Skyfire Insurance Company Limited

Solvency and Financial Condition Report

For year ended 31st December 2019

Contents

Executive Summary

This document presents the view of Skyfire Insurance Company Limited ('SICL'), which is an insurance company based in Gibraltar. The purpose of this report is to satisfy the public disclosure requirements under the Financial Services (Insurance Companies) (Solvency II Directive) Act ('the Solvency II Act in Gibraltar') including the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

SICL has continuously complied with its solvency capital requirement ('SCR') and minimum capital requirement ('MCR') during the course of the year. As at the 31st December 2019, SICL held own solvency funds of £39.0m compared to the SCR of £21.0m, resulting in a surplus a SCR coverage of 186% (2018: Own Funds £37.3m, SCR £14.5m and SCR coverage of 258%). SCR coverage has decreased significantly as the Company terminated the Loss Portfolio Transfer / Adverse Development Cover contract it entered into in the prior year as well as restructuring its Quota Share reinsurance arrangements as part of its 2020 Plan.

SICL maintained focus on stable underwriting performance, recording a profit before taxation of £2.0m (2018: £1.7m), and ending 2019 with equity shareholders' funds of £44.3m (2018: £47.2m) after declaring a dividend of £4.7m (2018: nil) during the year.

The governance and risk frameworks are detailed further in this report and there have been no significant changes in the reporting period. Assessment of SICL's risk profile identified that the principal risks to SICL are premium and reserve risk, an increase in excess of loss reinsurance premium, and reinsurance default risk. These risks are appropriately controlled, monitored and reported on within the business, being captured by the Risk Management Framework. SICL does not anticipate any future material changes in its business model that will impact the performance or underlying SCR requirements.

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

Skyfire Insurance Company Ltd. and FCG Group have been closely monitoring developments around the spread of COVID-19, as at the end of March 2020 we've implemented detailed operational and technology measures to ensure the safety and wellbeing of our colleagues, customers and partners. We're confident that the SICL and Group business model and financials are robust, with no significant impact to date and solvency being largely unaffected.

Peter Creed
Managing Director
Skyfire Insurance Company Limited

Date: 7th April 2020

A. Business & Performance

1. Business

1.1. This report relates to Skyfire Insurance Company Limited ('SICL' or 'the Company'), an insurance company licensed in Gibraltar and limited by shares.

1.2. SICL is 100% owned by First Central Group Limited ('FCG'), a non-regulated holding company domiciled in Guernsey. Since Guernsey is not in the European Economic Area, nor is a Solvency II equivalent jurisdiction, both SICL and Group supervision is carried out by the Gibraltar Financial Services Commission.

1.3. SICL is regulated by:

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

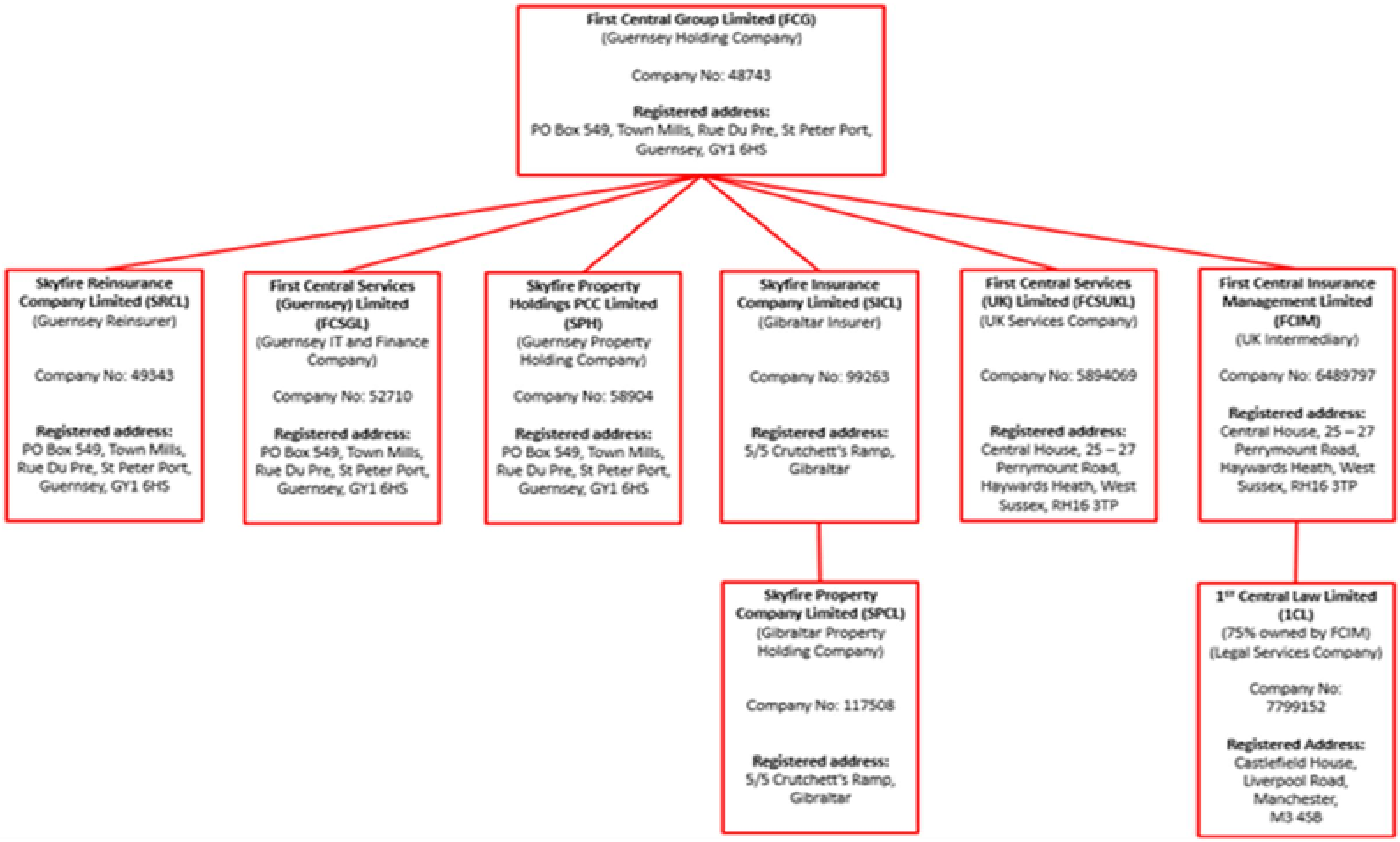
1.4. SICL's external auditor is:
Deloitte Limited
Merchant House
22/24 John Mackintosh Square
Gibraltar
https://www2.deloitte.com/gi/en.html

1.5. FCG shareholders with qualifying holdings are:

Kenneth Acott
Patrick Tilley
Peter Creed

1.6. FCG owns a number of subsidiaries, forming the FCG Group of companies ('the Group'); these are shown on page 6.

<u>First Central Group Structure</u>



SICL is authorised to carry out the following insurance business 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

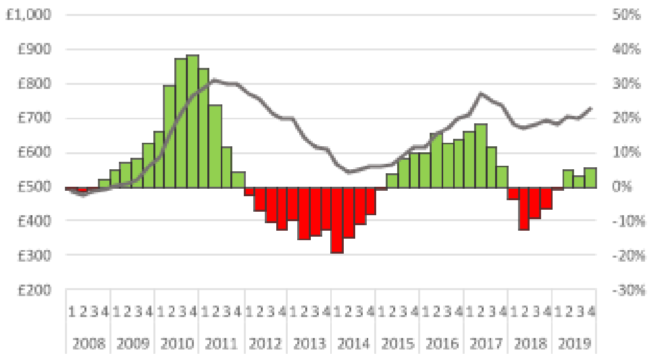
1.7. In 2019, the ceding of business under Quota Share arrangements with reinsurance partners was maintained at the increased 2018 level of 80%. In addition, the purchase of Loss Portfolio Transfer and Adverse Development Cover ('LPT/ADC'), effective from 31st December 2018 remained in place. However, given the improved solvency position and underwriting performance in 2019 it should be noted that the "LPT/ADC" has not been renewed for 2020 and the ceded proportion of written premium has been reduced to 60% from 1st January 2020.

Post 2018 the Managing Director of SICL tendered his resignation with effect from 31st January 2019 and an interim Managing Director was appointed. Recruitment to appoint a new managing director on a permanent basis is in progress, with an appointment expected to be made in late Q1 2020.

2. Underwriting Performance

2.1. Motor premium written in the UK via freedom of services from Gibraltar, for the year ended 31st December 2019, is £198.3m (2018: £204.7m).

2.2. The UK motor insurance market continued to be intensely competitive over 2018 and 2019, which is the relevant period that affects the 2019 SICL results. Prices fell by 15% from Q4 2017 to the end of Q2 2018, since which time market prices have stayed broadly flat but with some marginal increases emerging from Q2 2019. The cyclical nature of the market and the recent trends are highlighted in the graph below which is the Willis Towers Watson/Confused Premium Index highlighting year-on-year price change over time. The downturn in 2018 impacted upon SICL's competitiveness and loss ratios during that year, but with the focus applied to stabilising underwriting performance in 2019 the loss ratio has improved and SICL has consciously accepted a lower than forecast premium volume for the 2019 year as a result.



2.3. All premiums written are single premium policies (i.e. one single premium to cover the life of the policy), payable either annually upfront or in instalments.

2.4. SICL's profit for 2019 has been derived from its technical result of £0.5m (2018: breakeven) and its non-technical result of £1.4m (2018: £1.7m) within the financial statements. Included within the technical result was the Company's share of the ancillary income earned by its sister company, First Central Insurance Management Limited. It should be noted though that the 2018 underwriting year of account ('YoA') loss ratio has remained largely unchanged from calendar year ended 2018 to calendar year ended 2019, whilst the 2019 YoA loss ratio is lower than the 2018 YoA.

2.5. The projected ultimate loss ratio for the 2019 was better than originally planned and a 1.5 ppt improvement on the 2018 YoA. In addition, there has been improved run-off development on prior underwriting years within SICL's portfolio which is contributing to a £7.7m improvement to the 2019 result.

3. Investment Performance

3.1. The Investment assets held by at 31st December 2019 SICL are as follows:

Class	£m	%
Cash and cash equivalents	5.2	5.2%
Bond and debt instruments	56.8	57.1%
Property	0.5	0.50%
Collective investment schemes	20.6	20.7%
Other equity investment	11.0	11.1%
Secured loans	5.3	5.3%

Note: The above table is based on the Generally Accepted Accounting Principles (GAAP) balance sheet. The investment values per the Solvency II balance sheet are different due to the classification of the Funds Withheld balance within the reinsurance share of technical provisions on the Solvency II balance sheet and fair valuing the loans.

3.2. The investment return, net of expenses, recorded by SICL in the year ended 31st December 2019 was £1.7m or 1.7% of average investments and cash balances.

4. Performance of Other Activities

4.1. There have been no other significant activities undertaken by SICL other than its insurance and reinsurance related activities.

5. Any Other Information

5.1 On the 15th July 2019 the Lord Chancellor announced a new Ogden rate of -0.25% (an increase from -0.75% but still lower than the expected rate of between 0% and 1%) which came into effect on the 5th August 2019. The new rate resulted in a significant increase in the cost of excess of loss reinsurance when it was renewed in December, however the Company had incorporated anticipated increases into the business plan, and conducted appropriate stress tests in its Own Risk and Solvency Assessment and therefore was prepared for the increase.

5.2 At Skyfire Insurance Company Ltd. and FCG Group we're closely monitoring developments around the spread of COVID-19 and, as a result, we've been preparing and testing our business continuity plans since news of the virus first emerged.

The primary goal of our strategy, which is overseen by our Executive and Crisis Management teams with support from the Boards, is to protect our colleagues and enable us to continue to serve our customers with a minimal level of disruption as the situation develops.

As at the end of March 2020 we've implemented detailed operational and technology measures to ensure the safety and wellbeing of our colleagues, customers and partners. This, in line with the government's advice, includes over 90% of SICL and the wider Groups employees already being well set up and successfully working from home; with further plans to increase to 99% by 6th April.

In turn, our set up is enabling us to conduct business as seamlessly as possible. For example, we continue work on our transformation initiatives, innovating and developing our sophistication in underwriting and pricing on a day-to-day basis.

We continue to rely on key supplier partnerships with regards to a number of services provided to customers, and we're working closely together to mitigate risks where possible. This includes social distancing and ensuring enhanced cleaning measures are in place where colleagues and partners need to work from an office to service customers.

Furthermore, we're confident that the SICL and Group business model and financials are robust, with no significant impact to date and solvency being largely unaffected. This is a result of:

- Growth plans running ahead of plan thus far in Q1
- Having a low risk investment portfolio consisting predominantly (over 80%) of UK gilts and cash
- Stress testing our solvency surplus for the risk of reinsurer downgrade

We recognise that this is a highly uncertain and rapidly evolving situation, but we're well prepared and doing everything we can to protect our colleagues and ensure we deliver a seamless service to our customers.

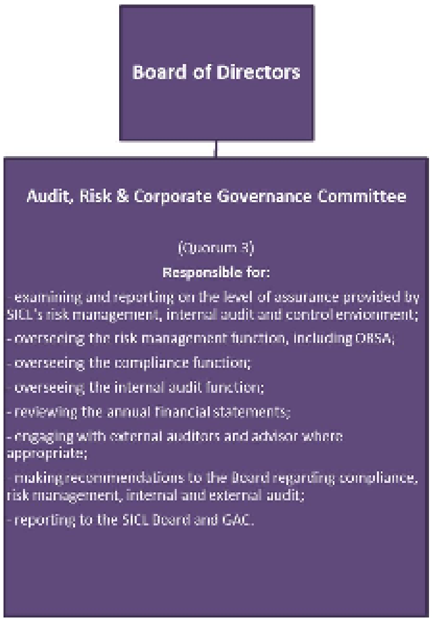
B. System of Governance

1. General Information on System of Governance

The SICL Board has responsibility for its governance, which must align with minimum expectations set by the FCG Board through FCG's Corporate Policies, Group Risk Management Target Operating Model, Group Compliance Minimum Requirements and the Group Internal Audit Framework, which are based on the 'Three Lines of Defence' model.

FCG monitors SICLs adherence to the above-mentioned standards through the Group Audit Committee ('GAC'), a sub-committee of the FCG Board. The GAC also has responsibility for overseeing the performance of subsidiary Audit Committees.

Board and Committee Structure, Roles and Responsibilities at 31st December 2019



Board and Committee Membership at 31st December 2019

	Executive Directors	Non-Executive Directors	Managers
Board	3	4 (including Chair) (3 Independent)	0
Audit, Risk and Corporate Governance Committee	1	2 (including Chair) (2 independent)	0

There have been a number of changes to the Board during 2019. Two of the Executive Directors resigned on 31st January 2019 and were replaced with one Executive Director on 1st February 2019. One Non-Executive Director resigned and was replaced with two new independent Non-Executive Directors, strengthening the Board.

Terms of Reference describe the purpose, responsibilities, membership and authority delegated from the Board to the Audit Risk & Corporate Governance Committee (ARCGC). Relevant attendees are invited to Committee meetings as determined by the Committee.

The FCG Remuneration Committee has responsibility for reviewing and approving (when within the bounds of the business plan) specific remuneration and advising on the specific remuneration structures of all SICL Executive Directors, and nominated senior members of the management team (collectively the 'Senior Management'), as well as all employees of SICL collectively so as to:

a) Ensure that all members of staff are fairly rewarded for their individual performance and contribution to the Group's overall performance; and
b) Demonstrate that the pay of Senior Management is objectively reviewed by a Committee that has no personal interest in the outcome of the decisions.

Where remuneration is outside of the bounds of the business plan the FCG Remuneration Committee makes recommendations to the FCG or SICL Board, as appropriate.

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.

No director or manager shall be involved in any decisions as to their own remuneration. The remuneration of Non-Executive Directors is recommended by the FCG Remuneration Committee to the FCG Board or SICL Board, as appropriate.

A salary was paid to one of the Executive Directors, including bonuses and employers pension contributions, and fees were paid to Non-Executive Directors, in the reporting period. One of the remaining Executive Directors was remunerated through the insurance management contract that the Company has with Robus Risk Services (Gibraltar) Limited ('RRS'); the other two were remunerated through other Group entities.

A dividend of £4.7m was paid from SICL to FCG during the reporting period, which was in line with the Group's Distribution policy.

2. Fit and Proper Requirements

SICL recognises the value of the fit and proper requirements in that a company run in a fit and proper manner, by fit and proper directors and other individuals holding key functions or roles, will benefit from the knowledge and experience brought to the company and is more likely to be successful. In addition, the risks associated with a badly run business (largely regulatory, financial or reputational risks) will be diminished.

There is no definition for 'fit and proper', however the term includes amongst other considerations the concepts of honesty, solvency and competence.

The basic elements of the fit and proper assessment are:

- 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 unacceptable conflicts of interest); and
- financial position (e.g. no history of personal bankruptcy, no history of association with corporate bankruptcy).

The SICL Board, in conjunction with the FCG Board, ensures that any candidate for a position on the Board, or for other key functions or roles, is assessed to ensure that they fulfil fit and proper requirements. Overall board composition and competencies are also considered. This includes reviewing the CV 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 the Company's interests. All conflicts of Interest identified are recorded on a Log and reviewed at each board meeting.

3. Risk Management System including ORSA

The Group recognises the importance of managing risks faced in the pursuit of its business objectives. The definition of risk adopted by SICL is "the effect of uncertainty on objectives", which is a derivation of the ISO31000 Risk Management standard definition of risk. SICL has adopted the Group's Risk Management Target Operating Model, along with supporting policies and procedures which it has tailored for the Company. These constitute SICL's Risk Management Framework ('the Framework'). The Group Head of Risk and Compliance liaises with SICL 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 logical and 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 risks and controls, and 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:

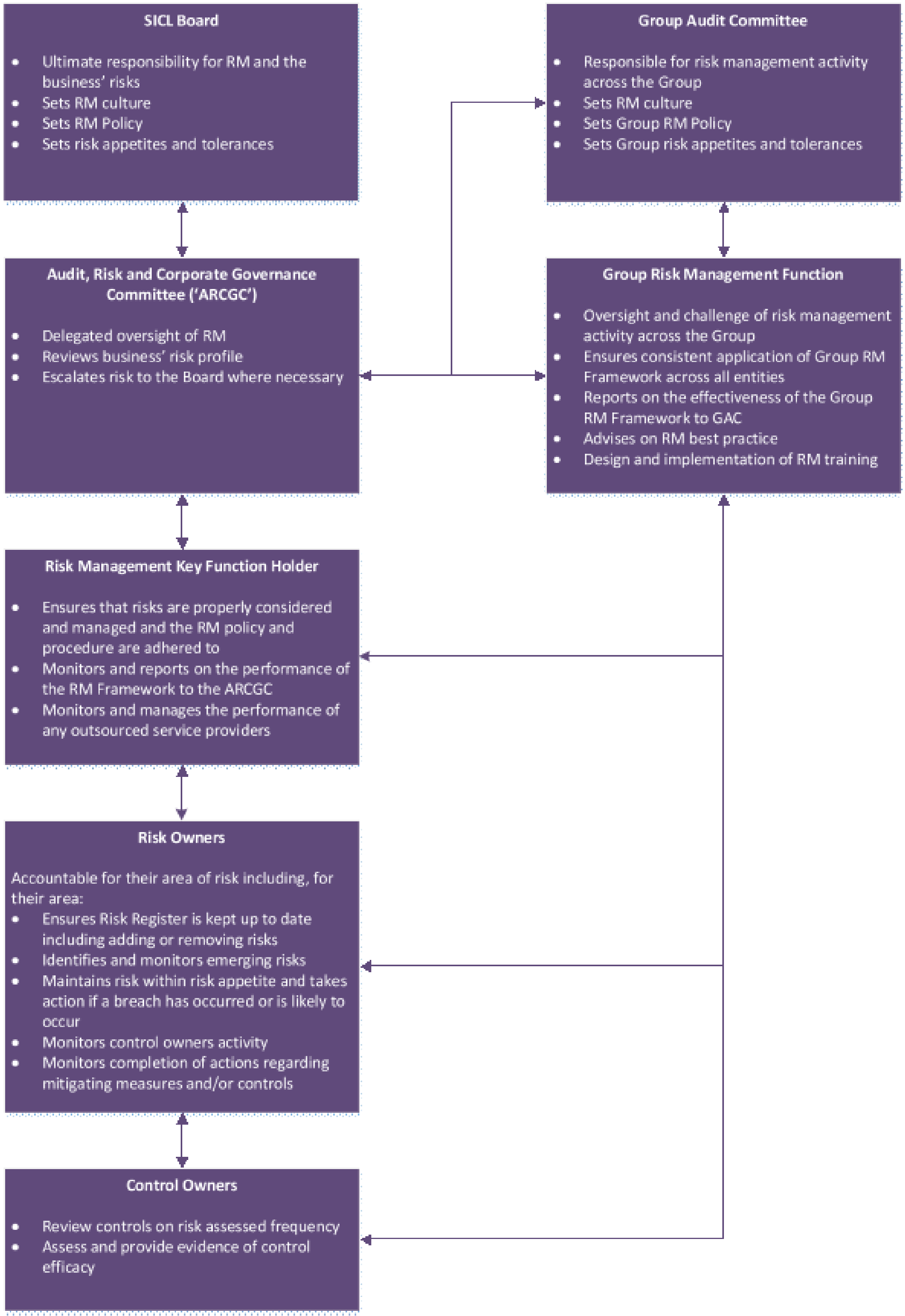
a) **Identification**;
b) **Assessment**;
c) **Response**;
d) **Monitoring**; and
e) **Reporting**.

Risks are assessed pre-controls (gross) and post-controls (net) using a matrix of impact ('I') and likelihood ('L') scores to arrive at a High, Medium or Low rating. The amount of risk the Board would like in the business is also considered in the target rating which is arrived at using the same matrix.

During the reporting period RRS, the Company's insurance manager, completed SICL's solo and the Group's solvency calculations and liaised with Management and the ARCGC Board as necessary to ensure that the SICL solo and the Group SCR was met. SICL ensures that risks to its own and the Group solvency are monitored and managed.

Risk Management ('RM') Roles and Responsibilities

Risk Management roles and responsibilities are shown in the diagram below.



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

SICL is responsible for completing an Own Risk Solvency Assessment ('ORSA') for the consolidated First Central Group. The Group ORSA includes a solo ORSA for SICL, as the insurance entity in the Group which is subject to Solvency II.

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.

It particularly considers situations in which the Group and SICL may be stressed, and the capital needs and mitigation measures necessary in these scenarios, to ensure that the business is prepared for, and robust enough to weather, adverse conditions without detriment to stakeholders. The capital need identified is termed the 'economic capital requirement'.

While the Risk Register focusses on risks from a bottom-up viewpoint, the ORSA takes a top-down approach, linking business objectives, business risks, risk appetites and tolerances, business planning and capital planning. 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.

The ORSAs are carried out at least annually on the basis that solvency needs, and capital position are not volatile, and the business' risk profile is stable. However, they will also be carried out in specific circumstances which include, but are not limited to:

- there is a material change to reinsurance arrangements;
- there is a variance to GWP in the business plan of >20%;
- there are lines of business or jurisdictions being considered;
- there is an adverse breach of risk tolerance threshold which is accepted rather than mitigated; and
- as required by the SICL Board, ARCGC and/or Executive.

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 economic capital requirement (from the ORSA), both of which are considered by the relevant Board alongside the business plan. The business plan is then either approved or amended and capital requirements recalculated.

4. Internal Control System

SICL's internal controls are organised through the adoption of the 'three lines of defence' model it has implemented. FCG has also set out its requirements of SICL's Compliance Function through the Group Compliance Minimum Requirements, performance against which are regularly monitored.

SICL has implemented policies which describe the Board's approach to key areas of the business, and procedures, where appropriate, which describe how the Board fulfils its policies. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal control system, however day-to-day oversight is provided by the compliance key function holder ('CKFH') who is also the Compliance Officer. In practice, the Audit, Risk and Corporate Governance Committee ('ARCGC'), other Directors and key role holders also necessarily participate in the management of the system.

The CKFH is responsible for the completion of compliance tasks although these may be outsourced to the Company's insurance manager. The key function holder has direct access to both the Board and the ARCGC.

There is a risk-based Compliance Monitoring Programme ('CMP') in place to review whether SICL fulfils its legislative and regulatory requirements. The CMP includes monitoring adherence to SICL's policies and procedures.

The CKFH is responsible for identifying and evaluating compliance risk, overseeing the implementation of controls for the risks identified, and monitoring their efficacy through the Compliance Monitoring Programme. The CKFH reports to the ARCGC at each meeting and will provide advice to the business when requested. The CKFH also has a 'dotted' reporting line to the Non-Executive Chair of the ARCGC, through which they can raise any material concerns, as well as to the Non-Executive Chair of the Group Audit Committee, through the Group Head of Risk and Compliance.

5. Internal Audit ('IA') Function

Internal Audit's primary role is to provide an assessment of risk management, governance and controls by evaluating the effectiveness of the frameworks in place in supporting the business in achieving its objectives (assurance). Where gaps in the frameworks are identified, recommendations are made to make improvements. Its secondary role is to provide advice to management in developing such frameworks (consultancy).

SICL adheres to the Group Internal Audit Framework ('GIAF') which outlines minimum requirements.

SICL's Board has appointed an Internal Audit key function holder ('IAKFH') who is a SICL Executive Director and is responsible for the efficacy of the function and associated tasks. SICL has chosen to outsource the fulfilment of its internal audit programme, with the function holder retaining responsibility for the delivery of the plan and conducting, with the independent members of the ARCGC, a quality review of the service provided.

This outsourced model for Internal Audit commenced in 2019 and is intended, subject to it being successful, to run until 2021. Mazars LLP were engaged, with the relationship being managed by the Group Chair (also a SICL Director) and the SICL IAKFH.

The Internal Audit Policy is approved by the Board and outlines how the function will be performed, and this is summarised below.

Independence
IA reports to, and is accountable to, the ARCGC which is responsible for its effectiveness and efficiency. To carry out its work effectively and to retain the integrity of the function, IA acts independently of line management and has a direct reporting line to the ARCGC to raise any issues identified.

Audit Strategy

A rolling three-year Internal Audit Plan is established and maintained on an ongoing basis. This is reviewed by the ARCGC at least annually. This will be linked to the SICL Business Plan (where possible) to assist in the attainment of SICL's goals.

Annual Plan

Following a risk-based approach, the internal audit function prepares an annual operational plan based upon the Audit Strategy; this outlines the audits to be performed in the forthcoming year. The scope and frequency of audits included within the plan take into consideration results of previous audits, risk assessment of business activities, materiality and the adequacy of systems of internal control. This plan will include specific coverage of Finance, Operational Departments, Information Technology and Special Projects (at the request of the ARCGC).

The annual plan includes input from key stakeholders. The final annual plan is approved by the ARCGC, at the first meeting at the start of the relevant year.

Throughout the year, performance against the annual plan is monitored and reported on by the IAKFH and any significant deviations reported to the ARCGC as required. This reporting may also include proposed changes to the plan reflecting the need to address emerging risks and issues. Any changes to the plan are formally approved by the ARCGC.

Audit Recommendations Log

A log of all internal audit recommendations raised during audits completed is collated by the Group Risk team. This log contains the priority of the recommendations, the assigned recommendation owners and the proposed completion dates. Risk review the log on an ongoing basis in order to ensure that all actions are addressed in a timely manner as agreed with management. The ExCo and the IAKF receive monthly reports on the progress of any open actions from Risk. On an annual basis IA will test a sample of the actions followed up, reported on and closed by Risk to ensure that these have been managed in accordance with the required standards.

Progress against the agreed recommendations is reported to the ARCGC quarterly.

Reporting

The reports produced for each internal audit assignment undertaken are provided directly to the ARCGC. The ARCGC receive the report which contains recommendations, together with the relevant manager's comments.

IA also provides a summary report to the ARCGC on a quarterly basis, detailing work undertaken during that period and progress against the recommendation log.

6. Actuarial Function

SICL's actuarial function is the responsibility of the actuarial function holder, SICL's Head of Reserving, who provides regular reports to the GRRC and an annual report directly to the Board.
The actuarial function is responsible for:

a) Coordination of the calculation of technical provisions;
b) ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
c) assessing the sufficiency and quality of the data used in the calculation of technical provisions;
d) comparing best estimates against experience;
e) informing the Board of the reliability and adequacy of the calculation of technical provisions;

f) expressing an opinion on the overall underwriting policy;
g) expressing an opinion on the adequacy of reinsurance arrangements; and
h) 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 Board in an internal actuarial report.

The SICL actuarial function also supports Group activity where required, for example the Group Reserves Committee, Group solvency calculation and ORSA.

7. Outsourcing

Outsourcing is 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 would normally be undertaken by the company. The third party to whom an activity is outsourced is a 'service provider'.

SICL ensures that an outsourcing arrangement shall not diminish the Company's ability to fulfil its obligations to customers or its regulator, nor impede effective supervision by its regulator.

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

SICL considers outsourcing where it believes that there is an advantage to the Company and customer by using a service provider e.g. access to specialist resource, provision of services in the same jurisdiction as the customer, cost benefits.

SICL Outsourcing

SICL is reliant on a number of material service providers; due to the risk this presents, SICL has an outsourcing policy which describes how it takes the decision to outsource, how a service provider is selected, and how the relationship is defined, managed and monitored. SICL takes a risk-based approach to all of these activities.

Material Service Providers in the Reporting Period:

Service Provider	Service Provided	Jurisdiction Located
Robus Risk Services (Gibraltar) Limited	Insurance Management (compliance tasks, risk management tasks, company secretarial, data protection officer, solvency, banking & investments, regulatory reporting, actuarial tasks)	Gibraltar
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, treasury and investments Business & Human Resources Product Development Procurement Services & Management IT Services Facilities Data Management & Provision of Management Information	UK

Chaffinch Management Services Limited	Claims supplier management	Ireland
Teleperformance Limited	Policy sales and administration (telephony)	UK
Vanguard Vehicle Services Limited	Vehicle salvage services	UK
FCG Limited	Trademark use Software licence (rating engine) Strategic/Financial oversight Risk management framework Compliance framework Legal services Procurement and supplier management	Guernsey
First Central Services (Guernsey) Limited	IT systems and development	Guernsey
Mazars LLP Appointed in Q1 2019	Internal Audit	UK

8. Adequacy of the System of Governance

SICL aims to continuously improve its compliance and governance systems by ensuring that they are reviewed, evaluated, and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from compliance monitoring programme, root cause analysis from complaints, breaches and risk events, and incremental development as the systems mature. It also considers relevant industry advice and guidelines, for example the UK Financial Reporting Council's Corporate Governance Code, implementing these as appropriate for the size and complexity of the Company.

Internal audits and external audits provide independent evaluation of SICL's system of governance. Recommendations from these audits are considered by the ARCGC and the Board and are implemented proportionate to the business' risks.

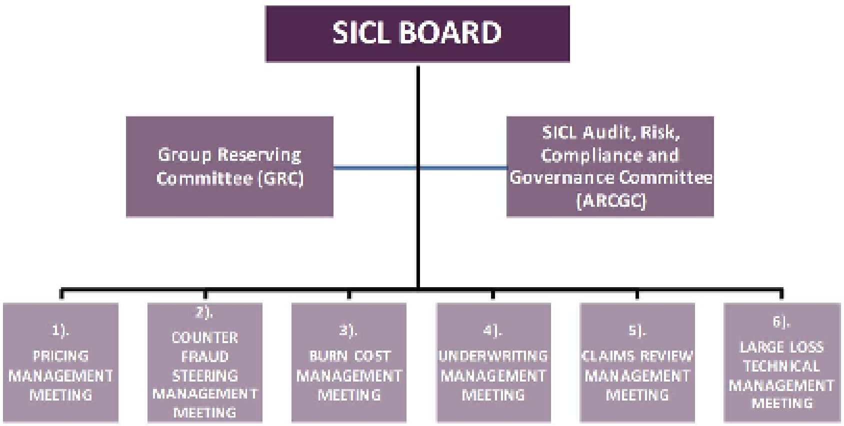
C. Risk Profile

1. Underwriting Risk

As the primary insurer within the Group, SICL's key initial risk is in relation to the financial impact 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 SICL. Any shortfall in required regulatory solvency capital can be mitigated through SICL's and FCG's ability to raise additional solvency capital (e.g. 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. There are also smaller risks that investments made by SICL suffer capital loss that reduce the amount of capital available, or that capital is eroded where there is a failure of one of the reinsurers on the XOL programme, or that the programme to protect the payment required under any Periodic Payment Orders ('PPOs') might prove inadequate.

The use of quota-share and excess of loss ('XOL') reinsurance is SICL's primary method of mitigating underwriting risk. The proportion of business ceded to A-rated quota share reinsurers was increased during 2018 to 80% of Premium Written and maintained at that level in 2019. In addition, SICL entered into a LPT/ADC contract in 2018 with an A-rated reinsurer to further mitigate its underwriting risk. The inception date was 31st December 2018 and all years including 2018 and prior were included. The LPT layer was based on approximately 50% of the external best estimate of unpaid reserves at 31st December 2018. I In 2019, the ceding of business under Quota Share arrangements with reinsurance partners was maintained at the increased 2018 level of 80%., and it should be noted that the "LPT/ADC" has not been renewed for 2020 and the ceded proportion of written premium has been reduced to 60% from 1st January 2020.

Ongoing underwriting risk in relation to premium adequacy is managed and monitored by the SICL Management Governance Framework outlined below with the Pricing Management Meeting, Underwriting Management Meeting, Burn Cost Management Meeting and Claims Review Management Meeting being the core components.



Efficacy of controls across this risk management framework are maintained by conducting regular reviews, continuously improving mitigating measures and reporting this control cycle feedback to the SICL ARCGC and SICL Board.

- Further specific risks and management/mitigation procedures to highlight are as follows:

- SICL is exposed to future gross claims inflation/deflation as a result of any legislative changes in the UK relating to liability compensation. The immediate landscape of risk in this regard relates to the Civil Liability Act which has 2 core components:

- In respect of PPOs, SICL maintains a PPO propensity matrix and monitors the likelihood of each large claim developing into a settled PPO. Given the relatively low retention on the XOL programme, most identified large losses have claims paid up to the retention, or it is anticipated that the large loss will settle at an amount in excess of the retention, which leaves SICL little net exposure to annuity style settlements. Furthermore, with the change in the Ogden Discount Rate in 2019 and ongoing framework for setting the rate in the future, this risk has reduced even further – but will still be tracked and monitored going forward.

There has been no material change to the risks that the Company is exposed to in the reporting period

2. Market Risk

Investment Risk Management
The Investment Risk Appetite Statement is reviewed regularly to ensure it is aligned to the Company's business conditions and the macro-economic environment and that the mitigating guidelines in place are appropriate for the Company and the risk environment in which it operates. Market risk is managed in conjunction with the Company's investment advisors who attend the GIC meetings.

The GIC reviews the investment portfolio quarterly and assesses a value-at-risk ("VaR") metric, based on the expected loss with a 99.5% level of confidence. This is therefore considered the likely loss in the portfolio is a 1-in-200 year event. This assessment is undertaken in conjunction with the Company's investment advisors.

Currency
SICL is predominantly exposed to one currency only, Pounds Sterling ('GBP'). Hence there is an immaterial foreign exchange risk. Currency risk exposure is monitored by the Group Investment Committee ('GIC') on behalf of the SICL Board, which would consider appropriate mitigation measures should currency risk increase over risk appetite.

Property
SICL has invested in a flat in Gibraltar. The property is available to use by SICL staff and is also available to FCG staff visiting Gibraltar.

The Company has invested in other property investments, which are considered in the sections below. The exposure to property risks has increased in the reporting period as the Company entered into a new investment opportunity at the start of 2019. The Company recognises that it is exposed to liquidity risk in relation to its underlying property investments in that it may take time to sell the investments and realise cash. There is also a risk that the amounts invested in property will not be fully realised.

The GIC assesses and monitors the risks presented by this asset class, ensuring that they lie within the Company's Investment Risk Appetite Statement. The Investment Risk Appetite Statement is reviewed regularly to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates. The GIC has set a maximum of 15% of Group assets that can be invested in property, with tolerance of up to 20% if this is driven by market valuation changes of other assets (to avoid technical breach).

Interest rate

Interest rate risk arises as a result of the impact of interest yield curves on future payments to be made in respect of claims and receipts from the Company's investments. The UK yield curves increased in the last quarter of 2019 reflecting reduced Brexit uncertainty and alleviated US-China trade tensions. However, despite the increase in the last quarter yields remain lower at both the short and long end of the yield curve at the end of 2019 compared to the end of 2018. Continuing economic uncertainty, slow growth in the UK and the current impact of the coronavirus on the economy continues to keep Base Rate increase expectations low in the UK.

The Company's exposure to interest rates arises primarily from bond portfolios (as bond values are susceptible to changes in interest rates), and the settlement of future claims (as the discount rates applied to claims settlement projections are impacted by interest yield curves).

Interest rate risk is assessed and monitored by the GIC. SICL considers the prudent person principle (see section 4 below) in considering the investment assets and how they match to the expected payment profile of SICL's technical liabilities. Maximum aggregate duration limits are also imposed on conventional fixed income assets in order to ensure that interest rate exposure on the bond portfolio is appropriate, while the property investments assists in hedging against longer term changes in the interest rate yield curve. The GIC reviews the effectiveness of the mitigating measures, considers how they could be improved, and approves recommendations as appropriate.

Concentration

Concentration risk exposure arises in respect of positions taken in SICL's bond portfolio, secured loans, property exposure and counterparties in respect of its cash holdings and reinsurance recoveries. Concentration exposure is assessed in respect to exposure to any single name. In respect to properties, concentration exposure is considered where the individual properties are part of the same building or counterparty. Concentration exposure is calculated based on the proportion of the single name exposure (or grouped property exposure) relative to the investment assets.

Concentration risk in the portfolio is mitigated by ensuring that investments are well diversified. Ongoing monitoring of the concentration risk is undertaken by the investment manager which monitors investment holdings against the Investment Risk Appetite Statement, which are reviewed regularly to ensure that the mitigating guidelines in place are still appropriate for the Company and the risk environment in which it operates.

The Company has an exposure to a property development group, which is an unrated counterparty, by means of secured loans, for which collateral is in place. Therefore, concentration risk is calculated on the total exposure based on the standard formula guidance.

Ongoing monitoring of concentration risk is undertaken by GIC and by the Risk Management Framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

Concentration of counterparties in respect of cash and reinsurance exposures is considered with credit risk in section 3.

Spread
Spread risk is the sensitivity of the values of investments, primarily bonds and secured loans, to changes in the level or in the volatility of credit spreads. As credit spreads will typically be narrower for well rated securities than for poorly rated securities (and for short duration rather than long duration securities), SICL considers credit quality limits to the conventional fixed income assets in its Investment Risk Appetite Statement.

The Investment Risk Appetite Statement is reviewed regularly to ensure that the mitigating guidelines in place are appropriate for the Company and the risk environment in which it operates.

The GIC reviews the investment portfolio and assesses a value-at-risk ("VaR") metric, based on the expected loss with a 99.5% level of confidence. This is therefore considered the likely loss in the portfolio in a 1-in-200-year event. This assessment is undertaken in conjunction with the Company's investment advisors.

Ongoing monitoring of spread risk is undertaken by GIC and by the Risk Management Framework, including assessing the efficacy of controls and whether they require improvement or additional mitigating measures are required, to ensure the risk remains within risk appetite.

Spread risk has remained low during the reporting period as a result of the decision by the GIC to de-risk the investment portfolio, which resulted in the disposal of a number of bond funds.

SICL also has an exposure to spread risk through a loan to a property development company.

Equity
Equity risk corresponds to the loss of basic own funds that would result from a sudden decrease in the value of the equity investments held. The risk of the decline in the value of the equity investments gives rise to an equity solvency capital requirement.

SICL has invested in its wholly owned subsidiary, SPCL, which conducts investment business on behalf of SICL and other Group companies. The investment in SPCL is valued using the adjusted equity method and is adjudged to have met the qualifying criteria per Article 171 of the Delegated Acts to meet the definition of a strategic equity investment.

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 where SICL is exposed 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 intermediary.

Reinsurance and Financial Institutions
All reinsurance and financial counterparties used have a credit rating of at least 'A-', with the exception of Skyfire Reinsurance Company Limited ('SRCL') which is unrated. The Company partners with a limited number of counterparties, reducing exposure and mitigating contagion risk.

The credit rating requirement mitigates counterparty default risk. The exception is in relation to the exposure to its intragroup reinsurer, SRCL; however, given the existence of collateral by funds withheld arrangements, and that arrangements between SICL and SRCL are part of the same Group, the risk lies within risk appetite.

Quota share reinsurance concentration risk is mitigated by using a number of high-quality quota share reinsurers with a credit rating of A or above.

In addition to the Quota share reinsurance, the Company has purchased Excess of Loss ('XOL') reinsurance to protect underwriting performance from the volatility of potential large catastrophic third-party claims in private motor insurance. From 2018, the attachment point of this protection was increased to £1m, having been at £500k prior to that. SICL only places with external reinsurers rated at least A- for its XOL programme.

From 2018 onwards some aspects of the XOL reinsurance programme have been placed on a structured basis featuring a loss corridor, which means that SICL would retain losses between certain thresholds. The likelihood of breaching these thresholds has been reflected in the calculation of the best estimate reserves.

The Board assesses reinsurance counterparty risk, including monitoring current and historic credit ratings. Should a reinsurer expose SICL to counterparty risk outside of its risk appetite, it's inclusion in future reinsurance programmes is reviewed.

Credit risk presented by premium owed by the insurance intermediary (First Central Insurance Management Limited – '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 (interests being aligned across the Group). Thus, the Company has no counterparty type 2 risk in the standard model.

SICL generates some of its profit from instalment income and therefore has a significant amount of future income due from policyholders and commissions due from reinsurers. However, as was referred to in section 2.4 the pure technical result reported in the financial statements is breakeven and so the expected profit included in future premiums of the Company is nil (2018: breakeven).

Credit risk is also identified, assessed and monitored through the Risk Management Framework (see above for further details), which also necessitates regular review and evaluation of the mitigation measures in place to ensure the risk remains within risk appetite.

4. Prudent Person Principle

SICL is required to invest the assets used to cover the minimum capital requirement and the solvency capital requirement in accordance with the 'prudent person principle'. The prudent person principle defines that the assets must be invested in a manner that a 'prudent person' would – and that the decisions are generally accepted as being sound for the average person.

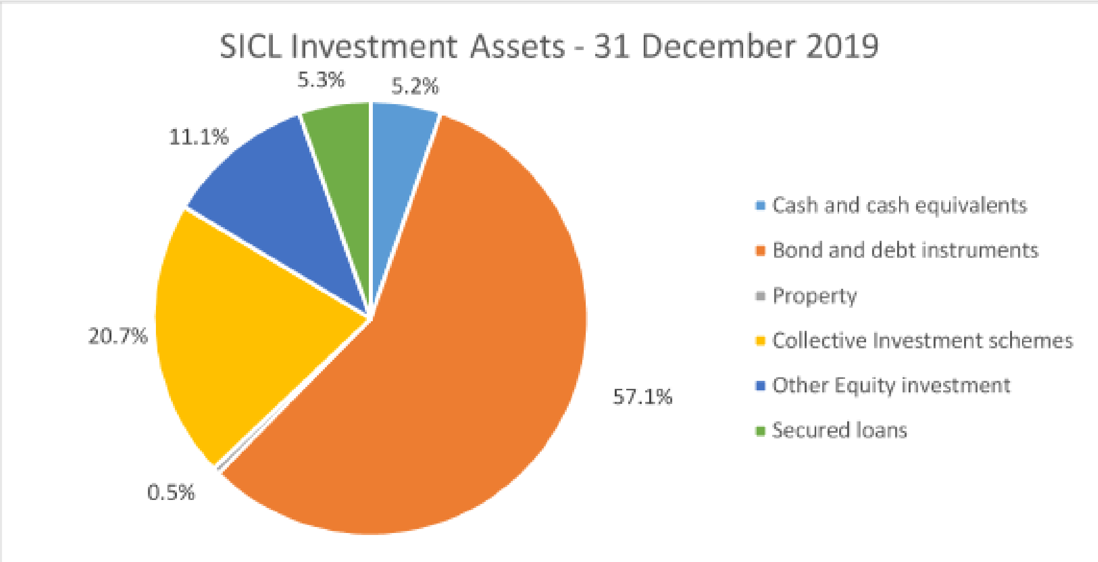
The Company forecasts the cash requirements over a three to five-year horizon based on the 5-year Business Plan, taking into account forecast claims payment patterns, contractual payments (e.g XOL and quota share reinsurance payments) and liquidity of the assets. The bond portfolio in particular is invested 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.

5. Liquidity Risk

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

Liquidity risk is assessed and monitored by FCSUKL on behalf of SICL 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 requirements, bearing in mind maturities of investments, notice periods for withdrawals, and known substantial expenses (e.g. reinsurance premium payments).

The assets of the Company are distributed as follows:



Investments and cash are reviewed by SICL quarterly. Any guidelines for the management of liquidity are incorporated into SICL's Investment Risk Appetite Statement and Investment Policy and are reviewed regularly to ensure they reflect SICL's risk environment. The GIC monitors that the Risk Appetite Statement is being adhered to, reporting to SICL as appropriate.

The Company is also exposed to liquidity risk in relation to its underlying property investments in that it may take time to sell the investments and realise cash.

Liquidity risk is identified, assessed and monitored through the Risk Management Framework.

6. Operational Risk

SICL's key operational risks are:

- Incorrect analysis of rate change: the potential loss of profit due to incorrect rate calculations being applied and not being identified for the longest possible time. All rate changes are rigorously tested before release and can be reversed post-release immediately if necessary, reverting to the previous rate set. Changes are released during core working hours so unusual sales activity can be identified and acted upon immediately.
- Ineffective Information Security: The inability to preserve the confidentiality, availability or integrity of information leading to a significant Information Security issue. A vast suite of controls are in place to mitigate this risk including; user access management, cryptography,

physical and environmental security, vulnerability management and data loss presentation etc. Additionally, Cyber-attack insurance is in place.

- Material service provider: The risk that a provider of key services is unable to operate, affecting SICL's ability to service customers and sell policies. This risk is mitigated by having robust due diligence and service provider monitoring processes, including reviewing the financial security and business contingency plans of service providers. Service providers are required to have appropriate insurance in place including professional indemnity insurance.
- Financial Crime risk: FCIM has a dedicated Fraud Director who manages the teams and processes to control the exposure to financial crime for SICL. One such team, Counter Fraud Services ('CFS') investigate expected cases of fraud and utilise industry wide data bases such as CIFAS, IFR and SIRA. Other teams include Claims Investigations and Intel, focussing on reducing our claims fraud exposure.
- Regulatory breach/legal exposure risk: SICL breaches a regulatory or legal requirement, this includes the risk of breaching solvency requirements or exposure to legal proceedings. This is mitigated by monitoring and reporting solvency on a monthly basis, adhering to the compliance policy, and compliance monitoring and reporting.
- Breach of General Data Protection Regulations or Data Protection Act: SICL have obligations under the data protections regulations and breaches of these could result in considerable fines, poor customer outcomes and reputational damage. SICL acts as both a Data Controller and a Data Processer, there is a Data Protection Officer in place to guide internal processes in order to fulfil the requirements.
- Poor Performance of Reinsurance Broker: SICL is heavily dependent on a Broker in order to secure Reinsurance. Poor performance of the Broker (such as processing errors in the pack sent to Reinsurers, or only sends the pack to a small number of Reinsurers and poor negotiation skills) could lead to SICL getting unfavourable terms. Controls in place to monitor this include having a contract in place, quarterly engagement meetings and performance monitoring.
- Material Misevaluation of Reserves: this covers the misevaluation of reserves and performance metrics within reserving e.g. reserves calculated do not adequately represent the liabilities. Controls in place to mitigate this exposure include engaging with an external consultant to review our reserves, analysis of movements, and review by Reserving Committee.
- Poor Quality Data: this includes policy and claims data that is used by the Pricing and Reserving actuaries in order to perform their analysis and to inform decision making and guide management of the business. Controls include data governance, data validation, reconciliation and reviews, all designed to identify potential issues and ensure accuracy.

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.

7. Other Material Risks

'Brexit'

On 31st January 2020 the UK left the EU and entered a transitional period which will last until 31st December 2020. During the transitional period all arrangements remain the same and the terms of the future relationship between the EU and UK will be worked out. The EU's member states have agreed that the Spanish government will have a veto over any future agreement between the EU and the UK over Gibraltar, and this could affect the overall deal.

There is a wide scope for potential impacts of the UK leaving the EU which may have an onward impact on the business, for example on the use of green cards, increased cost of fuel in the UK, increased cost of vehicle parts (leading to claims inflation) etc. The trading agreement which will be negotiated during 2020 will be key in determining the magnitude of these impacts.

The Financial Services and Markets Act 2000 (Gibraltar Order) outlines the arrangements between Gibraltar and UK for access to each other's markets. The arrangements for access by Gibraltar and UK firms as set out in the Order will apply until 31st December 2020. In the interim, the UK and Gibraltar will be working together to agree a new long-term relationship for access to each other's markets which is expected to be on a similar basis as current. There is no disruption anticipated in the Company's ability to sell insurance in the UK.

There is an additional associated risk in that a number of SICL's staff reside in Spain and cross the border into Gibraltar to work, and five are non-British EU nationals, working in Gibraltar under EU freedom of movement rules. The impact on the border and the ability of EU nationals to continue to work in Gibraltar is unknown, however the Gibraltar government is pushing to preserve fluidity at the border after the expiry of the transitional period (arrangements remain unchanged in the meantime). Contingency plans are in place and the situation is being closely monitored.

Availability of Capital

Availability of capital risk: the risk of capital not being available to fund future growth. Although this is a risk to achieving the business plan, it presents no risk to the solvency of SICL. SICL accrues underwriting profit to provide capital for future growth as well a share of the ancillary income earned by FCIML and investment income from its investment portfolio. If FCG were unable to provide capital when required, SICL would reforecast its business plan to ensure solvency and minimum capital requirements are met without requiring additional funds, investigate sourcing additional capital elsewhere than FCG, or investigate other risk mitigation techniques (e.g. additional reinsurance).

Autonomous Cars

The development of Advanced Driver Assistance Systems ('ADAS', also known as driver automation, self-drive vehicles, driverless cars and vehicle technology) is progressing at an uncertain, but very fast pace. It is probable that ADAS capability will be available before the regulatory structures and infrastructure are in place to enable widespread uptake. In terms of the three-year focus of the latest business plan, FCG has considered the potential impact and believes that there will be no or negligible impact on its markets in this period. In addition, there is an increased and very visible focus by UK HM Government on ADAS, and while this will not demonstrably speed the introduction of self-drive vehicles, it should ensure that the regulatory structures are in place to ease introduction. At this time, UK HM Government recommendations are for the continued requirement for mandatory private motor insurance into the foreseeable future.

FCG will continue to monitor ADAS technology and uptake, and future planning iterations will update our expectations of potential impact on our markets and business plan.

Covid 19

At Skyfire Insurance Company Ltd. and FCG Group we have been closely monitoring developments around the spread of COVID-19. The primary goal of our strategy, which is overseen by our Executive and Crisis Management teams with support from the Boards, is to protect our colleagues and enable us to continue to serve our customers with a minimal level of disruption. Our set up is enabling us to conduct business as seamlessly as possible. We continue to rely on key supplier partnerships with regards to a number of services provided to customers, and we're working closely together to mitigate risks where possible.

D. Valuation for Solvency Purposes

1. Assets

1.1 As at 31st December 2019, SICL held the following assets:

Asset Class	GAAP (£m)	Look Through (£m)	Reclassification for Solvency purposes (£m)	Solvency Value Adj. (£m)	Solvency Value (£m)
Investments in properties	0.5	0.0	0.0	0.0	0.5
Corporate and government bonds	56.8	(24.3)	(3.0)	0.0	29.5
Collective investment undertakings	5.2	(5.5)	16.8	0.0	16.6
Collateralised securities	0.0	0.0	0.0	0.0	0.0
Technical provisions – reinsurance share	423.0	32.4	(146.4)	(20.4)	288.6
Insurance and reinsurance receivables	139.5	0.0	(139.5)	0.0	0.0
Cash and cash equivalents	20.6	(2.6)	(13.5)	0.0	4.5
Financial investments - other loans	5.3	0.0	8.3	0.4	14.1
Other assets	18.6	0.0	(1.1)	(3.7)	13.8
Deferred acquisition costs	3.1	0.0	(0.0)	(3.1)	0.0
Deferred taxation	0.0	0.0	0.0	0.6	0.6
Derivatives	0.0	0.0	0.0	0.0	0.0
TOTAL	**672.5**	**0.0**	**(278.3)**	**(26.2)**	**368.0**

Reclassifications for solvency purposes are reclassifications to the technical provisions, whereas solvency valuation adjustments are valuation differences applied on a line-by-line basis.

As at 31st December 2018, SICL held the following assets:

Asset Class	GAAP (£m)	Look Through (£m)	Reclassification for Solvency purposes (£m)	Solvency Valuation Adj. (£m)	Solvency Value (£m)	Explanation of differences
Investments in properties	0.5	0.0	0.0	0.0	0.5	No valuation differences
Corporate and government bonds	77.4	(35.8)	0.8	0.0	42.2	See [1.2.1]
Collective investment undertakings	17.4	(5.9)	0.0	0.0	11.5	No valuation differences
Collateralised securities	0.0	0.0	0.0	0.0	0.0	No valuation differences
Technical provisions – reinsurance share	417.0	44.4	(181.3)	(12.4)	267.7	See [1.2.2] and [1.2.3]
Insurance and reinsurance receivables	159.6	0.0	(159.6)	0.0	0.0	No valuation differences
Cash and cash equivalents	6.4	(2.7)	0.0	0.0	3.6	No valuation differences
Financial investments - other loans	5.3	0.0	0.0	0.0	5.4	No valuation differences
Other assets	9.1	0.0	(0.8)	(0.5)	7.8	See [1.2.4]
Deferred acquisition costs	7.8	0.0	0.0	(7.8)	0.0	See [1.2.4]
Deferred taxation	0.0	0.0	0.0	1.1	1.1	See [1.2.5]
Derivatives	0.0	0.0	0.0	0.0	0.0	See [1.2.6]
TOTAL	**700.4**	**0.0**	**(340.9)**	**(19.7)**	**339.9**	

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

1.2.1 Bonds and secured loans – these are quoted instruments in active markets and therefore the market price as at 31st December 2019 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.

1.2.2 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 (see 2.5).

1.2.3 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 2019. The adjustments from claims reserves in the GAAP accounts to technical provision in the Solvency II balance sheet are detailed in section 2.5).

1.2.4 Prepayments and deferred acquisition costs – on the Solvency II balance sheet these have been valued at nil.

1.2.5 Deferred tax asset/liability – valued based on the expected tax benefit or expense once the valuation adjustments to transition to solvency valuations unwind.

1.2.6 Derivative assets and liabilities – there are no derivative assets or liabilities

2. Technical Provisions

2.1 The GAAP accounts of SICL include provisions for 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.

2.2 The technical provisions by line of business are as follows:

31st December 2019:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	290.5	1.5	292.0
Other motor insurance	25.8	0.3	26.1
Total	**316.3**	**1.8**	**318.1**

31st December 2018:

Line of business	Technical provisions (excluding risk margin) (£m)	Risk margin (£m)	Technical provisions (£m)
Motor vehicle liability insurance	254.1	1.4	255.6
Other motor insurance	33.8	0.3	34.1
Total	**287.9**	**1.8**	**289.7**

The tables above show that technical provisions have increased in the year. The primary driver is the technical provisions set up for the latest 2019 underwriting year exceeding the reduction on prior year technical provisions as claims are paid. Other contributory factors for the increase over 2019 were the Ogden discount rate change being worse than expected increasing the cost on larger bodily injury claims, offsetting some of the gross reserve releases seen over 2019. Additionally, there was a reduction in the effective risk-free discount rate reducing the amount of discounting applied to the technical provisions.

2.3 The key areas of uncertainty around technical provisions are as follows:

2.3.1 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.

2.3.2 Estimation of the losses relating to claims which have been incurred but not reported ("IBNR") – 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.

2.3.3 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 the Company has written.

2.3.4 Market environment – changes in the market environment increase the inherent uncertainty affecting the business. In particular, there are likely to be impacts from both Brexit and the Coronavirus pandemic on vehicle damage-related claims inflation. We are expecting the Civil Liability Bill whiplash reforms to come into force during Q3 2020, which will result in savings on smaller bodily injury claims due to both the fixed cost regime and the reduction in legal costs. However, given the impact of the Coronavirus pandemic and possible government prioritisation on the Brexit transition, its timing remains uncertain. The Ogden discount rate changed to -0.25% during 2019, which has reduced the uncertainty in this regard compared to last year. It is not clear how this will impact the propensity for UK motor claims to settle through periodic payment orders ("PPOs").

2.3.5 Events Not In Data ('ENID loading') – estimating a provision for events not in data is subject to considerable uncertainty as the events being reserved have not been observed.

2.3.6 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.

2.3.7 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 at [2.3.6], as well as the inherent uncertainties around forecasting future solvency capital requirements.

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

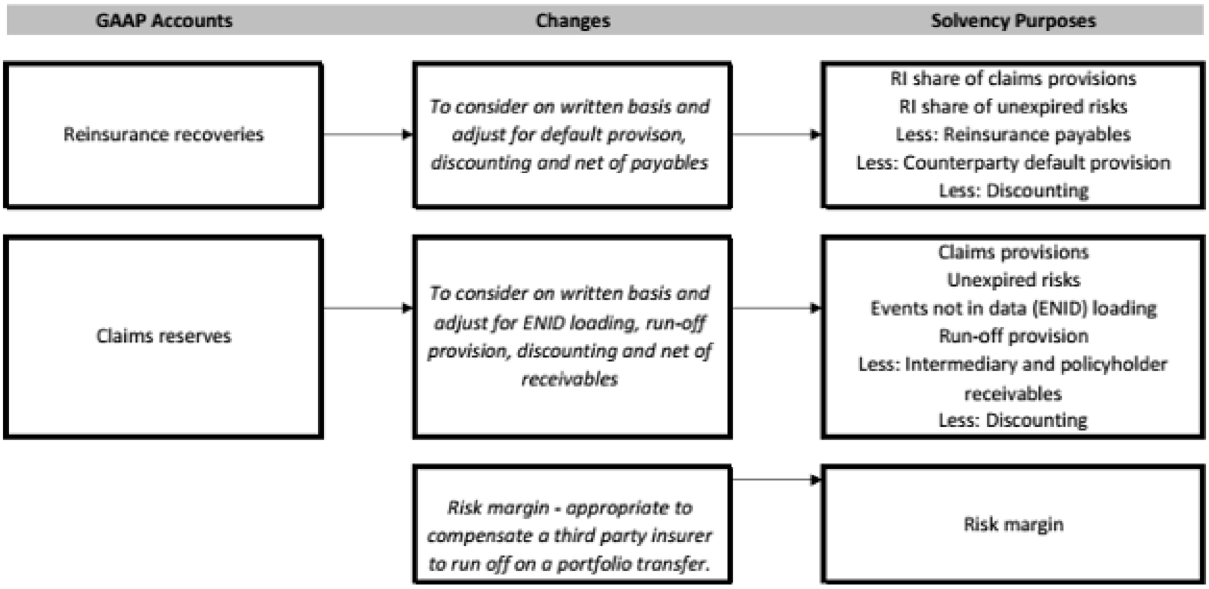
2.4.1 Ongoing monitoring of claims, including regular reviews of claims handling functions.

2.4.2 Maintaining a number of reinsurance arrangements to limit the impact of adverse claims development (see [2.8]).

2.4.3 Internal controls through the Underwriting Management Meeting and Actuarial Function which monitor claims development and reinsurance arrangements.

2.4.4 Regular internal and external actuarial reviews.

2.5 The changes required to transition from GAAP accounts to technical provisions for solvency purposes are consistent, and are noted below:



We shall consider each of these adjustments to transition from GAAP accounts to solvency technical provisions.

2.5.1 Claims provisions – The IBNR in the Company's GAAP accounts includes a margin in excess of best estimate which is not included in the Solvency II Best Estimate Liability. Other than removing this margin the Company 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 2019 for the Company were £344.7m (2018: £321.2m).

2.5.2 Reinsurance share of claims provisions – The Company 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 2019 for the Company were £310.4m (2018: £308.3m).

2.5.3 Unexpired risks – The Company 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. The Company 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 2019 for the Company were £109.5m (2018: £117.3m).

2.5.4 Reinsurance share of unexpired risks – The Company 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 2019 for the Company were £99.7m (2018: £104.2m).

2.5.5 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 net insurance receivables as at 31st December 2019 for the Company were £135.3m (2018: £159.6m).2.5.6 Other receivables – Other receivables, notably quota share commission and other technical income, are netted off the technical provisions for solvency purposes. The Company has estimated the other receivables which will be payable on premium provisions and added these to those recorded in the GAAP accounts in respect of the claims provisions. The other receivables as at 31st December 2019 for the Company were £4.6m (2018: £4.6m).

2.5.6 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 the Company as at 31st December 2019 were £115.9m (2018: £136.9m).

2.5.7 Events Not In Data 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 not presented in a set of observable historical loss data are often called Events Not In Data ('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.

The Company 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 the Company as at 31st December 2019 was £0.8m (2018: £0.8m).

2.5.8 Counterparty default provision – The Company 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. The Company 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. The Company's exposures are from reinsurers with a rating of A- and above and from Skyfire Reinsurance Company Limited which is unrated and so any weighted averages will be skewed by the proportion of exposures relating to Skyfire Reinsurance Company Limited.

SICL has calculated the weighted average probability of default of reinsurers as 0.03% (2018: 0.10%), and thus the counterparty default adjustment is £0.1m (2018: £0.4m).

2.5.9 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.

2.5.10 The Company 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 expenses inflation and taking into account future new business. The run-off provision applied by the Company as at 31st December 2019 was £2.5m (2018: £1.8m).

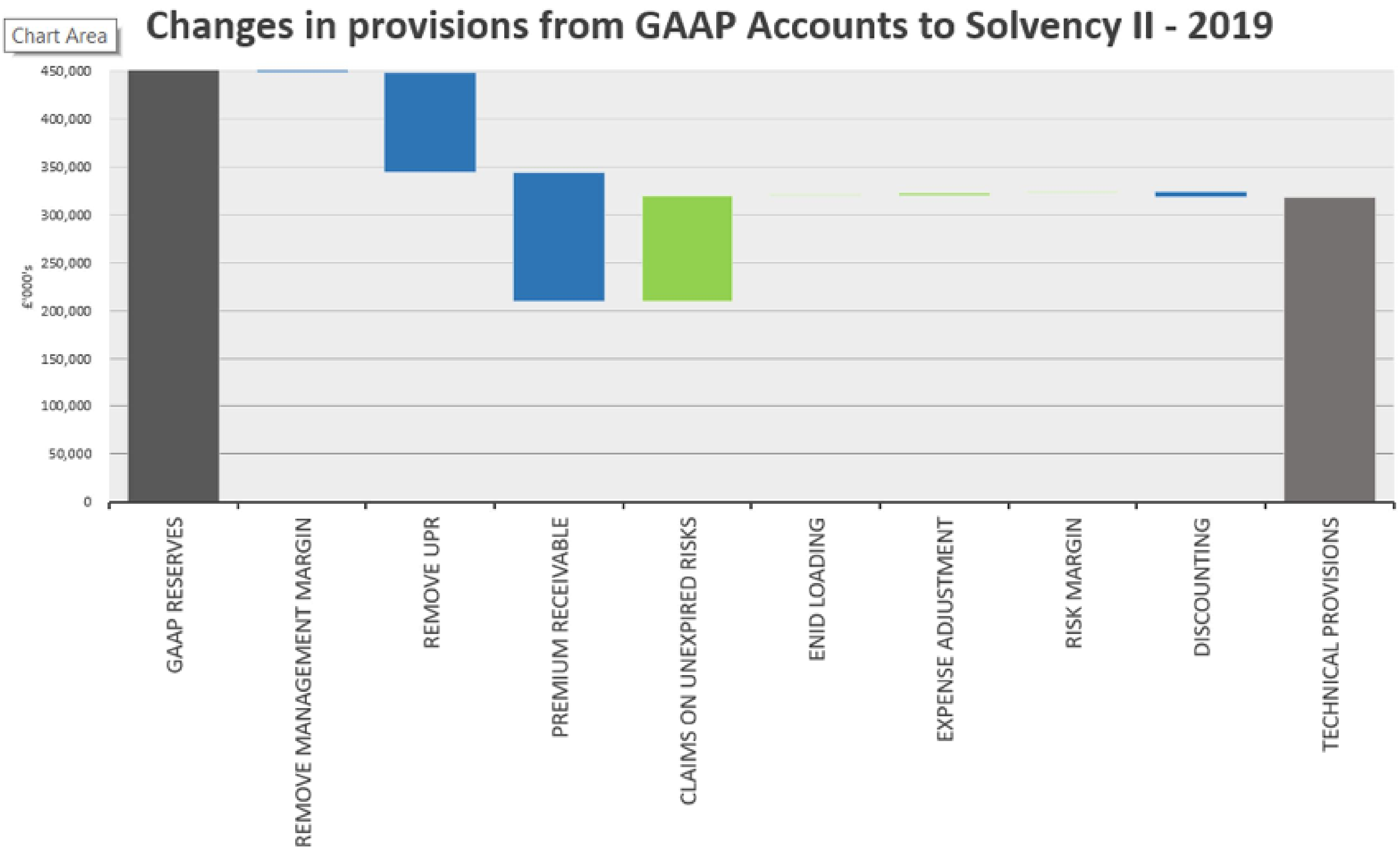
2.5.11 Discounting – Discounting has been applied in the technical provisions based on the sterling yield curve as at 31st December 2019 as issued by the European Insurance and Occupational Pensions Authority ("EIOPA"). In respect of the Company, the impact of discounting on the gross technical provisions is £6.1m (2018: £7.9m), and on the reinsurance share of technical provisions the impact of discounting is £5.7m (2018: £7.5m).

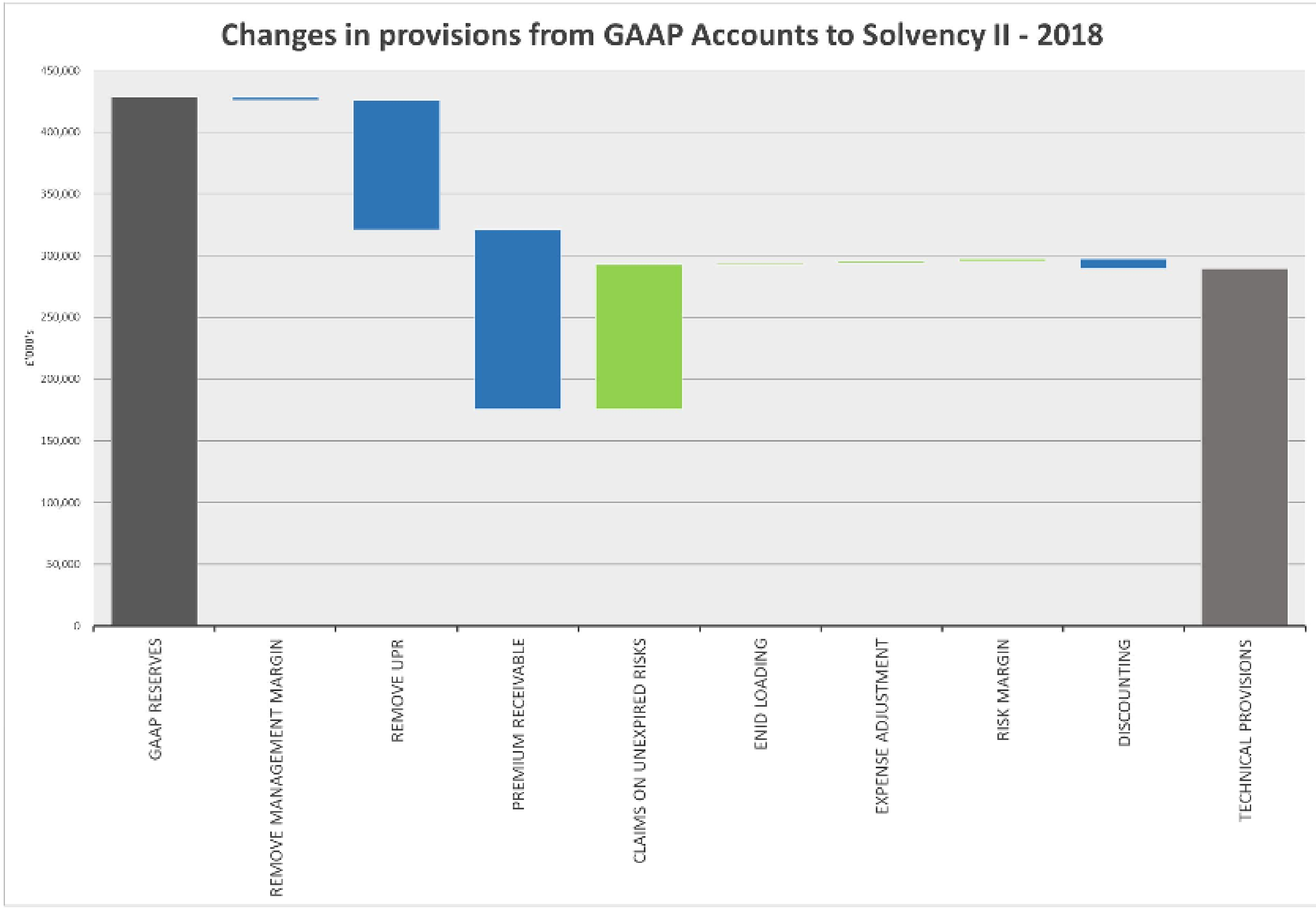
2.5.12 Risk Margin – The risk margin has been determined by approximating the individual risks within all the modules of the SCR for each future period which is Method 1 in EIOPA's Guidelines on the valuation of technical provisions.

This results in a risk margin of £1.8m (2018: £1.8m) in respect of the Company.

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

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




Changes in provisions from GAAP Accounts to Solvency II - 2018
£'000's
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
GAAP RESERVES
REMOVE MANAGEMENT MARGIN
REMOVE UPR
PREMIUM RECEIVABLE
CLAIMS ON UNEXPIRED RISKS
ENID LOADING
EXPENSE ADJUSTMENT
RISK MARGIN
DISCOUNTING
TECHNICAL PROVISIONS

2.8 The Company has entered into various reinsurance arrangements to cap its underwriting risk.

2.8.1 In relation to the years ended 31st December 2019, the Company capped its underwriting risk at £1m via non-proportional Excess of Loss ('XOL') treaties (for the year ended 31st December 2017 and prior years the underwriting risk was capped at £500k with the increase to £1m for risks incepting in 2018). The panel of reinsurers in the XOL treaties are predominately counterparties with good ratings from a well-known rating agency, with the exception of the exposure to SRCL which is unrated. The Company also had a number of proportional Quota Share treaties in relation to the 31st December 2019 year of account (2018: five), one of which being with SRCL (in relation to both 2018 and prior years of account) which is collateralised as a result of SRCL being an unrated carrier. On 31st December 2019 the Company commuted its LPT/ADC contract which was incepted on 31st December 2018 for all years including 2018 and prior. The LPT layer was based on approximately 50% of the external best estimate of unpaid reserves at 31st December 2018.

3. Other Liabilities

3.1 SICL recorded the following classes of liabilities for solvency purposes:

As at 31st December 2019:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	1.7	1.7	None
Deferred income	10.1		Not recognised for solvency purposes
Reinsurance accounts payable	147.6		Reclassified to technical provisions (see [2.5.7])
Other creditors, including corporation tax and IPT	11.2	11.2	None
Derivative liabilities	-	-	None

As at 31st December 2018:

Liability	GAAP Accounts Value (£m)	Solvency Value (£m)	Explanation of Differences
Accruals	0.9	0.9	None
Deferred income	8.5	-	Not recognised for solvency purposes
Reinsurance accounts payable	200.1	-	Reclassified to technical provisions (see [2.5.7])
Other creditors, including corporation tax and IPT	11.9	11.9	None
Derivative liabilities	-	-	See [1.3.6]

4. Alternative Methods for Valuation

Not applicable to the Company.

5. Any Other Information

Not applicable to the Company.

E. Capital Management

1. Own Funds

1.1. SICL undertakes an Own Risk and Solvency Assessment ('ORSA') exercise at least annually, or when its risk profile changes. The ORSA exercise incorporates the business planning process which is typically considered over a three-year time horizon. There have been no significant changes in the reporting period.

1.2. 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 are as follows.

		31st December 2019		31st December 2018	
Own fund item	**Tier**	**£m**	**%**	**£m**	**%**
Share capital and share premium	1	19.3	49.3	19.3	52
Reconciliation reserve	1	19.2	49.2	17.0	46
Deferred tax asset	3	0.6	1.5	1.1	3
		39.0	100.0	37.3	100

The reconciliation reserve represents retained earnings and reconciliation adjustments from GAAP balance sheet to SII balance sheet.

1.3. Only SICL's tier 1 own funds may be used towards meeting the Minimum Capital Requirement.

2. Solvency Capital Requirements ('SCR') & Minimum Capital Requirements ('MCR')

2.1. The SCR of SICL as at 31st December 2019 was £21.0m (2018: £14.5m); its MCR as at 31st December 2019 was £5.3m (2018: £3.6m).

2.2. The SCR of SICL is made up as follows:

2.2.1. 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 RISK	**31st December 2019 £m**	**31st December 2018 £m**
Interest rate risk	0.8	1.3
Spread risk	2.0	1.9
Equity risk	1.0	-
Currency risk	0.0	-
Property risk	0.5	0.1
Concentration risk	5.8	-
Market risk diversification	(3.4)	(1.0)
MARKET RISK TOTAL	**6.7**	**2.4**

2.2.2. 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). The Company considers all intermediary receivables are within credit terms and so Type 2 risk is assessed as nil.

COUNTERPARTY RISK	31st December 2019 £m	31st December 2018 £m
Type 1 risk	5.4	5.8
Type 2 risk	0.0	1.7
Market risk diversification	0.0	(0.3)
COUNTERPARTY RISK TOTAL	**5.4**	**7.2**

2.2.3. 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 the Company may be exposed.

NON-LIFE UNDERWRITING RISK	31st December 2019 £m	31st December 2018 £m
Premium and reserve risk	8.5	3.3
Catastrophe risk	2.2	2.2
Non-life diversification	(1.4)	(1.1)
NON-LIFE UNDERWRITING RISK TOTAL	**9.4**	**4.4**

2.2.4. SICL is exposed to life underwriting risk as a result of both the settled periodic payment orders (PPOs) and the propensity for other large claims to settle as PPOs. The life underwriting risk in respect of the Company is immaterial.

2.2.5. 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 2019 £m	31st December 2018 £m
Market risks	6.7	2.4
Counterparty risks	5.4	7.2
Non-life underwriting risks	9.4	4.4
Life underwriting risks	0.1	0.2
Basic SCR diversification	(5.4)	(3.1)
Operational risks	4.9	3.3
SOLVENCY CAPITAL REQUIREMENT	**21.0**	**14.5**

2.3. SICL has not utilised simplified calculations in applying the standard model and there has been no use of undertaking specific parameters in the non-life underwriting risk calculations.

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

Line of business	Net (of reinsurance) best estimate and technical provisions calculated as a whole (£m)	Net (of reinsurance) written premiums in the last 12 months (£m)
Motor vehicle liability insurance	25.3	9.1
Other motor insurance	2.4	2.0

3. Non-Compliance with the MCR and Non-Compliance with the SCR

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

3.2. SICL met its solvency capital requirement throughout the years ended 31st December 2018 and 31st December 2019.

4. Any Other Information

The Directors do not consider that there is any further information which should be disclosed regarding the capital management of SICL.

F. Quantitative Reporting Templates

See Attached

P.02.01.02 - Balance sheet

Contents

		Solvency II value
		C0010
	Assets	
R0030	Intangible assets	0
R0040	Deferred tax assets	573
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	22
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	50,966
R0080	Property (other than for own use)	500
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	4,436
R0110	Equities - listed	0
R0120	Equities - unlisted	4,436
R0130	Bonds	29,475
R0140	Government Bonds	29,475
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	16,555
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	14,074
R0240	Loans on policies	0
R0250	Loans and mortgages to individuals	0
R0260	Other loans and mortgages	14,074
R0270	Reinsurance recoverables from:	288,559
R0280	Non-life and health similar to non-life	285,626
R0290	Non-life excluding health	285,626
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	2,934
R0320	Health similar to life	0
R0330	Life excluding health and index-linked and unit-linked	2,934
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,452
R0420	Any other assets, not elsewhere shown	9,347
R0500	Total assets	367,994

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions – non-life	315,081
R0520	Technical provisions – non-life (excluding health)	315,081
R0530	TP calculated as a whole	0
R0540	Best Estimate	313,346
R0550	Risk margin	1,735
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)	2,992
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)	2,992
R0660	TP calculated as a whole	0
R0670	Best Estimate	2,942
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	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	10,875
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	0
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	328,948
R1000	Excess of assets over liabilities	39,046

P.05.01.02.01 - Premiums, claims and expenses by line of business - Table 1

Contents

Tabular

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
	Premiums written													
R0110	Gross - Direct Business	0	0	0	163.133	35.146	0	0	0	0	0	0	0	198.279
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted													0
R0140	Reinsurers' share	0	0	0	154.039	33.187	0	0	0	0	0	0	0	187.225
R0200	Net	0	0	0	9.094	1.959	0	0	0	0	0	0	0	11.054
	Premiums earned													
R0210	Gross - Direct Business	0	0	0	163.765	35.282	0	0	0	0	0	0	0	199.047
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted													0
R0240	Reinsurers' share	0	0	0	150.924	32.514	0	0	0	0	0	0	0	183.439
R0300	Net	0	0	0	12.841	2.767	0	0	0	0	0	0	0	15.608
	Claims incurred													
R0310	Gross - Direct Business	0	0	0	168.751	36.356	0	0	0	0	0	0	0	205.107
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted													0
R0340	Reinsurers' share	0	0	0	128.905	27.772	0	0	0	0	0	0	0	156.677
R0400	Net	0	0	0	39.846	8.584	0	0	0	0	0	0	0	48.430
	Changes in other technical provisions													
R0410	Gross - Direct Business	0	0	0	-1.107	-238	0	0	0	0	0	0	0	-1.345
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted													0
R0440	Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	Net	0	0	0	-1.107	-238	0	0	0	0	0	0	0	-1.345
R0550	Expenses incurred	0	0	0	-2.120	-457	0	0	0	0	0	0	0	-2.577
R1200	Other expenses													0
R1300	Total expenses													-2.577

P.05.02.01 - Premiums, claims and expenses by country

Contents

Tabular

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			GB	0	0	0	0	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0	198,279	0	0	0	0	198,279
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0130	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0140	Reinsurers' share	0	187,225	0	0	0	0	187,225
R0200	Net	0	11,054	0	0	0	0	11,054
	Premiums earned							
R0210	Gross - Direct Business	0	199,047	0	0	0	0	199,047
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0230	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0240	Reinsurers' share	0	183,439	0	0	0	0	183,439
R0300	Net	0	15,608	0	0	0	0	15,608
	Claims incurred							
R0310	Gross - Direct Business	0	205,107	0	0	0	0	205,107
R0320	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0330	Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
R0340	Reinsurers' share	0	156,677	0	0	0	0	156,677
R0400	Net	0	48,430	0	0	0	0	48,430
	Changes in other technical provisions							
R0410	Gross - Direct Business	0	-1,345	0	0	0	0	-1,345
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
R0440	Reinsurers'share	0	0	0	0	0	0	0
R0500	Net	0	-1,345	0	0	0	0	-1,345
R0550	Expenses incurred	0	-2,577	0	0	0	0	-2,577
R1200	Other expenses							0
R1300	Total expenses							-2,577

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

P.12.01.02 - Life and Health SLT Technical Provisions

Contents

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
R0010	Technical provisions calculated as a whole	0	0			0			0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0			0			0
	Technical provisions calculated as a sum of BE and RM								
	Best Estimate								
R0030	Gross Best Estimate	0		0	0		0	0	2,942
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		0	0	2,934
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	0		0	0		0	0	8
R0100	Risk Margin	0	0			0			50
	Amount of the transitional on Technical Provisions								
R0110	Technical Provisions calculated as a whole	0	0			0			0
R0120	Best estimate	0		0	0		0	0	0
R0130	Risk margin	0	0			0			0
R0200	Technical provisions - total	0	0			0			2,992

		Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole	0	0	0			0	0	0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0			0	0	0
	Technical provisions calculated as a sum of BE and RM								
	Best Estimate								
R0030	Gross Best Estimate	0	2,942		0	0	0	0	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	2,934		0	0	0	0	0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	0	8		0	0	0	0	0
R0100	Risk Margin	0	50	0			0	0	0
	Amount of the transitional on Technical Provisions								
R0110	Technical Provisions calculated as a whole	0	0	0			0	0	0
R0120	Best estimate	0	0		0	0	0	0	0
R0130	Risk margin	0	0	0			0	0	0
R0200	Technical provisions - total	0	2,992	0			0	0	0

S.17.01.02 - Non-Life Technical Provisions

Contents

Tabular

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		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	0	0	0	0	0	0	0	0	0	0	0	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 as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0	0	0	-21,645	-4,751	0	0	0	0	0	0	0	0	0	0	0	-26,397
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	-13,941	-2,046	0	0	0	0	0	0	0	0	0	0	0	-15,987
R0150	Net Best Estimate of Premium Provisions	0	0	0	-7,705	-2,706	0	0	0	0	0	0	0	0	0	0	0	-10,410
	Claims provisions																	
R0160	Gross	0	0	0	309,194	30,548	0	0	0	0	0	0	0	0	0	0	0	339,742
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	276,199	25,413	0	0	0	0	0	0	0	0	0	0	0	301,612
R0250	Net Best Estimate of Claims Provisions	0	0	0	32,995	5,135	0	0	0	0	0	0	0	0	0	0	0	38,130
R0260	Total Best estimate - gross	0	0	0	287,549	25,797	0	0	0	0	0	0	0	0	0	0	0	313,346
R0270	Total Best estimate - net	0	0	0	25,290	2,430	0	0	0	0	0	0	0	0	0	0	0	27,720
R0280	Risk margin	0	0	0	1,428	308	0	0	0	0	0	0	0	0	0	0	0	1,736
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0300	Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0310	Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Technical provisions - total																	
R0320	Technical provisions - total	0	0	0	288,977	26,105	0	0	0	0	0	0	0	0	0	0	0	315,081
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0	0	0	262,258	23,367	0	0	0	0	0	0	0	0	0	0	0	285,626
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	0	0	0	26,718	2,737	0	0	0	0	0	0	0	0	0	0	0	29,456

P.23.01.01 - Own funds

Contents

Tabular

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated					
R0010	Ordinary share capital (gross of own shares)	102	102		0	
R0030	Share premium account related to ordinary share capital	19,163	19,163		0	
R0040	Iinitial 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	19,208	19,208			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	573				573
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	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				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	Total basic own funds after deductions	39,046	38,473	0	0	573
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			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			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	Total ancillary own funds	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	39,046	38,473	0	0	573
R0510	Total available own funds to meet the MCR	38,473	38,473	0	0	
R0540	Total eligible own funds to meet the SCR	39,046	38,473	0	0	573
R0550	Total eligible own funds to meet the MCR	38,473	38,473	0	0	
R0580	SCR	21,034				
R0600	MCR	5,259				
R0620	Ratio of Eligible own funds to SCR	1.8563				
R0640	Ratio of Eligible own funds to MCR	7.3163				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	39,046
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	19,838
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	Reconciliation reserve	19,208
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	Total Expected profits included in future premiums (EPIFP)	0

P.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

Contents

			Gross solvency capital requirement	USP	Simplifications
			C0110	C0090	C0120
R0010	Market risk	R0010	6,693		
R0020	Counterparty default risk	R0020	5,392		
R0030	Life underwriting risk	R0030	112		
R0040	Health underwriting risk	R0040	0		
R0050	Non-life underwriting risk	R0050	9,352		
R0060	Diversification	R0060	-5,369		
R0070	Intangible asset risk	R0070	0		
R0100	Basic Solvency Capital Requirement	R0100	16,180		

	Calculation of Solvency Capital Requirement		C0100
R0130	Operational risk	R0130	4,854
R0140	Loss-absorbing capacity of technical provisions	R0140	0
R0150	Loss-absorbing capacity of deferred taxes	R0150	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
R0200	Solvency capital requirement excluding capital add-on	R0200	21,034
R0210	Capital add-on already set	R0210	0
R0220	Solvency capital requirement	R0220	21,034
	Other information on SCR		
R0400	Capital requirement for duration-based equity risk sub-module	R0400	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

			Yes/No
	Approach to tax rate		C0109
R0590	Approach based on average tax rate	R0590	0

Calculation of loss absorbing capacity of deferred taxes

			LAC DT
			C0130
R0600	DTA	R0600	
R0610	DTA carry forward	R0610	
R0620	DTA due to deductible temporary differences	R0620	
R0630	DTL	R0630	
R0640	LAC DT	R0640	0
R0650	LAC DT justified by reversion of deferred tax liabilities	R0650	0
R0660	LAC DT justified by reference to probable future taxable economic profit	R0660	0
R0670	LAC DT justified by carry back, current year	R0670	0
R0680	LAC DT justified by carry back, future years	R0680	0
R0690	Maximum LAC DT	R0690	0

P.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Contents

Tabular

A Microsoft Excel-based Solvency II reporting solution

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	3,334

		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 expenses insurance and proportional reinsurance	0	0
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	25,290	9,094
R0060	Other motor insurance and proportional reinsurance	2,430	1,959
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL 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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	8	
R0250	Total capital at risk for all life (re)insurance obligations		0

Overall MCR calculation

		C0070
R0300	Linear MCR	3,334
R0310	SCR	21,034
R0320	MCR cap	9,465
R0330	MCR floor	5,259
R0340	Combined MCR	5,259
R0350	Absolute floor of the MCR	3,187

		C0070
R0400	Minimum Capital Requirement	5,259