

# **UNAUDITED SOLVENCY AND FINANCIAL CONDITION REPORT**

## **PINNACLE INSURANCE PLC**

Company Registration Number: 1007798

Financial Conduct Authority Firm reference number: 110866

**At 31 December 2020**

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## **SUMMARY**

The information in this report relates to Pinnacle Insurance plc (“the Company”). The Company is a subsidiary of Cardif Pinnacle Insurance Holdings plc (the “UK Parent”), a member of the BNP Paribas Cardif group, a worldwide provider of insurance and savings products. The Company is part of the global banking group BNP Paribas SA (“the Group”), a European leader in banking and financial services, with a Standard and Poor’s long-term rating of A+ (Negative outlook). The Group has one of the largest international banking networks, with a presence in 68 countries and employs more than 193,000 employees.

The Company was formed in 1971 and has established itself as a provider of personal lines insurance, principally within the UK. The Company underwrites Creditor, Motor warranty and GAP and Pet insurance products.

The report covers the Solvency & Finance Condition Report (SFCR) of the Company as a Solo entity and provides information on its Solvency i.e. the Company’s ability to pay liabilities.

The information in this report is from the Company’s most recent financial year, which is the year ended 31 December 2020.

The Company is authorised by the Prudential Regulation Authority (PRA), and jointly regulated by the Financial Conduct Authority (FCA) and the PRA.

The following is a high-level description of the contents of each section in this document.

### **A. Business and performance**

This section describes the Company’s performance and significant events during the year, legal structure, how the Company is regulated and who the Company auditors are.

### **B. System of governance**

This section outlines the Company’s system of governance and risk management, and how the Company is managed and controlled. It also describes the Company’s Human resources policy and practices, and its adherence to the ‘Fit and Proper Requirements’.

### **C. Risk profile**

This section describes the Company’s risk profile, including risk exposures, concentrations, mitigation and sensitivity.

### **D. Valuation for solvency purposes**

This section describe the bases and methods used for the valuation of the Company’s assets, technical provisions and other liabilities with an explanation of any major differences in the bases and methods used for the SII valuations, compared to the International Financial Reporting Standards (IFRS) basis used for the 2020 Annual Report and Accounts.

### **E. Capital management**

This section describes the Company’s approach to capital management, and includes information on the amount and quality of the Company’s own funds.

## **SUMMARY – (continued)**

The Company's capital position as at 31 December 2020 is as follows:

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Eligible own funds	135,494	147,864
Solvency capital requirement (SCR)	68,734	59,395
Capital Surplus	66,760	88,469
Ratio of Eligible own funds to the SCR	197%	248%

The Company has a strong capital position with solvency capital surplus of £66.8m (2019: £88.5m) in excess of its solvency capital requirement. The Company's eligible own funds decreased by £12.4m due to the IFRS loss for the year and Solvency II valuation differences.

The SCR increased from £59.4m to £68.7m between 2019 and 2020. This increase is mainly driven by the non-life underwriting risk component of SCR resulting from a 150% increase in Pet policies.

The Company's capital management policy is to maintain sufficient own funds to cover a minimum 120% of the Solvency Capital Requirement (SCR). The Company calculates its SCR using the Standard Formula under Solvency II requirements.

### **Impact of the UK's departure from the EU (Brexit)**

The Company continues to monitor developments in relation to the withdrawal of the United Kingdom from the European Union. A review of all of Company's remaining non-UK business was completed and all non-UK business was closed before the end of 2019.

At the present time, having regard to the current macro-economic environment and the fact that all the business is in the UK, the largest impact could arise from a recession following Brexit. The Company has no exchange rate exposure and no risk to staff from the EU being prevented from remaining employed by the Company post Brexit.

### **Impact of Covid-19 in the UK**

The coronavirus outbreak characterised by the World Health Organisation as a pandemic on 11 March 2020 as well as measures introduced by governments and regulators to tackle the outbreak have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy.

This report has been prepared on a going concern basis and take into account the recommendations from local regulators and standard setters relating to Covid-19.



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**SUMMARY – (continued)**

The effect of the pandemic, specifically the invocation of the remote working model has had a significant impact on a number of processes as we adapted to a remote working model. In anticipation of the first lockdown, a comprehensive re-assessment of the key processes, resources and suppliers was carried out to identify the best way to provide continuity of service to its customers. This has been reviewed throughout successive lockdowns. This assessment also identified a small number of processes that could only be undertaken on the premises and consideration was given to the protection of information with additional security protocols being introduced to reduce the impact of data loss or human error. As we begin to plan for a post lock down environment, continued staff welfare remains the primary consideration. All staff will be consulted before being asked to return to the office, to ensure their individual circumstances and responsibilities are considered and accounted for.

**Basis of preparation**

In line with the Company's previous SFCRs, this document is a Solo SFCR for the Company. There are two key bases for measuring and reporting solvency, which can be used under the SII regime during the UK transition period:

- the 'Standard Formula' and
- an 'Internal Model'.

The figures disclosed in the Company's SII reporting, including this document, are prepared using the Standard Formula. The Board considers that the Standard Formula delivers an SCR that is prudent and appropriate for the Company having regard to the size and the complexity of the business.

The report makes reference to the Company's Annual Report and Accounts which can be accessed from the Company's website at <http://www.cardifpinnacle.com/about/reports>. Information in the Annual Report and Accounts is prepared in accordance with International Financial Reporting Standards (IFRSs); whereas information in this report is governed by Solvency II rules. Important differences include valuation methodologies for assets, technical provisions and other liabilities. Therefore the numbers, including financial, in this report will not always correspond to in the Annual Report and Accounts.



**A M Wigg**  
Chief Executive Officer  
7<sup>th</sup> April 2021

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## **DIRECTORS' REPORT**

### **Directors**

The Directors who held office throughout the year (unless stated otherwise) were:

G Binet (Chairman)  
M Haderer  
N D Rochez \*  
R A Hines \*  
A M Wigg  
M J Lorimer  
S.L.P.F Chevalet  
S M Luton (appointed 10 December 2020) \*\*  
H E Rennie (appointed 10 December 2020) \*\*

\* Independent Non-Executive Director

\*\* Subject to regulatory approval

### **Statements of Directors' Responsibilities**

The Directors are responsible for preparing the Solvency Financial Condition Report, including the attached public quantitative reporting templates, in all material respects in accordance with PRA Rules and the Solvency II Regulations.

The Solvency II Directive, the Delegated Acts, related Implementation Rules, Technical Standards and Guidelines as transposed into the PRA rulebook, as well as PRA rules provide the regulatory framework in which the Company operates. The Solvency II rules and regulations include, but are not limited to, the recognition and measurement of its assets and liabilities including Technical Provisions and Risk Margin, the calculation of its capital requirement and the reporting and disclosures of the Solvency II results.

### **Compliance with the Solvency II framework**

The Company has complied in all material respects with the requirement of the PRA Rules and Solvency II regulations as applicable throughout the financial year 2020. The Company reasonably believes that it will comply with PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

### **Audit**

The Company is exempt from external audit requirement of the SFCR for the year ended 31 December 2020 based on qualifying score of being less 100. The calculations are based on the guidelines published in the PRA consultation paper CP8/18.

Approved by the Board on 7<sup>th</sup> APRIL 2021 and signed on its behalf by:



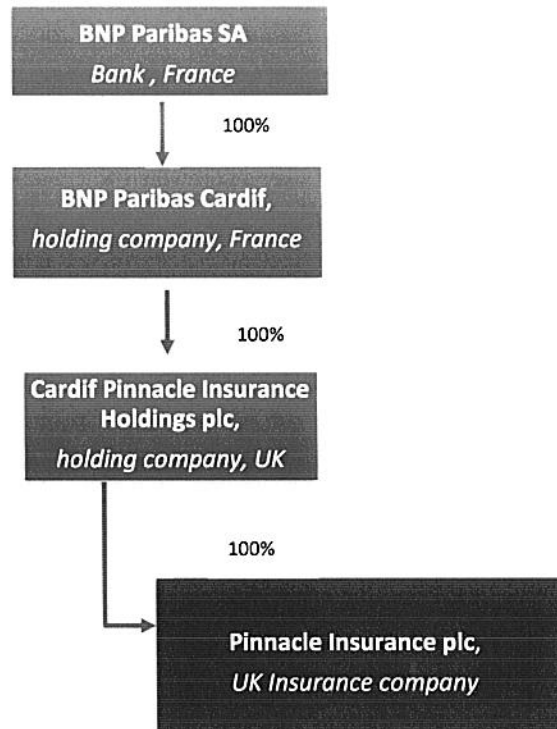
**M J Lorimer**  
Director

## A. BUSINESS AND PERFORMANCE

### A.1 Business

Pinnacle Insurance plc ("the Company") is a limited company incorporated in 1971 in the United Kingdom. The registered address of the Company is Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.

#### Simplified legal group structure



The Directors regard BNP Paribas SA (incorporated in France), as being the Company's ultimate parent undertaking and the controlling party, and Cardif Pinnacle Insurance Holdings plc (incorporated in the United Kingdom) as being the immediate parent undertaking.

BNP Paribas Cardif, a holding company, forms part of the insurance group for Solvency II purpose and therefore, results of the Company are also consolidated in the insurance group SFCR.

## **A. BUSINESS AND PERFORMANCE – (continued)**

### **A.1 Business – (continued)**

#### **Supervision and External Audit**

Pinnacle Insurance plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

[www.bankofengland.co.uk/pru](http://www.bankofengland.co.uk/pru)  
[www.fca.org.uk](http://www.fca.org.uk)

The Company's statutory annual financial statements are audited by Deloitte LLP who can be contacted as follows: Deloitte LLP, 2 New Street Square, London, EC4A 3BZ.

### **A.2 Underwriting performance**

The Company reported a pre-tax loss of £9.6m (2019: profit of £0.4m), predominantly due to the impact of unemployment claims on the Creditor business line coupled with an increase in Overheads.

Despite the significant disruption caused by Covid-19, the Company successfully completed the migration of two Pet back books from a key partner.

<b>Company's key performance indicators</b>	<b>2020</b>	<b>2019</b>
	£'000	£'000
Gross Written Premiums	86,830	43,928
Net Earned Premiums	57,637	41,721
Technical Result	10,567	15,944
Investment Income	2,940	4,432
Administration Expenses	(23,095)	(19,986)
(Loss)/Profit Before Tax	(9,589)	390
Technical Ratio	95%	62%
Claims Ratio	74%	33%
Commission Ratio	21%	29%

## A. BUSINESS AND PERFORMANCE – (continued)

### A.2 Underwriting performance – (continued)

**Gross Written Premiums (GWP):** represents the total premiums written in a given year before deductions of reinsurance and ceding commission and is analysed as:

GWP by line of business	2020	2019	Change
	£'000	£'000	Increase/ (decrease)
Pet	64,167	20,495	43,672
Creditor	15,527	19,357	(3,830)
Warranty and GAP	6,713	3,512	3,201
Household (MGA)	(6)	-	(6)
Motor (MGA)	-	(2)	2
General business	86,401	43,362	43,039
Long-term business	429	566	(137)
Gross written premiums	86,830	43,928	42,902

GWP increased in the year by £42.9m (98%) due to the growth of Pet offset by the continued and expected decline in Creditor business:

- Pet GWP increased by 214% to £64.2m (2019 £20.5m) mainly through the combination of new business sales and completion of customer migration for its major partner.;
- Motor warranty and GAP increased by 91% to £6.7m (2019: £3.5m). The growth was driven by a new GAP partnership with a leading car manufacturer;
- Creditor business decreased by 20% to £15.5m (2019: £19.4m). The sale of new Creditor products has ceased and all intermediary business is in run-off;
- Long-term business which includes business underwritten for mortgage loan protection, continued to be in run off with GWP decreasing to £0.4m in 2020 (2019: £0.6m);
- Household and Motor MGA business was terminated in 2015 and are in run-off.

The Company's business entirely relates to one geographical market (United Kingdom).

**Net Earned Premiums (NEP):** represents the portion of the policy's premium that applies to the expired portion of the policy. The NEP of £57.6m increased by £15.9m due to increasing earned premium in Pet of £20.0m, offset by a decrease in Creditor of (£3.5m) and Motor warranty and GAP of (£0.6m).

**Technical Result:** represents the balance of earned premiums less incurred claims, commission and profit share payments, net of associated reinsurance balances.

**Technical Ratio:** Reflects the profitability of the general business before direct and indirect costs and is calculated as the sum of commission and net incurred claims expressed relative to NEP. The technical ratio increased to 95% (2019: 62%), this is driven by an increase in incurred claims.

## A. BUSINESS AND PERFORMANCE – (continued)

### A.2 Underwriting performance – (continued)

**Claims Ratio:** Calculated as net claims incurred expressed as a percentage of NEP. The claims ratio in 2020 increased to 74% (2019: 33%) due to expected increases in the number of unemployment related claims on Creditor business driven by the Covid-19 pandemic.

**Commission Ratio:** Commission incurred expressed as a percentage of NEP. The Commission ratio in 2020 decreased to 21% (2019: 29%) due to profit share movements on the creditor book arising as a consequences of the expected increase in unemployment claims.

### A.3 Investment performance

Investment income represents income arising from the Company's investment portfolio including the impact of marked to market revaluations and realised losses on investments.

The investment portfolio comprises bonds, cash and term deposits of high credit quality. The total portfolio was valued at £179.6m at 31 December 2020 (2019: £195.9m) of which 29% (2019: 34%) was held in bonds, 51% (2019: 57 %) in term-deposits with credit institutions and 19% (2019: 9%) in cash and cash equivalents.

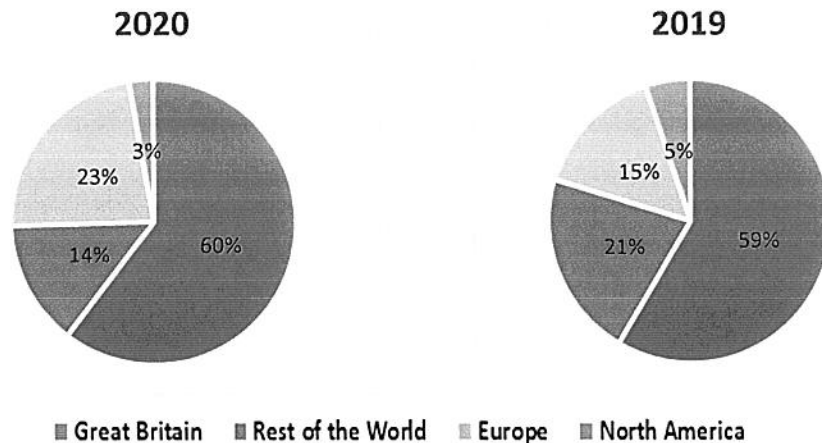
Total net investment return for the year is £2.9m, (2019: £4.4m) which comprises interest earned on financial investments of £2.9m (2019: £4.1m), realised gains on bonds of £0.1m (2019: loss £2.7m) and unrealised loss of £0.1m (2019: gain £3.0m).

By assets class	2020		2019	
	Investments	Return on investments	Investments	Return on investments
	£'000	£'000	£'000	£'000
Bonds	52,782	1,507	67,503	2,784
Deposits	92,263	1,430	111,157	1,583
Cash at bank	34,545	3	17,274	64
<b>Total</b>	<b>179,590</b>	<b>2,940</b>	<b>195,934</b>	<b>4,432</b>

## A. BUSINESS AND PERFORMANCE – (continued)

### A.3 Investment performance – (continued)

The chart below provides geographical split of the investments as follows:



### A.4 Performance of other activities

Administration expenses represent those operating expenses incurred by the Company, which are not classified as either acquisition or claims handling costs. Administration expenses increased by £3.1m to £23.1m (2019: £20.0m), £1.6m of the increase is due to the net impact of provision and accrual releases in 2019 and 2020. Aside from this expenses increased by £1.5m, this increase was due to a number of factors including amortisation as well as an increases in fees recharged from the group.

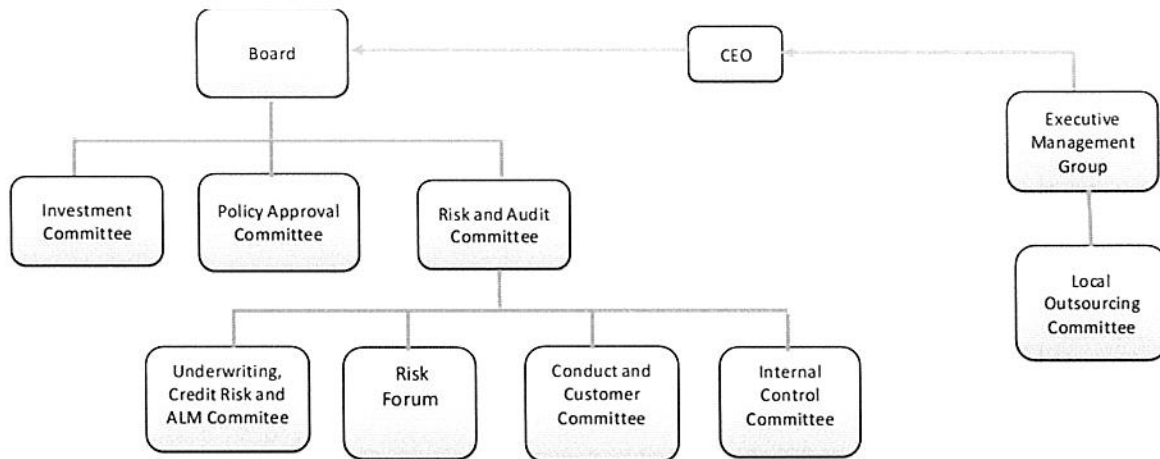


## B. SYSTEM OF GOVERNANCE

### B.1 General Information on the system of governance

The Company's Board comprises Directors and Non-Executive Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and achieves its objectives. The Board met six times in 2020 to determine the Company's strategic direction, review operating and financial performance, and to ensure that the Company is adequately resourced and effectively controlled.

The Company's governance regime is summarised as follows:



The following were the holders of significant management functions throughout the year (unless stated otherwise):

Name	Function	Description of a controlled function
Andrew Wigg	SMF1	Chief Executive Officer
	SMF 20	Chief Actuary
Marie Haderer	SMF 23	Chief Underwriting Officer
Matthew Lorimer	SMF 16	Compliance Oversight
	SMF 17	Money Laundering Reporting Officer (MRLO)
Gerard Binet	SMF 9	Chair of Governing Body
	SMF 10	Chair of the Risk Committee
Richard Hines *	SMF 11	Chair of the Audit Committee
Nik Rochez *	SMF 12	Chair of the Human Resources Committee
Stanislas Chevalet	SMF 7	Group Entity Senior Manager

\* Independent non-Executive Director



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## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***Risk and Audit Committee (RAC)***

The RAC is chaired by an independent Non-Executive Director. Its main responsibilities are to:

- assist the Board in meeting its oversight responsibilities in ensuring an effective system of internal control, reporting process, audit process, compliance and accurate external financial reporting including risk controls;
- assist the Board in ensuring that internal and external audits are conducted in a thorough, efficient and effective manner;
- provide a channel of communication to the Board for the internal and external auditors;
- ensure compliance by the Cardif Pinnacle Group with BNP Paribas Cardif's governance for Risk Management and Internal Audit functions, and Articles 44, 46 and 47 of the Solvency II Directive as transposed into the PRA rulebook;
- have oversight of the work of the Internal Controls Committee (ICC), Conduct and Customer Committee (CCC), Underwriting, Credit Risk and Asset Liability Management Committee (UCAR) and Risk Forum (the work of prudential risk management within the business) and to receive minutes and updates in respect of the above mentioned Committees; and
- review the work of the Risk Management and Compliance Functions.

### ***Policy Approval Committee***

The Committee is chaired by the General Counsel and reports to the Board. It was established in June 2020 by the Board as a sub-committee to review and approve all policies that require board approval only. The Committee's main responsibilities are to:

- ensure all policies are reviewed and approved annually and have sufficient discussion and debate;
- ensure the policies align with and are reflective of any policies covering the same subject matter issued by BNP Paribas or BNP Paribas Cardif;
- ensure all approved policies are communicated to and adopted by the relevant business areas.

### ***Investment Committee***

The Committee is chaired by the Chief Executive Officer and reports to the Board. It meets on a quarterly basis and its main responsibilities are to:

- ensure asset exposures do not exceed the limits set in the investment policy;
- maximise investment return within the risk framework of the investment policy and regulatory requirements; and
- agree investment returns to be used for future investments, new products types, constraints of asset duration, constraints on credit rating, counterparties and removal of counterparties' restrictions.

## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***Conduct and Customer Committee (CCC)***

The Committee is chaired by the General Counsel and reports to the RAC. It reviews and provides direction on the Company's Conduct Risk strategy, including overseeing all product governance controls and reviews, and provides direction on the development of products. The Committee's main responsibilities are to identify, assess and report on key Conduct Risks faced by the Company, specifically to:

- promote and encourage a corporate culture that ensures the recognition of Conduct Risk and the fair treatment of customers;
- continue to encourage the development, analysis and use of further Conduct Risk Indicators (CRI) or other management information and to ensure the CRI measures are constantly challenged;
- ensure that staff appropriately record Conduct Risk issues including the findings and resulting outcome using an agreed process or system such as (but not limited to) the Incident Reporting;
- review issues brought to the Conduct Risk Committee by the Treating Customers Fairly (TCF) Forum (the TCF Forum is responsible for monitoring and managing the customer experience and the identification, resolution and, where applicable, escalation of issues which may cause customer detriment to the CCC) and make recommendations that are in the best interests of the customer and ensure those recommendations are acted upon as required; and
- monitor and maintain an understanding of developments in the market, regulatory and legal environments that may impact on the Conduct Risk framework, and to research and highlight industry best practice.

### ***Risk Forum***

The Chief Executive Officer chairs this committee. It meets at least four times per year and reports to the RAC. The Risk Forum's focus on prudential regulations includes overseeing notably Solvency II quarterly and annual returns and Own Risk and Solvency Assessment (ORSA) runs. The Risk Forum also reviews the ORSA triggering events and monitors performance against risk appetite tolerances on a regular basis.

### ***Internal Control Committee (ICC)***

The ICC is chaired by the General Counsel and reports to the RAC. Its main responsibilities are to:

- oversee the risk management culture in the Company;
- identify, assess and report on key non-financial risks faced by the Company including those relating to outsourced activities (in accordance with the Group Guidance "Control of Risks Associated with Outsourced Processes");
- review the effectiveness of the internal control and compliance arrangements;
- update the Company's Risk Register on a regular basis;
- establish effective systems of internal control and reporting for key risks, appropriate to the size, nature and complexity of the Company;

## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***Internal Control Committee (ICC) - (continued)***

- establish effective systems of compliance appropriate to the size, nature and complexity of the Company;
- monitor the performance of all suppliers of outsourced activities (operational performance, quality indicators and technical monitoring including KPIs & SLAs); and
- monitor the performance of security and business continuity by review of security incidents, test and exercises, critical IT risks and recommendations in progress.

### ***Underwriting, Credit Risk and Asset Liability Management Committee (UCAR)***

This Committee is chaired by the Head of Actuarial – Closing and Risk and reports to the RAC. It meets quarterly and the Committee’s main responsibilities are to:

- provide effective risk monitoring and risk follow up for all the key underwriting, credit and ALM risks, including stress test and sensitivity analysis when relevant, and guarantee the escalation process (alert system) to the Risk & Audit Committee (RAC);
- review the underwriting, credit risks, ALM risks, and the related risk mitigation technique set out in the risk map, once per year;
- review the new products that could materially change the Company’s risk profile, prior to product launch and provide an opinion as part of the approval process;
- review the adequacy of the reinsurance programme as part of the risk mitigation techniques;
- review the underwriting and credit risk monitoring procedures and the Underwriting policy at least once per year, and propose any changes to the RAC;
- report any appropriate ALM risk to the Investment Committee.

### ***Local Outsourcing Committee (LOCC)***

This Committee is chaired by the General Counsel. It reports into the Executive Management Group which reports to the Board.

The Committee’s main responsibilities are to:

- review the risk position of the outsourcing;
- ensure that any proposed outsourcing delivers benefits that outweigh risks;
- review potentially severe incidents on outsourced running activities;
- review all inputs relating to the supervision of outsourced activity;
- oversee the invocation of exit plans;
- ensure relevant controls are in place.

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## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***Project Review Board***

The review Board is chaired by the Chief Executive and convenes monthly. The Review Board's main responsibilities are:

- Ensure the programme and project road map is in line with the agreed business strategy;
- Makes decisions regarding resource priorities;
- To review all programmes and projects within CP for budgetary performance (resource and financial), delivery status and risks;
- Ensure appropriate Group and local governance is applied to all programmes and projects.

### ***B.2 "Fit and proper" requirements***

The Company applies the "Fit and Proper Requirement" criteria laid down by the FCA and PRA in the appointment of controlled function holders including those individuals encompassed in the Senior Managers & Certification Regime (SM&CR).

The Company assesses individuals' fitness and propriety by giving consideration to their:

- financial soundness;
- honesty, integrity and reputation;
- competence and capability;

The Company employs the following procedures to assess "fit and proper":

- compliance with the applicable PRA Conducts Standards and FCA Conduct Rules;
- compliance with internal policies and procedures;
- disclosure and barring service (DBS) checks;
- annual performance reviews and assessments;
- self-attestation annually; and
- references completed by a candidate's previous employer.

### ***B.3 Risk management system including the own risk and solvency assessment (ORSA)***

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Risk and Audit Committee (RAC) oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework.

The RAC is assisted in its oversight role by Internal Audit, which undertakes both regular and ad-hoc reviews the results of which are reported to the RAC.

Risk management policies and procedures are established to identify and analyse the risks faced by the Company, to set appropriate risk appetites and limits, and to identify, measure, record, manage and report on existing and emerging risks, so that they can be managed within Board-approved risk appetites.

Risk management policies and systems are reviewed at least annually to ensure that they remain effective and appropriate for the management of the Company's risks.

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## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA) – (continued)***

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

#### ***Own Risk and Solvency Assessment (ORSA)***

As with all insurers, in line with Solvency II, the Company is required to assess its solvency at least every 12 months, by conducting an Own Risk & Solvency Assessment (ORSA). Details of the last ORSA conducted are set out elsewhere in this document. Solvency II also requires insurers to conduct an ORSA immediately if their risk profile changes significantly. Risk profile changes are monitored by the Risk Forum through review of risk appetite limits.

The Risk Forum also reviews the occurrence (and ongoing relevance) of ORSA triggering events and reports to the RAC on any material changes. If a triggering event occurs, the Risk Forum will inform the Board who will consider whether a requirement to re-run the ORSA has arisen.

Following the ORSA submission in December 2019 an assessment of the impact of Covid 19 was undertaken. This indicated that there was no overall negative impact on the capital adequacy position and therefore the Board was satisfied that an ad-hoc ORSA was not necessary in 2020.

The ORSA is conducted in accordance with the Board's ORSA policy. The Board and RAC provide guidance to the process, e.g. by setting the stress and scenario tests to be used in the ORSA, requiring amendments to the ORSA content, etc. The Board receives both updates from the Risk Forum through the RAC (setting out work completed, key tasks and deliverables, etc.) and together with the RAC reviews and approves the draft ORSA content and the draft ORSA report. The Board challenges these as it deems fit and approves the ORSA report once it is satisfied with it.

#### ***B.4 Internal control framework***

The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness, while the implementation of internal control systems is the responsibility of the executive management. The Company's systems of internal control are designed to manage the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material financial misstatement or loss. The systems are designed to:

- safeguard assets;
- maintain proper accounting records;
- provide reliable financial information;
- identify and manage business risks;
- maintain compliance with appropriate legislation and regulation; and
- identify and adopt best practice.

The Company has an established governance framework, the key features of which include:

- a Corporate Governance manual including matters reserved for the Board and Terms of Reference for each of the Board's Committees;



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## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***B.4 Internal control framework – (continued)***

- a clear organisational structure, with documented delegation of authority from the Board to executive management;
- a policy and procedures framework, which sets out risk management and control standards for the Company's operations; and
- defined procedures for the approval of major transactions.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The Company's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of its business objectives. The Company has a set of formal policies that govern the management and control of both financial and non-financial risks.

The Board regularly reviews the effectiveness of the Company's systems of internal control. Where weaknesses were identified as part of the control review, mitigating actions have been taken or plans put in place. These are monitored by the appropriate Committee on behalf of the Board.

### ***B.5 Internal Audit function***

The Company has outsourced its Internal Audit function to BNP Paribas Group which has a centralised independent internal audit function, which provides assurance to the Risk and Audit Committee and to the Board as to the effectiveness of Company's internal systems and controls, making recommendations and monitoring progress against those recommendations as appropriate.

Findings may contain recommendations, such as enhancing internal controls. Any such recommendations will include agreed actions for closure that are deemed to have been completed only once Internal Audit is satisfied with them.

The RAC agrees the audit schedule set out by Internal Audit. Where required, the schedule is adjusted in consultation with the RAC to address new or emerging risks. This might be the case if the RAC or Board wants a particular area of the Company's operations to be reviewed, perhaps in response to external drivers such as new regulations.

### ***B.6 Actuarial function***

The Company has an in-house actuarial team which carries out a day-to-day actuarial role, including claims reserving. The formal role of the actuarial function under Article 48 of the Solvency II Directive as transposed into the PRA rulebook is to report formally to the Board on technical provisions, reinsurance and underwriting policy.

### ***B.7 Compliance***

The Company has an in-house Compliance function that reports on a hierarchical basis to the BNP Paribas Cardif Compliance function and on a functional basis to the General Counsel to identify relevant legislative, regulatory and Group requirements. The Compliance function is responsible for ensuring that the Company implements the necessary arrangements, systems and controls so as to facilitate adherence to these obligations.

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## **B. SYSTEM OF GOVERNANCE – (continued)**

### ***B.7 Compliance – (continued)***

The RAC agrees the annual Compliance monitoring schedule and all findings from the periodic reviews are reported back to the RAC. The findings may contain recommendations which are closely monitored and closed by the Compliance function.

### ***B.8 Outsourcing***

This section of the report details the outsourcing arrangements for the Company's critical or important outsourced activities.

The outsourcing role is carried-out by one full-time employee. However, Subject Matter Experts are drawn from across all functions with 11 contributors.

Before an activity is outsourced, the Company conducts a comprehensive pre-outsourcing assessment of the potential outsource provider in line with BNP Paribas Cardif Group procedures and the Board approved Policy. This is performed by staff from the key areas of the business. Each assessment is specific to both the activities being outsourced and the potential outsource provider.

The results of the pre-outsourcing assessment are reviewed by senior management to assess the balance between risk and reward in respect of the potential outsourcing as well as determining the likely effectiveness of the control of those activities, once outsourced.

Outsourcing creates risks, which the Company remains fully responsible for, even though the activities are performed by another organisation. Once an activity has been outsourced, the Company applies post-outsourcing controls and governance in order to ensure that the outsource provider remains suitable and that all risks associated with that outsourcing are managed effectively.

A number of critical activities are outsourced across a number of schemes, including, fulfilment, policy administration, premium collection, claim handling and internal audit.

### ***B.9 Any other information***

There is no other information to disclose.

## **C. RISK PROFILE**

The Company's activities expose the business to a number of key risks, which have the potential to affect the Company's ability to achieve its business objectives. The Board is responsible for ensuring that an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below:

### **C.1 Underwriting risk**

The non-life underwriting risk is the main component of the Company's risk profile, representing 89% of the basic capital requirement at the end of 2020 (2019: 87%).

Non-life underwriting risks mainly relate to the premium and reserve risk accounting for 53% after diversification (2019: 52%) and the catastrophe risk representing 42% (2019: 45%), the remaining 5% arising from lapse risk (2019: 3%).

The premium and reserve risk arises from the premium exposure and the development of outstanding unsettled claims at year end. The non-life exposure relates to:

- primarily the Miscellaneous line of business with 82% of the non-life exposure (2019: 72%) comprising notably unemployment risk and Pet health insurance;
- the Motor liability, General liability and Fire lines of business with 11% of exposure (2019: 13%) comprising motor insurance cover and household for claim outstanding mainly; and
- the other Motor line of business with 7% of exposure (2019: 14%) corresponding to Motor warranty products.

The catastrophe risk arises from infrequent shock events that give rise to large numbers of claims or large individual claims and mostly relates to the Pet insurance and unemployment risk covers.

The lapse risk quantifies the impact of policyholders terminating their contracts earlier than reasonably expected. This risk remains relatively small for the Company due to the short-term nature of the products it currently underwrites (most of which being monthly or annual policies), which limits the period over which adverse changes in customer behaviours can apply.

The Company's exposure to underwriting risk on Pet health insurance cover has increased with business growth expected in 2021 triggering a substantial increase in catastrophe risk.

On the creditor book, the Company's underwriting risk profile relates mainly to the risk inherent to unemployment and temporary disability. The exposure is reducing in line with the business volumes but the Company continues to be exposed to the economic impacts of Brexit and Covid-19 on unemployment. Please see section C.6, scenario 2 for more details.

The Company's Motor and household exposure to risks ceased at the end of 2016. However, the Company continues to be exposed to the development of some historic claims (reserving risk) and notably for large bodily injury Motor claims.

The Company's annuity and assurance book is in run-off leading to a continuously decreasing exposure to longevity risk.

For the other lines of business, the exposure to catastrophe risk for life or health related risks is limited.



## **C. RISK PROFILE– (continued)**

### **C.1 Underwriting risk – (continued)**

The Company adopts the following to mitigate these risks:

- Underwriting policy, risk tolerance and pricing and reserving procedures;
- Reinsurance (proportional and non-proportional) notably on annuity and assurance life book and large motor claims;
- Re-pricing when deemed necessary;
- Risk monitoring dashboards and risk monitoring committee; and
- External review of reserves.

### **C.2 Market risk**

Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from market movements.

The Company is mainly exposed to concentration risk and spread risk. Concentration risk arises with exposures on the same counterparty over a certain threshold and spread risk arises from the change in credit spread over the risk-free interest rate term structure.

The Company is exposed to interest rate risk. It arises mainly from the bond portfolio and money market fund. The average maturity duration of investment portfolio is between 1 and 8 years and therefore the Company is only exposed to the interest rate fluctuations upon their maturity or when the term of the fixed term deposits expires.

The Company has a low risk appetite for market risk, which has been translated into a policy allowing the Company to invest predominantly in short-term bonds or cash to match the short-tail nature of most of its claims. The risk is managed by the Investment Committee.

### **C.3 Credit / Counterparty risk**

The Company's exposure to credit risk arises from its direct insurance trading activities, the exposure to the reinsurance it purchases and those of its investment activities. The risk is the risk of default arising from any of these exposures.

The primary source of credit risk for the Company is:

- Investments portfolio including deposits, cash and cash equivalents;
- Amounts due from reinsurer; and
- Amounts due from insurance intermediaries.

#### Investment activities

The Company, through the Board and the Investment Committee, seeks to limit, as far as is practical, exposure to credit risk from its investment activities. The investment credit risk managed through established guidelines and procedures. The Company's investment policy prescribes the investments limits and credit quality of the investments, which are monitored and reviewed by the Investment Committee on quarterly basis.

## C. RISK PROFILE– (continued)

### C.3 Credit / Counterparty risk– (continued)

The Company maintains a low risk, high quality investment portfolio with exposure concentrated in bonds, bank deposits and cash. The table below provides investment portfolio by credit quality:

<i>Investment portfolio by credit quality</i>	<b>2020</b>		<b>2019</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
AAA	10,952	6%	23,039	12%
AA	-	-	3,018	2%
AA-	38,012	21%	26,219	13%
A+	51,326	29%	44,953	23%
A	37,371	21%	61,366	31%
A-	28,572	16%	25,065	13%
BBB+	13,358	7%	12,275	6%
	<b>179,590</b>	<b>100%</b>	<b>195,934</b>	<b>100%</b>

Concentration of credit risk exists where the Company has significant exposure to an individual counterparty or a group of counterparties. As at 31 December 2020, the Company has £29.6m investment with a single issuer with a credit rating of "A+" with a duration of 1 month. The single party exposure is within the Company's prescribed investment policy limit.

#### Reinsurance risk

The Company manages the risk through the use of preferred reinsurers. No reinsurance counterparty has a rating lower than BBB+.

The highest exposure to single reinsurance counterparty is £23.7m (2019: £23.1m) rated AA-.

The best estimate ceded reinsurance liability under IFRS basis as at 31 December 2020 is £44.6m (2019: £48.5m) and £42.2m (2019: £50.6m) under Solvency II basis. The difference is due to valuation approaches under two basis (see section D (e)).

## **C. RISK PROFILE– (continued)**

### **C.3 Credit / Counterparty risk– (continued)**

#### Insurance debtors and other receivables

The Company regularly reviews receivables, the collectability of these receivables and adequacy of associated impairment. Outstanding premiums receivables balances are monitored by the business operations team on a monthly basis, as a minimum. Concentration risk is also monitored for large partners/brokers.

The carrying value of the insurance and other receivables at 31 December 2020 is £48.4m (2019: £16.9m) net of bad debts provisions of £nil (2019: £nil). The value of these receivables under Solvency II basis is £20.3m (2019: £9.3m). See section D for detail on the valuation differences.

The Company mitigates its credit risk and risk concentration as follows:

- individual counter-party risk assessment using Standard & Poor's rating assigned to each counterparty;
- credit and concentration risk limits relating to cash, short term deposits and bond investments are defined in the Investment policy. The Company has a very low risk appetite for any default by counterparties with whom deposits are placed and will not place funds with counterparties whose S&P credit rating is lower than BBB- or lower rated investments;
- selection of reinsurance counterparts from a pre-approval list or for new approvals according to actuarial governance framework;
- monies held in trust accounts (or in segregated accounts); and
- contractual audit rights and rights to terminate contracts due to the failure of counterparties to perform agreed duties including the right to set-off.

## C. RISK PROFILE– (continued)

### C.4 Liquidity risk

Liquidity risk is the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company mitigates liquidity risk in the following ways:

- The Company maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, call accounts and readily tradable corporate bonds; and
- The Company prepares forecasts to predict the required level of liquidity levels both for short-term and medium-term and adjusts the assets accordingly.

The tables below analyses the liquid resources available to meet Company's liabilities as they fall due:

As at 31 December	2020	1 Year	2-3 Years	4-5 Years	Over 5Years	2019
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Highly liquid resources</b>						
Financial investments	145,045	63,060	59,456	19,388	3,141	178,660
Cash & cash equivalents	34,545	34,545	-	-	-	17,273
	<b>179,590</b>	<b>97,605</b>	<b>59,456</b>	<b>19,388</b>	<b>3,141</b>	<b>195,933</b>
<b>Expected liabilities</b>						
Gross insurance liabilities	81,027	33,174	8,333	3,258	36,261	75,466
Other payables	12,925	12,925	-	-	-	15,020
	<b>93,952</b>	<b>46,099</b>	<b>8,333</b>	<b>3,258</b>	<b>36,261</b>	<b>90,486</b>
<b>Surplus funds</b>	<b>85,638</b>	<b>51,506</b>	<b>51,123</b>	<b>16,130</b>	<b>(33,120)</b>	<b>105,447</b>

The Company has surplus funds of £85.6m (2019: £105.4m) in excess of its liabilities. The projected deficit of £33.1m in the above table is a timing difference between financial investments maturity profiles against the expected liabilities during the 5 year period. The Company always holds adequate liquid assets to meet any expected obligations.

With regard to liquidity risk, the Expected Profit Included in the Future Premium ("EPIFP") means the expected present value of future cash-flow which results from the inclusion in technical provisions of premium relating to existing insurance contracts that are expected to be received in the future. The increase in EPIFP from last year is mainly a reflection of the economies of scale that are materialising from the Company's initial upfront investment made on the Pet business line.

As at 31 December	Unaudited 2020	Unaudited 2019
	£'000	£'000
EPIFP	1,344	83

## **C. RISK PROFILE– (continued)**

### **C.5 Operational risk**

The Operational risk is the risk of loss resulting from inadequate or failed internal processes, human or system errors, or from external events.

Operational risks are usually more difficult to quantify *ex ante* therefore their materiality is assessed using a severity / impact scoring approach. This allows risks to be ranked in order of their potential impact and enables risk management to focus on those risks warranting the greatest attention.

The Company is exposed to the following material operational risks:

- **Impact of Covid-19 on operational processes:** The effect of the pandemic, specifically the invocation of the remote working model has had a significant impact on a number of processes as we adapted to a remote working model. Throughout the periods of lockdown, a comprehensive re-assessment of the key processes, resources and suppliers has been carried out to identify the best way to provide continuity of service to customers.
- **Cyber Risk:** The increasing reliance on IT systems and internet based customer facing platforms means that businesses are more susceptible to data security (Cyber Risk) issues. A comprehensive Information Security Framework has been adopted by the company, including clear policies, procedures and governance for managing Cyber Risk. This framework is subject to regular review and maintenance to ensure it remains an effective control against known and emerging Cyber Risk.
- **IT Failure:** The increasing reliance on IT systems and internet based facing platforms to service customers means businesses are more susceptible to IT Failure risks. To mitigate this risk, the company has implemented an IT Governance Framework that provides policies and procedures for managing the risk of all applications, hardware and software within the IT estate.
- **Insufficient Resource:** The risk of not having sufficient or experienced staff within the company may lead to a failure of the key processes. This is mitigated through the application of a capacity management and planning process, a comprehensive succession planning process, a companywide training and development programme and a Human Resources control framework.

The Company manages operational risk through a framework of robust systems and controls which includes:

- Internal committees reviewing and reporting material operational risks;
- Incident reporting system: This is used by staff for reporting any operational incidents which are reviewed by the Business Risk and Controls Department placing appropriate preventive and corrective actions in place;

## **C. RISK PROFILE– (continued)**

### **C.5 Operational risk – (continued)**

- Risk and Control Self Assessments: departments record their key risks on their departmental risk registers in compliance with company-wide procedures which are discussed by the Company executive management group;
- Corporate level risk register: the risk owners report on their most material risks and their evolution during their weekly meetings; and
- Risk reports are sent to the RAC, which in turn reports to the Board: Reports are regularly submitted on operational, compliance and legal risks.

**Regulatory Risk:** The Company is required to comply with the requirements of the Prudential Regulation Authority and Financial Conduct Authority. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Regulatory Risk is managed by the Risk and Compliance teams to ensure legislative and regulatory changes are identified understood and observed.

### **C.6 Risk sensitivities**

The Company has identified the following stress scenarios and assessed the impact of these scenarios on its solvency position:

**Scenario 1:** Default of the Company's largest reinsurance exposure at 31 December 2020 amongst all such exposures with a credit rating of A<sup>1</sup> or lower, which the Company considered would materialise in an instant loss equal to the amount of the reinsurance exposure after expected liquidation recoveries (40% recovery according the Solvency II standard parameters for such credit rating), leading to an increase in the Company's net liabilities and its reserve risk SCR capital requirement as a result, together with a (relatively smaller) second-order reduction in Counterparty default risk SCR.

The stress scenario would trigger a £1.4m increase in the Company's net BEL (directly reducing own funds) combined with a net £0.2m increase in SCR.

**Scenario 2:** Deterioration of the performance of the Creditor portfolio in degraded economic conditions cause by aggravated impacts of Covid-19 beyond levels anticipated in the Company's best estimate view. The particular scenario considered would be higher sensitivity of the portfolio to the crisis than assumed, moving from current circa 50% (claim frequencies on the portfolio increase only half as much as overall unemployment) to 100%. That would materialise in a 30% increase in the costs of outstanding claims, claims on unexpired exposure doubling and lapse rate reducing to nil.

The stressed scenario would trigger an increase in BEL of £5.3m which is partly mitigated by profit share (directly reducing own funds) and an increase in SCR of £1.2m.

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<sup>1</sup> Standard & Poor's or equivalent credit rating





## **C. RISK PROFILE– (continued)**

### **C.6 Risk sensitivities – (continued)**

**Scenario 3:** New variants of feline leukaemia virus (Cats) and canine distemper virus (Dogs) emerge for which current vaccines are not effective. The diseases spread in particular regions in the UK (e.g. London) affecting 5% of pets in that region. The viruses hits 1% of the cats and dogs insured by the Company in UK at an average cost per treatment for reaching £350 per affected pets.

The stressed scenario would trigger an increase in BEL of £0.6m partly mitigated by profit share (directly reducing own funds) and no SCR movement.

Under the three scenarios considered, the Company's solvency ratio remains above 180%.

## D. VALUATION FOR SOLVENCY PURPOSES

### D.1 Assets

The following table summarises the assets held by the Company as at 31 December 2020 with analysis of the differences between Solvency II and IFRS valuation rules:

Total Assets	Notes	2020 IFRS £'000	Adjustment for Solvency purpose £'000	Unaudited 2020 Solvency II £'000	Unaudited 2019 Solvency II £'000
Financial investments	D.1 (a)	145,045	25,999	171,044	193,372
Reinsurance assets	D.1 (b)	44,637	(2,401)	42,236	50,656
Insurance and other receivables	D.1 (c)	48,498	(29,547)	18,952	10,072
Cash and cash equivalents	D.1 (d)	34,545	(25,500)	9,045	3,274
Deferred acquisition costs	D.1 (e)	9,081	(9,081)	-	-
Deferred tax asset		233	2,872	3,105	1,814
<b>Total Assets</b>		<b>282,039</b>	<b>(37,657)</b>	<b>244,382</b>	<b>259,188</b>

Solvency II Directive and Delegated Regulation (EU) 2015/35 as transposed into the PRA rulebook generally provide for undertakings to recognise and value assets and liabilities other than technical provisions in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Commission in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, except where this is not consistent with Article 75 of the Solvency II Directive.

The valuation principles applied between each material asset class are explained below:

**D.1 (a) Financial investments:** The Company's financial investments comprise bonds and term-deposits which are analysed below:

Financial investments	2020 IFRS £'000	Reclassifica tion for Solvency purpose £'000	Unaudited 2020 Solvency II £'000	Unaudited 2019 Solvency II £'000
Corporate bonds	40,754	453	41,207	56,333
Government bonds	12,029	47	12,076	11,882
Investments funds	-	25,500	25,500	14,000
Deposits with credit institutions	92,262	-	92,262	111,157
<b>Total</b>	<b>145,045</b>	<b>26,000</b>	<b>171,045</b>	<b>193,372</b>



## D. VALUATION FOR SOLVENCY PURPOSES – (continued)

### D.1 Assets – (continued)

Adjustment for Solvency II purposes represents reclassification of:

- Highly liquid deposit of £25.5m (2019: £14.0m) into Solvency II balance category of “Investment Fund” which is held within cash and cash equivalents under IFRS basis; and
- Accrued interest of £0.5m (2019: £0.7m) is recognised in the valuation of ‘investments’ on the Solvency II balance sheet, but held within ‘other assets’ on the IFRS balance sheet. The amount is split between Corporate and Government bonds as appropriately required.

Under the IFRS basis, financial assets which also include financial investments are classified into the following specified categories:

- financial assets at fair value through profit or loss (FVTPL);
- held to maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company designates its corporate bonds and government bonds at fair value through profit or loss which is valued using quoted market prices at the period end date provided by recognised pricing sources.

Deposits with credit institutions are classified as Loans and receivables which carry fixed payments that are not quoted in the active market. These are measured at amortised cost under IFRS.

The Solvency II valuation rules for financial investments are consistent and in line with those applied in the IFRS financial statements.

**D.1 (b) Reinsurance assets:** These were valued at £44.6m under IFRS and £42.2m under Solvency II resulting in a (£2.4m) Solvency II valuation difference (2019: £2.2m).

The table below provides the difference between the IFRS and Solvency II carrying values:

	2020 IFRS	Valuation differences (IFRS vs. SII)	Unaudited 2020 Solvency II	Unaudited 2019 Solvency II
	£'000	£'000	£'000	£'000
Reinsurance assets				
Non-life excluding health	15,083	1,557	16,640	25,716
Life excluding health	29,554	(3,958)	25,596	24,940
Total Assets	44,637	(2,401)	42,236	50,656

## **D. VALUATION FOR SOLVENCY PURPOSES – (continued)**

### **D.1 Assets – (continued)**

The valuation difference of (£2.4m) between IFRS basis to Solvency II basis arises from:

- a recognition of the margins included in the assumptions underlying the ceded IFRS reserves ((£1.6m) in total, of which (£1.2m) relating to the Company's annuities and assurance products);
- the de-recognition of reinsured deferred acquisition costs, such costs not being permitted under Solvency II (£1.0m);
- different discount rates used to convert future cash-flows in today's monetary value (£0.7m);
- the release of margins included in IFRS share of reinsurance claims reserves (£0.2m);
- deduction made to the reinsurance assets to reflect potential risk of counterparty default from reinsurers to which the Company transfer its book of annuities (£0.2m); and
- an allowance for expected profits in future premiums within Solvency II provisions ceded to reinsurers (relatively immaterial < £0.1m).

Offset by:

- an allowance for potential adverse developments in the Company's large bodily injury outstanding claims, beyond the level implied by the analysis of the Company's claims historical data (events not in data or ENID) for motor risks of positive main £1.2m.

The valuation difference resulted in a decrease in the carrying value of the reinsurance assets and is reflected in the reconciliation reserves (see section E.1).

**D.1 (c) Insurance and other receivables:** value as at the year-end is £48.5m (2019: £16.9m) under IFRS and £19.0m (2019: £10.0m) under Solvency II. The total valuation difference is £29.5m made up of:

- Insurance receivables of £29.0m (2019: £6.2m); and
- Accrued interest of £0.5m (2019: £0.7m).

In accordance with Solvency II guidelines premium cash flows falling due after the valuation date are recognised within technical provisions, and premiums due at the valuation date are recognised as an asset. Hence, the valuation difference of £29.0m is allowed for in the Solvency II BEL calculations as future inflows within the premium provisions.

The impact of the adjustment is reflected in the reconciliation reserves to offset against the valuation difference between IFRS and Solvency II technical provisions. (See note E.1).

Accrued interest of £0.5m held as part of other receivables under IFRS is reclassified within corporate and government bonds for Solvency II purposes.

## D. VALUATION FOR SOLVENCY II PURPOSES – (continued)

### D.1 Assets – (continued)

Other elements within other receivables including amounts due from group undertakings and prepayments are considered a close approximation to the fair value due their short-term nature.

**D.1 (d) Cash and cash equivalents:** Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of a change in value.

Under IFRS, cash and cash equivalents are £34.5m (2019: £17.3m) which have reduced to £9.0m (2019: £3.3m) due to a reclassification of a highly liquid deposit of £25.5m (2019: £14.0m) into Solvency II balance category of "Investment Fund".

The Solvency II valuation rules for cash & cash equivalents are consistent and in line with those applied in the IFRS financial statements.

**D.1 (e) Deferred acquisition costs (DAC):** Under IFRS, the acquisition costs should be deferred commensurate with the unearned premiums provisions. The deferred acquisition costs (DAC) are separately presented as an asset in the IFRS balance sheet. However, under Solvency II, the DAC of £8.1m (2019: £3.1m) is valued as nil as it is included in the premiums provisions valuation (part of Solvency II best estimates) and therefore not included as an asset.

### D.2 Technical provisions

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive as transposed into the PRA rulebook which states that the value of technical provisions shall be equal to the sum of a Best Estimate Liabilities (BEL) and the risk margin. The technical provisions as at 31 December 2020 were:

Balance Sheet Extracts – Technical provisions As at 31 December	Unaudited 2020 £'000	Unaudited 2019 £'000
<b>Technical provisions – non-life (excluding health)</b>		
<i>Best Estimate</i>	55,357	51,796
<i>Risk margin</i>	10,421	8,292
<b>Technical provisions - health (similar to non-life)</b>		
<i>Best Estimate</i>	3,456	4,870
<i>Risk margin</i>	157	249
<b>Technical provisions – life</b>		
<i>Best Estimate</i>	27,778	26,814
<i>Risk margin</i>	350	314
<b>TECHNICAL PROVISIONS INC. BEST ESTIMATE OF LIABILITIES – SOLVENCY II</b>	<b>97,518</b>	<b>92,335</b>
<b>TECHNICAL PROVISIONS IFRS</b>	<b>120,255</b>	<b>86,024</b>

## D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

### D.2 Technical provisions – (continued)

**IFRS technical provisions:** comprises unearned premium reserves, claims outstanding and long-term business provisions, increased from £86.0m to £120.3m in 2020 due to:

- Unearned premium reserve: increased by £28.7m from £10.5m in 2019 to £39.2m in 2020 mainly due to a significant increase in Pet, £26.0m and Motor warranty and GAP insurance, £3.2m offset by a reduction in Creditor of £0.5m.
- Claims outstanding: increased by £4.4m largely due to:
  - Covid-19 unemployment related claims and increase in the safety margin on Creditor business of £7.5m;
  - Pet claims of £6.0m, in line with business growth;
  - Claims handling expenses of £0.4m, offset by;
  - Motor reserve release of £10.0m.
- Long-term Business Provision: The long-term business provision consists mainly of annuities in payment which are c. 97% reinsured. The gross of reinsurance provision has increased by £1.4m to £31.1m (2019: £30.1m) over 2020 with reducing exposure and reducing life expectancy.

**Solvency II technical provisions against IFRS:** decreased by £22.7m (2019: increased by £6.7m) from £120.3m to £97.5m under Solvency II, which is explained by the combination of the main following factors:

- the de-recognition of premium asset receivables arising from annual policies payable monthly, which are annualised in the IFRS balance sheet and of deferred acquisition costs not permitted under SII (£24.0m and £8.6m respectively, totalling £32.6m combined);
- the recognition of the margin included in the Company's IFRS claims provisions £4.2m and premium provisions £3.3m;
- an allowance for expected profits in future premiums within Solvency II provisions ceded to reinsurance £1.4m; and
- different discount rates used to convert future cash-flows in today's monetary value £0.2m.

Mainly, offset by the following factors:

- the provision for extra expenses, primarily overheads, within Solvency II provisions (£4.0m);
- an allowance for (events not in data or ENID) representing potential adverse developments in the Company's large bodily injury outstanding motor claims or in the outstanding unemployment claims resulting from the Covid-19 pandemic crisis, beyond the level implied by the analysis of the Company's claims historical data (£2.4m);
- the reclassification of loss-absorbing element of profit share payables into technical provisions under Solvency II (£1.7m); and
- the addition of the Solvency II risk margin reflecting the cost of capital (£10.9m).

## **D. VALUATION FOR SOLVENCY II PURPOSES– (continued)**

### **D.2 Technical provisions – (continued)**

**Solvency II technical provision against prior year:** comprise best estimates claims provisions, premium provisions and the risk margin gross of reinsurance. The technical provisions before reinsurance increased by £5.2m from £92.3m to £97.5m in 2020 are explained by:

- Best estimate claims provisions: increased by £0.7m from £47.8 to £48.5m, mostly driven by the growth in Pet £6.2m and increased outstanding claims reserves on the Creditor book primarily due to the outstanding risk from increases in unemployment claims £5.8m, largely offset by the run-off of the motor book (£11.3m).
- Best estimate premium provisions (for unexpired risks): increased by £2.4m from £35.7m to £38.1m, mainly explained by a deteriorating performance anticipated on Motor warranty £1.6m, downward movement of the risk-free yield curve used to discount future cash-flows on the Company's annuity products £0.7m and growth in Pet business £0.2m, with other factors remaining relatively immaterial £0.1m.
- Risk margin: increased by £2.1m from £8.8m to £10.9m driven by the increase in the Company's Solvency Capital Requirement and exacerbated by a reduced discounting benefit stemming from the downwards movement in risk-free yield curves.



## D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

### D.2 Technical provisions – (continued)

The BEL is the sum of the claims provision BEL (valuation of IFRS claims reserves run-off under Solvency II standards) and the premium provision BEL (arising from future events).

The gross technical provisions by Solvency II lines of business are set out in the table below:

By line of business	Unaudited 2020			Unaudited 2019		
	Best estimate	Risk margin	Total	Best estimate	Risk margin	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Medical expense	(1)	1	0	2	-	2
Income protection	3,456	156	3,613	4,868	248	5,116
Motor vehicle liability	27,408	7,332	34,708	38,286	5,433	43,720
Other motor	3,472	90	3,562	2,182	156	2,339
Fire & other damage to property	1,052	23	1,076	965	31	996
General liability	286	3	288	650	14	665
Miscellaneous financial loss	23,140	2,972	26,112	9,712	2,657	12,369
Non-life	<b>58,813</b>	<b>10,578</b>	<b>69,391</b>	56,666	8,641	65,207
Other life	27,778	350	28,127	26,814	314	27,128
Life	<b>27,778</b>	<b>350</b>	<b>28,127</b>	26,814	314	27,128
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>86,591</b>	<b>10,927</b>	<b>97,518</b>	83,480	8,855	92,335

In the above table:

- The gross BEL for miscellaneous financial loss line of business is £23.1m (2019: £9.7m), comprises Pet and PPI unemployment risks, together representing 39% (2019: 17%) of the Company's overall non-life BEL;
- The gross BEL for motor liability is £27.4m (2019: £38.3m) representing 47% (2019: 68%) of the non-life BEL. As the activity on Motor ceased in 2015, this only includes outstanding claims;
- The line of business "Fire and other damage to property" mostly relates to Home insurance for a gross BEL of £1.1m (2019: £1.0m); and
- The life long term fund BEL including risk margin is £28.1m (2019: £27.1m) representing a relatively stable proportion of the Company's risk at 29% of the provision (2019: 29%).

The risk margin calculated is £10.9m (2019: £8.9m) and represents 11.2% (2019: 9.6%) of the overall gross technical reserves. The increase captures the increase in capital and the reduction in discount yields.

## D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

### D.2 Technical provisions – (continued)

The recoverable from reinsurance contracts are £42.2m (2019: £50.7m) mostly split as £16.4m for non-life excess-of-loss reinsurance treaties on motor vehicle liability and £25.5m quota-share on annuities and assurances (the remainder £0.3m corresponding to Pet liability risks). The decrease in recoverable is driven by the downwards movement in the interest rate yield used by the company to discount the expected reinsurance recoveries on its motor and the annuities books.

#### D.2 (a) Description of method used for technical provision assessment

##### ***Assessment of the Best Estimate Liabilities***

The liability cash flow projections are assessed using deterministic based and best estimate assumptions.

For annuities and assurances products, the projections are made for each individual policy in line with the financial statement methodology. For the other lines of business (Non-life and Health), the projections are made by homogeneous risk groups. The cash flows taken into account for the purpose of the projections are:

- future premiums arising from existing contracts at the projection start date;
- claims payable (arising from outstanding claim reserve, unearned premium reserve and future premium on existing contracts);
- commissions and profit share payable to intermediaries;
- overheads (including claims management cost and administration costs); and
- recoverable from reinsurance.

##### ***Assessment of the reinsurance recoverable***

The best estimates are calculated gross of reinsurance and without deduction of amounts recoverable from reinsurance contracts.

The amounts recoverable are calculated separately, following the same principles as presented for the best estimate and consistently with the contract liability term of the underlying policies covered and the reinsurance contract term. The result is then adjusted to take account of expected losses due to default of the counterparty. This adjustment is based on the probability of default of the reinsurance counterparty based on its rating.

##### ***Assessment of Risk Margin***

The risk margin is assessed as the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) necessary to support the insurance obligations over their lifetime. It is calculated as 6% of the present value of the projected SCR at the end of each year. The SCR is assessed based on year end using drivers for each component based on the run off risk profile of the portfolio.

## **D. VALUATION FOR SOLVENCY PURPOSES– (continued)**

### **D.2 Technical provisions– (continued)**

#### **D.2 (b) Uncertainty associated with the amount of technical provisions**

There is uncertainty arising from the projection method (deterministic approach).

For non-Life projections, there is uncertainty related to the grouping of insurance and reinsurance obligations on a limited number of homogeneous risk group for liabilities arising from future premiums. However this risk is limited due to the short projection horizon of future premium.

#### **D.2 (c) Material differences with financial statements valuation**

For the purpose of the valuation of the BEL claims, the approach between solvency II and the statutory accounts are aligned. The statutory accounts best estimate claims outstanding reserves are used as the basis for future payment projections. The differences are limited to the use of an annual payment pattern combined with the application of a risk-free discount rate and the introduction of Events Not In Data (ENID).

Compared to the financial statements, the future cash flows arising from premium exposure at the end of the financial year (unearned premium reserve and expected future premium generated by the monthly premium product cover up to their contractual liabilities terms) are taken into account.

With the exception of annuities and assurance products, the future claims payments are estimated using a loss ratio approach applied to the premium exposure.

#### **D.2 (d) Details on key assumptions**

The key assumptions used in the projection are the following:

- future loss ratios;
- discount rate;
- best estimate mortality table; and
- overheads projected.

#### ***Overheads***

The overheads are projected using two main components; administration costs and claims management expenses.

The overheads projections are based on the detailed analysis of 2020 costs structure taking into account expected future inflation.



## D. VALUATION FOR SOLVENCY PURPOSES – (continued)

### D.2 Technical provisions– (continued)

#### Loss ratio

The loss ratio used for the purpose of BEL premium assessment is calibrated using a tailor made study for most material homogeneous risk group and based on past months experience for others.

### D.3 Other liabilities

The table below provides total liabilities analysis including other liabilities as at 31 December 2020 of £11.3m (2019: £18.9m).

Liabilities as at 31 December	Notes	Unaudited 2020 Solvency II £'000	Unaudited 2019 Solvency II £'000
Technical provisions incl. best estimate of liabilities (BEL)	D.2	97,518	92,335
Insurance & intermediaries payables		6,179	16,859
Insurance payable-reinsurance operations		141	24
Amounts owed to credit institutions		-	-
Amounts owed to group undertakings		1,303	556
Other taxation and social security		3,450	1,430
Accruals and deferred income		296	120
Other liabilities	D.3(a)	11,369	18,989
Excess of assets over liabilities (basic own funds)	E.1	135,494	147,864
<b>Total Liabilities</b>		<b>244,382</b>	<b>259,188</b>

#### D.3 (a) Differences between Solvency II valuation and IFRS valuation by material class of other liabilities

**Insurance & intermediaries payables:** represents profit share and claims payable, which are due to be settled after the reporting period.

There is a valuation difference between IFRS carrying value of insurance and intermediaries payable and Solvency II basis. The valuation difference relates to a profit share payable of £1.6m (2019: £4.6m).

Under Solvency II Level 1 Directive, Article 77(2) as transposed into the PRA rulebook, the cash flow projections to estimate the technical provisions should take into account all cash in and out flows required to settle the insurance and reinsurance obligations. Therefore, the profit share payable for contract within the contract boundaries is included within BEL calculations resulting in reclassification of the amount to the reconciliation reserve (see note E.1).

## D. VALUATION FOR SOLVENCY PURPOSES – (continued)

### D.3 (a) Differences between Solvency II valuation and IFRS valuation by material class of other liabilities – (continued)

As a result of the valuation difference, the amount relating to insurance & intermediaries payables under IFRS reduced from £7.8m (2019: £21.4m) to £6.2m (2019: 16.8m) under Solvency II basis. The IFRS amount includes PS10/12 PPI and ARS provision of £1.1m (2019: £8.5m).

**Amounts owed to group undertakings:** represent short-term intercompany liability which is valued at amortised cost. The carrying value of £1.3m (2019: £0.6m) which is subject to 30 days credit terms deemed to be fair value as at the year end. Therefore there is no difference between the IFRS and Solvency II carrying values.

**Other taxation and social security:** represents Insurance Premium Tax (IPT) payable to HM Revenue & Customs (HMRC). The IPT is a financial liability valued as loans and receivables under IFRS which is deemed to be an approximate to fair value due to the short-term settlement time after the reporting date.

The following amounts included within other liabilities above in the table are under IFRS principles:

- Insurance payable-reinsurance operations;
- Amounts owed to credit institutions; and
- Accruals and deferred income.

The carrying value of these liabilities is deemed to be a close approximation to fair value as they are all due within one year. Therefore, no adjustment is required under Solvency II.

### D.4 Alternative methods for valuation (article 263)

The Company does not use any alternative methods for valuation.

### D.5 Any other information

The Company does not apply the:

- Matching adjustment referred to in Article 77b of Directive 2009/138/EC\*;
- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC\*;
- Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC\*; and
- Transitional deduction referred to in Article 308d of Directive 2009/138/EC\*.

\* As transposed into the PRA rulebook

## E. CAPITAL MANAGEMENT

### E.1 Own funds

Under the Solvency II regime, the Company is required to hold sufficient own funds to cover its Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR).

The Company's capital management policy is to maintain its own funds in excess of SCR with a target minimum coverage of 120%. The following table provides Company's own funds position as at 31 December 2020:

<i>Own Funds</i>	<b>Unaudited 2020</b>	Unaudited 2019
	£'000	£'000
Ordinary share capital	126,557	126,557
Share premiums	23,323	23,323
Reconciliation reserve	(17,490)	(3,830)
Deferred tax asset	3,105	1,814
<b>Total available own funds to meet SCR</b>	<b>135,494</b>	<b>147,864</b>

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds as at 31 December 2020. The Company 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. All of the Company's own funds items fall under Tier 1-unrestricted category except the net deferred tax asset classified as Tier 3 capital.

The Company's available own funds decreased by (£12.4m) mainly due to a reduction in IFRS retained earnings (£7.4m), Solvency II valuation differences (£6.3m) which are partially offset by increased net deferred tax movement £1.3m.

<i>Reconciliation reserve (£'000)</i>	Notes	<b>Unaudited 2020</b>	Unaudited 2019
IFRS Retained earnings		(2,140)	5,295
Solvency II valuation differences			
-reinsurance share of technical provisions	D.1(b)	(2,401)	2,188
-gross technical provisions liability	D.2	22,736	(6,311)
-premium receivables	D.1(d)	(29,047)	(6,178)
-profit share payable	D.3(a)	1,687	4,579
-de-recognition of deferred acquisition costs	D.1(e)	(8,094)	(3,087)
-deferred tax asset		(233)	(316)
		(15,351)	(9,125)
<b>Reconciliation reserve</b>		<b>(17,490)</b>	<b>(3,830)</b>

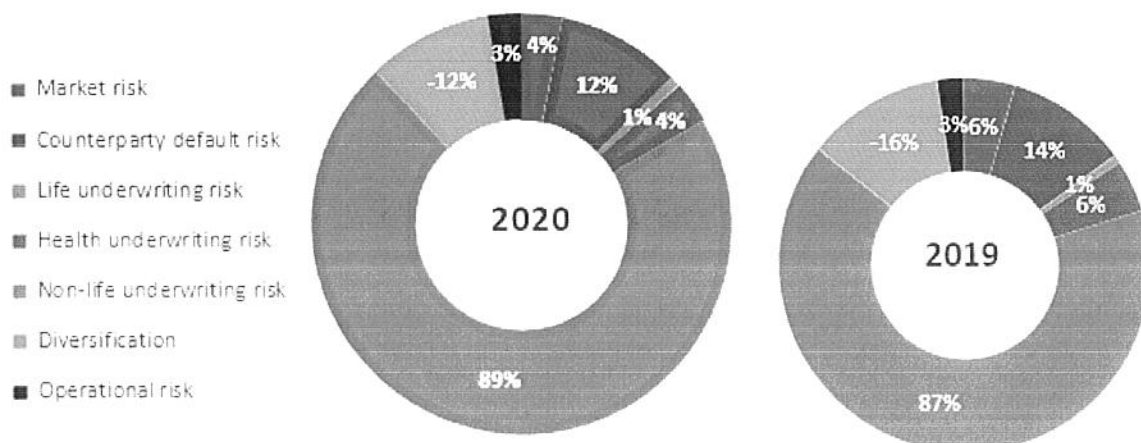
## E. CAPITAL MANAGEMENT – (continued)

### E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Company's SCR as at 31 December 2020 is £68.7m (2019: £59.4m). The Company's MCR as at 31 December 2020 is £17.1m (2019: £15.0m). The SCR of the Company is the aggregation of the market, counterparty and underwriting risks, less a credit for diversification and an additional charge to represent the operational risks faced by the Company.

The table below provides the breakdown of the SCR by risk:

<i>Solvency Capital requirement (SCR) by risk</i>	Unaudited 2020	Unaudited 2019
	£'000	£'000
Market risk (diversified)	2,455	3,271
Counterparty default risk	8,056	8,071
Life underwriting risk	455	390
Health underwriting risk	2,775	3,385
Non-life underwriting risk	61,395	51,853
Diversification	(8,460)	(9,396)
<b>Basic Solvency Capital Requirement</b>	<b>66,676</b>	<b>57,574</b>
Operational risk	2,058	1,821
<b>Solvency Capital Requirement</b>	<b>68,734</b>	<b>59,395</b>



Non-life underwriting risk remained the main component of the SCR.

The Company has not used undertaking specific parameters to calculate the SCR pursuant to Article 104(7) of the Solvency II Directive as transposed into the PRA rulebook. The SCR remains subject to formal supervisory assessment and includes no adjustments or capital add-on.

## E. CAPITAL MANAGEMENT – (continued)

**Market Risk:** a component of the SCR is driven by the risks inherent within the Company's assets and liabilities portfolio and the details of the changes over the reporting period are as follows:

<b>Solvency Capital Requirement</b>	<b>Unaudited 2020</b>	<b>Unaudited 2019</b>
	£'000	£'000
Interest rate risk	476	971
Spread risk	1,669	2,110
Currency risk	35	18
Concentration risk	1,476	1,797
	<b>3,657</b>	<b>4,896</b>
Less: Diversification effect	(1,202)	(1,625)
<b>Market risk</b>	<b>2,455</b>	<b>3,271</b>

The Market risk SCR net of diversification changed to £2.4m. The Market Risk arises from:

**Spread risk:** results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate structure. The spread risk applies to the Company's holdings in corporate bonds and money market funds. The spread risk decreased to £1.6m (2019: £2.1m). This was due to a decrease in corporate bonds holdings from £56.3m in 2019 to £41.2m in 2020 which had a reduced impact on spread risk.

**Concentration risk:** arises from large investments in individual counterparties and single name exposure. It applies to investment holdings in excess of a specified threshold, and is based on exposure, rating and total assets held. The Company's concentration risk decreased to £1.5m in 2020 from £1.8m in 2019 due to bonds investment holding exposure reducing to £76.7m in 2020 from £82.2m in 2019 coupled with rating changes of certain counterparties.

**Currency risk:** arises from changes in the level or volatility of currency exchange rates.

**Interest rate risk:** driven by changes in assets and liabilities of the Company due to changes in term structure of interest rates. The Company's interest rate risk decreased to £0.5m (2019: £1.0m).

The Company does not hold any investments in equities or properties, hence no SCR required.

**Diversification effect:** between the sub-modules of Market SCR reduced to £1.2m (2019: £1.6m) due to reduction in the overall investment portfolio.



## E. CAPITAL MANAGEMENT – (continued)

**Counterparty default risk:** module of £8.1m (2019: £8.1m) arises from risk of default on reinsurance recoverable and cash at bank and deposits. The table below provide breakdown by each asset class.

	Unaudited 2020	Unaudited 2019
	£'000	£'000
<i>Type 1 - rated</i>		
Reinsurance recoverable	519	631
Cash at bank and deposits	5,004	6,258
<i>Type 2 - unrated</i>		
Receivables from intermediaries	3,037	1,495
Diversification	(505)	(313)
<b>Counterparty default risk</b>	<b>8,056</b>	<b>8,071</b>

The Counterparty default SCR was unchanged at £8.1m (2019: £8.1m) the main changes were as follows:

- Receivables from intermediaries: increased by £1.5m due to increased receivables;
- Capital charge on cash at bank and deposits decreased to £5.0m (2019: £6.3m) as cash holdings decreased;
- Reinsurance recoverable decreased £0.1m and diversification effect decreased £0.2m.

**Life underwriting risk:** represents the risk of adverse change in the value of long-term BEL due mainly from mortality rates and longevity risk. The life underwriting risk SCR is £0.4m (2019: £0.4m).

**Health underwriting risk (Non similar to Life techniques):** provides composition of Health underwriting risk:

	Unaudited 2020	Unaudited 2019
	£'000	£'000
Health Non-SLT	2,755	3,358
Health Catastrophe	75	102
Diversification	(55)	(75)
<b>Health underwriting risk</b>	<b>2,775</b>	<b>3,385</b>

The Health underwriting SCR arises from:

- £2.7m (2019: £3.4m) health non-SLT risk mainly driven by earned premium and reserve volume decrease of the Company's Creditor business.
- £0.1m (2019: £0.1m) Health Catastrophe risk represents the pandemic and mass accident risks



## E. CAPITAL MANAGEMENT – (continued)

Non-life underwriting risk: SCR risk module comprises:

	<b>Unaudited 2020</b>	Unaudited 2019
	£'000	£'000
Non-life premium & reserve	42,729	35,156
Non-life Lapse	4,498	2,320
Non-life Catastrophe	34,457	30,258
Diversification	(20,288)	(15,881)
<b>Non-life underwriting risk</b>	<b>61,395</b>	<b>51,853</b>

The non-life underwriting risk SCR arises from:

- premium and reserve risks of £42.7m (2019: £35.2m) mostly driven by premium exposure to miscellaneous financial loss and other motor and claim exposure to motor liability;
- catastrophe exposure of £34.5m (2019: £30.3m) mostly driven by future premium exposure on miscellaneous financial loss, reflecting planned growth of the Company's Pet product line; and
- lapse risk of £4.5m (2019: £2.3m) on future premium arising from existing contracts up to their contractual term.

**Operational risk:** of £2.1m (2019: £1.9m) is driven by life and non-life - gross earned premium.

<b>Solvency Capital requirement</b>	<b>Unaudited 2020</b>	Unaudited* 2019
	£'000	£'000
Premium Component		
-Gross Earned Premium Non-Life (67,466 x 3%)	2,024	-
-Gross Earned Premium Life (875 x 4%)	35	-
Provision Component		
-Gross Non-Life BEL (56,666 x 3%)	-	1,700
-Gross Life BEL (26,814 x 0.45%)	-	121
<b>Operational risk</b>	<b>2,058</b>	<b>1,821</b>

\*Please note: The Life and Non-life components are not directly comparable because the premium based component is triggering at year end 2020 whereas the provision based component was triggering at year end 2019. However, the totals for operational risk are comparable.

The Company has calculated the MCR based on rules set out in the Delegated Regulation. The MCR calculation is mainly based on the net value of technical provisions and the volume of premiums written in the last year. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 31 December 2020, the MCR is of £17.1m and within the SCR corridor at 25% of SCR.

## E. CAPITAL MANAGEMENT – (continued)

<i>Minimum Capital Requirement</i>	<b>Unaudited 2020</b>	Unaudited 2019
	£'000	£'000
Linear minimum capital requirement	15,875	8,652
Solvency capital requirement - SCR	68,734	59,395
Minimum capital requirement cap	30,930	26,728
Minimum capital requirement floor	17,183	14,849
Combined minimum capital requirement	17,183	14,849
Absolute floor of the minimum capital requirement	6,577	6,373
Minimum Capital Requirement - MCR	17,183	14,849

### Capital position

The Company has Solvency II capital surplus of £68.1m and Solvency ratio of 197%. The Company's capital position as at 31 December 2020 is detailed below:

<i>Solvency Ratio</i>	<b>Unaudited 2020</b>	Unaudited 2019
	£'000	£'000
Available own funds to meet the solvency capital requirement	135,494	147,864
Available own funds to meet the minimum capital requirement	133,744	146,050
Solvency capital requirement (SCR)	68,734	59,395
Minimum capital requirement (MCR)	17,183	14,849
Ratio of Eligible own funds to the solvency capital requirement	197%	248%
Ratio of Eligible own funds to the minimum capital requirement	778%	983%

### E.3 Any Other Information

The Company does not use an internal model to calculate the Solvency Capital Requirement.

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

## **ANNEX - QUANTITATIVE REPORTING TEMPLATES**

The following templates form part of the published SFCR report.

### **Templates**

S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business -life
S.05.01.02	Premiums, claims and expenses by line of business – non-life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement - Both life and non-life insurance activity

These templates are un-audited.

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