Skyfire Insurance Company Limited

Solvency and Financial Condition Report

For year ended 31st December 2022

Contents

Introduction

This document is the Solvency and Financial Condition Report ('**SFCR**') of Skyfire Insurance Company Limited ('**SICL**' or '**the Company**') as at 31 December 2022, and was prepared with the purpose of satisfying the Solvency II public disclosure requirements under the Financial Services (Insurance Companies) Regulations 2020.

The structure of this report follows that as set out in Annex XX of the Commission Delegated Regulation (EU) 2015/35 (the **'Delegated Regulation**') and contains a range of regulatory disclosures that support information presented in the Annual Quantitative Reporting Templates ('**AQRTs**').

This SFCR is compliant with Article 359 and contains the information referred to in Articles 290 to 298 of the Delegated Regulation.

The report is not intended to provide a comprehensive review of SICL's business and the market in which it operates, how the business is managed, or performance of the business during the year. This information is detailed in the 2022 audited Financial Statements.

Executive Summary

SICL is an insurance undertaking registered in Gibraltar, and a subsidiary of First Central Group Limited ('**FCG**'), an insurance and technology group holding company registered in Guernsey.

The sections of the SFCR are briefly summarised below:

Section A – Business and Performance

This section contains an overview of SICL's business, underwriting and investment performance. SICL offers motor insurance to the UK market and remained focused on maintaining technical discipline and underwriting performance during 2022.

SICL's 2022 Full Year Earnings Before Interest Taxes Depreciation and Amortisation ('**EBITDA**') was £10.1m, which was £(23)m or (43.9)% adverse to 2021, which was mainly driven by market wide claim inflationary pressures from economic and geo-political factors, higher than anticipated frequency due to adverse weather events in Q4 2022 and the return to full normality in respect of driving patterns and overall claims frequency in the post-COVID-19 pandemic society.

SICL's Investment and interest income in 2022 was £5.1m (2021 £1.1m). There was no material change to the shape of SICL's investment portfolio during the year. £3.8m of SICL's investment return came from interest earned on its small loan portfolio of property investments with £0.7m being made up of interest earned on Core Portfolio and Money Market Funds ('**MMF**') investments, and unrealised gains on the Core Portfolio of £0.6m.

Market dynamic risks in relation to price movements and the impact on SICL's competitive position are monitored on a daily and weekly basis through SICL's Management Governance Framework. After price reductions across the market during 2020 and 2021, there are two core factors that have built pressure to increase prices within the UK Personal Lines Motor market in 2022:

- The return to full normality in respect of driving patterns and overall claims frequency in the post-COVID-19 society.
- Increasing claims severity that started from supply-chain restrictions during the COVID-19 pandemic and accelerated during 2022 as wider economic and geo-political factors have driven up underlying inflation.

As a result, it is anticipated that prices will harden significantly throughout 2023 to improve overall profitability levels across the market.

Section B – System of Governance

This section describes the roles, functions, and responsibilities of the Board and its committees, and the internal control and policy framework. The Own Risk and Solvency Assessment ('**ORSA'**) process is explained in detail, as well as how the Internal Control System, Internal Audit function, Actuarial function and outsourcing are implemented.

Section C – Risk Profile

Further to the enhancements on the risk definition and assessment made to the Group Risk Management Framework ('**the Framework**') in 2021, Group and SICL Risk has focused in 2022 on improving the governance around controls documentation, implementing a framework to manage model risk, refining the risk taxonomy and implementing an enhanced forward-looking assessment of risk to provide an outlook for key risks over the coming twelve months.

SICL's risk profile identified that the principal risks to the company include:

- Underwriting risk, inadequate premium and inappropriate reserving.
- An increase in excess of loss reinsurance premium, and reinsurance default risk.
- Market risk in relation to investments.
- Credit and liquidity risk.
- Operational Risk including outsourcing and information security.

These risks are captured and appropriately controlled, monitored and reported on within the business by SICL's Risk Management Framework using a 'three lines of defence' approach.

The SICL Board are satisfied that the business is adequately prepared for, and robust enough to weather, any plausible stress scenarios without detriment to stakeholders.

Section D – Valuation for Solvency Purposes

This section provides information on the valuation of SICL's Assets, Liabilities and Equity on SICL's Solvency II balance sheet including detail of the valuation methodologies applied and any adjustments made to convert from a GAAP to Solvency II basis.

Section E – Capital Management

SICL has continuously complied with its Solvency Capital Requirement ('**SCR**') and Minimum Capital Requirement ('**MCR**') throughout the year. As at the 31st December 2022, SICL held own funds of £110.5m compared to the SCR of £71.8m, resulting in a SCR coverage of 153.9% (2021: Own funds £88.7m, SCR £61.9m and SCR coverage of 143.3%).

A copy of the Annual Quantitative Reporting Templates ('**AQRTs**') is provided in Appendix to the SFCR.

Alberto Chumillas **Date:** 5th April 2023
Managing Director
Skyfire Insurance Company Limited

A Business & Performance

A.1 Business

SICL is an insurance company licensed in Gibraltar, limited by shares, with its principal activity being the provision of motor insurance to the UK Market. SICL is a wholly owned subsidiary of FCG, an unlisted private limited company based in Guernsey, and is the general insurer for First Central Group (or the '**Group**').

SICL and Group supervision is carried out by the Gibraltar Financial Services Commission ('**GFSC**'). SICL is authorised to underwrite the following insurance classes in the United Kingdom:

Class	Type of insurance business
3	Land vehicles
7	Goods in transit
10	Motor vehicle liability
16	Miscellaneous financial loss
17	Legal expenses
18	Assistance

The contact details of the regulator are:

Gibraltar Financial Services Commission
PO Box 940
Suite 3, Atlantic Suites
Gibraltar
Tel: +350 200 40283
https://www.fsc.gi

The contact details of the external auditor are:

Deloitte LLP
Merchant House
22/24 John Mackintosh Square
Gibraltar
https://www2.deloitte.com/gi/en.html

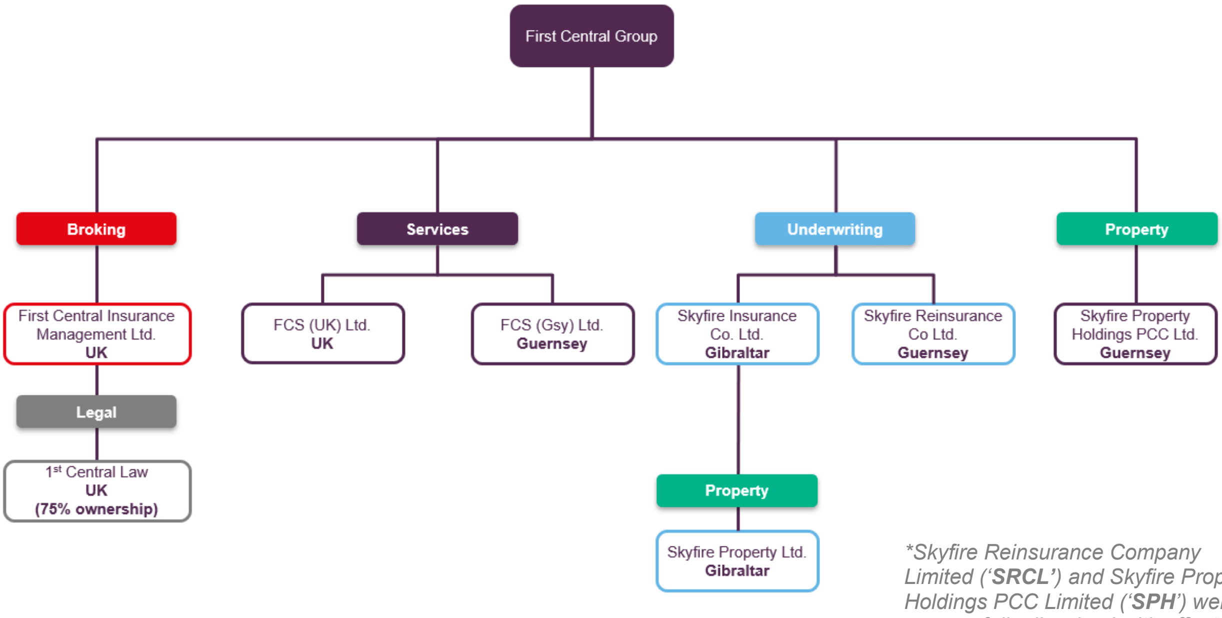
FCG shareholders with qualifying holdings (>10%) are:

Kenneth Acott

Patrick Tilley

Peter Creed

The chart below shows that SICL sits within the Underwriting pillar in the Group structure and is overseen by FCG. SICL is owned by FCG, who is the parent holding company of all the entities within the Group, except 1st Central Law Ltd of which FCIM owns 75%.



Skyfire Reinsurance Company Limited (‘SRCL’**) and Skyfire Property Holdings PCC Limited (‘**SPH**’) were successfully dissolved with effect from 04/01/2023*
Skyfire Property Company Limited is in liquidation with dissolution expected during H1 2023.

Significant Events during the reporting period

- **Inflationary environment in the UK**

Throughout 2022 the UK economy has seen a significant increase in inflation (with the Consumer Price Index (‘**CPI**’) reaching 10.1% in December 2022), primarily caused by the impact on energy prices driven by the Russian invasion of Ukraine. This has had a negative impact upon claims inflation, primarily within Third Party and Customer Damage claims, where SICL along with the rest of the market, have experienced increased repair labour rates and increased part prices. Elongated repair times due to both delays in parts supply and repairer capacity issues have also been observed, which has in turn caused an increase to credit hire durations.

Due to the ongoing disruption to the trading environment caused by the FCA General Insurance Pricing Practices (‘**GIPP**’) reforms, the commensurate hardening of rates to reflect this claims inflation started to occur later than had been initially forecast. Through the rigorous monitoring of the trading and claims environment, the Board is comfortable that any adverse impacts from this are included in the forecasts of business performance for 2023.

The FCG Board also approved additional cost of living payments to colleagues, reflecting the impact of the inflationary environment upon them.

- **General Insurance Pricing Practices**

The implementation of GIPP at the start of 2022 had a significant impact on the market and presented opportunities and risks for SICL. Whilst retention rates improved, the reduced quote volumes and increase in frequency of launch of new brands and products by competitors initially made attracting new business more difficult. Our technical pricing models were compliant without any adverse impact upon forecast overall claims frequency for different customer tenures. Through 2022 we observed the expected alignment of loss ratios across different customer tenures for business written on the compliant rates, erasing a long-standing pattern of new business being less profitable than renewal business. This in itself indicates the intended outcomes are being realised on SICL's book. There is evidence of the ruling having applied overall downward pressure on rate adequacy across the market. New business price index trackers in Q4 2022 generally reported annual increases of almost 20%, but the ABI figures which consider new and renewing prices showed only 7% increase (lower than most estimates of claims inflation), illustrating the extent of renewal price reductions that had been passed on to customers. SICL will monitor these trends carefully into 2023 and respond accordingly.

- **Civil Liability Act 2018**

The whiplash reform elements of the Civil Liability Act ('**CLA**') went live for injury claims arising from accidents from 31st May 2021. SICL continue to observe a sustained reduction in frequency in line with competitors in the rest of the market and have not observed any catch up in late notified claims and will continue to monitor the emerging picture. We still expect cost savings and our experience on claims settled so far is in line with the savings per claim we had assumed and we continue to closely monitor the position as claims develop. However, the Court of Appeal cases where the valuation of secondary injuries were considered have now concluded. This decision represents a deterioration in our expected savings per claim where we now expect secondary injury costs to be higher than initially modelled and already observed for settlements so far. We will continue to review our position as claims mature which will enable SICL to determine the impact of the CLA on claim costs and allow these savings to be reflected in lower premiums for policyholders, in line with the FCA's expectations. The Association of British Insurers ('**ABI**') has sought permission to appeal the rulings by the Court of Appeal (20 January 2023) and whilst this could reverse the expected increased secondary injury costs, we will not likely know if the appeal is granted for up to 6 months and then any possible outcome will take much longer still.

A.2 Underwriting Performance

SICL motor premium written in the UK via freedom of services from Gibraltar, for the year ended 31st December 2022, was £522m (2021: £402m).

Whilst delivery of the 2022 Business Plan has been impacted by significant macroeconomic disruption and regulatory change, SICL has reacted swiftly to the changeable markets, traded well and maintained change agility, despite prevailing uncertainty. Having continued to invest heavily in colleagues, data and technology to deliver an effortless customer experience, operational improvements and improved capabilities that ensure the rigorous running of the business, the Boards are confident in SICL's ability to continue to deliver the sustainable growth and profitability targeted in the Business Plan.

The Russian invasion of Ukraine has exacerbated supply chain shortages and has been the catalyst for 'once in a generation' inflationary conditions, both impacting indemnity spend and our general cost base. SICL has been quick to react to observed claims severity increases adjusting claims severity inflation assumptions (for pricing and reserving) 1.26x from a baseline of 4.8% to 9.8% in 2023, moving quickly to minimise loss ratio deterioration by putting through additional rate increases and responding to the price/ claims experience lag.

General inflation and the impact on cost of living has also had an impact on consumer behaviour which is expected to persist, including reduced mileage, fewer new vehicle registrations and increased shopping around.

Market hardening has been slower than management expected. SICL has acted prudently in putting through rate increases whilst the market has been slower to react, putting strain on its competitive position.

SICL's 2022 Full Year EBITDA was £10.1m, which was £(23)m or (43.9)% adverse to 2021 which was mainly driven by market wide claim inflationary pressures from economic and geo-political factors and the return to full normality in respect of driving patterns and overall claims frequency in the post-COVID-19 pandemic society.

SICL's best estimate reserves for accident years 2021 and prior saw some adverse development over the course of 2022. This arose primarily as a result of inflationary pressure on third party damage and small bodily injury claims particularly in light of the Court of Appeal ruling with regards to secondary injury valuation.

The loss ratio for the 2022 accident year is higher than 2021 given the frequency and severity pressures from the impacts of the significant macroeconomic disruption and significant adverse weather experience in Q4.

Overall Performance of the Company

Below is a table outlining the profitability of the company split by technical and non-technical elements.

SICL Summary of Comprehensive Income	SICL (£'m)	
	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Earned premiums, net of reinsurance	**91.5**	**23.5**
Other technical income	69.9	59.0
Claims incurred, net of reinsurance	(157.5)	(67.0)
Change in other technical provisions, net of reinsurance	0.0	0.0
Net Operating expenses	(0.5)	1.5
Technical Result	3.4	17.0
Investment Income	5.1	1.1
Investment expenses and charges	(0.2)	(0.1)
Profit / (loss on Acquisition of Business	0.0	7.2
Profit before tax	**8.3**	**25.2**
Tax	(0.2)	(2.9)
Profit after tax	**8.1**	**22.2**

Included within the technical result was the Company's share of the ancillary income earned by its sister company, First Central Insurance Management Limited ('**FCIM**').

A.3 Investment Performance

The table below shows a breakdown of SICL Investment and Other Income

SICL	Year ended 31 Dec 2022 £'m	Year ended 31 Dec 2021 £'m
Loan interest income	3.81	1.13
Bank / Investment interest income	0.67	1.14
Realised gain (loss) on investments	(0.03)	(0.94)
Unrealised gain (loss) on investments	0.62	(0.21)
Other	0.00	(0.02)
Investment and Other Income	**5.07**	**1.10**

SICL's Investment and interest income in 2022 was £5.1m (2021 £1.1m). There was no material change to the shape of SICL's investment portfolio during the year. £3.8m of SICL's investment return came from interest earned on its small loan portfolio with £0.7m being made up of interest earned on Core Portfolio and MMF investments, and unrealised gains on the Core Portfolio of £0.6m.

A.4 Performance of Other Activities

Nothing to report.

A.5 Any Other Information

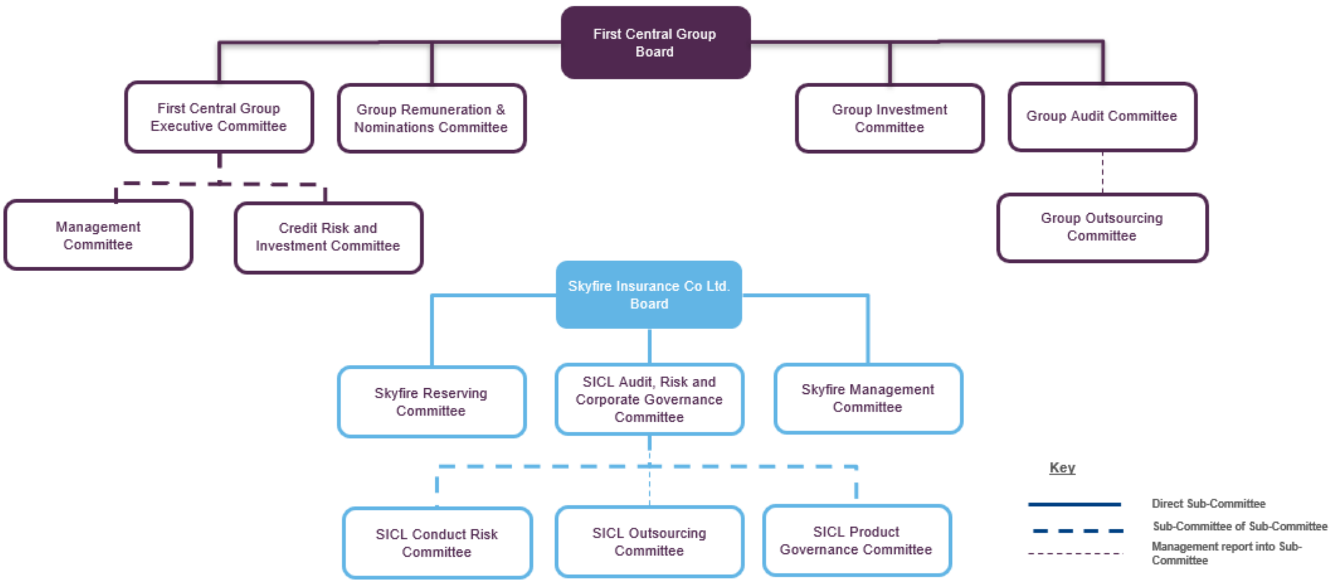
Nothing to report.

B - System of Governance

B.1. General Information on System of Governance

The FCG Board is responsible for ensuring the long-term, sustainable success for the Group and its shareholders, and is the principal decision-making body for the Group. To achieve this, the Board oversees governance arrangements across the Group, which are set out through FCG's Corporate Policies. The SICL Board has responsibility for the governance of SICL, which must align with minimum expectations set by the FCG Board.

The Boards have delegated authority to a number of Committees empowered to oversee the governance of key risk areas of the Group, in accordance with approved Terms of Reference. The principal Committees for FCG are: The Group Remuneration and Nomination Committee ('**RemNomCo**'), Group Investment Committee ('**GIC**'), Group Audit Committee ('**GAC**') and Group Executive Committee ('**ExCo**'); with SICL having the Audit, Risk and Corporate Governance Committee ('**ARCGC**'), SICL Management Committee ('**SICL ManCo**') and, SICL Reserves Committee ('**SRC**'). FCG monitors SICL's adherence to the above-mentioned standards through GAC, and GAC also has responsibility for overseeing the performance of the ARCGC.



The main responsibilities of the Boards, Committees, meetings and forums are as follows:

FCG Board and Sub-Committees

FCG Board

The FCG Board's main focus is to formulate and oversee the strategic direction of the Group, the Group capital management, and to consider and review the Group's operational and financial performance.

Group Audit Committee ('GAC')

GAC's core responsibilities include, but are not limited to:

- Examine and report on the level of assurance provided by the Group's risk, internal audit and control environment.
- Review the Group's annual financial statements and financial reporting process.
- Review the ORSA.
- Engage with external auditors and advisors where appropriate.
- Oversee the Group's compliance with applicable laws and regulations.

Group Investment Committee ('GIC')

The GIC oversees and monitors the overall performance of investments made on the Group's behalf, in line with the investment guidelines. GIC also monitors the:

- Investment policies of individual subsidiaries to ensure they comply with the Group Investment Policy.
- Performance and adherence of investments against agreed investment risk appetite.
- Performance of the investment portfolio manager.

Group Remuneration and Nominations Committee ('RemNomCo')

RemNomCo has been delegated authority to review and consider the composition of Boards and Board Committees and the nomination of members thereto. RemNomCo has also been delegated authority to review and consider the Group's remuneration and advise on specific remuneration structures.

SICL Board and Sub-Committees

Skyfire Insurance Company Limited Board ('SICL Board')

The SICL Board is responsible for setting and overseeing SICL's delivery against its Business Plan. The SICL Board is also responsible for supporting the delivery of related objectives from the wider Group Business Plan. To support the above, the SICL's main responsibilities are to:

- Oversee and monitor Key Performance Indicators ('**KPIs**') and key business metrics in alignment with the strategy, risk appetite and annual budget which reflect the requirement of key stakeholders, including the Group, policyholders and regulators.
- Oversee colleague and community engagement.
- Review and approve the financial statements.
- Review and take decisions on key matters to deliver key objectives.
- Approve significant expenditure, in alignment with the Delegation of Authority Policy.

SICL Audit, Risk and Corporate Governance Committee ('ARCGC')

The ARCGC's core responsibilities include, but are not limited to:

- Examine and report on the level of assurance provided by SICL's risk, internal audit and control environment.
- Review the annual SICL financial statements and financial reporting processes. Review and input into the ORSA.
- Engage with external auditors where appropriate.
- Oversee SICL's compliance with applicable laws and regulations.

SICL Reserves Committee ('SRC')

The SRC is responsible for reviewing SICL's claims experience and developing patterns to consider appropriate ultimate reserving provisions for payment of future claims liabilities in conjunction with the reviews by internal and external actuaries. The SRC's main responsibilities are to:

- Consider reports from the internal and external actuaries.
- Recommend to the Board an appropriate Ultimate Loss Ratio ('**ULR**'), on both a gross and net basis on an accident year and underwriting year basis, and therefore recommend the level of ultimate reserving provisions for the payment of future claims liabilities.
- Demonstrate an appropriate level of detailed scrutiny not only to the Board, but also to other relevant stakeholders such as external auditors and regulators.
- Consider and recommend any other relevant technical matter brought to the Committee in relation to underwriting premiums and resulting ULRs.
- Monitor reserving risks and escalate to the Board and ARCGC as appropriate.

SICL Conduct Risk Committee ('SICL CRC')

The purpose of the SICL Conduct Risk Committee is to:

- Oversee the SICL approach to ensuring that it meets the needs of customers with good conduct outcomes.
- Ensure that resources, policies and procedures enable the achievement of good outcomes for customers.
- Ensure that risks to good outcomes are managed appropriately.

SICL Product Governance Committee ('SICL PGC')

The PGC has been established to provide strategic reviews, performance monitoring and due consideration as to the suitability of insurance products, or any relevant ancillary service offered by SICL. The PGC provides oversight of SICL products during their lifecycle, with specific regard given to the interests of its customers on a quarterly basis.

Executive and Senior Management Groups and Forums

Executive Committee (‘ExCo‘)

To manage the day-to-day execution of the Business Plan. The ExCo meet on a frequent (typically weekly) basis to guide and monitor the implementation of objectives, deliverables, policies and other key processes. A more formal monthly ExCo meeting is also held to monitor the Group’s performance against Business Plan through the KPI’s set under each of the five strategic drivers.

The ExCo is responsible for the delivery of Group corporate objectives, KPIs and business metrics and is the principal executive forum to oversee the performance of the Group.

ExCo is the formal escalation route of the business to Group Boards and Committees.

Group Credit Risk, Investment Oversight Committee (‘CRIOC’)

The ExCo has established a formal sub-committee, CRIOC, to manage the credit risk exposures of the Group, comprising reinsurance, investment, capital management and customer exposures, and to consider the levels of exposure as well as the creditworthiness of counterparties, with the following responsibilities:

- To propose, monitor and review FCG’s credit risk and investment appetite and manage key risk exposures within the agreed appetite.
- To review operational adherence to the Risk Management Framework and the Financial Control Framework.
- To review credit risk and investment strategy on a continuous basis, making recommendations to ExCo, Subsidiary Boards and FCG Board as appropriate.
- To optimise the efficiency of FCG’s credit risk and investment strategy and ensure plans are in line with risk appetite and the FCG Board-approved Business Plan.
- To review the effectiveness of the controls to prevent the crystallisation of known and unknown risks.
- To review and propose changes to FCG’s Credit and Investment Risk Appetites.
- Review Management Information (‘**MI**’) on actual and forecast capital coverage levels for all regulated entities.
- Challenge forecasts and agree capital management actions for recommendation to entity boards where appropriate.

Group Management Committee (‘ManCo’)

ManCo reports into the ExCo and provides support in managing the day-to-day execution of the Business Plan. ManCo has a number of responsibilities relating to strategy and performance, people and culture and risk and compliance, escalating matters to ExCo (and onward to Boards/Sub-committees) as appropriate.

Group Outsourcing Committee (‘OsCo‘)

The primary purpose of OsCo is to ensure that the Group’s outsourcing arrangements are effectively monitored and reviewed and remain fit for purpose, and have oversight of outsourced activities, through monitoring of the service quality review process, in line with the agreed Service Level Agreements (‘**SLAs**’).

SICL Management Committee ('SICL ManCo')

The Board of SICL has established a SICL ManCo to manage and formalise the collective decision making between the Regulated Individuals and Management Forums outside of Board meetings, acting within authority levels agreed by the SICL Board.

SICL Outsourcing Committee ('SICL OsCo')

The primary purpose of the SICL OsCo is to ensure that SICL's outsourcing arrangements are effectively monitored and reviewed and remain fit for purpose, and have oversight of outsourced activities, through monitoring of the service quality review process, in line with the agreed Service Level Agreements ('**SLAs**').

The 'Three Lines of Defence Model'

As part of the Group Risk Management Framework (**the** '**Framework**') and the implementation of its Internal Control Policy the FCG Board has implemented a Three Lines of Defence Model throughout the Group. The responsibilities of the Three Lines are as follows:

First Line of Defence: Management

The First Line are accountable for the day-to-day management of risk and are responsible for identifying and managing controls as part of their accountability for achieving objectives. This is achieved through implementing the risk management and internal control management system.

Second Line of Defence: Risk Management and Compliance

The Second Line is formed of the Risk Management and Compliance functions, who specialise in the management of risk and provide the policies, frameworks, tools, techniques, and support to facilitate the effective management of risk by the First Line. They are also responsible for providing internal assurance that the risk management and internal control system is operating effectively and also provide an advisory service to the First Line on Risk and Compliance matters.

Third Line of Defence: Internal Audit

Provide independent assurance to the Boards regarding the effectiveness and adequacy of governance, risk management and internal control in the Group, across both First and Second lines. The FCG Board has appointed an external provider, Mazars LLP, to fulfil the Internal Audit function. This brings a systematic, independent, and disciplined approach to the assurance provided to the Board.

Material changes in the system of governance

There were the following material changes in the system of governance during the year:

Group:

Significant progress in improving the policy governance and risk frameworks was made in 2022, as well as strengthening risk and compliance resources.

At the end of 2021 in anticipation of going into members voluntary liquidation, SRCL ceased underwriting any further quota share reinsurance., SICL is the only insurance risk carrier in the Group, thus the Group Reserves Committee (‘**GRC**’) was dissolved and replaced by the SRC, which was established in Q1 2022.

The new FCG OsCo became operational in Q3 2022.

SICL:

Significant progress in improving the policy governance and risk frameworks was made in 2022, as well as strengthening risk and compliance resources.

During the year an executive director and two independent non-executive directors (‘**iNED**’) were appointed to the SICL Board.

In addition, the SRC was established in Q1, replacing the GRC following the transfer of liabilities from SRCL, SICL ManCo, SICL PGC and SICL OsCo became operational in Q1, Q2 and Q3 respectively.

During 2022 SICL commenced the process of insourcing various services previously outsourced to a Gibraltar-based insurance manager. The move to a self-managed model allows the SICL Board to more readily ensure that there is sufficient dedicated, in-house resource to support the Business Plan. The services in scope include risk management, compliance, company secretarial, finance, regulatory and industry reporting.

Adequacy of the System of Governance

SICL aims to continuously improve its systems of governance by reviewing, evaluating, and recommending improvements to the Board at least annually. These improvements cover enhancing and developing the systems, including the outcomes from compliance monitoring programme, root cause analysis from complaints, breaches and incidents, and incremental development as the systems mature. It considers relevant industry advice and guidelines, implementing these as appropriate for the size and complexity of the Group.

Internal and external audits provide independent evaluation of SICL’s system of governance. Recommendations from these audits are considered by the ARCGC, and Board, and are implemented in a manner proportionate to SICL’s risk profile.

Remuneration Policy

RemNomCo has responsibility for reviewing and approving specific remuneration and advising on the specific remuneration structures of all FCG and SICL Executive Directors, and nominated senior members of the management team, as well as all employees collectively so as to:

a) Ensure that all colleagues are fairly rewarded for their individual performance and contribution to the Group’s overall performance (based upon its objectives); and
b) Demonstrate that the pay of Executive members is objectively reviewed by a Committee chaired by an iNED.

Remuneration includes salary, incentives (including share incentive plans), bonus, pension, benefits, terms and conditions and contract of employment, discretionary payments, compensatory or settlement terms on loss of office or payments to be made on retirement or resignation.

The remuneration of all executive and Non-Executive Directors (‘**NEDs**’) is considered and approved by the RemNomCo as appropriate.

Distributions to the Group

No dividend was paid from SICL to FCG during the reporting period.

Pension and Early Retirement Schemes

SICL did not operate any enhanced pension arrangements or early retirement schemes during the reporting period.

Material Related Party Transactions

Cell Charles Street, a cell within Skyfire Property Holdings PCC Limited (‘**SPH**’) was converted to a standalone company, Charles Street Investment Limited (‘**CSIL**’), on 23rd December 2020. CSIL was deconsolidated from the Group during 2021. SICL’s loan of £2.5m to CSIL is repayable on 31st December 2023. The loan continues to be secured over CSIL’s ordinary shareholding in an unquoted property holding company.

B.2 Fit and Proper Requirements

SICL has fully adopted the principles and standards of the Regulated Individual Regime (‘**RIR**’), and its principles of clearly documented accountabilities in line with good practice.

Whilst there is no formal definition of what constitutes ‘fit and proper’, SICL uses the following criteria when undertaking such assessments:

- honesty, integrity and reputation (e.g. prudent approach to business, good reputation, no convictions for fraud or dishonesty, no regulatory sanctions, regulatory approval);
- competence, ability to conduct business and organisation (e.g. experience, knowledge, no conflicts of interest that cannot be reasonably mitigated); and
- financial position (e.g. no history of personal bankruptcy, no history of association with corporate bankruptcy).

Process for assessing fitness and propriety

The SICL Board ensures that all Board members, and other RIR function holders are assessed to ensure that they fulfil fit and proper requirements upon appointment and annually thereafter.

Upon appointment, this includes reviewing the curriculum vitae of the candidate, an in-depth interview, obtaining references (both personal and professional), and carrying out due diligence checks. Due diligence checks include verification of identification and address, and searches on due diligence databases. The candidate is also asked to declare any interests so the Board can review whether they conflict with SICL's interests. All conflicts of interest identified are recorded on the Conflicts Register and reviewed by the Board on an annual basis. The disclosure of any new conflicts is requested at each Board meeting.

B.3 Risk Management System including ORSA

SICL has implemented a 'three lines of defence' approach to Risk Management and recognises the importance of managing risks faced in the pursuit of its business objectives. The definition of risk adopted by the Group is "*the effect of uncertainty on objectives*", which is a derivation of the ISO 31000 Risk Management standard definition of risk. SICL applies the Group's Risk Management Framework, along with supporting policies and procedures which it has tailored for SICL. The Group Risk and Compliance Director liaises with the SICL Risk Management Function holder on a day-to-day basis to ensure that the Framework is implemented appropriately, and to provide support and training.

The purpose of the Framework is to provide a systematic approach to risk identification and management. It is reviewed from time to time to take account of the changing environment in which SICL operates. The Framework revolves around the risk register, which contains details of all risks and controls identified for SICL (the '**Risk Register**'), and the Framework includes a process for monitoring the implementation and efficacy of the controls.

Risk Management Process

The risk management process is consistent with ISO 31000, the Risk Management standard, and is comprised of 5 elements:

1) **Identification**;
2) **Assessment**;
3) **Response**;
4) **Monitoring**; **and**
5) **Reporting**.

Risks are assessed on a pre-controls (inherent) and post-controls (residual) basis using a matrix of impact ('I') and likelihood ('L') scores to arrive at a Critical, High, Moderate or Low rating. The amount of risk the Board will tolerate in the business, which is defined in the Group Risk Appetite Statement, is also considered in the target rating which is arrived at using the same matrix.

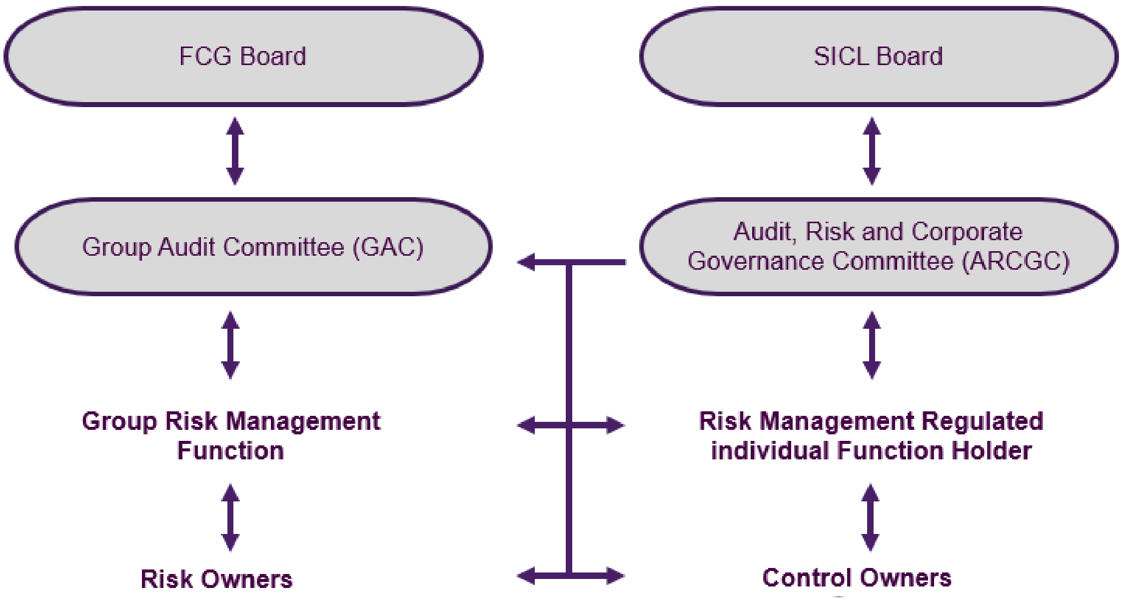
During the reporting period SICL's solvency calculations were completed and the ARCGC and Board engaged as necessary to ensure that the SICL SCR was continuously met. SICL ensures that risks to its solvency are monitored and managed through the risk management process.

Risk Management ('RM') Roles and Responsibilities

FORUM	RESPONSIBILITIES
FCG Board	Ultimate Responsibility for Group RM and business risks. Sets Group RM Culture. Sets Group RM Policy. Sets Group risk appetites and tolerances.
SICL Board	Responsibility for SICL RM and business risks. Sets RM Culture. Sets RM Policy. Sets risk appetites and tolerances.
GAC	RM across the Group. Oversee RM Culture. Oversee Group RM Policy. Monitors Group risk appetites and tolerances. Escalates risk to the FCG Board where necessary.
ARCGC	Delegated oversight of RM from SICL Board. Reviews business risk profile. Monitors risk appetites and tolerances. Escalates risk to the SICL Board where necessary.
Group Risk Management Function	Oversight and challenge of risk management activity across the Group. Ensures consistent application of the Framework across all entities. Reports on the effectiveness of the Framework to GAC. Advises on RM best practice. Design and implementation of RM training.
Risk Management Regulated Individual Function Holder	Ensures the Risk Registers are maintained, including challenging or removing risks;. Confirms emerging risks are relevant and appropriate. Ensures appropriate actions are taken if a breach has occurred, or is likely to occur. Monitors Risk Owner activity.

Risk Owners	Regularly assess their risks, considering control environment, any incidents and progress on any mitigating actions, ensuring that both impact and likelihood are up-to-date. Identify, manage and monitor emerging risks. Maintain risks within risk appetite and act if a breach has occurred, or is likely to occur. Monitor control owners' activity.
Control Owners	Review controls to ensure they reflect current processes and any changes. Assess and provide evidence of control efficacy.

Risk Management interactions is shown in the diagram below:



Own Risk and Solvency Assessment ('ORSA' or 'the Assessment')

SICL is responsible for completing the ORSA, which is an internal process, as it is subject to Solvency II, and covers both the view of the consolidated Group and SICL's view as the principal insurance company.

The ORSA's main purpose is to ensure that the Group and SICL assess all the risks inherent to their businesses and determine the corresponding capital needs or identify other means needed to mitigate these risks.

In particular, the ORSA considers situations in which the Group and SICL may be stressed. This is to examine whether the capital needs and mitigation measures necessary in these scenarios are sufficient to ensure that the business is prepared for, and robust enough to withstand, adverse conditions without detriment to stakeholders. The capital need identified to run SICL and Group is assessed by management using its own internal models which are deemed to be prudent and is termed the Economic Capital Requirement ('**ECR**').

While the Risk Register focuses on risks from a bottom-up perspective, the ORSA takes a top-down approach, linking business objectives, business risks, risk appetites and tolerances, business planning and capital planning together. The results of the ORSA also feed back into the risk management process, ensuring that all risks identified are incorporated into the assessment, management, monitoring and reporting cycle.

An ORSA is carried out at least annually on the assumption that the solvency needs and capital position are not volatile, and the business' risk profile is stable. However, a revised ORSA will be carried out in specific circumstances which include, but are not limited to:

- A material change to SICL's reinsurance arrangements (not included within a previous ORSA);
- A variance to GWP in the Business Plan of >20%, whether up or down;
- Business decision to launch new products or enter a new jurisdiction (not included within a previous ORSA);
- An adverse breach of risk tolerance for an area of risk in which the stated Risk Appetite is 'averse', which is accepted rather than mitigated;
- A change which would result in a breach of its solvency requirements or SCR cover tolerance; and/or
- Other circumstances that the SICL Board, ARCGC, GAC and/or ExCo feel is sufficient to justify a new ORSA being undertaken.

The ORSA is embedded into the business and capital planning processes. The proposed Business Plan is used to calculate the regulatory capital requirement (from the SCR calculation) and the ECR (from the ORSA). Both of which are considered by the relevant Board alongside the Business Plan. The Business Plan is then approved including any capital requirements and sensitivities.

B.4 Internal Control System

FCG's Group Internal Control Policy documents the procedures within the Group (including SICL), to ensure there is an effective internal control framework in place. The internal control system is managed through both the effective operation of the systems of governance in place within the Group, as well as through the 'three lines of defence' model implemented by the Group.

The internal control framework is broadly defined as the processes effected by the Board which are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations in view of SICL's risks and objectives;
- Availability and reliability of financial and non-financial information; and
- Compliance with applicable laws, regulations and administrative provisions.

Internal control consists of five interrelated components:

- Control environment: sets the tone of an organisation through the Business Plan, risk appetite and risk profile;
- Risk assessment: understanding the assessment of the risks which exist which would impact on SICL's ability to achieve their objectives;
- Control activities: policies and procedures that help SICL ensure necessary actions are taken to address risks to achieve their objectives;
- Information and Communication: pertinent information must be identified, captured and communicated in a form and timeframe that allows relevant individuals to carry out their responsibilities; and
- Monitoring: internal control systems need to be monitored to assess their effectiveness over time. This is accomplished through ongoing monitoring activities, with deficiencies in the internal control framework reported to senior management and the Board.

These components work to establish the foundation for sound internal control through directed leadership, shared values and a culture that emphasises accountability for control.

The Group's control environment is determined by the FCG Board, supported by the System of Governance framework described in B.1 above and the Committees which have set the tone of the organisation through the culture, principles, business planning and risk appetite. SICL follows the standards set by the Group.

Key control activities are mapped to the risks held within SICL's Risk Register.

Compliance Function

The Group Risk and Compliance function is responsible for the design, implementation, monitoring, and review of the Group's Risk and Compliance processes as well as the identification and communication of any new requirements arising from changes in regulation. Group Compliance, along with Group Risk, oversees the First Line processes for identifying, owning and ongoing management of Conduct Risk, including the implementation of new regulatory requirements.

SICL's Compliance function operates within this framework, the Group Risk and Compliance Director and the SICL Compliance function holder provide regular reports to the GAC and ARCGC to monitor compliance risk and appetite and escalate to the Boards as appropriate. The SICL Compliance function advises the ARCGC, which reports to the Board, on the strategic direction for SICL on Compliance matters and provides oversight and assurance to the Board over the effectiveness of the first line areas in delivering its regulatory responsibilities and adherence to the rules and guidelines set by the GFSC, FCA and other regulatory bodies as applicable.

The Group Compliance function works with the Group Risk function, SICL Compliance function holder and SICL Risk management function holder to provide advice and resolution to risk incidents as they arise. Management of incidents is completed in line with the Group Risk Management Policy.

B.5 Internal Audit Function

Internal Audit's primary role is to assess the level of assurance that can be obtained from risk management, governance and management's controls by evaluating whether the frameworks are operating effectively and agree recommended actions to be taken where issues are identified. Its secondary role is to provide advice to management in developing such frameworks. FCG has implemented its Group Internal Audit Charter ('**GIAC**') which outlines requirements, how the function will be performed, and how SICL adheres to these.

SICL Board has appointed a separate Internal Audit Function Holder ('**IAFH**'), an iNED, who is responsible for the efficacy of the function and associated tasks relating specifically to SICL. SICL also relies on the outsourced arrangement that FCG has with Mazars LLP to fulfil its internal audit requirements, being part of the FCG Internal Audit programme. However, the SICL function holder retains responsibility for the delivery of the Internal Audit Plan and conducting, with the independent members of the ARCGC, a quality review of the service provided.

Mazars commenced the outsourced Internal Audit model in 2019 and the relationship is managed by the Chief Governance Officer at a Group level, and the SICL IAFH At a SICL level.

The core principles of the GIAC' and the Mazars outsource model are:

- **Independence**
  Mazars report, and are accountable, to GAC and ARCGC both of which are responsible for their effectiveness and efficiency. Internal Audit acts independently of management and has a direct reporting line to the GAC and ARCGC to raise any issues identified. This allows Mazars to carry out their work effectively and to retain the independence of the function and the outputs generated.

  GAC is composed of two iNEDs, a NED and the CEO and ARCGC is composed primarily of iNEDs.

- **Audit Strategy**
  Mazars have established, with input from management and GAC and ARCGC, a rolling three-year Internal Audit Plan and maintain this, with input from the Internal Audit function holders. This is reviewed by GAC and ARCGC at least annually and is risk based to ensure alignment with the Group and SICL's strategic objectives as laid out in the Plan.

- **Annual Plan**
  Mazars prepare an annual plan based upon the audit strategy which is presented to, and approved by, GAC and ARCGC. This outlines the audits to be performed in the forthcoming year. The scope and frequency of audits included within the annual plan takes previous year audit results into consideration, along with a risk assessment of business activities, materiality and the adequacy of systems of internal control. The annual plan aims to include specific coverage of

Claims, Underwriting, Finance, Operational Departments, Information Technology and Special Projects (at the request of GAC or ARCGC).

The overall performance of the closure of actions is monitored by the SICL Board through the Company Objectives' KPIs, which are used to track adherence throughout the year. The KPIs are the focus point to address strategic objectives, delivery of the Business Plan and tracking of the key levers to the success of SICL and are provided to SICL ManCo each month and to the SICL Board each quarter.

- **Audit Recommendations Log**

Mazars maintain a log of all internal audit recommendations raised during audits completed. This log records the priority of the recommendations, the assigned owners and agreed completion dates. Mazars maintain the log to ensure all actions are addressed in a timely manner and provide quarterly progress reports to GAC and ARCGC.

- **Reporting**

The reports produced for each internal audit assignment are provided directly to GAC or ARCGC, as appropriate. ExCo receive copies of reports for audits with adverse opinions). The reports contain details of the audit work that has been performed, explanations of the issues or gaps identified, with proportional and appropriate recommendations, together with the relevant manager's comments. All recommendations are fully discussed with the relevant process and action owner, with target completion dates agreed.

Mazars provide a quarterly report to GAC and ARCGC, detailing work undertaken during that period against the agreed Internal Audit plan, and progress against the logged target dates for the actions identified.

B.6 Actuarial Function

SICL's actuarial function holds the responsibility for ensuring actuarial services are effectively and efficiently carried out. SICL's Head of Reserving, the Actuarial Function Holder ('**AFH**'), provides regular reports to the SRC, and an Actuarial Function Holder report directly to the SICL Board on an annual basis.

The actuarial function is responsible for:

- calculation of technical provisions;
- ensuring appropriate methodologies and underlying models are used, as well as verifying the assumptions made in the calculation of technical provisions are appropriate and proportionate;
- assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- comparing best estimates against experience;
- informing the Board of the reliability and adequacy of the calculation of technical provisions;
- expressing an opinion on the overall underwriting policy;
- expressing an opinion on the adequacy of reinsurance arrangements; and

- contributing to the effective implementation of the risk management system.

Each of these activities is undertaken at least annually, and the outcome reported to the SICL Board in the AFH report.

The SICL actuarial function also supports Group activity, where required. For example, the Group solvency calculation and ORSA. Willis Towers Watson, a third-party actuarial service provider, is engaged to provide an external validation of SICL's reserves twice yearly, as well as to provide ad-hoc support on matters to inform the opinion taken by the actuarial function and SRC.

During 2022, the GFSC requested that SICL move back to using the external independent Actuarial Best Estimate ('**ABE**') if higher than the internal view. In 2021, the GFSC had provided an endorsement for SICL to use their internal ABE. A twice yearly external actuarial review is still carried out with the SRC reviewing both the internal and external ABEs, and prudently reserving on the basis of this.

B.7 Outsourcing

SICL's outsourcing arrangements are monitored by the appropriate business area, with support from the Group Procurement and Supplier Management function. SICL views outsourcing as being the use of a third party (either an affiliated entity within the same Group or an external entity) to perform activities on a continuing basis that could be undertaken within SICL. The third party to whom an activity is outsourced is a 'service provider'.

SICL utilises outsourcing arrangements that shall not diminish its ability to fulfil its obligations to customers, the GFSC or Gibraltar Regulatory Authority, nor impede effective supervision by any applicable regulator.

Fundamental responsibilities such as the setting of strategies and policies, the oversight of the operation of SICL's processes, and the final responsibility for customers, is not outsourced.

SICL considers outsourcing where it sees particular advantages in doing so e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, or cost benefits.

SICL has also established SICL OsCo to provide enhanced oversight of all its outsourced arrangements, including intercompany arrangements.

SICL Outsourcing

SICL relies on third parties to provide significant services which allow it to focus on the insurance capacity it provides to the Group. SICL has an Outsourcing Policy, aligned to FCG's, which describes how it takes the decision to outsource, how a service provider is selected, and how the relationship is defined, managed and monitored.

Material Service Providers during the reporting period:

Service Provider	Service Provided	Jurisdiction Located
First Central Insurance Management Limited	Claims handling Counter fraud services Policy sales Marketing Brand management Outsourced services management Assistance with reinsurance activities Complaints handling	UK
First Central Services (UK) Limited	Financial Services including management, accounting, financial reporting, modelling/ business planning, solvency, treasury and investments Business & human resources Product development Procurement services & management IT Services Facilities Data management & provision of management information	UK
FCG Limited	Trademark use Software licence (rating engine) Strategic/Financial oversight Risk management framework Compliance framework Legal services	Guernsey
First Central Services (Guernsey) Limited	IT systems and development	Guernsey
Mazars LLP	Internal Audit	UK
Robus Risk Solutions (Gibraltar) Limited	Risk, Compliance, Company Secretarial, Finance	Gibraltar
Teleperformance Limited	Policy sales and administration (telephony)	UK & South Africa

B.8. Any Other Information

Nothing to report.

C - Risk Profile

The FCG Board is responsible for determining risk strategy and risk appetite across the Group, and for the Group's system of risk management and internal control. The FCG Board has delegated the development, implementation, and maintenance of the Group's risk management framework to GAC for the purposes of reviewing and reporting on the overall effectiveness of this system. SICL Board has aligned itself to this framework, as it relates to SICL, and has delegated the oversight of the SICL risk environment to the ARCGC.

Each risk area ('Level 1 risk') has a tolerance agreed by the FCG and SICL Boards and by responsible executives to support management in their understanding of risk appetite and to allow for the identification of incidents, or events which will require mitigation to avoid a breach risk appetite. For example, the tolerance for Information Security Risk (for which FCG and SICL have a generally cautious appetite or averse when it comes to sensitive data) is aligned to the Group Risk appetite, which has been agreed with GAC and ARCGC. The information security risk methodology and assessments, backed by the implementation of best practice controls, is used to manage information security risks. KPIs and assurance reviews are designed in order to measure alignment with ISO 27001 and track automated controls, manual controls and incidents in order to allow expert review and assessment of exposure.

The efficacy of controls is assessed by the control owner and reviewed by the relevant risk owner as part of a fixed review process, in conjunction with the Risk management function holder and Group Risk (where required), with the output of these reviews used to support the assessment of the Group and SICL's exposure.

Further to the enhancements on the risk definition and assessment made to the Group Risk Management Framework in 2021, Group and SICL Risk has focused in 2022 on improving the governance around controls documentation, implementing a framework to manage model risk, refining the risk taxonomy and implementing an enhanced forward-looking assessment of risk to provide an outlook for key risks over the coming twelve months.

Throughout 2022 the Group has experienced impact as a result of the inflationary environment in the UK economy, through a number of different factors. The inflationary impact that has impacted the UK economy (with the CPI reaching 10.1% in December 2022), primarily centred on the impact on energy prices driven by the Russian invasion of Ukraine has had a negative impact upon claims inflation, primarily within Third Party Property Damage and Accidental Damage.

Due to the ongoing disruption to the trading environment caused by the FCA's GIPP reforms, the commensurate hardening of rates to reflect this claims inflation started to occur later than had been initially forecast. Through the rigorous monitoring of the trading and claims environment, the Board is comfortable that any adverse impacts as a result of this are reflected in forecasts for 2023.

The Board has approved additional cost of living payments to colleagues, reflecting the impact of the inflationary environment upon them.

All risks covered within the SFCR consider the wider macro environment and their impact upon SICL, including the impact of the ongoing conflict in Ukraine, the current rate of inflation and stress in the UK economy and its implications on other socio-economic factors (i.e. like the increased cost of living, on customers, colleagues, and the wider market), the evolving UK regulatory environment (the new Consumer Duty) and the Business Plan review. As such, these risks are not considered to be standalone risks but a key part of the wider external risk environment in which SICL operates.

The following risks are monitored and managed within the Group Risk Management Framework:

C.1 Underwriting Risk

Ongoing underwriting risk for SICL is managed and monitored by the SICL Management Governance Framework. Efficacy of controls across this risk management framework is maintained by conducting regular reviews, continuously improving mitigating measures and reporting this control cycle feedback to the ARCGC and Board.

SICL was the only risk carrier in the Group during the reporting period. As the only insurer in the Group, SICL presents an underwriting risk in circumstances where the ultimate cost of claims for the risks underwritten is significantly in excess of the premiums collected for those risks, and the regulatory solvency capital retained by it. Any shortfall in required regulatory solvency capital can be mitigated through SICL's ability to utilise its Board approved Recovery Plan which includes levers that raise additional solvency capital amongst others (i.e. issuing subordinated debt, extending quota share cessions, de-risking the investment portfolio, raising of equity capital). The key risk to manage, therefore, on an ongoing basis is the adequacy of premiums charged in relation to insurance business underwritten, reserves and capital.

In addition to premiums written as an insurer, SICL also receives a share of the income earned by FCIM from the associated sales of ancillary product commission and instalment income where customers spread the cost of insurance over the life of the policy. This inevitably has an impact on capital where payment collections for premiums are through an instalment credit facility, as income is transferred to SICL through the Group's Tax Policy which contains the Group's approach to transfer pricing,

Reinsurance

SICL relies on a Quota Share ('**QS**') and Excess of Loss ('**XoL**') reinsurance programme to mitigate its underwriting risk and provide greater flexibility over the volume underwritten. It mitigates its counterparty risk by applying a policy of using A- or above rated (by AM Best or S&P) reinsurers. The cession on the quota share programme for 2022 was 60%, in line with 2021.

Reserving

Inappropriate reserving could result in the claim reserves being materially inaccurate. This could result in the reserves that SICL hold being insufficient to cover customer claims or other liability obligations owed by it. Alternatively, over-reserving could result in understating profit recognition, capital strain and inappropriate pricing impacting SICL's competitive position.

Ongoing pricing and underwriting risk is managed and monitored by the SICL Management Governance Framework. Efficacy of controls across this risk management framework is maintained by conducting regular reviews, continuously improving mitigating measures and reporting this control cycle feedback to the ARCGC and Board.

The SRC reviews and considers SICL’s ULR projections so as to recommend to the SICL Board an appropriate ULR, on both a Gross and Net basis for each accident year, and its allocation to a year of account, both at the financial year end and at least quarterly intervals during the year.

C.2 Market Risk

SICL is exposed to market risk in relation to its investments. This investment risk is mitigated by a cautious risk appetite under which SICL invests in UK gilts, sovereigns, supranational, agency bonds, money market funds and cash. Exposure to these investments is both direct and by way of managed funds. The GIC, regularly reviews its investment risk appetite and maintains a conservative strategy. The GIC and management closely monitor all investments and receive quarterly property updates from the Group Chief Financial Officer, who is responsible for overseeing the investment and property loan portfolio. Following a tender process in 2021 the Group appointed Abrdn as its new investment manager and the portfolio transitioned to the new manager in April 2022. SICL also reviewed its investment risk appetite and a new risk appetite statement was approved in H1 2022.

Prudent Person Principle

Solvency II has introduced the Prudent Person Principle for managing investments. The Prudent Person Principle seeks to ensure that the industry understands and can manage its investment risks. Specifically, insurers must be able to demonstrate that they can properly identify measure, monitor, manage, control and report on their investment risks and not place reliance upon information provided by third parties.

FCG and SICL’s risk management and strategic decision-making process in respect of asset investment is centred on the GIC. The GIC is an FCG Board sub-committee, which also has SICL directors as members. The governance process for material asset investment decisions can be summarised as follows:

1. Review

- Management review of asset classes, asset managers and proposed assets
- Factors considered include: yield, capital, asset and liability duration, diversification, credit quality, liquidity, currency, cost, tax, accounting and environment, social and governance factors.

2. Proposal

- Proposals discussed at Group Investment Committee
- Senior Management review including Chief Financial Officer and SICL Finance Director

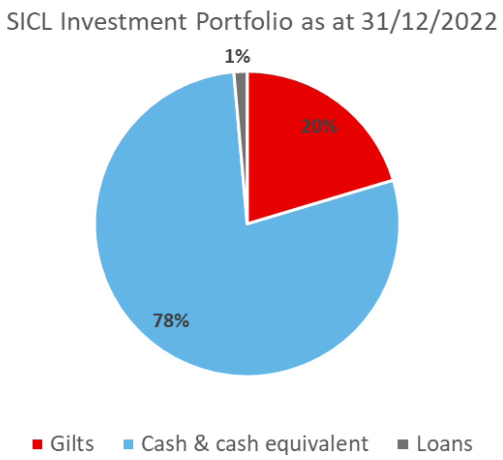
3. Approval

- Investment Policy approved by FCG and SICL Boards

4. Implementation

- Management implement Policy
- Included in the ongoing valuation, income and capital process

SICL forecasts its cash requirements over a three to five-year horizon based on the Business Plan, considering forecast claims payment patterns, contractual payments (e.g. XOL and QS reinsurance payments) and liquidity of the assets. In particular, the bond portfolio is invested in short-dated UK gilts, supranational and agency bonds which, along with the cash and cash equivalents held, are designed to approximate the nature and duration of the insurance liabilities. SICL's investment assets are distributed as follows:



C.3 Credit Risk

Credit risk is the risk that a counterparty will be unwilling or unable to pay amounts in full when due.

Key areas of exposure to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts held with banks and other financial institutions; and
- amounts due from insurance intermediaries.

All reinsurance and banking counterparties used have a credit rating of at least 'A-'. The credit rating requirement mitigates counterparty default risk.

Credit risk presented by premium owed by FCIM is mitigated by a contractual requirement for FCIM to pay all premium due for the period policies are on risk to SICL, whether it has been collected from policyholders or not, and by FCIM being a connected party.

Any shortfall in required regulatory solvency capital in SICL is mitigated through FCG's commitment to support its subsidiaries' business and capital requirements or through measures set out in the Board approved Recovery and Resolution plans. In addition to all the recovery levers included in the Recovery Plan, the FCG Board has provided a Letter of Comfort whereby it would inject sufficient capital into SICL, if SICL falls below its solvency risk appetite and it is unable to recover to green within 3 months.

C.4 Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due.

Liquidity risk is assessed and monitored on a day-to-day basis, ensuring that there are sufficient funds available to meet both immediate and foreseeable cash flow requirements. This is done by reviewing balances in bank accounts and investments against expected cashflow requirements, bearing in mind maturities of investments, notice periods for withdrawals, and known substantial expenses (e.g. reinsurance premium payments). A revised Liquidity Risk Policy was approved in December 2021 and updated monitoring on both stressed and unstressed scenarios was introduced in 2022.

C.5 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel, systems or from external events.

SICL's key operational risks are:

- Ineffective information security and cyber security standards resulting in the inability to preserve the confidentiality, availability or integrity of information, both within SICL's systems and in those of suppliers and partners;

- Ineffective integration of key or strategic projects designed to improve business operations;
- Material outsourced service providers fail to provide levels of service as expected and required by SICL, affecting SICL's ability to sell policies, adequately service customers and claims;
- Financial crime risk, with particular focus on failure to prevent or detect money laundering, application fraud and claims fraud;
- Inefficient or inadequate processes, or the failure to follow defined processes results in negative impacts to key underwriting, pricing, reserving and finance outputs and deliverables; and
- Poor quality data management, relating to policy, claims and financial data, could result in inaccurate results and inappropriate decision making.

Operational risk within SICL is identified, assessed and monitored through the Risk Management Framework, which is overseen by the ARCGC; this includes reviewing controls for appropriateness and efficacy. The operational risk capital requirement is calculated using the standard formula.

C.6 Other Material Risks

Brexit

The UK and EU signed a trade agreement prior to the end of the Brexit transition period. The Board continues to monitor (i) the ongoing changes that have arisen from the ratified deal particularly around concerns of any potential border frictions as well as (ii) the development of the 'in principle deal' on Gibraltar's post-Brexit relationship with the EU.

C.8 Any Other Information

There is no other material information to disclose.

D - Valuation for Solvency Purposes

D.1 Assets

As at 31st December 2022, SICL held the following assets:

Asset Class	GAAP Accounts Value (£m)	Look Through (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)
Investments in properties	0.0	0.0	0.0	0.0
Corporate and government bonds	36.4	0.0	(8.0)	28.5
Collective investment undertakings	136.5	0.0	8.3	144.8
Collateralised securities	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	556.0	0.0	(325.0)	231.1
Insurance and reinsurance receivables	400.8	0.0	(400.8)	0.0
Cash and cash equivalents	6.1	0.0	0.0	6.1
Financial investments - other loans	13.9	0.0	0.6	14.6
Other assets	41.9	0.0	(7.1)	34.8
Deferred acquisition costs	24.0	0.0	(24.0)	0.0
Deferred taxation	0.0	0.0	5.2	5.2
Derivatives	0.0	0.0	0.0	0.0
TOTAL	**1,215.7**	**0.0**	**(750.7)**	**465.0**

As at 31st December 2021, SICL held the following assets:

Asset Class	GAAP Accounts Value (£m)	Look Through (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)
Investments in properties	0.0	0.0	0.0	0.0
Corporate and government bonds	36.9	0.0	0.7	37.6
Collective investment undertakings	16.6	0.0	0.0	16.6
Collateralised securities	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	478.6	0.0	(195.6)	283.0
Insurance and reinsurance receivables	312.5	0.0	(312.5)	0.0
Cash and cash equivalents	47.4	0.0	(0.0)	47.4
Financial investments - other loans	17.7	0.0	(4.2)	13.5
Other assets	60.2	0.0	1.1	62.2
Deferred acquisition costs	18.9	0.0	(18.9)	0.0
Deferred taxation	0.0	0.0	0.0	0.0
Derivatives	0.0	0.0	0.0	0.0
TOTAL	**988.9**	**0.0**	**(529.4)**	**460.4**

The valuation principles applied to these assets are consistent with those used in the GAAP accounts, with the following exceptions:

- Bonds and secured loans: these are quoted instruments in active markets and therefore the market price as at 31st December 2022 has been applied in the GAAP accounts, excluding accrued interest. On the Solvency II balance sheet, the bonds have been valued including accrued interest and the loans have been set at fair value;
- Reinsurance share of unearned premiums: the reinsurance share of unearned premiums reserve comprises the reinsurer's share of the proportion of gross premiums written which is to be earned in the following or subsequent financial years in the GAAP accounts. The unearned premiums are not recognised for solvency purposes, and instead the expected claims arising on the unearned premiums are recorded within the reinsurance share of technical provisions;
- Reinsurance share of claims reserves: the reinsurance share of claims reserves comprises the reinsurer's share of the claims outstanding (including claims which are estimated to have been incurred but not reported) as at 31st December 2022. The adjustments from claims reserves in the GAAP accounts to technical provision in the Solvency II balance sheet are detailed in section D2;
- Prepayments and deferred acquisition costs: on the Solvency II balance sheet these have been valued at nil;
- Deferred tax asset/liability: valued based on the expected tax benefit or expense once the valuation adjustments to transition to solvency valuations unwind; and
- Derivative assets and liabilities: there are no derivative assets or liabilities.

D.2 Technical Provisions

The SICL technical provisions include claims reserves incurred based on earned premiums which consider all reasonably foreseeable best estimates. This includes reserves for claims incurred plus a provision for claims Incurred But Not Reported ('**IBNR**'). SICL also considers any amounts recoverable from reinsurance contracts in respect of its claims reserves and IBNR. The technical provisions also include an estimate of the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. SICL has considered whether adjustments may be required as a result of contract boundaries and decided to include a provision for bound but not incepted risks.

The technical provisions by line of business are as follows:

31st December 2022:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	336.9	5.6	342.5
Other motor insurance	(29.5)	1.4	(28.1)
Total	**307.4**	**7.0**	**314.5**

31st December 2021:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	303.6	5.1	308.7
Other motor insurance	(20.6)	1.3	(19.3)
Total	**283.0**	**6.4**	**289.4**

The tables above show that technical provisions have increased in the year, due to business growth and adverse claim experience caused by both inflationary pressures and Q4 weather conditions.

The key areas of uncertainty around SICL's technical provisions are as follows:

- Estimation of Outstanding Loss Reserves ('**OSLR**'): while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty;
- Estimation of the losses relating to IBNR claims – this is generally subject to a greater degree of uncertainty than estimating the OSLR since the nature of the claims is not known at the time of reserving;
- Estimation of claims arising on business which has not yet expired (unexpired risks) this is uncertain as the claims have not yet been incurred but are expected to be incurred on the business which SICL has written;
- Market environment: changes in the market environment increase the inherent uncertainty affecting the business. In particular, there are likely to be on-going impacts from the emergence from the COVID-19 pandemic and broader macro-economic factors on vehicle damage-related claims inflation that are uncertain;
- Events Not In Data ('**ENID**'): estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed;

- Run-off expenses: the estimation of the expenses required to run-off of the bound obligations is inherently uncertain due to the estimations around the length of the run-off, base costs and inflation; and
- Risk margin: the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run-off. This therefore shares the same uncertainties of the run-off expenses provision considered above as well as the inherent uncertainties around forecasting future solvency capital requirements.

SICL manages the risks around these uncertainties via the following actions:

- Ongoing monitoring of claims, including regular reviews of claims handling functions;
- Maintaining a number of reinsurance arrangements to limit the impact of adverse claims development;
- Internal controls through underwriting and claims management meetings and Actuarial Function which monitor claims development and reinsurance arrangements; and
- Regular internal and external actuarial reviews.

The changes required to transition from GAAP accounts to technical provisions for solvency purposes are set out below.

- Claims provisions: The IBNR in SICL's GAAP accounts includes a margin in excess of best estimate which following guidance from the GFSC as part of the SICL business growth review is now included in the Solvency II Best Estimate Liability. SICL has made no other adjustments to its claims provisions in its GAAP accounts in recording the claims provisions for solvency purposes. The claims provisions as at 31st December 2022 for SICL were £407.2m (2021: £349.9.6m);
- Reinsurance share of claims provisions: SICL has made no adjustments to its reinsurance recoveries in its GAAP accounts in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31st December 2022 for SICL was £284.0m (2021: £259.8m);
- Unexpired risks: SICL has estimated the claims which will be payable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions. SICL has considered whether adjustments may be required as a result of contract boundaries and decided to include a provision for bound but not incepted risks. The gross premium provisions as at 31st December 2022 for SICL were £260.0m (2021: £208.5m);
- Reinsurance share of unexpired risks: SICL has estimated the amounts recoverable on unexpired risks (sometimes termed 'premium provisions') based on the ultimate loss ratios and large loss experience from the claims provisions, including the reinsurance share of the bound but not

incepted risks. The reinsurance share of gross premium provisions as at 31st December 2022 for SICL was 168.7m (2021: £139.1m);

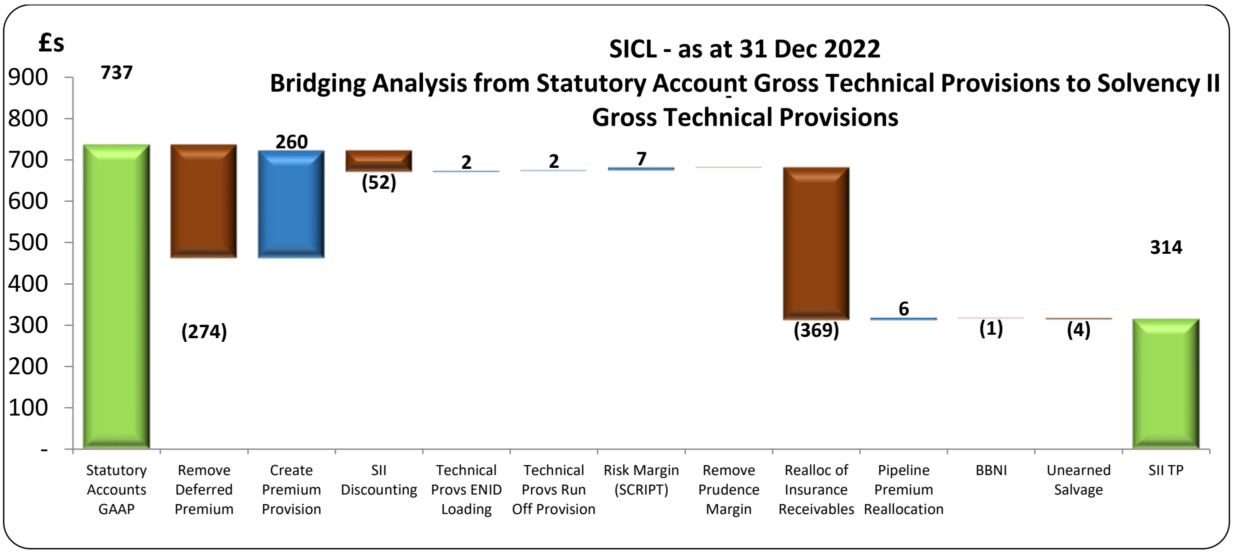
- Intermediary and policyholder receivables: Intermediary and policyholder receivables are netted off the technical provisions for solvency purposes. There are no valuation differences between GAAP accounts and intermediary and policyholder receivables for solvency purposes. The insurance receivables as at 31st December 2022 for SICL were £400.8m (2021: £312.5m);
- Reinsurance payables: Net amounts payable to reinsurers are netted off the reinsurance recoveries for solvency purposes. There are no valuation differences between GAAP accounts and net reinsurance payables for solvency purposes. The net reinsurance payables (being reinsurance payables less financial investments held for collateral arrangements) of SICL as at 31st December 2022 were £274.6m (2021: £198.1m);
- ENID loading: Technical provisions for solvency purposes are required to allow for all possible events, including those that may not have been historically realised before. Such events which are not present in a set of observable historical loss data are often called ENID. This is a difference in valuation methodology compared to the GAAP accounts that considers best estimates which can be reasonably foreseen, and therefore leads to a loading on the technical provisions to consider the probability weighted effect of events which have not previously been observed. SICL has undertaken an analysis on the changes in both gross and net provisions following a number of different possible scenarios, considering both positive and negative outcomes. This has then been adjusted following scenario analysis which considered both positive and negative outcomes. As such, the ENID loading applied by SICL as at 31st December 2022 was £2.0m (2021: £1.8m);
- Counterparty default provision: SICL has considered a provision for default by one or more of its reinsurance providers. The provision is based on the total exposure to the counterparty, the rating of the counterparty and the existence of any collateral arrangements with the counterparty. SICL estimates the counterparty default provision and considers each of the exposures, net of collateral arrangements in existence, applies the estimated probability of default by rating, and derives a weighted average probability of default. Following the commutation of the reinsurance arrangement with SRCL during 2021, SICL’s exposures are now entirely from reinsurers with a rating of A- and above. SICL has calculated the weighted average probability of default of reinsurers as 0.04% (2021: 0.04%), and thus the counterparty default adjustment is £0.1m (2021: £0.2m);
- Run-off provision: Technical provisions for solvency purposes are required to take account of all expenses that will be incurred in servicing insurance obligations. This is commonly referred to as a ‘run-off’ provision as it therefore considers all future expenses which would be incurred to allow the existing obligations to run-off. SICL has determined an annual servicing cost for servicing bound obligations and has provided for these over the lifetime of the bound obligations, allowing for expected expense inflation and taking into account future new business. The run-off provision applied by SICL as at 31st December 2022 was £2.1m (2021: £3.1m) The reduction in the SICL

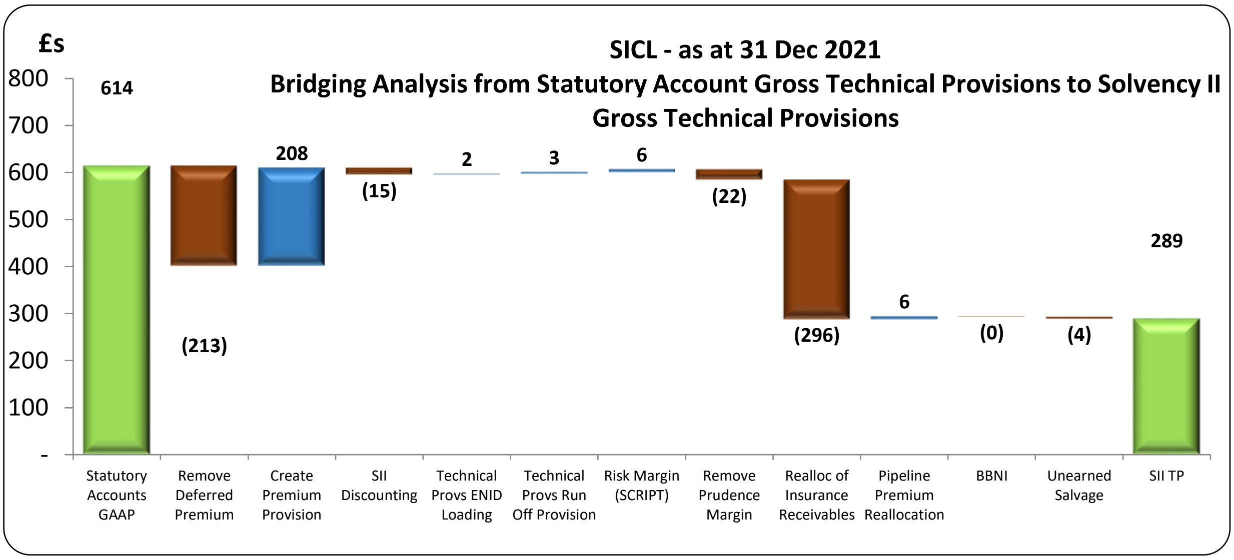
run-off provision is driven by the migration of IT service contracts and software licenses from SICL into other Group service companies, meaning SICL has no ongoing obligations in this regard;

- Discounting: Discounting has been applied in the technical provisions, based on the sterling yield curve as at 31st December 2021 as issued by the Prudential Regulation Authority ('**PRA**'). In respect of SICL, the impact of discounting on the net technical provisions is £10.2m (2021: £1.8m);
- Risk Margin: The risk margin is calculated by forecasting the SCR with simplifications over the duration of the run-off of existing liabilities. Claims are assumed to run-off in line with the cashflows derived for the technical provisions' liability run off. This results in a risk margin of £7.0m (2021: £6.4m) in respect of SICL.

SICL has not applied the matching adjustment, volatility adjustment, transitional risk-free interest term structure or the transitional deduction in calculating its technical provisions.

The changes to the technical provisions highlighted above are reflected in the waterfall diagram below:





D.3 Other Liabilities

SICL recorded the following classes of liabilities for solvency purposes:

As at 31st December 2022:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	3.8	3.8	None
Deferred income	27.7	-	Not recognised for solvency purposes
Reinsurance accounts payable	274.6	(0.1)	Reclassified to technical provisions (see 2.5.7)
Other creditors, including corporation tax and IPT	36.2	36.2	None
Derivative liabilities	-	-	None
Deferred Tax liability	0.0	-	Only recognised in Solvency II

D.4 Alternative Methods for Valuation

Not applicable to SICL.

D.5 Any Other Information

Not applicable to SICL.

E - Capital Management

E.1 Own Funds

SICL classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

SICL's own funds as at 31st December 2022 and 31 December 2021 are as follows.

		31st December 2022		31st December 2021	
Own Fund Item	**Tier**	**£m**	**%**	**£m**	**%**
Share capital and share premium	1	71.9	65	19.3	22
Reconciliation reserve	1	33.5	30.3	69.4	78
Deferred tax asset	3	5.2	4.7	0.00	0
		110.5	**100**	**88.7**	**100**

Only SICL's tier 1 own funds may be used towards meeting the MCR.

E.2 Solvency Capital Requirements & Minimum Capital Requirements

The SCR of SICL as at 31st December 2022 was £71.8m (2021: £61.9m); its MCR as at 31st December 2022 was £17.9m (2021: £15.7m).

The final solvency capital requirement of SICL is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and then an additional charge to represent the operational risks faced by SICL.

Solvency capital requirement	31st December 2022 £m	31st December 2021 £m
Market risks	8.0	10.3
Counterparty risks	7.1	9.3
Non-life underwriting risks	50.5	40.4
Life underwriting risks	0.1	0.2
Basic SCR diversification	(8.6)	(10.6)
Operational risks	14.8	13.1
Loss Absorbing Capacity of Deferred Taxation	0	(0.7)
SOLVENCY CAPITAL REQUIREMENT	**71.8**	**61.9**

The increase in the solvency capital requirement is primarily driven by the underlying growth achieved in 2022, in conjunction with an increase in outstanding claims reserves reflecting the impact of inflation and adverse weather driven experience in Q4 2022. Market Risk has reduced as a result of settlement of the majority share of the Fairfax Reading Golf Course property development loan. Counterparty Default risk has also moved favourably from the 2021 position as SICL has taken proactive steps to diversify its cash portfolio into short-term money market funds, retaining only its working capital requirements as cash at bank exposure. Operational Risk has grown in line with growth in the Gross Outstanding Claims Provisions.

SICL is exposed to market risks derived predominately from the assets held by SICL to meet its insurance liabilities, although exposures to shocks in interest rates and currency rates are also considered in the exposure from underwriting risks.

Market Risks	31st December 2022 £m	31st December 2021 £m
Interest rate risk	1.9	0.3
Spread risk	2.7	0.8
Equity risk	0.0	4.2
Currency risk	0.0	0.0
Property risk	0.4	0.8
Concentration risk	6.8	8.6
Market risk diversification	(3.8)	(4.4)
MARKET RISK TOTAL	**8.0**	**10.3**

SICL is exposed to counterparty risks in the form of cash deposits and recoveries from reinsurers (type 1) and from receivables from intermediaries, policyholders and other debtors (type 2). SICL considers all intermediary receivables are within credit terms and so Type 2 risk is assessed as nil.

Counterparty risks	31st December 2022 £m	31st December 2021 £m
Type 1 risk	7.1	9.3
Type 2 risk	0.0	0.0
Counterparty risk diversification	0.0	0.0
COUNTERPARTY RISK TOTAL	**7.1**	**9.3**

SICL is exposed to non-life underwriting risk as a result of the insurance policies it sells. The risks are based on volatility around earned premiums and claims reserves, and to catastrophe events to which SICL may be exposed.

Non-life underwriting risks	31st December 2022 £m	31st December 2021 £m
Premium and reserve risk	49.4	39.3
Catastrophe risk	3.0	3.0
Lapse risk	5.3	3.9
Non-life diversification	(7.2)	(5.8)
NON-LIFE UNDERWRITING RISK TOTAL	**50.5**	**40.4**

SICL has used a simplification for lapse risk in applying the standard formula but no further simplifications have been used. There has been no use of undertaking specific parameters in the non-life underwriting risk calculations. The non-life diversification is defined within the standard formula calculation and reflects the fact that the individual non-life risk types are not 100% correlated and therefore a 1-in-200 shock on total non-life underwriting risk is significantly less than the sum of 1-in-200 shocks for the individual non-life sub-risk types.

SICL is exposed to life underwriting risk as a result of the settled Periodic Payment Orders ('**PPOs**'). At 31st December 2022 the gross technical provisions associated with PPOs totalled £26.7m (or 3.6% of total reserves) (2021 £25.1m or 4.1%).

The life underwriting risk in respect of SICL is immaterial.

Life underwriting risks	31st December 2022 £m	31st December 2021 £m
Longevity risk	0.1	0.2
Expense risk	0.0	0.0
Revision risk	0.0	0.0
Life diversification	0.0	0.0
LIFE UNDERWRITING RISK TOTAL	**0.1**	**0.2**

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

Line of business	Net (of reinsurance) written premiums in the last 12 months (£m)
Motor vehicle liability insurance	80.8
Other motor insurance	17.2

The duration-based equity sub-module has not been used in the calculation of the SCR for SICL.

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

Not applicable to SICL.

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

Not applicable to SICL.

E.5 Non-Compliance with the MCR and Non-Compliance with the SCR

SICL has maintained capital sufficient to meet its minimum capital requirement throughout the period covered by this report.

SICL met its SCR and MCR throughout the years ended 31st December 2021 and 31st December 2022, reporting a coverage ratio of 153.9% at 31st December 2022.

E.6 Any Other Information

Not applicable for SICL.

Glossary

Term	Definition
ABE	Actuarial Best Estimate
ABI	Association of British Insurers
AFH	Actuarial Function Holder
AQRTs	Annual Quantitative Reporting Templates
ARCGC	Skyfire Insurance Company Limited Audit, Risk, and Corporate Governance Committee
Boards	The Board of Directors of FCG and SICL
Business Plan	5 Year Business Plan
CBR	Claims Benefit Recover
CLA	Civil Liability Act 2018
CPI	Consumer Price Index
CRIOC	Group Credit Risk, Investment Oversight Committee
CSIL	Charles Street Investment Limited
Delegated Regulation	Commission Delegated Regulation (EU) 2015/35
EBITDA	Earnings Before Interest Taxes Depreciation and Amortisation
ECR	Economic Capital Requirement
ENID	Events Not In Data
ExCo	Group Executive Committee
FCA	Financial Conduct Authority
FCG	First Central Group Limited
FCIM	First Central Insurance Management Limited
Financial Control Framework	The detailed processes and structures of the Group's approach to Financial Control
GAC	Group Audit Committee
GFSC	Gibraltar Financial Services Commission
GIAC	Group Internal Audit Charter
GIC	Group Investment Committee
GIPP	General Insurance Pricing Practices
GRA	Gibraltar Regulatory Authority
GRC	Group Reserves Committee (replaced by the SICL Reserves Committee)
GWP	Gross Written Premium
IAFH	Internal Audit Function Holder
IBNR	Claims Incurred But Not Reported
iNED	Independent Non-Executive Director
ISO 27001	International standard for information security from the International Organization for Standardization
ISO 31000	Risk Management Framework from the International Organization for Standardization
KPIs	Key Performance Indicators
Management Governance Framework	The detailed processes and structures of the Group's approach to Management Governance
ManCo	Group Management Committee
MCR	Minimum Capital Requirement
MI	Management Information
MMF	Money Market Funds

NEDs	Non-Executive Directors
ORSA	Own Risk and Solvency Assessment
OSLR	Outstanding Loss Reserves
PPO	Periodic Payment Orders
PRA	Prudential regulatory Authority
QS	Quota Share Reinsurance
RemNomCo	Remuneration and Nomination Committee
RIR	Regulated Individual Regime
Risk Management Framework	The detailed processes and structures of the Group's approach to Risk Management
Risk Owner	Person with the accountability and authority to manage a risk
RM	Risk Management
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SICL	Skyfire Insurance Company Limited
SICL Board	Skyfire Insurance Company Limited Board of Directors
SICL CRC	Skyfire Insurance Company Limited Conduct Risk Committee
SICL ManCo	Skyfire Insurance Company Limited Management Committee
SICL OsCo	Skyfire Insurance Company Limited Outsourcing Committee
SICL PGC	Skyfire Insurance Company Limited Product Governance Committee
SLA	Service Level Agreement
SPH	Skyfire Property Holdings PCC Limited
SRC	Skyfire Insurance Company Limited Reserves Committee
SRCL	Skyfire Reinsurance Company Limited
ULR	Ultimate Loss Ratio
XoL	Excess of Loss Reinsurance

SICL Quantitative Reporting Templates

S.02.01.02 - Balance Sheet
Amounts in 000s

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	5,164
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	4
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	173,256
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	28,458
R0140	Government Bonds	28,458
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	144,798
R0190	Derivatives	
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	14,566
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	
R0260	Other loans and mortgages	14,566
R0270	Reinsurance recoverables from:	231,070
R0280	Non-life and health similar to non-life	216,613
R0290	Non-life excluding health	216,613
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding index-linked and unit-linked	14,457
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	14,457
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	6,132
R0420	Any other assets, not elsewhere shown	34,785
R0500	**Total assets**	464,978

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	299,961
R0520	Technical provisions - non-life (excluding health)	299,961
R0530	TP calculated as a whole	0
R0540	Best Estimate	292,995
R0550	Risk margin	6,966
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	14,490
R0610	Technical provisions - health (similar to life)	0
R0620	TP calculated as a whole	0
R0630	Best Estimate	0
R0640	Risk margin	0
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	14,490
R0660	TP calculated as a whole	0
R0670	Best Estimate	14,440
R0680	Risk margin	50
R0690	Technical provisions - index-linked and unit-linked	0
R0700	TP calculated as a whole	0
R0710	Best Estimate	0
R0720	Risk margin	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	-129
R0840	Payables (trade, not insurance)	40,149
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in BOF	
R0870	Subordinated liabilities in BOF	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	354,471
R1000	**Excess of assets over liabilities**	110,508

S.05.01.02 – Premium, Claims and Expenses by Line of Business (Non-life)

Amounts in 000s

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				429,897	91,691												521,588
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share				349,178	74,475												423,653
R0200	Net				80,719	17,216												97,935
	Premiums earned																	
R0210	Gross - Direct Business				379,651	80,974												460,626
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share				309,920	66,102												376,021
R0300	Net				69,732	14,873												84,604
	Claims incurred																	
R0310	Gross - Direct Business				372,943	79,544												452,486
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share				239,749	51,135												290,884
R0400	Net				133,194	28,408												161,603
	Changes in other technical provisions																	
R0410	Gross - Direct Business				0	0												0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net				0	0												0
R0550	**Expenses incurred**				-780	-166												-947
R1200	**Other expenses**																	
R1300	**Total expenses**																	-947

S.05.01.02 - Premium, Claims and Expenses by Line of Business (Life)

Amounts in 000s

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									0
R1420	Reinsurers' share									0
R1500	Net						0		0	0
	Premiums earned									
R1510	Gross									0
R1520	Reinsurers' share									0
R1600	Net						0		0	0
	Claims incurred									
R1610	Gross									0
R1620	Reinsurers' share									0
R1700	Net						0		0	0
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net						0		0	0
R1900	**Expenses incurred**						0		0	0
R2500	**Other expenses**									
R2600	**Total expenses**									0

S.05.02.01 - Premium, Claims and Expenses by Country (Non-Life)

Amounts in 000s

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and Home Country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	521,588						521,588
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	423,653						423,653
R0200	Net	97,935						97,935
	Premiums earned							
R0210	Gross - Direct Business	460,626						460,626
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	376,021						376,021
R0300	Net	84,604						84,604
	Claims incurred							
R0310	Gross - Direct Business	452,486						452,486
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	290,884						290,884
R0400	Net	161,603						161,603
	Changes in other technical provisions							
R0410	Gross - Direct Business	0						0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	**Expenses incurred**	-947						-947
R1200	**Other expenses**							
R1300	**Total expenses**							-947

S.05.02.01 - Premium, Claims and Expenses by Country (Life)

Amounts in 000s

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0						0
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0						0
	Claims incurred							
R1610	Gross							0
R1620	Reinsurers' share							0
R1700	Net	0						0
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0						0
R1900	**Expenses incurred**							0
R2500	**Other expenses**							
R2600	**Total expenses**							0

S.12.01.02 – Life and Health SLT Technical Provisions

Amounts in 000s

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**								14,440		14,440						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								14,457		14,457						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re								-18		-18						
R0100	**Risk margin**								50		50						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**								14,490		14,490						

S.17.01.02 – Non-Life Technical Provisions

Amounts in 000s

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0	0												0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				-84,544	-29,615												-114,159
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-48,319	-19,092												-67,412
R0150	**Net Best Estimate of Premium Provisions**				-36,224	-10,523												-46,747
	Claims provisions																	
R0160	Gross				407,026	128												407,154
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				283,940	84												284,025
R0250	**Net Best Estimate of Claims Provisions**				123,085	43												123,129
R0260	**Total best estimate - gross**				322,482	-29,487												292,995
R0270	**Total best estimate - net**				86,861	-10,479												76,382
R0280	**Risk margin**				5,573	1,393												6,966
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				328,055	-28,094												299,961
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				235,621	-19,008												216,613
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				92,434	-9,086												83,348

S.19.01.21 – Non-Life Insurance Claims

Amounts in 000s

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											537	537	537
R0160	2013	16,618	43,375	17,412	9,687	7,773	7,316	3,411	3,046	42	21		21	108,701
R0170	2014	18,414	58,497	25,427	11,663	13,923	6,703	3,028	801	742			742	139,197
R0180	2015	23,072	66,826	21,940	14,703	17,007	20,795	8,159	1,478				1,478	173,980
R0190	2016	21,847	61,146	23,869	20,721	16,239	6,389	4,781					4,781	154,992
R0200	2017	27,574	71,289	25,145	19,581	11,181	5,431						5,431	160,200
R0210	2018	33,559	80,059	26,242	21,419	16,116							16,116	177,396
R0220	2019	38,133	64,869	24,501	16,185								16,185	143,689
R0230	2020	38,459	99,286	29,309									29,309	167,054
R0240	2021	70,029	176,694										176,694	246,724
R0250	2022	102,694											102,694	102,694
R0260												**Total**	353,988	1,575,163

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	17,333	12,054	4,991	1,143	-319	116	0		0
R0170	2014	0	0	60,395	38,838	26,393	4,668	18,143	18,910	0			0
R0180	2015	0	108,867	81,810	57,927	26,947	19,969	3,865	2,737				2,066
R0190	2016	81,970	112,335	70,268	51,103	26,670	17,049	6,422					5,006
R0200	2017	72,374	87,221	59,416	35,904	22,934	14,741						11,876
R0210	2018	117,731	94,556	66,785	47,879	23,865							19,900
R0220	2019	125,932	67,011	41,971	38,528								33,304
R0230	2020	71,273	80,761	61,509									55,235
R0240	2021	121,210	104,606										97,972
R0250	2022	185,805											181,796
R0260												**Total**	407,154

S.23.01.01 – Own Funds

Amounts in 000s

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	71,865	71,865		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	33,478	33,478			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	5,164				5,164
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	110,508	105,343	0	0	5,164
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	110,508	105,343	0	0	5,164
R0510	Total available own funds to meet the MCR	105,343	105,343	0	0	
R0540	Total eligible own funds to meet the SCR	110,508	105,343	0	0	5,164
R0550	Total eligible own funds to meet the MCR	105,343	105,343	0	0	
R0580	**SCR**	71,787				
R0600	**MCR**	17,947				
R0620	**Ratio of Eligible own funds to SCR**	153.94%				
R0640	**Ratio of Eligible own funds to MCR**	586.97%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	110,508				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	77,029				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	33,478				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	0				

S.25.01.21 – Solvency Capital Requirement – for undertakings on Standard Formula

Amounts in 000s

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	7,979		
R0020	Counterparty default risk	7,114		
R0030	Life underwriting risk	87		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	50,466		
R0060	Diversification	-8,633		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	57,013		

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	14,775
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	71,787
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	71,787
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

		C0109
	Approach to tax rate	
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01 – Minimum Capital Requirement – Only life or non-life insurance or reinsurance activity

Amounts in 000s

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	16,262

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	86,861	80,719
R0060	Other motor insurance and proportional reinsurance	0	17,216
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

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

	Overall MCR calculation	C0070
R0300	Linear MCR	16,262
R0310	SCR	71,787
R0320	MCR cap	32,304
R0330	MCR floor	17,947
R0340	Combined MCR	17,947
R0350	Absolute floor of the MCR	2,325
R0400	**Minimum Capital Requirement**	17,947