered office of the company is 8D rue Collart L-8414 Steinfort (with effect as of 8th February 2019).

Both companies are rated A- by the rating agency A.M. Best Europe – Rating Services Ltd, 12 Arthur Street, London EC4R 9AB, UK.
Since February 2019, the rating process was transferred to the new office in Amsterdam, A.M. Best (EU) Rating Services B.V., 3rd Floor, NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Pays-Bas.

Independent (Re)insurance Services S.A. (IRiS)	A "Professionnel du Secteur des Assurances" PSA created in October 2014 and authorized on 16th December 2015 as a "*société de gestion d'entreprises de réassurance*" by the CAA. The Company provides (re)insurance, management, administration, and domiciliation services to other companies both in Luxembourg and abroad.

BIH owns 25% of the following entity:

Hollenfels Re S.A. (HRe)	Hollenfels Re is a regulated reinsurance company incorporated in Luxembourg on 18th October 2000, having its registered office at 251 rue de Beggen, L-1221 Luxembourg ("Hollenfels Re" or "HRe"). This Company was previously operating under the name Builders Reinsurance S.A. and changed its name to Hollenfels Re S.A. on 22nd December 2015 following the acquisition of 75% of its shares by Ramius, a Luxembourg limited liability company. The company's remaining 25% share ownership is still held by BIH. HRe, Vianden RCG Re SCA and Ramius form an "insurance group" ("Ramius Insurance Group"). Hollenfels Re with Builders Re, Builders Direct and BIH comprise another insurance group ("BIH Insurance Group"). HRe is a reinsurance company active in the non-life reinsurance sector underwriting third-party business.

A.1.5 Significant business and geographical coverage

BG has been mandated by its sole shareholder to produce a balanced and profitable consolidated portfolio. The split between Group business and third-party business whether related or unrelated is well above 50% in favour of third-party business. Third-party business is increasingly being sourced from primary insurance via BDi.

BG is also mandated to assist the HOCHTIEF Group by underwriting risks related to its construction activities which, given HOCHTIEF's position as one of the top 15 construction firms by turnover in the world, offers considerable potential to increase the volume of written premiums.

BG will also assist its subsidiaries to write third-party business.

BDi has traditionally had a focus on discretionary mutual business, but this is being gradually reduced in favour of more traditional lines.

BDi is increasingly active on property, casualty and surety insurance bonds direct insurance. The introduction of a UK branch is likely to replace to some extend reliance on managing general agents, while retaining close contact with intermediaries.

BRe is seeking to expand its business outside of the HOCHTEF group via, for example, agreements with (re)insurers of global repute. All reinsurance business is necessarily reinsured via suitable retrocession cover with global reinsurance companies. Hollenfels Re is a key retrocession company for BRe.

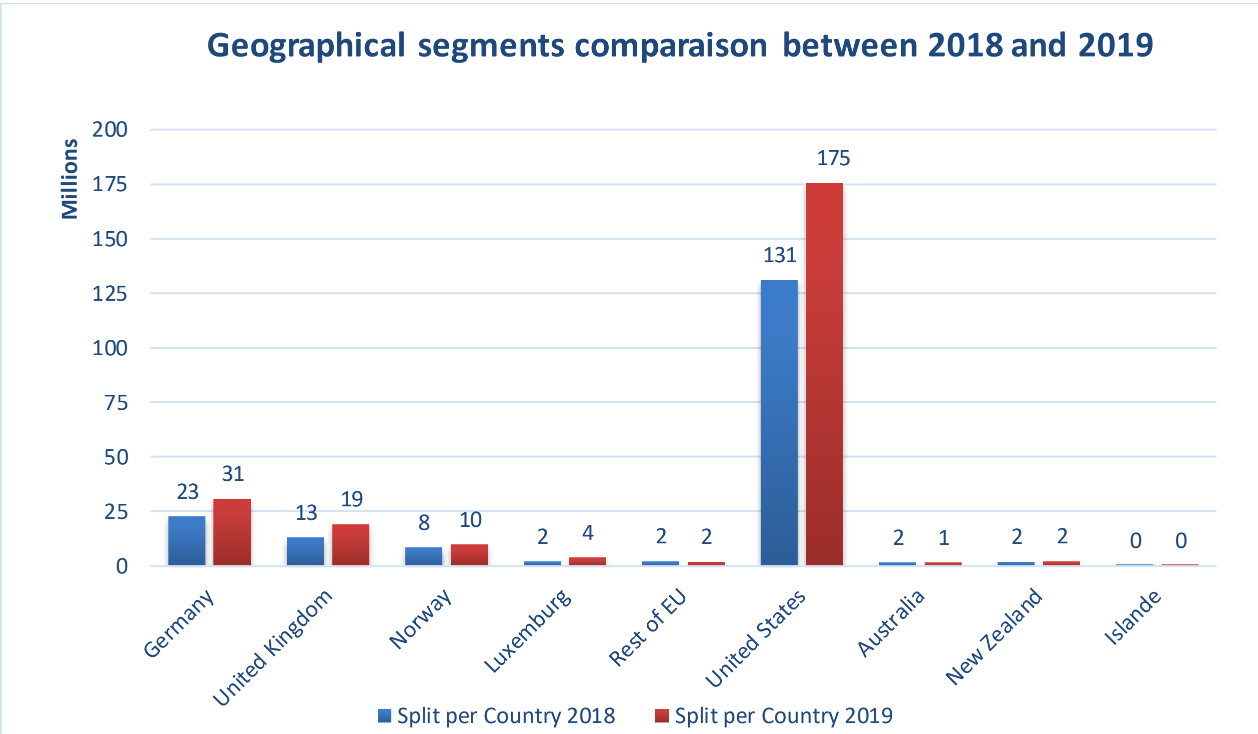
A.2. Underwriting Performance

A.2.a – Underwriting income and expenses

BIH is not directly involved in any underwriting activity. However, it is indirectly involved in underwriting via its ownership of its three subsidiaries engaged in such activity, being: Builders Direct S.A., Builders Reinsurance S.A. and Hollenfels Re S.A. whose results are shown below.

<u>Builders Reinsurance S.A.</u>

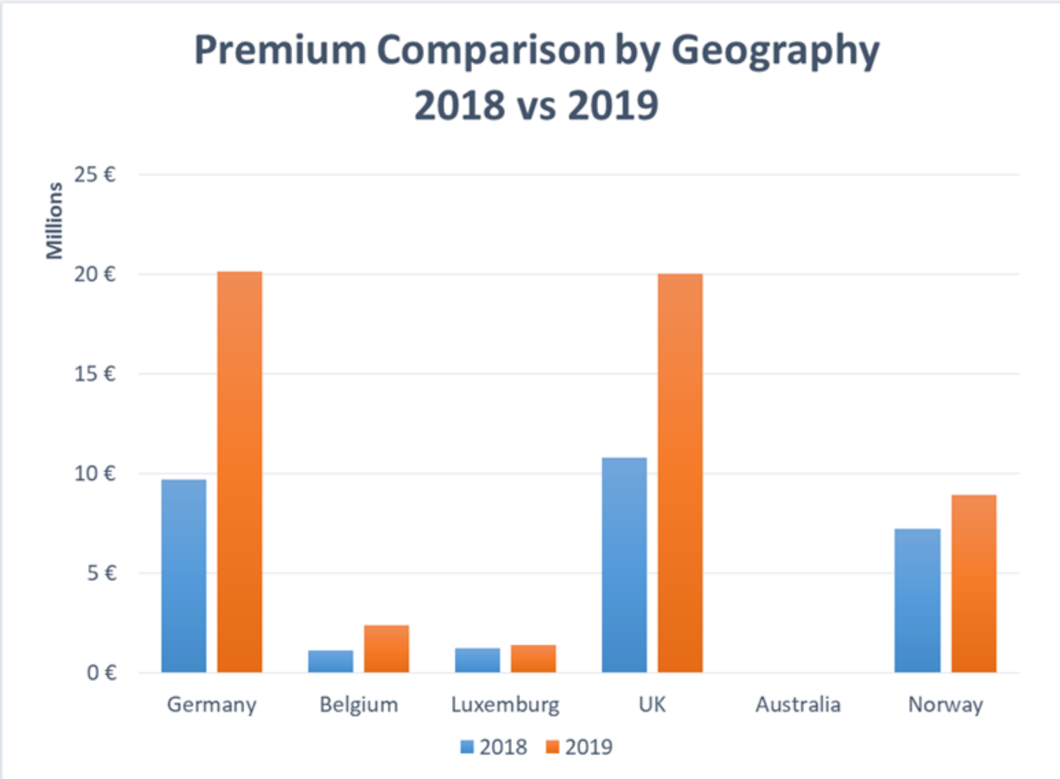
Fig. 3 – Split by geographical region



Geographical segments									
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Split per Country 2018	Germany	United Kingdom	Norway	Luxemburg	Rest of EU	United States	Australia	New Zealand	Islande
Gross Premium	22,671,215	12,955,337	8,415,739	1,990,742	2,061,552	130,987,957	1,527,779	1,863,715	193,692
Underwriting Expenses	-6,485,286	-4,137,670	-2,991,452	-802,143	-827,449	-20,015,352	-28,088	-234,206	-36,732
Split per Country 2019	Germany	United Kingdom	Norway	Luxemburg	Rest of EU	United States	Australia	New Zealand	Islande
Gross Premium	30,803,385	19,032,756	9,819,922	3,795,873	1,849,175	175,380,923	1,481,271	2,096,002	37,007
Underwriting Expenses	-9,349,321	-6,391,795	-3,513,169	-1,549,735	-695,195	-24,681,588	0	-267,911	-27,417
%age variation	Germany	United Kingdom	Norway	Luxemburg	Rest of EU	United States	Australia	New Zealand	Islande
Gross Premium	36%	47%	17%	91%	-10%	34%	-3%	12%	-81%
Underwriting Expenses	44%	54%	17%	93%	-16%	23%	-100%	14%	-25%

Builders Direct S.A.

Fig. 4 - Split by geographical region

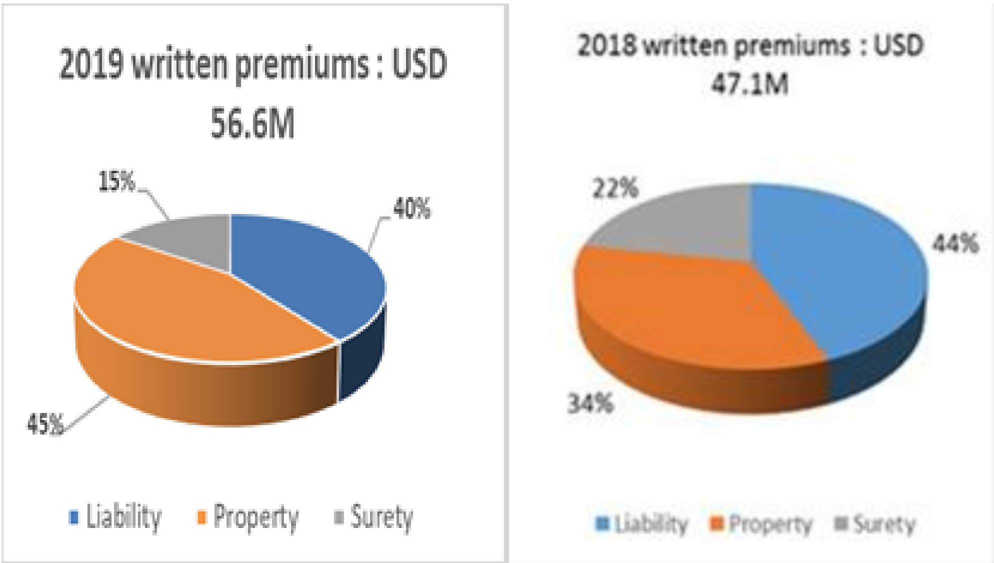


Split per Country 2018	Germany	Belgium	Luxemburg	UK	Australia	Norway	
Gross Premium	9,701,491 €	1,159,309 €	1,243,195 €	10,785,654 €	21,098 €	7,259,029 €	**30,169,778 €**
Underwriting Expenses	-3,523,775 €	-434,236 €	-491,810 €	-2,412,552 €	-633 €	-2,434,998 €	**-9,298,004 €**

Split per Country 2019	Germany	Belgium	Luxemburg	UK	Australia	Norway	
Gross Premium	20,159,129 €	2,424,088 €	1,406,495 €	20,013,868 €	0 €	8,925,591 €	**52,929,170 €**
Underwriting Expenses	-7,112,127 €	-938,738 €	-549,278 €	-5,592,482 €	0 €	-2,978,802 €	**-17,171,428 €**

Hollenfels Re S.A.

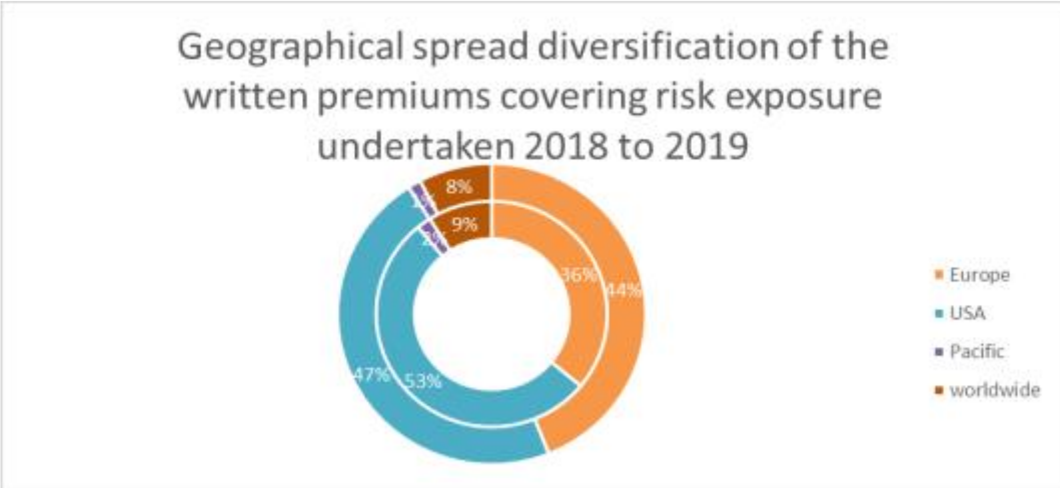
HRe covers a total of eighteen reinsurance programs compared to sixteen at the end of 2018. Hollenfels Re underwrote business from three non-Cowen insurance/reinsurance companies and three intermediaries. These programs are split in 3 major core business lines, as grouped by management, Property, Liability and Surety. The portfolio structure has slightly changed in 2018 and 2019 with a continuous higher weight of the property business. However new lines of business will be underwritten in 2020 in order to further diversify the portfolio of the Company.
Premiums by line of business in 2019 and 2018 were as follows:



Split of the written premiums per major line of business in 2019 versus 2018

The premiums were ceded by one company located in Luxembourg and one company located in the USA. The program previously ceded by the German reinsurer was ceded by the Luxembourg based company. In addition, 2 new programs signed in 2019 were channelled by 2 new brokers (1 in Europe and the other one outside Europe) and 2 new ceded company located outside of Europe.

The following graphic is showing the geographical areas where the risk is originates from:



This graph demonstrated that HRe is continuing its diversification process around the world and among the line of business. In 2019 (outside circle), the risk exposure is much more balanced around the world than in 2018 (inner circle) and particularly is giving more importance to Europe. Each of the eighteen programs may contain one or several sub-lines of activities.

A.2.b – Analysis of the underwriting performance

BIH underwriting subsidiaries' performance can be analysed as follows:

<u>Builders Reinsurance S.A.</u>

BRe Combined	Reported 2019	Forecast 2020
Premiums Gross	244,296,313	168,656,424
UPR In	44,732,627	83,951,731
UPR Out	-83,951,731	-70,075,552
Premium Earned	**205,077,208**	**182,532,603**
Reinsurance Gross Premiums Outwards	-59,756,078	-66,758,210
Retroceded Commisssion	7,009,996	-3,089,762
UPR Outwards In	-18,978,780	-21,502,087
UPR Outwards Out	21,502,087	24,362,358
Reinsurance Earned Premium	**-50,222,775**	**-66,987,702**
Premium Earned, Net Of Reinsurance	**154,854,434**	**115,544,901**
Acquisition Costs	-46,667,286	-33,134,268
Letters of credit	-3,506,981	-4,000,000
DAC In	-6,939,456	-13,450,055
DAC Out	13,450,055	11,394,459
Total Operating Exp Inwards	**-43,663,668**	**-39,189,864**
Profit Commission Outwards	4,814,436	16,036,737
Acquisition Costs Outwards	13,674,031	10,050,816
DAC In	3,573,321	6,715,003
DAC Out	-6,715,003	-7,293,098
Total Operating Exp Outwards	**15,346,784**	**25,509,458**
Net Premium Earned, Net Of Commissions	**126,537,549**	**101,864,495**
Paid Losses	-112,796,027	-112,086,996
O/S Loss Reserves IN	146,224,240	143,887,949
O/S Loss Reserves OUT	-143,887,949	-140,206,821
IBNR IN	123,494,843	141,231,683
IBNR OUT	-141,231,683	-137,707,969
Total Losses Inwards	**-128,196,576**	**-104,882,154**
Paid Losses	27,140,544	25,039,939
O/S Loss Reserves IN	-11,064,510	-13,581,206
O/S Loss Reserves OUT	13,581,206	12,725,208
IBNR IN	-4,122,953	-5,314,378
IBNR OUT	5,314,378	9,966,081
Total Losses Outwards	**30,848,666**	**28,835,644**
Claims Incurred Net of Reins	**-97,347,910**	**-76,046,509**
INSURANCE RESULT	**29,189,640**	**25,817,986**

The gross premium written amount to 205.077.208 USD million in 2019 compared to USD 141.733.943 in 2016.
This growth results mainly from the activity of BDI, which BRe reinsures as well as an organic growth of the old and traditional programs of BRe in the USA such as CCIP, CORP as well as the SDI program.

The claims incurred after reinsurance amount to USD 97.347.910, resulting in a solid USD 29.1.88.640 profit.

Builders Direct S.A.

in EUR	Reported 2018	Reported 2019
UPR In	4,368,932	14,482,207
Premiums Gross	30,169,778	52,929,170
Inward NCB		
UPR Out	-14,482,207	-27,036,832
Premium Earned	**20,056,502**	**40,374,546**
UPR Outwards In	-4,004,565	-12,794,299
Reinsurance Gross Premiums Outward	-25,739,558	-42,710,872
Retroceded Commission	0	0
UPR Outwards Out	12,794,299	22,866,540
Premium Earned, Net Of Reinsurance	**3,106,678**	**7,735,916**
DAC In	-1,153,880	-4,579,234
Acquisition Costs	-9,298,004	-17,171,428
Letters of credit	0	0
DAC Out	4,579,234	8,929,411
Acq Costs Inwards	**-5,872,650**	**-12,821,251**
DAC In	1,261,621	4,492,421
Acquisition Costs	8,763,899	15,145,813
DAC Out	-4,492,421	-8,224,545
Acq Costs Outwards	**5,533,100**	**11,413,689**
Premium Earned, Net Of Commissions	**2,767,128**	**6,328,354**
IBNR IN	834,604	3,312,175
O/S Loss Reserves IN	717,276	12,581,086
Paid Losses	-6,229,049	-17,397,515
O/S Loss Reserves OUT	-12,581,086	-18,741,631
IBNR OUT	-3,312,175	-5,690,374
Claims Incurred Inwards	**-20,570,430**	**-25,936,260**
IBNR IN	-727,516	-2,677,025
O/S Loss Reserves IN	-538,978	-12,052,923
Paid Losses Outwards	4,958,689	16,197,237
O/S Loss Reserves OUT	12,052,923	14,751,241
IBNR OUT	2,677,025	4,345,792
Claims Incurred Outwards	**18,422,144**	**20,564,322**
Claims Incurred Net of Reins	**-2,148,286**	**-5,371,938**
PREC Inward IN	55,328	1,321,145
PREC Inward OUT	-1,321,145	-139,512
PREC Inward	**-1,265,817**	**1,181,633**
PREC Inward IN	-49,795	-1,205,192
PREC Inward OUT	1,205,192	132,537
PREC Inward	**1,155,397**	**-1,072,655**
Other Provisions	**-110,420**	**108,977**
INSURANCE RESULT	**508,422**	**1,065,393**

At year-end 2019, from an income perspective, the Company performed significantly better than the previous year, with gross premiums reaching EUR 52.929.170 compared to EUR 30.169.778 at the end of 2018, i.e an increase of 75% between 2018 and 2019.
At the same time, gross claims incurred have increased from EUR 20.570.430 in 2018 to EUR 25.939.260 in 2019, i.e an increase of 26 % between 2018 and 2019.

Both the retention of premiums and claims have increased in 2019 with Builders Direct now retaining about 79% of the claims incurred (20.564.322 EUR out of 25.936.260 EUR) and 80% the gross premiums income (42.710.872 EUR out of 52.929.170 EUR).

The insurance result has increased by 110%, amounting to 1.065.393 in 2019.

Hollenfels Re S.A.

The underwriting result in 2019 was positive, amounting to $1,02M (compared to -$3.5M end of 2018). This performance led at the end of 2019 to a net underwriting combined ratio of 105% (104% end of 2018).

In 2019, the net underwriting result after administrative expenses was -$0.717 M (-$7.12 M in 2018), generating an improved combined ratio of 108% (115% in 2018).

A.3. Investment Performance

The investment performance of BIH is directly attributable to the performance of its investments subsidiaries.

BIH and wholly-owned subsidiaries

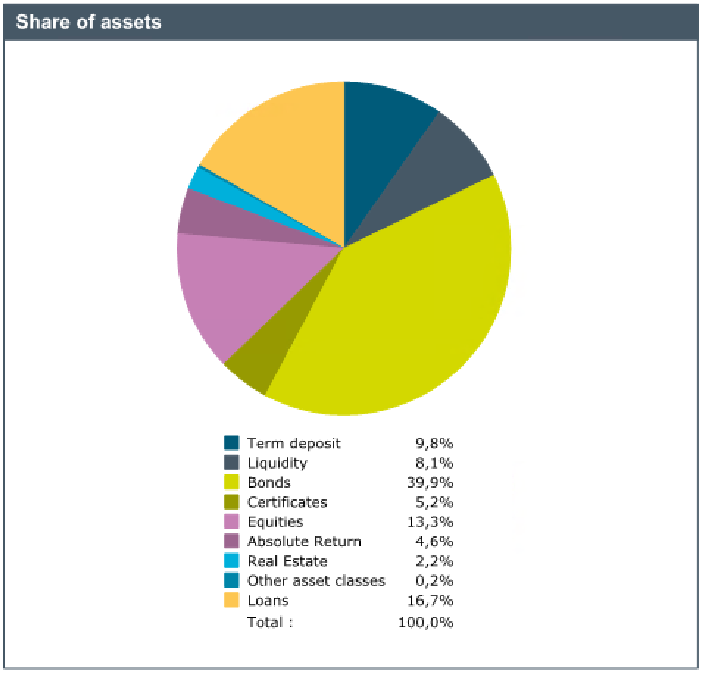
The investment objective is to achieve a reasonable return on investment with an acceptable minimum investment risk. The Investment activity is driven by an investment policy and a Strategic Asset Allocation recommended by an Investment Committee. The newly designed Strategic Asset Allocation targets a long term return of 3.9% for a volatility of 7.5% and takes into account the risk appetite of Builders Reinsurance of not more than 10.9% devaluation in a year with a probability of 95%.

The Strategic Asset Allocation has resulted in the maintenance of a diversified portfolio, covering all major asset classes and which is regularly monitored against industry benchmarks. To accomplish this goal, the company works closely with its investment advisors and external investment managers, as well as the custodian bank.

Any substantial change to the asset allocation or investment approach has to be agreed by the Board which is assisted by a specialist investment committee.

In 2019 the net performance of for BG was 7.14%.

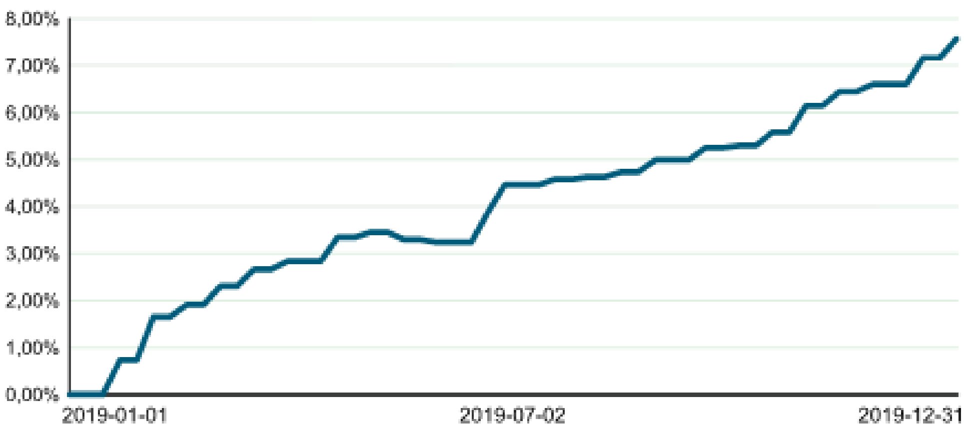
Fig. 5 Share of Assets



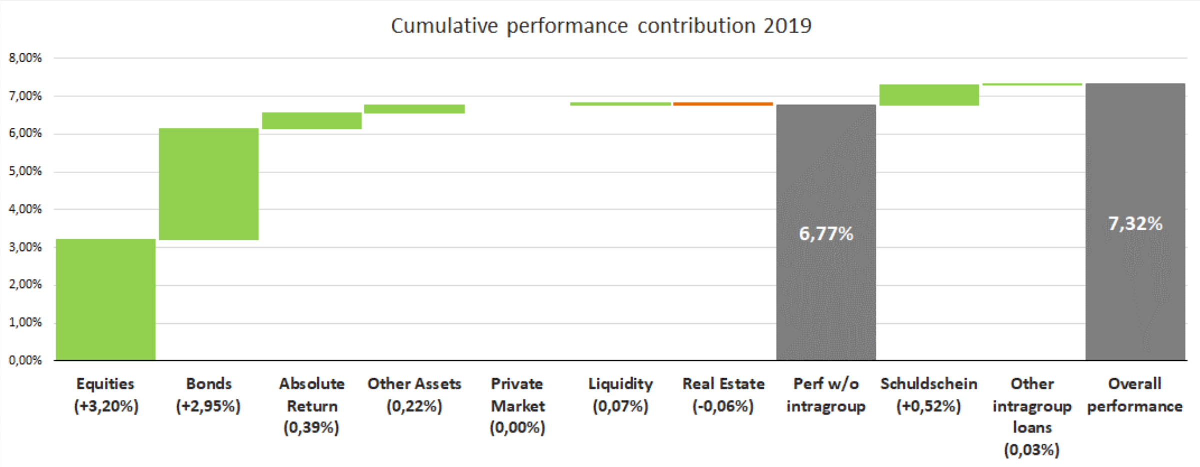
Builders Reinsurance S.A.

The investment activities of Builders Re are channelled through its wholly owned subsidiary Steinfort Multi-Asset Fund SICAV-SIF (SMAF).

The size of SMAF amounted to USD 735.8 million (net asset value) as at December 31, 2019. The net performance of SMAF was 7.54%. The development was as followed:



The following chart shows the cumulative performance contribution (not time weighted) across asset classes:



Investment result comprises income (dividends, interest and other income), expenses, realised gains and losses on investments and changes in unrealised gains and losses on investments.

The SMAF closes its books annually on November 30. The annual accounts 2019 show a profit of USD 43.2 million for the accounting year. This result is made of:

- USD 13.1 million of income (mainly interests and dividends received)
- USD -1.4 million of expenses
- USD 5.2 million of realised gains and losses on investments
- USD 26.3 million of variation of unrealised gains and losses on investments.

<u>Builders Direct S.A.</u>

Performance for the year, all assets included, was positive (+2.26%), driven mainly by Euro currency appreciation. Development along the year was as follows:

With the following attribution:

Asset class	Attribution	Average weight
Liquidity	2.692%	79.27%
Bonds	0.049%	11.12%
Absolute Return	-0.466%	9.41%

The allocation, considering the size of the company, remains simple and very conservative. It is constituted of cash, sovereign bonds and mutual funds. The investment objectives search to preserve the capital. The investments should tend to replicate Builders Reinsurance's allocation for the long term and should focus on bonds.

The 2019 Investment result reflects the smaller size of the business.
They comprises dividends, interests and other income receivable, realised gains and losses on investments and unrealised gains and losses. The accounts for 2019 show the following details:

Total investment income:	EUR 196 thousand
Total investment expenses:	EUR 185 thousand

Hollenfels Re S.A.

The Company's investment strategy complements its underwriting operations whereby it seeks to generate a stable return that is not highly volatile for the portion of its portfolio that supports its reinsurance portfolio, based on actuarial scenarios that take into account certain catastrophic events. To the extent there are excess funds, the Company's strategy is to invest these funds in group assets and securities that may provide a higher rate of return. In December 2015, the Company entered into a trade and executive agreement with a Cowen, a subsidiary that is a registered investment advisor with the SEC in the US and has over 20 years of experience in assets trading for its clients. The Company is carefully selecting the assets to be invested in. It generally requests the assistance of intra-group companies in the transaction settlement for equities whereas loans and T bonds are traded directly by the Company.

Like in 2018, at the end of the 2019 year, the Company's investments were held in four asset classes: equities (corporations and partnerships), US Treasury bills, cash in deposits, and group investments. These investments generated dividends, realized gains and losses as well as unrealized losses (because, under Lux GAAP, only unrealized losses are recognizable as of any balance sheet date). The fixed-term investment continued to increase naturally in 2019 as the Company kept its investments in T-bills and the accrued interest end of 2018 were capitalised in 2019.
Gross investment income consisted of realised gains on securities sold during the year as well as interest income with related undertaking and third parties, and amounting altogether to $19,8M.
The investment charges consisted of realised losses on securities sold during the year, unrealized losses and investment transaction fees for a total amount of investment charges of $9,1M.
There were no gains and losses directly recognised in equity and no investments were made in securitisations during the year.

During 2019, the investment portfolio provided positive investment returns in Q1 under Luxembourg accounting standards. The equities bought in Q3 and Q4 carried at year end a small depreciation of $1.27M, compared to unrealized gains of $1.5M at the end of 2018. The shares in the participating interest have been impaired by $0.84M upon management decision. Therefore, the Company generated a financial result of $10.67M in 2019 compared to a financial loss of $2.65M in 2018.

As of the end of 2019, the technical provisions amounted to $477M (made up of $427M of equalisation reserves and $50M of reinsurance related reserves), while investments totalled $400,4M (made up of $204.5M of securities, $13M of Treasury Bond, $12,3M of reinsurance deposits, $27,5M of other loans, $138,8M of intra-group loans, $2,4M of cash and $1,95M purchased shares in a participating interest located in UK).

A.4. Performance of other activities

The revenues of BIH are derived from the services rendered to its subsidiaries Builders Direct S.A., Builders Reinsurance S.A. and Steinfort Multi-Asset Fund SICAV-SIF S.A.

A.5. Any other information

There is no additional information to add at this juncture.

B. System of Governance

B.1. General information on the system of governance

BIH is committed to the highest standards of corporate governance commensurate to the business' risks, size, nature of clients and complexity of BIH.

The BIH Board retains ultimate responsibility for the governance of itself and for its wholly-owned subsidiaries. However, it is not prescriptive in how any subsidiary should meet its obligations.

To ensure effective oversight and steering of BIH, at least one BIH director and shareholder representatives sit on all subsidiary Boards.

The governance system for BIH and its subsidiaries ("BG") consists of:

- A Board of Directors which is responsible for defining the strategy and overviewing the activities of the Executive Committee.
- Special committees which are responsible for analyzing important topics and making proposals thereon to the Board.
- The Executive Committee is responsible for the implementation of the strategy. The same Executive Committee oversees all the Luxembourg wholly-owned subsidiaries thereby ensuring a governance framework for the BG.
- The key functions of risk management, compliance, actuarial and internal audit carry out oversight activities.

For HRe, BIH has an advisory role on governance where it draws upon its considerable experience of working in the Luxembourg marketplace.
However, the presence of a director of BIH on the Board of HRe ensures consistency in the overall governance system and strategy of BG.

The governance system of HRe is not part of this SFCR report. For more details, please refer to the SFCR of Ramius Enterprise HoldCo Sàrl.

B.1.1 The Board of Directors

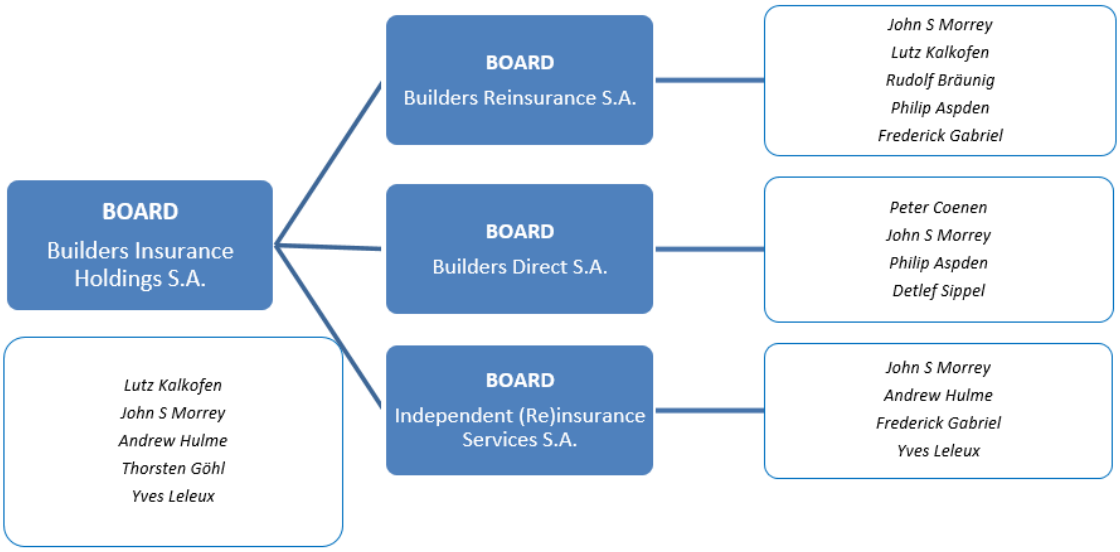
Composition of the Board of Directors

BIH's Board of Directors is responsible for the conduct and oversight of the business, develops the strategy and assesses risk appetite accordingly. It ensures the existence of strong governance within the subsidiaries.

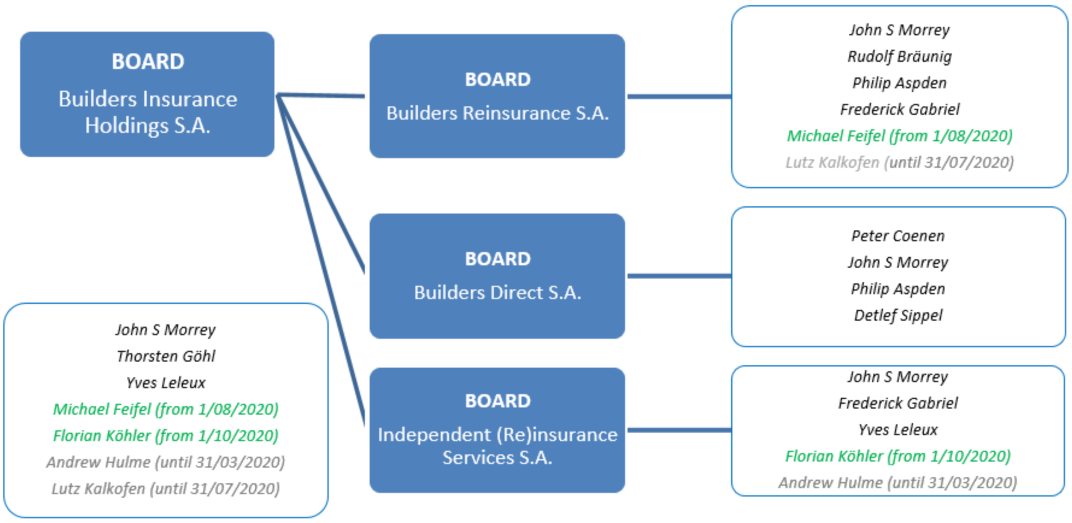
The Boards of Directors of BIH subsidiaries comprise a minimum of three and maximum of five directors.
Their mandates are, subject to resolution, be renewed each year, at the Ordinary General Meeting.
On 31st December 2019 the Board of Directors of BIH was composed of the following members:

- Mr Lutz Kalkofen, Director
- Mr John S Morrey, Director
- Mr Thorsten Göhl, Director
- Mr Yves Leleux, Director
- Mr Andrew Hulme, Director

Fig. 6 - BIH group subsidiaries and Board members in 2019



Changes in 2020



Functioning of the Boards

The Board of Directors meets as often as company interests require, and for the regulated companies, at least three times a year.

The Board may duly resolve and take decisions if at least two directors are present. Resolutions are passed with a majority of votes expressed by directors (present or by proxy). The Chairman has the casting vote in the event of a tie.
In exceptional circumstances, the Board may also resolve by way of an unanimous written circular resolution by all its directors.

In order to support the Board of Directors, dedicated committees have been created whose role consists of advising the Board of BIH or its subsidiaries. The Board retains full responsibility for decisions and oversight of any matters delegated to any committee.

All BG directors abide by a code of conduct for directors which sets out their duties, ethical conduct and responsibilities.

If a conflict of interests should arise on any vote then the director must comply with the policy in force and declare the conflict and exclude himself from taking part in the vote.

In addition, each director has to make a declaration to the Board of any link he has with any company, whether listed or not and detail any personal transactions that have the potential to generate a potential conflict of interests. Such a disclosure obligation must be declared annually in the "Annual Disclosure Form" completed by the directors.

Evaluation

The Boards assess their own effectiveness as a management body and the effectiveness of their governance role, on a regular basis; in particular the size, composition and operations of the Board as well as that of the special committees.

Related party transactions

There were no material transactions between BG companies and directors or related parties in 2019.

B.1.2 The Executive Management of the BG entities

In accordance with their respective Articles of Association, a Board of a BG entity may delegate its day-to-day management to one or more directors or to third persons who do not have to be a shareholders of the entity. The Boards of BIH, BRe and BDi have delegated the day to day management to Mr John Morrey by appointing him as Managing Director for each entity. The executive management role of the BG entities consists of, but is not limited to, the managing and developing of BG strategies, policies, plans and budgets passed by the respective Boards. The Board of BDi also appointed Mr John Morrey as Dirigeant Agréé of BDi, and the Board of BRe appointed its associate company INDEPENDENT (RE) INSURANCE SERVICES S.A. (represented by its Managing Director Mr John Morrey) as Dirigeant Agréé of BRe.

The Managing Director is supported by a Chief Operating Officer, a Chief Financial Officer and a Chief Underwriting Officer for each BG entity, which together form the group’s Executive Committee. The distribution of responsibilities amongst the 4 Executive Committee members according to their competencies enables the BG to better coordinate and manage the different group entities with the appropriate knowledge to conduct business in the best possible manner.

Executive Committee presently consist of the following members:

- Mr John Morrey, Chief Executive Officer, in charge of the general management of the BG entities.
- Mr Yves Leleux, Chief Operating Officer
- Mr Thorsten Göhl, Chief Financial Officer
- Mr Andrew Hulme, Chief Underwriting Officer (Mr Florian Köhler with effect from 1st October 2020)

The Executive Committee meets frequently but, at least once every two weeks.

B.1.3 Board Special Committees

Board special committees are established at BIH or within the wholly-owned subsidiaries. Such committees perform an advisory role, issuing opinions and making recommendations to the Board of BIH and its wholly-owned subsidiaries and support the internal control system of the Company. These Committees meet as often as circumstances require.

In 2019, five (5) Special Committees are in place:

- ✓ 2 at BIH level :
  - **Investment Committee** (IC)

The Investment Committee is responsible for:

- issuing opinions on policies and formulating investment strategy recommendations to the Board of Directors of the respective subsidiaries,
- coordinating and supervising the activities of the external investment advisors.

All investment decisions are ultimately taken by the respective Boards of Directors.

As at 31st of December 2019, the Investment Committee is composed of the following members:

- Mr John S. Morrey, CEO
- Mr Lutz Kalkofen, Director (HOCHTIEF IB&RMS)
- Mr Rudolf Bräunig, Head of HOCHTIEF Corporate Finance
- Mr Bertrand Gilson, Chief Investment Officer (CIO)

  - **Audit and Finance Committee** (AFC)

The Audit & Finance Committee (AFC) was set up in 2017 following BRe and BDi being classified as 'Public Interest Entities' (PIE).

The Committee is responsible for the following aspects:

- Review management accounts
- Review company forecast
- Evaluate and monitor external auditors and independence
- Review of audit reports and management letter

As at 31st of December 2019 this committee is composed of the following members:

- Mr Lutz Kalkofen, Director
- Mr John Morrey, CEO of the Company
- Mr Peter Coenen, Head of Internal Audit (HOCHTIEF AG)
- Mr Mischa Horstmann, Senior Vice President Corporate Accounting (HOCHTIEF AG)
- Mr Thorsten Göhl, CFO of the Company

✓ 3 Committees set up at BDi and BRe level:

  o **Underwriting Committees** (UWC)

These Committees are responsible for the following aspects:

- Review the underwriting policy and update as needed
- Analysis of significant risks
- Monitoring of reported claims or claims arising but not reported
- Definition of the actuarial models and processes to manage the exposure of the company and the clarification of any actuarial strategies
- Review of the reinsurance portfolio per line of business and presentation of results to the Board.

The BDi **Underwriting Committee** as at 31st December 2019 is composed of:

- Mr John Morrey, Managing Director and CEO of the company (by delegation)
- Mr Andrew Hulme, CUO of the Company
- Mr Detlef Sippel, Director (HOCHTIEF IB& RMS)
- Mr Paul Bennett, Head of UK Distribution

The BRe **Underwriting Committee** as at 31st December 2019 is composed of:

- Mr Lutz Kalkofen, Director (HOCHTIEF IB&RMS)
- Mr John Morrey, Managing Director and CEO of the company (by delegation)
- Mr Michaël Foerster, Head of Technical Department
- Mr Andrew Hulme, CUO of the Company

  o **Audit, Risk and Compliance Committees** (ARC)

These committees are responsible for the second level of controls functions and coordinates the engagement of the internal audit function (outsourced).

The Committees are responsible for the following aspects:

- Review the company's compliance to applicable legislation/directives
- Review the company risk strategy and mitigating actions. Monitor risk appetite and tolerance and review risk results
- Review the adequacy of internal control systems
- Approve the triennial internal audit plan and monitor the performance
- Review the outsourcing of material activities monitoring

The BDi **Audit, Risk & Compliance Committee** as at 31st December 2019 is composed of:

- Mr John Morrey, Managing Director and CEO of the company (by delegation)
- Mr Peter Coenen, Director, HOCHTIEF AG
- Mrs Samanta de Rinaldis, Chief Risk Officer (CRO) of the Company
- Dr Schmidt, Head of Internal Audit, HOCHTIEF AG
- Mr Philip Aspden, independent Director
- Mr Riccardo Petrocca, Chief Compliance Officer (CCO)

The BRe **Audit, Risk & Compliance Committee** as at 31st December 2019 is composed of:

- Mr John S Morrey, Managing Director and CEO of the company (by delegation)
- Mr Detlef Sippel, Director (HOCHTIEF IB& RMS)
- Mr Frederick Gabriel, independent Director
- Dr Schmidt, Head of Internal Audit, HOCHTIEF AG
- Mrs Samanta de Rinaldis, Chief Risk Officer (CRO) of the company
- Mr Philip Aspden, independent Director
- Mr Riccardo Petrocca, Chief Compliance Officer (CCO)

    - **Claims and Reserving Committees** (CRC)

These Committees are responsible for the following aspects:

- Review and monitor reserving policy
- Review claims policy
- Establish reinsurance policy and limits
- Review actuaries performance
- IBNR reserves review reserving

The BDi **Claims and Reserving Committee** as at 31st December 2019 is composed of:

- Mr John Morrey, Managing Director and CEO of the company (by delegation)
- Mr Thorsten Göhl, CFO (by delegation)
- Mr Andrew Hulme, CUO of the Company
- Mrs Christel Boulanger, CAO of the Company

The BRe **Claims and Reserving Committee** as at 31st December 2019 is composed of:

- Mr John Morrey, Managing Director and CEO of the company (by delegation)
- Mr Thorsten Göhl, CFO (by delegation)
- Mr Andrew Hulme, CUO of the company
- Mrs Christel Boulanger, CAO of the company

Each Committee operates under defined terms of reference and reports to the Board. Each committee appoints a chairman and follows specific procedures. Decision-making remains the exclusive responsibility of the Boards of Directors.

B.1.4 The control functions

Within risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation and play an important role in terms of checks and balances in relation to the decision making process of the Executive Management.

Responsible for the actuarial function	Christel Boulanger	Effective date: 16/09/2019
Responsible for the risk management function	Samanta De Rinaldis	Effective date: 16/09/2019
Responsible for the compliance function	Riccardo Petrocca	Effective date: 16/09/2019

The internal audit function is outsourced to the ultimate 100% shareholder, HOCHTIEF AG, in partnership with Ernst & Young, Luxembourg.

All key functions have direct communication lines with the Board either directly or via the Board-level special committees. Executive Management ensures that all monitoring policies issued by control functions are consistent with each other. If a discrepancy arises between conclusions issued by any of the key functions, a specialist authority will be appointed by the Board or the CEO in order to issue an independent opinion.

B.2. Fit & Proper

Fit and proper requirements are set for persons who run the undertaking and other key functions to contribute to a sound business operation and to promote the stability and integrity of BIH Group as well as market confidence.

B.2.1 Fitness

Generally Managers are recruited on the basis of their experience, performance in a similar role, professional qualifications, attitude and deemed alignment with BG corporate culture. All managers are subject to performance monitoring via a formal annual appraisal. A professional training programme is kept in place in order to ensure that managers are kept up to date with technical developments and in order to train them in emerging competency requirements.

B.2.2 Proper

A potential director will usually be sponsored by at least two BIH board members. In order to demonstrate an external candidate's integrity, he/she:

- must have been known for a considerable time to at least one board member and/or
- have been recommended:
    - by a professional in the Luxembourg financial sector or;
    - a recognised expert on the insurance/reinsurance market or;
    - a major accounting firm or;
    - a reputed law firm.

An up-to-date recent copy of their police record evidencing no convictions is also required together with a sworn statement of integrity affirming that he/she has not been convicted of a criminal offence, fraud, bankruptcy or other named offences.

In order to ensure that other key functions holders are proper persons, the following checks are made:

- Identity check;
- Criminal record check;
- Reference checks with former employers.

B.2.3 Key features of the remuneration policy

The Company's remuneration policy is intended to recruit and retain employees whose values are aligned with the culture and core purpose of BG. BIH aims to create an environment that motivates high performance so that all employees can contribute positively to the Company's strategy and values while at the same time ensuring that the remuneration practice does not lead to excessive risk-taking. The Company achieves this through a robust performance management practice, which ensures equitable and competitive remuneration levels with performance-linked incentives

The salary package of management comprises a fixed and a variable component.
The fixed remuneration consists of a salary and benefits such as a supplementary pension.

Every grade has an objective-related pay award of up to a specific cap of the fixed component and varies depending on the seniority of the individual.
Objectives are qualitative and/or quantitative driven depending on the seniority and position of the person. Annual appraisals form the basis for the granting of this performance bonus.

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

B.3.1 Risk Management System

Positioning and Structure of RM Function

Each 100%-owned BG company has appointed a Chief Risk Officer (CRO) who is also the holder of the Risk Key Function. She reports to the Company's CEO, the Audit, Risk and Compliance Committee and to the Board.

2 Directors are responsible for Risk Management in the Board.

Responsibilities and duties

The responsibilities of the Chief Risk Officer include:

- the oversight of and adherence to the BG Risk Management framework;
- risk reporting and the identification of new and emerging risks;

- Quarterly and annual check of SCR result
- ensuring that the annual 'Own Risk and Solvency Assessment' (ORSA) is prepared, approved by the Board and delivered to the Regulator.
- ensuring that the annual 'Solvency and Financial Condition Report' (SFCR) is prepared, approved by the Board and delivered to the Regulator.
- ensuring that the "Regular Supervisory Report" RSR is produced and delivered to the Regulator

Risk Methodology

Risk tolerance is proposed by the CRO of the Company to the ARC committee and presented to the Board of Directors. Risk tolerance duly approved by the Board of the Company is also communicated to all concerned departments.

Any material changes during the year are identified and taken into account to update the risk profile, the risk tolerance and the risk exposure of the Company. Updates follow the same process of communication as above.

The methodology as defined in the risk management policy applies to all categories of risks and can be summarised as follows:

- Step 1: the Company's objectives and risk appetite are validated by the Board of Directors based on their vision in four key areas: strategy, finance, operations, and hazards;
- Step 2: results are analysed by the CRO to evaluate the likelihood and impact (risk profile) on the objectives of the Company.
- Step 3: any Key Risk Indicator out the tolerance range is discussed internally, with the CEO and eventually with the ARC committee, for an action plan. A report is always provided to the Board.

Each BG company is in charge of defining a Risk Management System customized to the nature and the complexity of its business. The Risk Management system include the processes and procedures defined by each company (or derived from its parent company BIH) to enable the management of its exposure to all major risks.

The standard formula of Solvency II is used throughout BG.

Any other material risk, not taken into account by the standard formula will be measured using own internally developed models. Most of the models are based on a qualitative approach. A Risk Register summarizes all material risks which may impact adversely the company.

Risk Management Process

The risk management process typically comprises nine steps: identify, assess, hierarchise, formalise risk mapping, analyse and prioritize, plan and schedule, track and report, control. The process is the same for all risk categories.

1. <u>Identify / Review risks</u>
   Yearly or at major changes, the Risk Function has to identify/update the potential risks which the company is exposed to in all risk areas. The heads of department will be involved in the process in

order to ensure a complete and exhaustive view of the company profile. The resulting list will be later validated by the ARC Committee and the material risk will be assessed. The risk profile of the company will then be updated.

2. Assess risks
Information on the forward-looking/prospective assessment of main risks is gathered on an annual basis and is performed by Risk Owners through a questionnaire and workshop. The Risk Assessment activity is based on the adoption of a Top-Down and Bottom-Up approach.
As a reminder:
the Top-Down Assessment consists of the assessment of the main risks of Builders;
the Bottom-Up Assessment is aimed at obtaining an in-depth evaluation of operational risks considering their localization in the Value Chain

3. Hierarchies of risk
Hierarchisation of risk makes it possible to assess BUILDERS' concerns and prioritise how it will manage the risk in terms of actions plans to be implemented in order, where necessary, to bring the net risks down to an acceptable level.

4. Analyse and treat the risk
After they have been identified, assessed and hierarchised, all the risks incurred by BUILDERS that exceed the tolerance limit are treated.

5. Plan and schedule
When a risk is subject to treatment, an action plan will be defined by the risk function together with the department(s) exposed to the risk in order to put in place the improvement.
The risk management function coordinates the implementation of action plans.

6. Track and report
Risk tracking monitors the status of specific risks and the progress in their respective action plans. Risk tracking also includes monitoring the KRI for changes that could alter priority or risk plans.

7. Risk reporting
Risk reporting ensures that the operations staff, service manager, and other stakeholders are aware of the status of top risks and the plans to manage them.

8. Control
Control is the process of follow up risk owner action plans and their associated status reporting.

9. Learn & Improve
As risk mapping provides a snapshot of the undertaking's risks at a given moment, it must be updated given the rapid evolution of the environment in which BUILDERS is active.

Risk Appetite

The ARC committee meets annually (or on an ad hoc basis where major events require an immediate review) to review the risk strategy of the company.

The following topics are discussed:

1) Strategic objectives set by the board for the following years;

2) Business profile of the company;
3) Risk appetite in terms of acceptable and maximum loss amount tolerated for each risk.

The risk appetite is later validated by the Board of Directors based on their anticipated business strategy.

Crisis Management System

A crisis management system is in place to guarantee the continuity of BG activities following a critical event (natural disaster, IT disaster, property damage, or pandemic).
The system ensures that backup data is available at all times and that it can be restored to dedicated servers located in a separate site. Disaster Recovery services are provided by a local service provider.

Information on Significant Risks

According to the results of the latest Risk Management review performed by the Company, there are currently no additional significant risks.

B.3.2 The Own Risk and Solvency Assessment (ORSA)

The ORSA Policy

The ORSA is part of the Enterprise Risk Management system and its main purpose is to ensure that the companies of BG assess all risks inherent to the business and determine the corresponding capital needs, or identify measures to mitigate these risks, in a projected view over the company Business Plan period.

Every year and on an ad-hoc basis if circumstances dictate (i.e. in case of significant changes to underwriting, the investment portfolio, or the external environment), the company prepares an own risk and solvency assessment (ORSA) with the final stage being the production of the ORSA report.

The ORSA Methodology

The ORSA follows a top-down approach, linking business objectives, business risks, business planning, and capital planning.
The results of the risk management process are taken into consideration in the ORSA where identified key risks are considered over the Business Plan period.
The ORSA process is owned by the Chief Risk Officer and performed together with the Chief Actuarial Officer and the External Actuarial company of each subsidiary, namely:

- Builders Insurance Holdings S.A.: Act-unity S.A ;
- Builders Direct S.A : Act-unity S.A.;
- Hollenfels Re: Act-unity S.A.
- Builder Reinsurance S.A.: Act-unity S.A

A three-year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ('SCR') position is produced using the standard formula, as well as actuarial and key assumptions.

The ORSA process is iterative and draws upon key elements of the business:

- Board strategy, policies and plans;
- Solvency II Pillar I Balance Sheet standard model results and base assumptions used;
- The Risk management process to identify the key risks;
- The Board to review, challenge and approve the test scenarios;
- The External Actuary to run the tests on the Balance Sheet;
- The Risk Function, External Actuary and the CEO to draft the report;
- The Board of Directors to approve the report;
- The ORSA Reporting is issued to the Company's regulator;
- The ORSA Reporting and the Board's resulting actions and decisions are communicated to all relevant staff, including outsourced control functions.

Fig. 7 - ORSA workflow

The results obtained based on the business plan are furthermore stressed by a range of scenarios approved by the Board and, where appropriate, potential management actions are noted and conclusions are drawn.

- Any other risk, not taken into account by the standard formula, such as liquidity risk, operational risk, and reputational risk are measured using in-house models. Most of these are based on a qualitative approach.
- The credit risk of the Company's counterparties not rated by an independent rating company will also be assessed, for the time being, using the standard formula – in compliance with the criteria laid down by EIOPA.

Results

Having performed and passed appropriate stress tests the Board believes BG is adequately capitalised.

Results are shown in chapter C.

B.4. Internal control system

B.4.1 General information on the internal control system

Internal controls are a set of continually operating processes involving the Board of Directors, the Management and all levels of personnel. The objective is to:

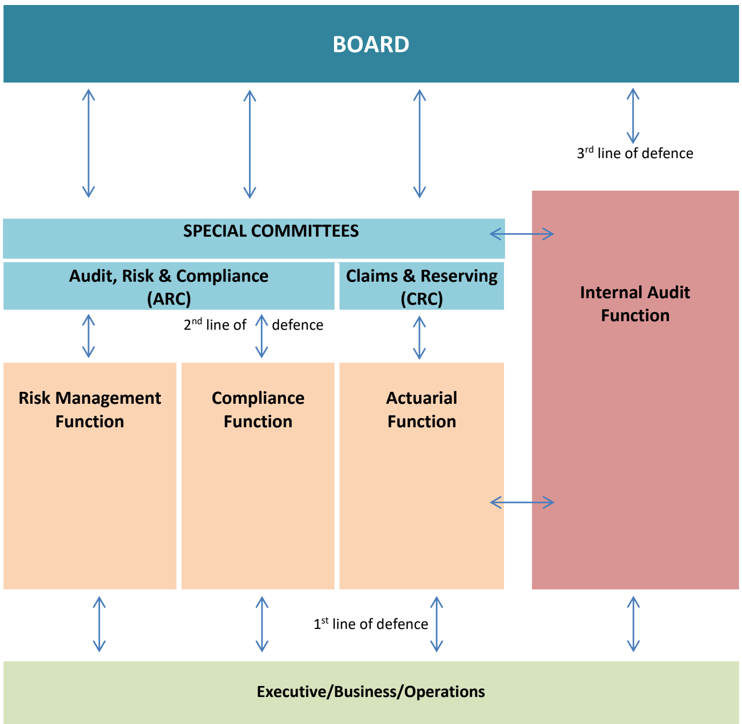
- ensure that the Company's operations are effective and efficient in view of the risks and targets established;
- ensure that the Company's assets are safeguarded;

- ensure the completeness and accuracy of financial and non-financial information;
- ensure that the company complies with relevant laws and regulations.

The BIH Board is responsible for the Group Internal Control System of its subsidiaries and to make sure that it is adequate and efficient. The level is proportionate to the risk, complexity, nature, and size of the business. The Internal Control Framework includes the following core elements:

1. Board-level controls – supervision over the management and execution of strategy, policies, and decisions taken by the Board;
2. Management-level controls – a close review of operations is performed by the Executive Committee (e.g. authorisation and reconciliations);
3. Independent Control Functions – these second and third level controls oversee the implementation of rules, policies, and procedures;
4. Controls over outsourced activities - the company requires its outsourcing partners to implement a similar control environment;
5. Business operations controls - those controls which are embedded into the systems and/or processes and detailed in the policies and procedures.

Fig. 8 indicates the 3 lines of defence model



The Company is progressing on the implementation of policies in key areas of the business and procedures, where appropriate, which describe the internal controls. Policies created and approved at Builders Insurance Holding S.A. level for the group, are also subject to the acceptance of each single entity.

Fig. 9: Levels of internal controls defined

Lines of defence	Levels of control	Responsible	Reporting Line
1st line of defence	Daily operating controls	Employees of operational departments	Heads of respective operational departments
	Controls performed by the company to which activities have been delegated (actuarial function, other services)	Person in charge in the outsourced service company	Heads of respective operational departments by delegation
	Permanent critical controls	Employees of operational departments, Head of Accounting & Reporting, Head of IT	C- List or Executive Management
2nd line of defence	Management controls	Head of -Executive Management	C-List or Executive Management
	Risk Management controls, actuarial controls	CRO Actuarial function	CEO
	Compliance controls	Chief Compliance Officer Compliance Officer	CEO
3rd line of defence	Internal audit controls	Group's internal audit	Executive Management and Board of Directors

To further strengthen the accuracy and reliability of the data and reporting of Builders Direct S.A. and Builders Reinsurance S.A., a project called ADP-ICS (Process analysis and description and internal control system) to interface the 3 mainframes (technical, investment and accounting) was started in September 2019.
This project aims at identifying and assessing both the operational risks and the related first level internal controls, in accordance with the description of each process.

B.4.2 Compliance function

Positioning and structure of compliance function

The compliance function is a centralised function within BIH with responsibility for compliance in all BG companies. This function is delegated via management service agreements. The compliance function at BIH level centralises all information on compliance-related issues pertaining to BG and liaises with internal functions and external bodies in matters of compliance.
The compliance function is represented in the ARC special committee of each company. The Chief Compliance Officer is a member of the Board specialised committee "ARC".

The ultimate responsible for the compliance function was: Mr. John S Morrey, Managing Director, until August 2019 and, since September 2019 Mr. Riccardo Petrocca was appointed as Chief Compliance Officer.

Person to whom the function is outsourced:

2017:

Chief Compliance Officer:	Annick Lebrun – BIH
Compliance Officer:	Riccardo Petrocca – BDi

2018:

Chief Compliance Officer:	Annick Lebrun – BIH
Compliance Officer:	Riccardo Petrocca – BDi

2019:

Chief Compliance Officer:	Riccardo Petrocca – BDi
Compliance Officer:	Charlotte Josselin-Prunier – BRe

In March 2019, Mrs. Annick Lebrun resigned from her role of Chief Operating Officer and Chief Compliance Officer.
In May 2019, Mrs. Charlotte Josselin-Prunier joined the Compliance Department, under the direct supervision or Mr. Riccardo Petrocca. The Chief Compliance Officer holds the role of Data Protection Officer as well.

Responsibilities and Duties

The compliance function is part of the second line of defence and is accountable for:

- Establishing and maintaining effective compliance risk management and control systems, i.e. identifying and evaluating compliance risk, overseeing the implementation of mitigation measures and establishing a compliance monitoring programme;
- Providing timely advice to the organisation, i.e. advising the Executive Management on relevant laws, regulations, rules, standards, recommendations, and practices in the marketplace with a focus on compliance activities;
- Promoting high standards of business integrity and regulatory compliance from its employees via training and awareness initiatives.

The scope is represented by laws and regulations the organization is required to comply within all jurisdictions where the business is conducted, directly or by means of intermediaries, as well as critical organizational and governance policies. It covers 4 areas:

1) Financial services conduct related integrity risks
2) Personal conduct related integrity risks
3) Organizational conduct related integrity risks
4) Client and third-party related risks

Fig. 10: Compliance function scope

PERSONAL CONDUCT RELATED INTEGRITY RISK	FINANCIAL SERVICES CONDUCT RELATED INTEGRITY RISK	ORGANISATIONAL CONDUCT RELATED INTEGRITY RISK	CLIENT AND THIRD-PARTY RELATED RISKS
EXAMPLES OF COMPLIANCE/INTEGRITY RISK			
Respect of regulatory framework requirements	Conflict of interest	Issue of corporate governance	Money laundering
Internal company rules	Code of conduct	Professional secrecy	Terrorist financing
FATCA	Gifts	Data protection	Customer & third-party due diligence
Insider dealing	Fraud	Outsourcing agreements	New product & line of business
Market abuse			

The Compliance function centralizes all information on compliance-related issues and liaises with internal functions and external bodies in matters of compliance.

The following regulations/risks are **not** part of the scope of compliance:

- Accounting practices and reporting
- Information Technology
- Social & Labour law
- Credit and market risks
- Actuarial compliance
- Tax compliance

Compliance Policy

The compliance policy applies to all BG companies and includes all approved measures, actions, and options to manage BG risk.

The compliance policy includes all measures, actions and options decided in order to limit risks to an acceptable level in pursuit of BIH business.

The document defines the fundamental principles, roles and responsibilities of the Compliance function within the BIH Group and subsidiaries as well as relationship with Executive Management, the Board of Directors, the business and operational functions.

- The Compliance Department may support, when needed, on non-compliance tasks, as long as a clear difference is made between the various roles so that these do not create any conflicts of interest with compliance responsibilities.

- The compliance function has the right to start investigations at its own initiative, when deemed necessary. Incidents management is part of the compliance role.
- The compliance function can only issue advices and does not take any decision. Decision makers however should act in due consideration of the compliance advice.
- The compliance function shall have full and unrestricted access to any information at any time. All staff members of the compliance function must comply with confidentiality requirements.
- The compliance function is subject to review by Internal Audit.
- The Chief Compliance Officer has the authority to contact the external bodies or regulators directly.
- The Compliance Function has a direct access to the CEO and the Board of Directors of the company.

Annual Compliance Plan

Developments in the regulatory framework, as well as risk assessment, provide the basis for the annual compliance plan and monitoring activities. The annual compliance plan is discussed with the Management and submitted to the ARC for approval.
A three years Compliance program was discussed with the Management and the Audit and Compliance Committee (ARC) and then submitted to the Board of Directors for approval.
The Compliance program is reviewed on a yearly basis, or when changes occur in the regulatory/internal environment, and submitted to the Board of Directors for approval.

Reporting

The compliance function reports on compliance matters, results, and progress made on the relevant actions to the CEO, Board of Directors and the Audit, Risk and Compliance Committee (ARC).
The Compliance Function has a reporting line to HOCHTIEF AG Corporate Compliance.

Whistleblowing

The whistle-blowing system of HOCHTIEF AG (hotline and e-mail) is available and can be used by employees or third parties to draw attention to possible offenses or non-observance of the regulations, or code of conduct.

Due to the relative small size of the company in terms of headcount, upward communication to Senior Management is facilitated. Employees are encouraged to report any concerns or suggestions to Senior Management without restrictions.

B.5. Internal Audit function

B.5.1 Positioning and structure of internal audit function

The internal audit function for BIH and its BG companies is outsourced to the HOCHTIEF AG Group Internal Audit Team.

The internal audit function reports to the Company's Board of Directors. It is also represented in the Audit, Risk & Compliance Special Committee to the Board.

In 2016 the Head of Internal Audit appointed Ernst & Young Luxembourg for a co-sourcing of the function (in particular the scope related to Solvency II).

B.5.2 Responsibilities and Duties

The function provides independent and objective assurance services, via a formal outsourcing arrangement in respect of the Company's processes, with due regard to the adequacy of the governance, risk management, and internal control framework.

B.5.3 Annual Audit Plan

Internal Audit prepares a five-year internal audit plan according to business priorities and risk areas. The ARC oversees the risk-based Audit Plan. An audit report is issued by the Internal Auditor following the conclusion of the audit.
The Internal Audit conducted two missions across 2019, one in July and another in October, as follow up of the previous one on the Builders Insurance Holdings' group.

B.5.4 Reporting

An audit report is issued by the Internal Audit following the conclusion of the audit. Internal Audit Reports highlight any significant control weaknesses identified, recommendations and Management responses.

B.6. Outsourcing

A due diligence process is undertaken by the relevant department (responsible for the contract) prior to any final decision being made as to whether to outsource a material business activity. This process addresses all material factors that would impact on the service provider's ability to perform the activity. The Compliance function is responsible for revising the on-boarding due diligence and complement it with additional checks. BIH has established an Outsourcing Policy applicable in all BIH subsidiaries including the Company.

The Outsourcing Policy sets out the following:

- Definition of outsourcing and material outsourcing;
- Risk mitigation strategies;
- Board and management responsibility;
- Business Case;

- Due diligence;
- Contractual Agreements;
- Management and control of the outsourcing relationship;
- Final approval.

The Company's outsourcing arrangements are subject to a review whose frequency depends upon the risk attached to the outsourcing activity. Findings of this review are submitted to the Board in the annual Compliance report.

B.7. Actuarial function

B.7.1 Positioning and structure of actuarial function

The actuarial function is a centralized function established at the level of BDi and BRe.

This position is held by the Chief Actuarial officer. The CAO provides independent oversight and validation on the actuarial works of the Group:

- The Chief Actuarial Officer Mrs Christel Boulanger is the CAO of the Company from July 2018
- Since October 2019, Mrs Christel Boulanger is as well the holder of the Key Risk Function.

B.7.2 Responsibilities and duties

The responsibilities of the Chief Actuarial Officer include::

- Guaranteeing the appropriate nature of methodologies, the underlying models and cases used to calculate technical provisions.
- Assessing the sufficiency and quality of data used to calculate technical provisions
- Expressing their opinion on the underwriting policy
- Preparing opinion on adequacy of the reinsurance arrangements
- Contribute to the effective implementation of the risk-management system, including risk modelling

B.7.3 Reporting

The Actuarial Function produces an annual report for the company that highlights the adequacy of technical provisions and underwriting and reinsurance arrangements.

B.8. Any Other Information

The Company has assessed its corporate governance system at the date of this report and concluded that it provides a sound and prudent management of the business, and is proportionate to the nature, scale, and complexity of the operations of the Company.

C. Risk Profile

BG comprises the four separate entities listed below, each having their own unique risk profile:

1. A calculation concept called « BIH Solo »: equivalent to BIH Group without its shares in Builders Re, Builders Direct and Hollenfels Re and without intra-group operation;
2. Builders Reinsurance (BRe);
3. Builders Direct (BDi);
4. 25% of Hollenfels Re (HRe).

The BIH risk profile is an amalgam of each entity's individual risk appetite.

C.1. Underwriting risk

BG takes a conservative approach to underwriting risk in order to maintain its financial security and regulatory compliance.

Insurance risk concentration occurs due to the concentration of insurance operations in a particular geographic area, industry or insurance peril. It may also occur as a result of a correlation between individual insured perils.

This underwriting risk is divided into three modules: Premiums and Reserves Risk, Catastrophe Risk and Lapse Risk.

- **Premium & Reserve Risk**

Premium Risk is related to future claims arising during the cover period. The risk is that the value of expenses and losses (incurred and to be incurred) for claims (comprising both amounts paid during the period and provisions made at its end) is higher than the gross premiums received, or that the profitability will be less than expected.

Reserve Risk is the risk that the final value of claims paid is lower than the amount provided.

The value measure for the Premium Risk, i.e. the premium volume, has been evaluated as being the Gross Earned Premium of the year T+1. The Reserve Risk measure, i.e. the reserve volume, is the value of the claims provision, net of reinsurance.

Strategic decisions about the underwriting portfolio growth directly impact the SCR since the underwriting risk is composed of both the Premium Risk and Reserve Risk.

- **Natural Catastrophe Risk**

Natural catastrophe risk arises from the failure to manage risk aggregation or accumulation that may result in increased exposure to natural catastrophe losses (e.g. hurricanes, earthquakes or floods). If insured risks are overly correlated due to, say, geographical concentration, losses can occur and affect multiple lines of business.

- **Man-made Catastrophe risk**

Man-made catastrophe risk arises from a failure to manage risk aggregation or accumulation that may result in increased exposure to man-made catastrophe losses (e.g. terrorism, explosion, systemic financial losses, latent disease or pandemic).

- **Lapse Risk**

As there is no tacit renewal of cover, we assume there are no lapse risks. Whilst there may be occurrences of insurance contracts being cancelled mid-term the impact of this is not considered to be significant.

C.1.1 BRe Exposure & Concentration

All programmes are reinsurance programmes, some proportional and some non-proportional. As defined in the EIOPA segments, the Proportional segments are classified in the range S1 to S9 for non-life and S1 to S3 for health. For the Non-Proportional programmes, the range is S10 to S12 in non-life and S4 in health.

BRe covers the following classes of business in the non-life and health segments. The table below shows the breakdown by a segment of premium volume (Gross Earned Premium of the year T+1) and reserve volume (claims provision, net of reinsurance).

Insurance and proportional reinsurance	Volume measure Premium Risk	Volume measure Reserve Risk
Motor liability - S1 :	0%	0%
Other Motor - S2 :	0%	0%
MAT - S3 :	1%	3%
Property - S4 :	10%	9%
General liability - S5 :	29%	39%
Surety - S6 :	5%	1%
Casualty NP - S10 :	32%	20%
Property NP - S12 :	2%	2%
WC - S3 :	19%	25%
Health NP - S4 :	1%	1%
Total	100%	100%

*MAT: Marine, Aviation and Transport insurance

For BRe, the premium volume is TUSD 218.149 and the reserve volume is TUSD 258.615. The premium risk and reserve risk are sufficiently diversified.

The premium and reserve risk for the non-life business is TUSD 85.775 which represents 28% of the non-life exposure (premium and reserve) and for health TUSD 25.992 which represents 27% of the health exposure (premium and reserve).

C.1.2 BDi Exposure & Concentration

The underwriting risk is the main risk which consists of:

- Non-life underwriting risk relates to BDi commitments in the following business segments: insurance fire and other property damage, general liability insurance, credit and suretyship insurance and other insurance of motor vehicles.

- Health underwriting risk (assimilated to non-life) relates to BDi commitments in the following business segment: insurance of medical expenses.

New business is defined and controlled by the underwriting policy within BDi. In addition, the underwriting risk exposure is managed by a series of reinsurance programs, provided in the main by BDi's sister company Builders Re, that is positioned to limit the underwriting risk.

BDi's portfolio is heavily reinsured, therefore there is no significant concentration risk at the BDi company level.

The programmes underwritten in 2019 were classified into 4 non-life segments and 1 health segment; the table below shows the breakdown by segment of premium volume (Gross Earned Premium of the year T+1) and reserve volume (claims provision, net of reinsurance):

Insurance and proportional reinsurance	Volume measure Premium Risk	Volume measure Reserve Risk
Motor - S2 :	0%	0%
Property - S4 :	61%	60%
General liability - S5 :	22%	23%
Surety - S6 :	7%	2%
Miscelleneous - S9 :	0%	0%
Casualty - S10 :	1%	0%
Property S12 :	9%	15%
NP Health S4:	0%	0%
Total	100%	100%

For BDi, the premium volume is TEUR 11.608 and the reserve volume is TEUR 5.368. The premium risk and reserve risk are sufficiently diversified.

The premium and reserve risk for the non-life business is TEUR 3.107 which represents 20% of the non-life exposure (premium and reserve) and for health TEUR 0.

C.1.3 HRe Exposure (25%) & Concentration

The main categories of coverage are property, casualty and surety. The focus for underwriting activity locations is on Europe, USA and Australia. The company's objective is to grow steadily and sustainably.

During its first year of activity in 2016, Hollenfels Re's reinsurance portfolio comprised business covering principally the sub-contractors of its ultimate minority shareholder, Hochtief AG, as well as some other niche and well-balanced portfolios.

In addition, Hollenfels Re underwrote a portfolio of natural catastrophe exposure directly from a major European reinsurance player and an American contractor's liability programme.

From 2017, Hollenfels Re presents a more diversified and balanced portfolio in terms of lines of business compared to 2016. Moreover, the company bought for the first time a retrocession cover ("whole account aggregate excess of loss") from one of the top reinsurance companies in the world.

Under Solvency II the risks are classified by line of business (LOB) based on Annex I to Regulation 201/035 of the European Commission. The programmes underwritten in 2017 were classified into 6 non-life segments and 1 health segment. The table below shows the breakdown by segment of premium volume (Gross Earned Premium of the year T+1) and reserve volume (claims provision, net of reinsurance), presented at 100% of HRe:

Insurance and proportional reinsurance	Volume measure Premium Risk	Volume measure Reserve Risk
MAT - S3 :	2%	7%
Property - S4 :	24%	37%
General liability - S5 :	22%	31%
Surety - S6 :	22%	4%
Casualty NP - S10 :	26%	5%
Property NP - S12 :	4%	13%
Health NP - S4 :	0%	2%
Total	100%	100%

*MAT: Marine, Aviation and Transport insurance

BiH's share of HRe's premium and reserve volume (at 25%) is TUSD 14.290 and TUSD 7.687, respectively. The premium risk and reserve risk are sufficiently diversified.

At 25%, the premium and reserve risks for the non-life and health business is TUSD 4.963 (representing 26% of the non-life exposure) and TUSD 95 (representing 51% of the health exposure), respectively. These figures illustrate BiH's portion at 25%.

C.1.4 BIH Group Risks evaluation over 3 years

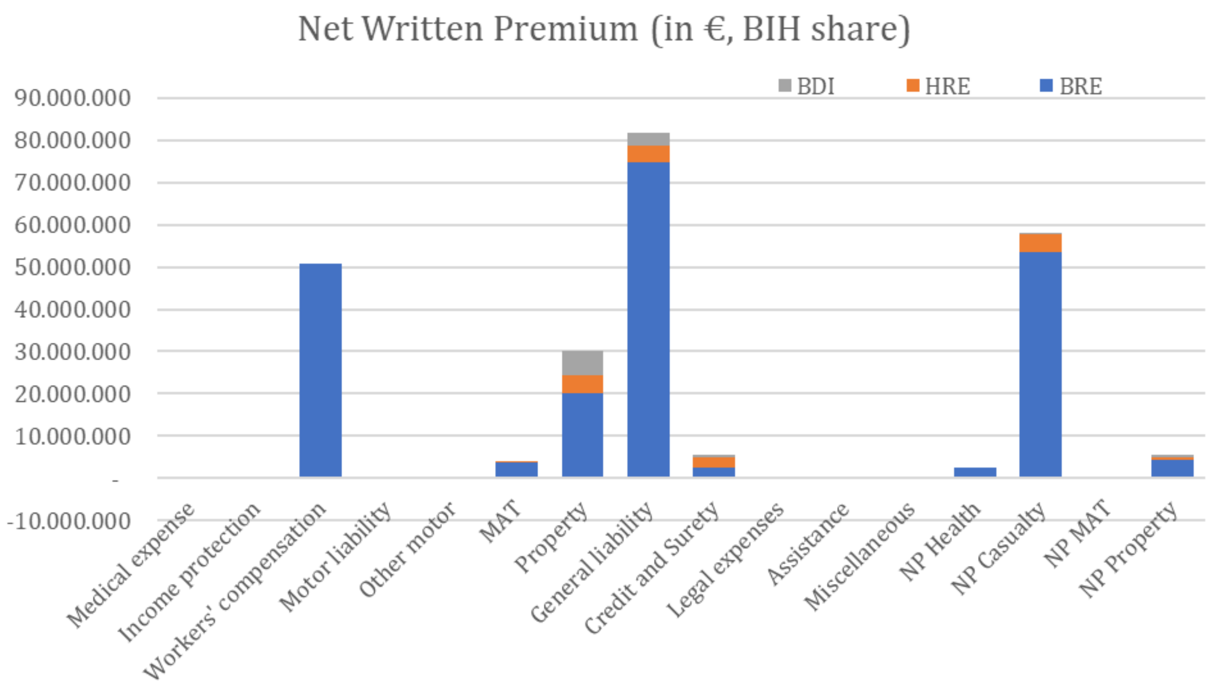
The programmes underwritten in 2019 were classified into 8 non-life segments and 3 health segments. The table below shows the breakdown by segment of premium volume (Gross Earned Premium of the year T+1) and reserve volume (claims provision, net of reinsurance):

Insurance and proportional reinsurance	Volume measure Premium Risk	Volume measure Reserve Risk
Motor liability - S1 :	0,1%	0,0%
Motor - S2 :	0,0%	0,1%
MAT - S3 :	1,4%	2,6%
Property - S4 :	12,5%	11,3%
General liability - S5 :	28,5%	38,1%
Surety - S6 :	6,1%	0,9%
Casualty NP - S10 :	30,7%	19,0%
Property NP - S12 :	2,5%	2,7%
WC - S3 :	17,3%	24,2%
Health NP - S4 :	0,9%	1,1%
Total	100,0%	100,0%

*MAT: Marine, Aviation and Transport insurance

At the BG level, the premium volume is TEUR 212.580 and the reserve volume is TEUR 241.703. The premium risk and reserve risk are sufficiently diversified.

The graph below shows the net written premium by segment and demonstrates the importance of the Liability Proportional business (NL_S5), Casualty (Surety) Non-Proportional business (NL_S10) and Worker's Compensation (HL_S3), suggesting some concentration risk.



BG manages insurance risks by monitoring and controlling the nature of and accumulation by geographic location of risks in each segment underwritten. This is achieved through a number of proven techniques and procedures including:

- the management of pricing risk through the establishment and review of pricing guidelines;
- the purchase of reinsurance to mitigate exposure;

- the review of business plans and underwriting of new programs.

A robust underwriting policy and risk mitigation techniques have resulted in minimal volatility and acceptable claims ratios. The financial impact of a surge in major claims or the occurrence of a catastrophic event is mitigated by retrocession limits that are in place.

The non-life catastrophic risk has been estimated at TEUR 13.796 for BRe with BDI consolidated and TEUR 2.174 for HRe (at 25%).

C.1.5 BIH Group Stress tests

In the BIH ORSA process, we have tested 2 scenarios:

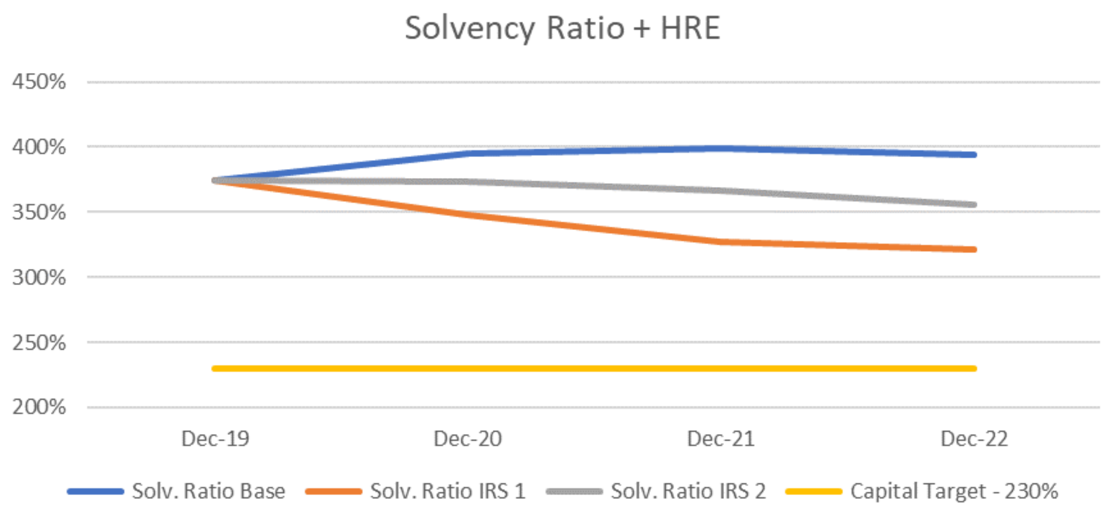
- IRS 1 : Loss ratio increase for USA programs
  Assumptions used to model a decline in profitability in USA are as follow:
  - Increase of 100% of LR in 2020 compared to central scenario,
  - Increase of 50% of LR in 2021 compared to central scenario,
  - Back to central scenario figures for 2022.
- IRS 2 : Covid 19 scenario
  Assumptions used are the following:

  For Credit programs still active or, even if in run-off, still having movements in 2020 and 2021:
  - 30% loss of premiums compared to Business Plan
  - for BDI Credit programs, loss ratio of 50% for the years 2020 and 2021,
  - for BRE Credit programs, L.R. increase by 150% in 2020 and 100% in 2021.

  For the entire portfolio :
  - Increase in receivables related to insurance operations equivalent to 25% of written premium (offset by a decrease in cash)
  - Increase in the volume of receivables over 3months by 100% compared to the volume reported in the annual report to CAA

  On investment side:
  - Fall in the investment portfolio equivalent to what was seen at the height of the crisis: -7,24%
  - Change in the correlation between health and default risks: from 25% (Standard formula) to 50%

The graph below shows the Solvency ratio for the base case and the 2 scenarios.



Solvency II requires an SCR of greater than 100% and the BIH board requires an SCR ratio of 230% with a minimum of 210%. The ORSA process, shows that the stress scenario could have a significant effect on all risks but in all cases the board's minimum Solvency ratio and even its higher SCR is exceeded.

C.2. Market risk

Each BG company's assets are held in accordance with the BG investment policy and comply with the 'prudent person' principle as defined in article 132 of the Directive 2009/138/EC.

The market risk is the risk that BG is adversely affected by movements in the fair value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks. BG is exposed to market risks on both asset and liability sides of its balance sheet, through both on and off-balance sheet exposures including:

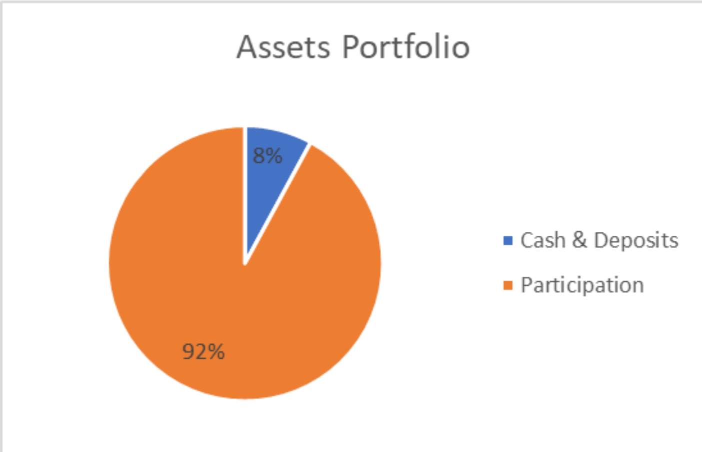
According to the standard formula, the components of market risk are:

- Spread risk: the potential financial loss due to the increase in the spread that an asset trade has relative to comparable government bonds hence a decrease in the asset's market value;
- Currency risk: the potential financial loss arising from the change in the value of currency exchange rates or from closing out a currency position at a loss due to adverse movements in exchange rates;
- Interest rate risk: the potential financial loss arising from the reduction in the value of the investment portfolio and liabilities due to changes in the level of interest rates;
- Equity risk: the potential financial loss arising from the reduction in the value of the investment portfolio due to changes in prices of equities or mutual funds;
- Property risk: the potential financial loss arising from the reduction in the value of the investment portfolio due to changes in real estate prices.

In relation to the market risk concentration, BG holds and maintains a diversified investment portfolio in corporate bonds, governments bonds, securitized loans and mortgages, un-listed equities, mutual funds and short-term deposits.

C.2.1 BRe Exposure & Concentration

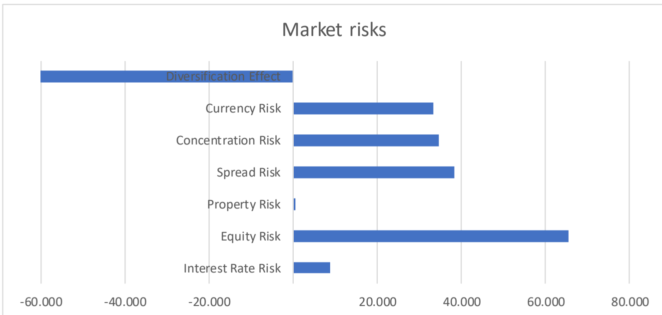
As explained in Section A3 the investments of BRe are located in its subsidiary, SMAF.



Risk assessment

Regarding the valuation of risks, the equity risk with a value of USD 65 million and the spread risk with a value of USD 38 million were the major risks that BRe had to cope with in 2019. In total, with a value of USD 118 million after the diversification effect, the market risk is lower than the underwriting risk equal to USD 128 million.

Market Risks	117.961
Interest Rate Risk	8.878
Equity Risk	65.558
Property Risk	625
Spread Risk	38.381
Concentration Risk	34.546
Currency Risk	33.415
Diversification Effect	-63.440
Tot Base	799.087
Average Shock :	14,76%



C.2.2 BDi Exposure & Concentration

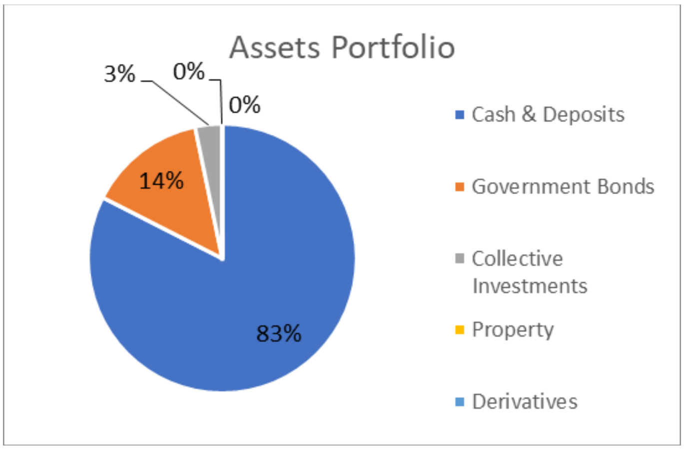
Over the three-year planning period, the investment policy is reflected as follows:

- Six government bonds (country: United Kingdom, Australia, France, European Union)
- Two mutual funds providing :
  - Absolute return: Investments mainly in shares and bonds providing a stable interest/yield per year
  - Liquidity

In addition to the bonds and mutual funds, BDi has cash and current accounts.

These assets are held in accordance with the BDi investment policy and this in compliance with the principle of the 'prudent person' as defined in article 132 of the Directive 2009/138/EC.

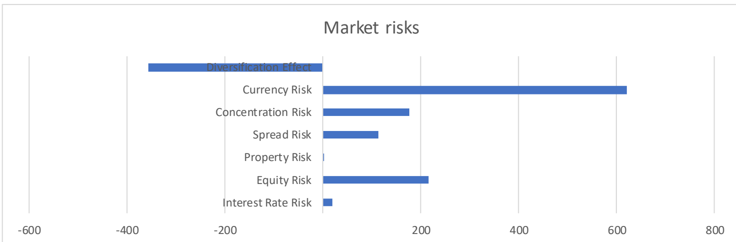
The most significant investments are Cash for 83% and government bonds for 14%.



Risk assessment

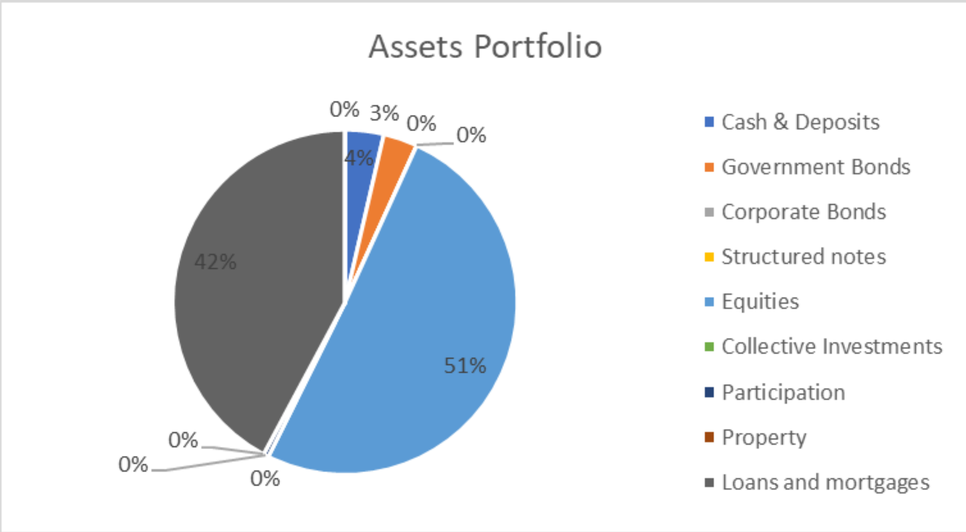
The equity risk with a value of TEUR 216 and the currency risk with a value of TEUR 622 were the major risks with which BDi had to cope with in 2019. In total, with a value of TEUR 795 after diversification effect, the Market risk is still lower than the underwriting risk equal to TEUR 3.882.

Market Risks	795
Interest Rate Risk	20
Equity Risk	216
Property Risk	3
Spread Risk	114
Concentration Risk	177
Currency Risk	622
Diversification Effect	-356
Tot Base	22.459
Average Shock :	3,54%



C.2.3 HRe Exposure & Concentration

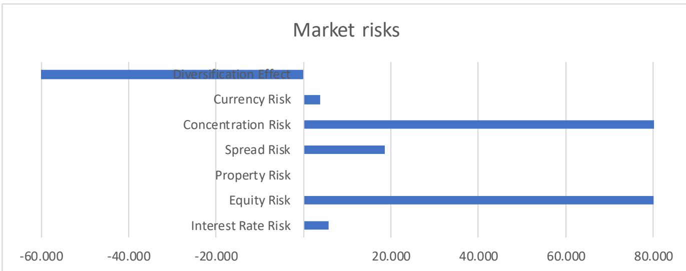
The investment strategy is dynamic and balanced. Indeed, a large part is reserved for equities in this portfolio but is counter balanced by cash kept on the account, deposits located in European banks and on intra-group transactions. At the end of 2019, the most significant investments were in equities for 51% and loans for 42%.



Risk assessment

The equity risk with a value of USD 80 million and the concentration risk with a value of USD 102 million were the major risks to which HRe was exposed in 2019. In total, with a value of USD 140 million after the diversification effect, the market risk is significantly higher than the underwriting risk of USD 30 million.

Market Risks	140.608
Interest Rate Risk	5.707
Equity Risk	80.052
Property Risk	
Spread Risk	18.655
Concentration Risk	102.566
Currency Risk	3.951
Diversification Effect	-70.323
Tot Base	372.897
Average Shock :	37,71%



Please consider that the above figures are presented at 100% of HRe and not at 25%.

C.2.4 BIH Group Stress tests

In the BIH ORSA process, we have tested 2 scenarios that are detailed in point C.1.5:

- IRS 1 : Loss ratio increase for USA programs
  Assumptions used to model a decline in profitability in USA are as follow:
  - Increase of 100% of LR in 2020 compared to central scenario,
  - Increase of 50% of LR in 2021 compared to central scenario,
  - Back to central scenario figures for 2022.

  IRS 2 : Covid 19 scenario
  Assumptions used are the following:

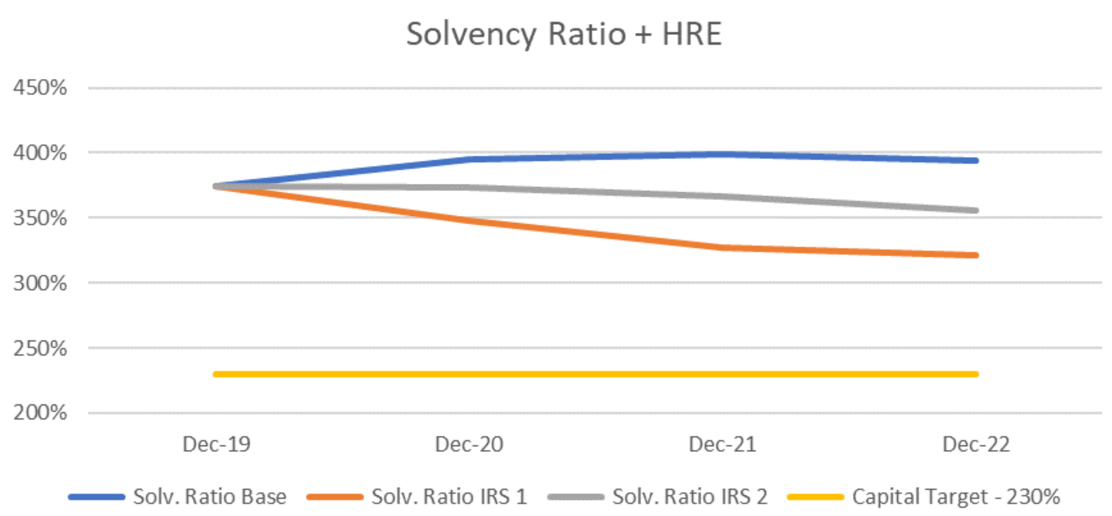
  For Credit programs still active or, even if in run-off, still having movements in 2020 and 2021:
  - 30% loss of premiums compared to Business Plan

- for BDI Credit programs, loss ratio of 50% for the years 2020 and 2021,
- for BRE Credit programs, L.R. increase by 150% in 2020 and 100% in 2021.

For the entire portfolio :
- Increase in receivables related to insurance operations equivalent to 25% of written premium (offset by a decrease in cash)
- Increase in the volume of receivables over 3months by 100% compared to the volume reported in the annual report to CAA

On investment side:
- Fall in the investment portfolio equivalent to what was seen at the height of the crisis: -7,24%
- Change in the correlation between health and default risks: from 25% (Standard formula) to 50%

The graph below shows the Solvency ratio for the base case and the 2 scenarios at the BIH Group level (25% of HRE included).



Solvency Ratio	Dec-19	Dec-20	Dec-21	Dec-22
Solv. Ratio Base	374,21%	394,56%	398,75%	393,96%
Solv. Ratio IRS 1	374,21%	347,38%	327,60%	321,37%
Solv. Ratio IRS 2	374,21%	373,06%	366,91%	355,34%

The Solvency 2 framework requires to cover at least 100% of the SCR and the Board requires a solvency ratio of 230% with a minimum of 210%. With the ORSA process, we have highlighted that the 2 stress scenario could have a minor effect on all risks but without reaching the minimum solvency ratio tolerated at Group level. This conclusion matters for and without the considering of Hollenfels Re.

C.3. Default risk

Counterparty default risk is the risk of losses arising from a debtor’s failure to pay or a downgrade of their credit rating.

BG is exposed to default risk on both the asset and liability side of its balance sheet and its default risk is categorised into two components below:

- Type 1 exposures that include risk mitigating contracts like reinsurance arrangements, securitisations, derivatives, deposits with ceding institutions, cash at bank.
- Type 2 exposures that include diversifiable and unrated exposures such as receivables from intermediaries, policyholder debtors etc.

C.3.1 BRe Exposure & Concentration

The most significant exposure of BRe is the retrocession with one major. BRe has diversified its banking partners but remains exposed to its major well-rated custody bank.

C.3.2 BDi Exposure & Concentration

For BDi, credit risk results from fluctuations affecting the credit quality of issuers of securities, counterparties (reinsurers, banks for cash held) and debtors.
The counterparty default risk is driven by the concentration in mostly one reinsurer (BRe) with the remaining other reinsurers rated at least A, except for Hollenfels Re which has no credit rating. However, in line with Solvency II, a specific evaluation was considered for the probability of default of Hollenfels Re (based on the Solvency Ratio of 273% from the 2017 ARS) instead of using the probability of default of an issuer having no credit rating.

In general, the credit risk is diversified.
An observation can be made regarding the cash held in banks. One depositary bank owns 82% of all of the assets in cash (in addition to a minor secondary bank). However, given the amounts exposed compared to the amounts for reinsurance, the impact is not significant.

C.3.3 HRe Exposure & Concentration

The most significant exposure of HRe for the counterparty default risk was on insurance / reinsurance debtors and creditors and on its investments (including cash deposits).

The internal guidelines recommend the diversification of banking providers and, as such, the company has accounts with two major European banks with offices in Luxembourg.

On the reinsurance side, the company generally works with rated companies, which limits the risk of default.

C.3.4 Concentration Risk in default risk

The default risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the BG's core operations.

Regarding the inwards accepted business from BDI, the structure of reinsurance in 2019 has been slightly modified compared to 2018. Generally, a Quota share of 63,33% on the 75% accepted business has been ceded.

Furthermore, BRE has renewed 3 stop loss retrocession programs:

Programs	Terms
Whole Account without K QS	Original Retention 36,0% add % on retention if losses previous year 210,0% Layer 1 % 12,0% Max Layer 1 21.500.000 Layer 2 % 12,0% Max Layer 2 21.500.000
CCIP-Corp	Retention % 50% Min Retention 44.000.000 Layer 1 % 40% Max Layer 1 40.000.000 Min in excess of 79.000.000 Layer 2 % 165% Max Layer 2 165.000.000
Subguard	Retro Hollenfels Re 8,50% Quota-Share 7,37% sliding scale commission based on Loss Ratio (Clm Paid/ Earned Prem) Loss Ratio - max 97,00%

Both BG and HRe work with external providers of reinsurance with high ratings, which is important to reduce the default risk. The concentration risk can be at the external level as well as at the intra-group relationship level.

At the BIH level, we conclude that the concentration risk in case of default of one of the affiliated undertaking does not represent a significant risk.

C.3.5 BIH Group Stress tests

At this stage, in respect of default risk, we have not performed any stress tests due to the minor risk as a holding company.

C.4. Liquidity risk

Liquidity risk is the risk that BG is not able to meet its financial obligations to policyholders and other creditors when they become due and payable.

The risk that BG is unable to realise investments and other assets in order to settle its financial obligations when they fall due is not explicitly covered in the standard formula. It is assumed that a capital requirement to cover the liquidity risk would be ineffective and should be covered by an explicit liquidity risk management policy within the overall Risk Management System instead.

The liquidity risk has been tackled in the Risk Appetite Statement and is then considered as a key dimension in the Risk Management System.

BG continually monitors its ability to meet cash outflows in all the scenarios. The excess liquidity must be positive in all analysed stress scenarios (including very extreme scenarios with panic effect or catastrophe). A significant element of investment assets is held in cash.

C.5. Operational risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The Risk Function has identified the following risks categories that have been endorsed by the ARC Committee and incorporated into BG's internal Risk Management System:

- Clients, products and commercial practices
- Execution, delivery, process management
- Internal fraud
- External fraud
- Dysfunctional activity and systems
- Employment practices and safe place of work
- Damage to assets

That risk is measured by using the standard formula for the Solvency Capital Requirement needs.
Operational risk is managed by the Risk Management System for internal needs as follows.

A top-down analysis of the Group BIH risks is performed by the Risk Function and discussed during the Risk Committee in order to decide on risk exposure and actions plans.

The heads of department are continually involved in the validation and qualitative evaluation of identified risks.

C.6. Other material risks

Not all quantifiable risks have been explicitly included in the standard formula; furthermore, for some risks, it is generally assumed that the exposure is not sufficiently material and therefore an SCR quantification within the context of a standard formula would not be appropriate.

For some risks it is inappropriate to cover them through pillar 1 capital requirement so these are covered instead through pillar 2 requirements and Risk Management System requirements for appropriately monitoring and disclosing the risk profile.

Operational, Reputation and Strategic risks are qualitatively covered in the Risk Management System. BIH has identified three key material risks: inflation risk, reputation risk and strategic risk.

C.6.1 Inflation risk

The sensitivity of the value of assets, liabilities and financial instruments to changes in the term structure of inflation rates, or in the volatility of inflation rates, is not explicitly considered in a separate risk sub-module. For non-life business, the inflation risk is assumed implicitly in the calibration of the upward/downward interest rate shocks and in the reserve volatility parameter. The BG investment strategy requires mitigation of inflation risk via investments in index-linked bonds.

C.6.2 Reputation risk

Reputational risk is the risk that the trust placed on BG by stakeholders is compromised thus damaging the Builders brand. BG seeks to mitigate the potential for the occurrence of a reputational damaging event through its internal controls and Risk Management System. Additionally, BG has developed a Code of Conduct to which all employees and business partners are required to subscribe.

C.6.3 Strategic risk

Strategic risk is the risk that BG fails to achieve its corporate objectives. This may arise out of a change in prevailing market conditions, deficient or inappropriate resources, poor decision-making or poor systems execution. BG manages such risks in the following way:

- Regular management meetings;
- Quarterly Board meetings in which financial reports are presented and variances to plans and forecasts explained;
- The production of 12 month forecasts 3 times per year with explanations of variances from previous forecasts.

C.7. Any other information

There is no other information to be reported.

D.Valuation for Solvency purposes

To define BG available capital, we apply a combination of two methods: the consolidation-method for 2 entities BDI and BRE (100% affiliated to BIH) and the Deduction & Aggregation method for the affiliated undertaking HRE (25% affiliated to BIH).

We performed the calculation in two steps:

1. Evaluation of the economic available capital by using the consolidation method for BIH solo, BRe and BDi;
2. Deduction and aggregation of the other subsidiary HRE.

In step 1, the statutory and economic balance sheets with the consolidation method are as follows:

Statutory		Economic	
Assets		Assets	
Investment	621.463	Investment	685.511
RI Recoverable	49.889	RI Recoverable	29.793
Debt	72.144	Debt	108.593
Cash	50.229	Cash	50.229
P and A Income	12.833	P and A Income	141
Other	6	Other	
Total	806.563	Total	874.267

Liabilities		Liabilities	
Basic Own Fund	344.528	Basic Own Fund	515.542
Tech. Provision	429.326	Tech. Provision	268.136
Debt	20.013	Debt	20.013
Prov. for Taxation	4.013	Prov. for Taxation	67.876
Reg. Account	6.111	Reg. Account	127
Other	2.573	Other	2.573
Total	806.563	Total	874.267

The available capital in economic value has been evaluated at TEUR 515.542.

In step2, we add the HRE economic capital (25%) of TEUR 83.258 to get the final BG economic available capital of TEUR 598.800.

D.1. Assets – Consolidated BS

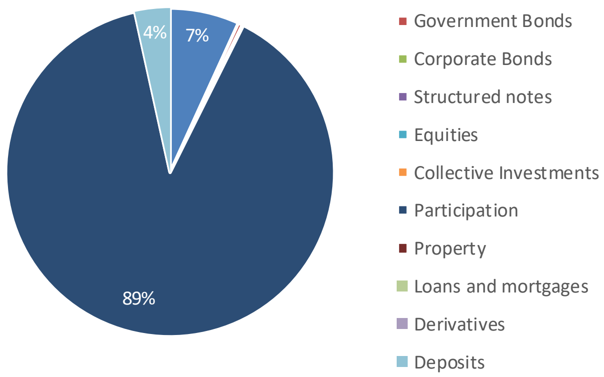
D.1.1 Investment Portfolio, Cash and Deposits

The market valuation of the investment portfolio (equities, government bonds and corporate bonds) is done at the closing date, based on prices provided either by the undertaking or by the responsible asset manager.

The reports provided by the custodian include the exchange rates, the quantities held, the prices in local and reference currency and the following asset types: Fixed Income, Equities, Emerging Market Equities, and Cash.

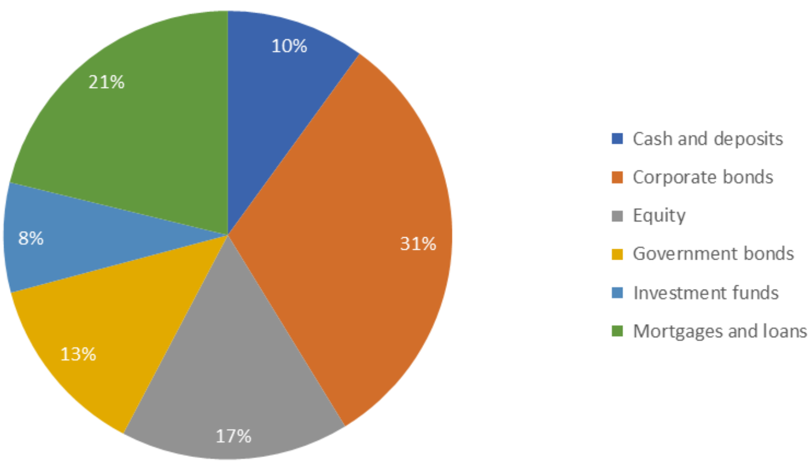
	EconomicBS	Statutory BS	Delta	%
Cash and deposits	75.442	75.442		0%
Bonds	3.173	3.173		0%
Equities	728	728		0%
Participation	656.228	592.180	64.048	11%
Properties				
Tot Portfolio	735.571	671.522	64.048	10%
Def Acquisition Cost		12.692	-12.692	-100%
Other Inv	49	49		0%
Accr Interest	26	26		0%
Asset Subj S2	735.646	684.289	51.357	8%

	Assets Ptf
Cash	50.158
Government Bonds	3.199
Corporate Bonds	
Structured notes	
Equities	
Collective Investments	728
Participation	656.228
Property	11
Loans and mortgages	
Derivatives	
Deposits	25.333
Tot Portfolio	735.657



Under the participation in affiliated undertakings (TEUR 656.228), we have the Steinfort Multi-Asset Fund SICAV-SIF (TEUR 639.826). The Solvency II value (NAV) of the fund is TEUR 64.048 higher than its cost. This added value represents the main part of the Investment increase at BIH level.

By using the look-through analysis of the investments (SMAF) the investment portfolio is mainly composed of Corporate bonds (31%), Loans (21%) and Equity (17%).



D.1.2 Receivables

Reinsurance receivables have been increased following the Solvency valuation (IFRS). This increase comes from the introduction of the retrocession of Profit Sharing Mechanisms at BRe level.
This new valuation leads to an increase of assets equals to TEUR 36.449.

Receivables	Statutory	Economic
Insurance and intermediaries receivables	14.364	14.364
Reinsurance receivables	57.947	94.395
Receivables (trade, not insurance)	13.590	13.590
	85.901	122.349

D.1.3 Other assets

The other assets items are similar in statutory as in economic value.

D.2. Technical provisions – Consolidated BS

As BIH is a holding company, no best estimate calculation is required to be performed.

At the entity level, the technical provisions are evaluated as a homogeneous group. As with standard actuarial techniques, large individual claims are considered separately from the remainder of the risk group if their inclusion would otherwise distort the results, or if separation would be considered to produce a more reliable valuation.

The provisions are converted into modelled cash-flows using appropriate payment patterns and are discounted by applying risk-free yield curves (by currency) that are provided by EIOPA to get the Best Estimate discounted.

Technical provisions are grouped into the following key components:

- Gross claims provisions: the best estimate of provisions that relate to the earned exposure;
- Gross premium provisions: the best estimate of provisions that relate to the unearned exposure i.e. driven from unearned premium and policies which are bound but not yet incepted at the valuation date;
- Risk margin: an additional provision to bring the best estimates to the level required to transfer the obligations to a third party.

The main sources of uncertainty with regard to the future cost of claims include the following:

- The final settlement cost of open claims – These cannot be known precisely, being dependent on factors such as court decisions as to the party liable or the prognosis for recovery from injuries;
- Material adverse or favourable developments in large claims occurred;
- Inflation rates may differ from assumed;
- Social, legal, technological or economic environments may differ from assumed;
- A change in the underlying mix of business or types of coverage over time or the emergence of new claim types or other events not included in the historical data;
- The level of expenses.

An active approach is taken by management to identify sources of uncertainty, quantify them and take actions to mitigate their potential impact. A review is done every year to assess the actuarial assumptions against actual results.

D.3. Other liabilities

As disclosed in S.02.01 the Solvency II values and statutory accounts values of creditors and accruals are evaluated at settlement value. Under Solvency II tax provisions are disclosed as accruals while under Lux-GAAP under creditors.

Provisions for deferred tax are the results of valuation differences between Lux-GAAP and Solvency II of all assets and liabilities. The major driver however for deferred tax is the reclassification of the equalization reserve and the valuation differences for technical provisions and listed assets.

A deferred tax liabilities are calculated with a tax rate of 27,19%.

D.4. Alternative methods for valuation

BG does not use any alternative methods for valuation.

D.5. Any other information

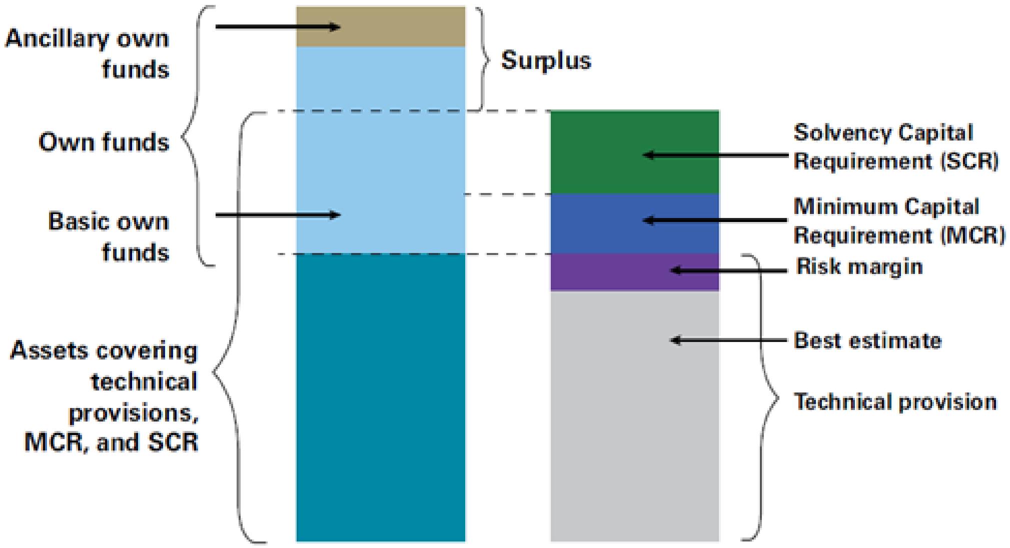
No other information is deemed necessary.

E. Capital management

E.1. Own Funds

E.1.1 Available capital

The Solvency II balance sheet can be summarised as follows:



The Basic own funds are the surplus of assets over liabilities (including subordinated liabilities).
The Ancillary Own Funds are off-balance sheet items such as unpaid share capital, letters of credit and guarantees.

For BIH Group, the economic available capital consists solely of own funds and is valued at TEUR 596.719.

E.1.2 Eligibility of Own Funds

The classification of funds is done according to their capacity to absorb losses:

- Tier 1 funds are permanently available to fully absorb losses in case of winding up and on a going concern basis.
- Tier 2 funds absorb losses in the case of a winding-up of the undertaking.
- Tier 3 funds are own funds which do not have the characteristics of the first two tiers.
- Own funds are deemed as being permanently available because of their sufficient duration, restrictions on redemptions and freedom from encumbrances. The value of TEUR 598.800 is classified in Tier 1.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

To evaluate the solvency ratio of the group, we do consolidate the BRE and BDI entities with the specificities of BIH stand alone and we apply the consolidation method 1; then we do apply the aggregation and deduction method to take into account the HRE share.

	BIH Group	HRE	BIH (1)
SCR	160,397	37,419	122,978
Tot Available Capita	598,800	83,258	515,542
Solvency Ratio	373.32%	222.51%	419.21%

The SCR is estimated at TEUR 160.397; with an economic capital of TEUR 598.800, the solvency ratio is 373,32 % and the surplus is TEUR 438.403.

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

BG has not opted to use the duration-based equity risk sub-module of the Solvency II regulations.

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

BG solvency is governed by a standard formula, rather than an internal model. The Board believes that this enhances transparency and consistent interpretation.

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

BG has not reported any breach in the Minimum Capital Requirement or significant non-compliance issues with the Solvency Capital Requirement during the reporting period.

E.6. Any other information

BRe being rated by A.M. Best since 2010 (BDi from 2016) BG considers it is paramount to have a capital evolution policy for maintaining the adequacy of the capital with its business evolution over the next 3 to 5 years.

Disclaimer

To the best of the BG's knowledge, the information contained herein is accurate and reliable as at the date of publication. However, BG does not accept any liability whatsoever for any loss or damage whether or not arising from any omission or error in compiling such information or as a result of any party's reliance or use of such information.

Contact

Readers can address any comments and questions on this document to contact@builders.lu

Appendix: Publicly disclosed QRTs

BIH

S.02.01.02
Balance sheet

S.02.01.02.01

Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	-
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	10.685,41
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	660.155.014,44
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	656.228.109,14
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	3.199.315,65
Government Bonds	R0140	3.199.315,65
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	727.589,65
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	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	16.037.090,87
Non-life and health similar to non-life	R0280	16.037.090,87
Non-life excluding health	R0290	17.229.101,83
Health similar to non-life	R0300	- 1.192.010,96
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	25.333.452,98
Insurance and intermediaries receivables	R0360	14.363.736,40
Reinsurance receivables	R0370	94.395.353,23
Receivables (trade, not insurance)	R0380	13.590.211,55
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	50.157.683,53
Any other assets, not elsewhere shown	R0420	223.912,64
Total assets	**R0500**	874.267.141,05
Liabilities		
Technical provisions – non-life	R0510	268.135.573,80
Technical provisions – non-life (excluding health)	R0520	206.925.793,13
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	197.658.049,57
Risk margin	R0550	9.267.743,56
Technical provisions - health (similar to non-life)	R0560	61.209.780,66
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	58.987.900,11
Risk margin	R0590	2.221.880,55
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	4.013.239,91
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	2.572.636,75
Deferred tax liabilities	R0780	63.863.151,66
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	4.478.332,49
Insurance & intermediaries payables	R0820	2.261.344,49
Reinsurance payables	R0830	13.273.281,65
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	127.380,08
Total liabilities	**R0900**	358.724.940,83
Excess of assets over liabilities	**R1000**	515.542.200,22

S.05.01.02

Premiums, claims and expenses by line of business

S.05.01.02.01

Z Axis:

VG/Statutory accounts

DI/Year to Date

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business												Line of Business				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	-	-	-	-	-	-	23.274.143,18	12.518.327,87	12.898.245,13	-	-	-	-	-	-	-	48.690.716,17
Gross - Proportional reinsurance accepted	R0120	-	-	45.433.682,15	260.864,24	- 26.531,65	4.109.200,29	11.449.337,26	61.009.778,59	3.068.369,46	-	-	-	-	-	-	-	125.304.700,34
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-	-	-	-	-	-	1.933.336,73	45.796.105,12	-	6.130.421,60	53.859.863,45
Reinsurers' share	R0140	-	-	6.145.596,59	62.778,29	- 178,21	1.242.107,48	13.363.983,43	12.536.724,11	13.451.424,97	-	-	-	10.710,48	4.208.293,79	-	2.076.093,32	53.097.534,26
Net	R0200	-	-	39.288.085,56	198.085,95	- 26.353,44	2.867.092,81	21.359.497,01	60.991.382,35	2.515.189,62	-	-	-	1.922.626,25	41.587.811,32	-	4.054.328,28	174.757.745,71
Premiums earned																		
Gross - Direct Business	R0210	-	-	-	-	-	-	16.058.466,98	11.988.307,21	8.260.381,11	-	-	-	-	-	-	-	36.307.155,30
Gross - Proportional reinsurance accepted	R0220	-	-	42.741.702,95	260.864,24	- 26.531,65	3.919.521,24	11.639.086,88	42.513.458,85	2.431.959,94	-	-	-	-	-	-	-	103.480.062,45
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-	-	-	-	-	-	1.594.556,57	41.631.140,82	-	6.141.004,34	49.366.701,73
Reinsurers' share	R0240	-	-	9.513.139,55	97.855,98	- 178,21	1.184.185,79	9.335.240,54	16.355.251,10	7.741.805,94	-	-	-	10.710,48	3.670.819,82	-	1.666.291,23	49.575.122,23
Net	R0300	-	-	33.228.563,40	163.008,26	- 26.353,44	2.735.335,45	18.362.313,32	38.146.514,96	2.950.535,11	-	-	-	1.583.846,09	37.960.320,99	-	4.474.713,11	139.578.797,25
Claims incurred																		
Gross - Direct Business	R0310	-	-	-	-	-	-	16.154.442,09	4.343.174,97	3.156.292,84	-	-	-	-	-	-	-	23.653.909,90
Gross - Proportional reinsurance accepted	R0320	-	-	15.893.263,30	138.255,24	- 23.849,71	3.678.170,30	11.455.261,04	34.621.428,74	1.360.862,69	-	-	-	-	-	-	-	67.123.391,60
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-	-	-	-	-	-	- 586.250,91	28.067.754,61	-	1.836.158,67	29.317.662,37
Reinsurers' share	R0340	-	-	5.390.781,38	56.153,97	-	1.080.421,72	9.479.778,97	8.133.707,42	1.661.767,28	-	-	-	139,59	1.684.442,07	-	446.220,69	27.933.413,09
Net	R0400	-	-	10.502.481,92	82.101,27	- 23.849,71	2.597.748,58	18.129.924,16	30.830.896,29	2.855.388,25	-	-	-	- 586.390,49	26.383.312,54	-	1.389.937,98	92.161.550,78
Changes in other technical																		
Gross - Direct Business	R0410	-	-	-	-	-	-	58.875,98	3.493,71	- 2.207,10	-	-	-	-	-	-	-	60.162,59
Gross - Proportional reinsurance accepted	R0420	-	-	- 429.450,09	1.824,71	-	-	-	466.445,45	-	-	-	-	-	-	-	-	38.820,07
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48.814,77	48.814,77
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	- 429.450,09	1.824,71	-	-	58.875,98	469.939,16	- 2.207,10	-	-	-	-	-	-	48.814,77	147.797,44
Expenses incurred	R0550	-	-	10.058.346,27	61.052,22	- 5.665,86	837.018,08	10.148.257,36	14.077.006,67	4.196.988,98	-	-	-	377.694,61	9.753.912,40	-	1.430.920,40	50.935.531,13
Other expenses	R1200																	
Total expenses	R1300																	21.780.419,27

S.05.02.01

Premiums, claims and expenses by country

S.05.02.01.01

Z Axis:
VG/Statutory accounts
DI/Year to Date

Home Country - non-life obligations

		Home country
		C0080
Premiums written		
Gross - Direct Business	R0110	46.266.628,60
Gross - Proportional reinsurance accepted	R0120	2.730.642,20
Gross - Non-proportional reinsurance accepted	R0130	3.884.000,00
Reinsurers' share	R0140	29.909.871,66
Net	R0200	22.971.399,14
Premiums earned		
Gross - Direct Business	R0210	34.098.122,35
Gross - Proportional reinsurance accepted	R0220	2.177.006,72
Gross - Non-proportional reinsurance accepted	R0230	3.765.383,70
Reinsurers' share	R0240	20.451.326,12
Net	R0300	19.589.186,65
Claims incurred		
Gross - Direct Business	R0310	23.653.909,90
Gross - Proportional reinsurance accepted	R0320	1.210.277,30
Gross - Non-proportional reinsurance accepted	R0330	2.225.439,44
Reinsurers' share	R0340	12.602.310,46
Net	R0400	14.487.316,19
Changes in other technical provisions		
Gross - Direct Business	R0410	60.162,59
Gross - Proportional reinsurance accepted	R0420	-
Gross - Non-proportional reinsurance accepted	R0430	48.814,77
Reinsurers' share	R0440	-
Net	R0500	108.977,36
Expenses incurred	R0550	16.282.007,81
Other expenses	R1200	
Total expenses	R1300	

S.05.02.01

Premiums, claims and expenses by country

S.05.02.01.02

Z Axis:
VG/Statutory accounts
DI/Year to Date
X Axis:
LG/All members

Top 5 countries (by amount of gross premiums written) - non-life obligations

Localization of activity		UNITED STATES	GERMANY
		Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations
		C0090	C0090
Premiums written			
Gross - Direct Business	R0110	-	-
Gross - Proportional reinsurance accepted	R0120	109.797.820,08	12.465.042,45
Gross - Non-proportional reinsurance accepted	R0130	46.617.761,01	-
Reinsurers' share	R0140	16.409.735,19	3.679.325,41
Net	R0200	140.005.845,90	8.785.717,04
Premiums earned			
Gross - Direct Business	R0210	-	-
Gross - Proportional reinsurance accepted	R0220	89.274.034,47	11.800.599,68
Gross - Non-proportional reinsurance accepted	R0230	42.409.444,23	-
Reinsurers' share	R0240	22.957.927,14	3.511.325,36
Net	R0300	108.725.551,56	8.289.274,32
Claims incurred			
Gross - Direct Business	R0310	-	-
Gross - Proportional reinsurance accepted	R0320	54.798.051,96	10.988.326,66
Gross - Non-proportional reinsurance accepted	R0330	27.231.667,59	-
Reinsurers' share	R0340	12.781.997,14	3.169.542,29
Net	R0400	69.247.722,41	7.818.784,37
Changes in other technical provisions			
Gross - Direct Business	R0410	-	-
Gross - Proportional reinsurance accepted	R0420	38.820,07	-
Gross - Non-proportional reinsurance accepted	R0430	-	-
Reinsurers' share	R0440	-	-
Net	R0500	38.820,07	-
Expenses incurred	R0550	31.248.895,64	2.520.031,08
Other expenses	R1200		
Total expenses	R1300		

S.05.02.01.03

Z Axis:
VG/Statutory accounts
DI/Year to Date

Total Top 5 and home country - non-life obligations

		Total Top 5 and home country
		C0140
Premiums written		
Gross - Direct Business	R0110	46.266.628,60
Gross - Proportional reinsurance accepted	R0120	124.993.504,73
Gross - Non-proportional reinsurance accepted	R0130	50.501.761,01
Reinsurers' share	R0140	49.998.932,26
Net	R0200	171.762.962,09
Premiums earned		
Gross - Direct Business	R0210	34.098.122,35
Gross - Proportional reinsurance accepted	R0220	103.251.640,87
Gross - Non-proportional reinsurance accepted	R0230	46.174.827,93
Reinsurers' share	R0240	46.920.578,62
Net	R0300	136.604.012,54
Claims incurred		
Gross - Direct Business	R0310	23.653.909,90
Gross - Proportional reinsurance accepted	R0320	66.996.655,92
Gross - Non-proportional reinsurance accepted	R0330	29.457.107,04
Reinsurers' share	R0340	28.553.849,88
Net	R0400	91.553.822,97
Changes in other technical provisions		
Gross - Direct Business	R0410	60.162,59
Gross - Proportional reinsurance accepted	R0420	38.820,07
Gross - Non-proportional reinsurance accepted	R0430	48.814,77
Reinsurers' share	R0440	-
Net	R0500	147.797,44
Expenses incurred	R0550	50.050.934,53
Other expenses	R1200	-
Total expenses	R1300	50.050.934,53

S.23.01.22
Own funds

S.23.01.22.01
Z Axis:
VG/Solvency II

Own funds

		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	100.000.000,00	100.000.000,00			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	156.611.000,00	156.611.000,00			
Initial 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	258.931.200,22	258.931.200,22			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
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	515.542.200,22	515.542.200,22			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
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						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	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	83.258.201,56	83.258.201,56			
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	83.258.201,56	83.258.201,56			
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	515.542.200,22	515.542.200,22			
Total available own funds to meet the minimum consolidated group SCR	R0530	515.542.200,22	515.542.200,22			
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	515.542.200,22	515.542.200,22			
Total eligible own funds to meet the minimum consolidated group SCR	R0570	515.542.200,22	515.542.200,22			
Consolidated Group SCR	R0590	122.978.474,27				
Minimum consolidated Group SCR	R0610	48.539.971				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)	R0630	419%				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	1062%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings	R0660	598.800.401,77	598.800.401,77			
SCR for entities included with D&A method	R0670	37.418.519,24				
Group SCR	R0680	160.396.994				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	373,32%				
			TX/Tier 1 – unrestricted	TX/Tier 1 – restricted	TX/Tier 2	TX/Tier 3

S.23.01.22.02

Z Axis:
VG/Solvency II

Reconciliation reserve

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	515.542.200,22		CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Own shares (held directly and indirectly)	R0710			CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Foreseeable dividends, distributions and charges	R0720			CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Other basic own fund items	R0730	256.611.000,00		CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Adjustment for restricted own fund items in respect of matching adju	R0740			CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Other non available own funds	R0750			CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Reconciliation reserve	R0760	258.931.200,22		CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]	SO/Insurance/reinsurance sector	Metric: Monetary
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770		BL/Life and Health SLT	CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]		Metric: Monetary
Expected profits included in future premiums (EPIFP) - Non-life busine	R0780	32.761.390,09	BL/Non-life and Health non-SLT	CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]		Metric: Monetary
Total Expected profits included in future premiums (EPIFP)	R0790	32.761.390,09		CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]		Metric: Monetary

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

S.25.01.22.01

Z Axis:
CM/Accounting consolidation-based method [method 1 and part of combination of methods 1 and 2]
SO/Insurance/reinsurance sector

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	106.502.365,79	
Counterparty default risk	R0020	12.243.808,57	
Life underwriting risk	R0030		
Health underwriting risk	R0040	23.520.349,98	
Non-life underwriting risk	R0050	81.115.359,93	
Diversification	R0060	- 62.177.988,12	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	161.203.896,15	

S.25.01.22.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	7.699.378,49
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	- 45.924.800,37
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	122.978.474,27
Capital add-ons already set	R0210	
Solvency capital requirement for undertakings under consolidated method	R0220	122.978.474,27
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	122.978.474,27
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	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	
Minimum consolidated group solvency capital requirement	R0470	48.539.971,21
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	37.418.519,24
Solvency capital requirement	R0570	160.396.993,50

S.32.01.22

Undertakings in the scope of the group

S.32.01.22.01

Undertakings in the scope of the group

							Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Identification code and type of code of the undertaking	Country	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of 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
C0020	C0010	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/529900VDZPURLKP4T426	LUXEMBOURG	Hollenfels Re SA	3 - Reinsurance undertaking	société anonyme	2 - Non-mutual	Commissariat aux assurances	25%	25%	40%		2 - Significant	25%	1 - Included in the scope		5 - Method 2: Solvency II
LEI/222100Q6OS7UBQBGM426	LUXEMBOURG	Builders Reinsurance SA	3 - Reinsurance undertaking	société anonyme	2 - Non-mutual	Commissariat aux assurances	100%	100%	100%		2 - Significant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
LEI/529900TBK6ZKHE80GB69	LUXEMBOURG	BUILDERS DIRECT S.A.	2 - Non life insurance undertaking	société anonyme	2 - Non-mutual	Commissariat aux assurances	100%	100%	100%		2 - Significant	100%	1 - Included in the scope		1 - Method 1: Full consolidation
LEI/529900VKR47CSZOR0H22	LUXEMBOURG	Builders Insurance Holdings	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	société anonyme	2 - Non-mutual	Commissariat aux assurances	100%	100%	100%		2 - Significant	100%	1 - Included in the scope		1 - Method 1: Full consolidation

BOARD OF DIRECTORS' MEETING HELD BY CIRCULAR VOTE

29TH OCTOBER 2020

The undersigned, being all Directors of Builders Insurance Holdings S.A. (the **"Company"**), do hereby consent & agree that the following resolution is taken in accordance with the procedure set out in the article 7 of the by-laws of the Company. This resolution has the same force and effect as if adopted at a meeting of the Board of Directors of the Company (the **"Board of Directors"**) duly called and held for that purpose.

The undersigned hereby agree & confirm having been provided in due time with any and all underlying documents and do hereby approve the following resolutions:

SOLE RESOLUTION

The Board of Directors **APPROVES** the unique "Solvency and Financial Condition Report" (SFCR) of Builders Insurance Holdings Group for the reporting period ended 31st December 2019.

Mr John S. Morrey ....

Dr Michael Feifel ....

Mr Yves Leleux ....

Mr Thorsten Göhl ....

Mr Florian Köhler ....