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**Tradex Insurance Company Limited**  
**Solvency and Financial Condition Report**

**For the year ended**  
**31 December 2021**

**Approved by the Board of Directors**

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## SUMMARY

The Directors are pleased to present the Solvency & Financial Condition Report (“SFCR”) for the year ended 31 December 2021.

The purpose of this report is to satisfy the public disclosure requirements under the Prudential Regulation Authority (“PRA”) rules and the Solvency II Regulations. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management. This SFCR, produced on 5 April 2022, covers Tradex insurance Company Limited (“Company”).

The Company is a wholly owned subsidiary of Tradex Insurance Holdings Limited (“TIH”) and together (TIH and the Company) make the Tradex Group (“Group”). There are no material differences between the Group SFCR and the Company SFCR as the Company is the only active entity in the Group.

The Company is classified as a “small insurer” for SFCR external audit purposes as defined in PRA Policy Statement PS25/18. Its score based on the results for the year-ended 31 December 2021 was below the limit for audit, set by the PRA. As a result, the Company Board made the decision not to request an external audit of its SFCR for the year-ended 31 December 2021.

On 23 December 2021 the shareholders of TIH entered into an agreement to dispose of their interests in the Group. This transaction is subject to regulatory approval.

Amounts are presented in thousands of pounds, sterling (£000), unless otherwise stated.

## REVIEW OF THE BUSINESS AND PERFORMANCE

2021 was planned as a year of consolidation with conservative budgets being set in the expectation of more difficult trading conditions as the immediate impact of Covid-19 pandemic lockdowns was replaced by businesses and households learning to live with a very different set of circumstances. The year ended with a potentially significant change for Tradex as the shareholders accepted an offer to acquire the whole of the share capital. If this acquisition receives regulatory approval, then it will substantially change the size and future prospects of the Company.

The Company reviews its underwriting portfolio on a regular basis and has continued the trend noted in previous reports of increasing the proportion of Motor Trade business whilst reducing the amount of Black Cab and Taxi (“BC&T”) business (including taxi fleets). This realignment continued during the last year in part as a result of the continuing impact of Covid-19 pandemic on taxi business. There was reduced demand for the Company’s Courier and Commercial Vehicle products although not by as much as anticipated in the 2021 budget. Motor Trade and Fleet business both saw good levels of growth, and this helped to partly offset the loss of business from BC&T. The Company’s 2021 budget for Gross Written Premium (“GWP”) was exceeded by £2.4m despite a shortfall in BC&T of around £2m. In addition to the general recessionary impact on the BC&T market, a number of competitors are writing business at what the Company feels to be uneconomic rates in the long term and a decision was made not to compete against such low pricing levels.

## GOVERNANCE

The governance structure of the Company has not changed materially in the year to 31 December 2021 and up to the date of this report.

The Company has continued to follow a “three lines of defence” approach to the control of risk. Further details are provided in section B.3 below.

## RISK PROFILE

The charts below provide a breakdown of the SCR post-diversification between modules as of 31 December 2021 and 31 December 2020.



In Q1 2018, the Company entered into a fully collateralised Loss Portfolio Transfer Agreement (“LPTA”) by which it transferred the risk of deterioration in respect of 2017 and all earlier underwriting years to a reinsurer in exchange for the payment of a premium. The implementation of the LPTA mitigates the impact on capital from potential prior year reserve deterioration for underwriting years 2017 and prior up to a set limit.

Underwriting risk now accounts for circa 56% of the capital requirements and has increased from 2020 as the net reserves have increased year on year as more underwriting years are written outside the LPTA cover.

The Company continues to make use of extensive reinsurance arrangements provided by highly rated reinsurers.

## VALUATION FOR SOLVENCY PURPOSES

There has been no change during the period under review to the valuation bases used for the assets and liabilities on a Solvency II basis for the Company.

The starting point for valuation of assets and liabilities on a Solvency II basis for the Company is the UK GAAP balances used in the preparation of the Financial Statements. Specific adjustments are made to the UK GAAP values where the Solvency II requirements differ from UK GAAP which follows the guidance issued by the PRA.

## CAPITAL MANAGEMENT

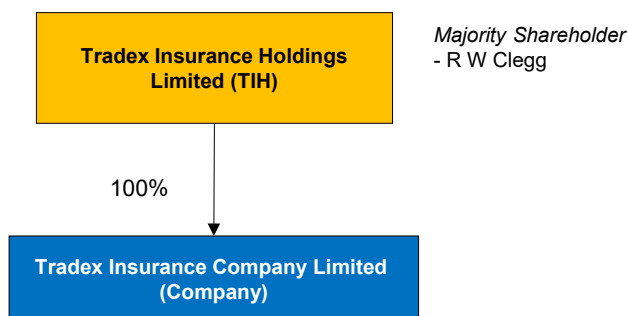
Continued profitability in 2021 resulted in an increase in available capital resources on a Solvency II basis.

## A) BUSINESS AND PERFORMANCE

### A.1. BACKGROUND AND STRUCTURE

The principal activity of the Company is that of underwriting UK motor insurance. The Company, a subsidiary of Tradex Insurance Holdings, underwrites substantial motor trade and taxi accounts, along with other mainly commercial motor lines of business. It also underwrites small liability and property accounts linked to the motor lines of business.

The structure of the Group at 31 December 2021 is shown below:



Group undertakings	Country of Registration	Principal Activity	Percentage held 2021	Percentage held 2020
Tradex Insurance Company Limited	UK	Motor Insurance	100%	100%

TIH is a non-regulated holding company domiciled in the United Kingdom. The only activity within TIH is in relation to managing its investment in the Company.

Tradex Insurance Company Limited is authorised by the PRA and regulated by the Financial Conduct Authority (“FCA”) and the PRA.

This report covers the Company.

The Company’s Business Address and registered office is

7 Eastern Road  
Romford  
London RM1 3NH

#### A.1.1. REGULATORS

The Company regulators can be contacted as follows:

Prudential Regulatory Authority  
Bank of England  
20 Moorgate  
London EC2R 8AH  
Tel: 0207 601 4878

The Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

### A.1.2. AUDITORS

The Financial Statements are audited by BDO LLP. The contact details are:

55 Baker Street,  
London  
W1U 7EU  
Tel: 020 7486 5888

### A.2. UNDERWRITING PERFORMANCE

The underwriting performance information given in this section is on the basis of UK GAAP (FRS 102 and 103).

All of the business risks and underwriting returns are within one business segment (i.e., general insurance business). The operations are materially within the United Kingdom. The split by line of business classes is disclosed below:

	<b>31-Dec-21</b>	<b>31-Dec-21</b>	<b>31-Dec-20</b>	<b>31-Dec-20</b>
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<b>Premium</b>	<b>Underwriting</b>	<b>Premium</b>	<b>Underwriting</b>
	<b>Written</b>	<b>Result</b>	<b>Written</b>	<b>Result</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Motor Liability	66,857	1,657	70,445	2,309
Liability	726	194	745	485
Premises	1,051	699	996	440
	68,634	2,550	72,186	3,234

### A.3. INVESTMENT PERFORMANCE

The Company's investments at each year end and related income are as follows:

	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>Value</b>	<b>Income</b>	<b>Value</b>	<b>Income</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans	4,138	169	4,875	342
UK Govt Gilts	10,044			
Cash & Deposits	15,735	27	13,816	7
	29,918	196	18,691	349

The investment in short-term UK Government Gilts was made in Dec 2021 and is intended to be held to maturity. Investment management expenses amounted to £10k for the year ended 31 December 2021 (2020- £nil).

#### A.4. OTHER ACTIVITIES

There have been no other significant activities undertaken by the Company other than its insurance and related activities.

#### A.5. ANY OTHER INFORMATION

On 23 December 2021 the Shareholders of TIH entered into an agreement to dispose of their interests in the Group. This transaction is subject to regulatory approval.

##### Climate Change

The Board regularly reviews potential impacts of climate change and have appointed a member of the Board to take specific responsibility for such matters. The Company's direct exposure to climate related risks is limited at present as all policies are written for a maximum period of 12 months. Flood risk is monitored closely and taken into account when assessing potential risks before they are written or renewed. The Company has further mitigated the risk of holding carbon intensive assets by holding the majority of its invested funds in cash, short-term cash deposits and UK Government Gilts.

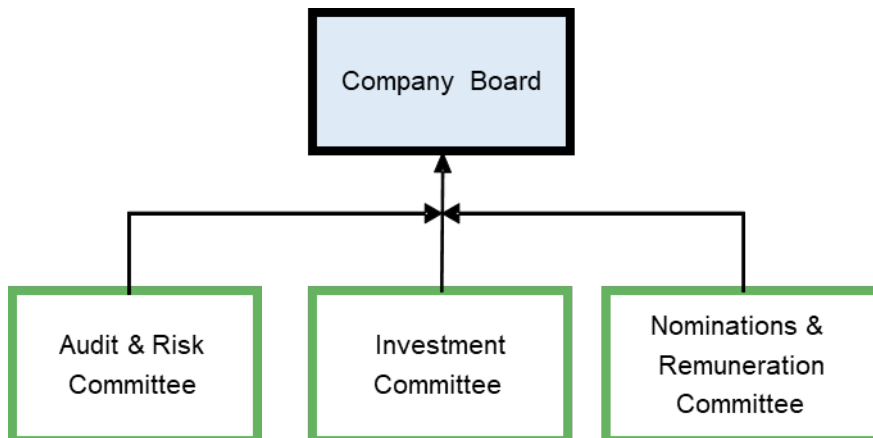
The Company is defined as a low energy user under the UK Government's energy and carbon reporting framework. The Company took no flights in 2021. However, if flights are taken in the future, the Company would purchase a carbon offset arrangement, as has been the case since 2019. The Company has initiated hybrid working arrangements since returning to the office after the easing of the Government Covid 19 pandemic restrictions. This is continuing to significantly reduce travel to the office and the associated carbon emissions.

The Board will continue to monitor the potential impacts of climate change but there are not expected to be any material detriments in the short to medium term planning horizon.

## B) SYSTEM OF GOVERNANCE

### B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Overview of the Board and sub-committees



In addition, the following committees form part of the Company’s system of governance:

- Executive Committee
- Underwriting Committee

The Company Board remains responsible for the performance and strategy of the Company. The Board selectively delegates authority and certain functions to committees, but still retains overall responsibility for the Company.

It is the responsibility of the Board of the Company to:

- Ensure that the Company operates within an established framework of effective governance, internal controls, risk management and compliance;
- Ensure that the solvency capital requirements and minimum capital requirements are maintained at all times;

In addition, the Company’s Board has responsibility to

- Determine the Company strategy and approve the business plan;
- Assist approved persons to discharge their responsibilities in respect of the area of business for which they are responsible.

The Company Board and its Committees are comprised of a combination of executive and non- executive directors and meet regularly, depending on the responsibilities of each committee. Terms of Reference describe the purpose, responsibilities, membership and authority delegated from the Board for each Committee. Relevant attendees are invited to Committees as determined by the Chair of committee, for example the Chief Executive Officer, Chief Financial Officer, Underwriting Director, Chief Information Officer, representatives of Internal Audit and External Audit, Chief Actuary, Risk Officer and Head of Compliance. The Risk Officer and the Chief Information Officer attend each Board meeting and the Risk Officer, Chief Information Officer and Head of Compliance attend the Executive Committee meetings.



## AUDIT & RISK COMMITTEE

The Audit & Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities: -

- For the integrity of the Company's financial statements and the effectiveness of the systems of internal controls and monitoring the effectiveness, performance and objectivity of the internal and external auditors.
- To oversee the management of risks including the Company's risk appetite, measurement of adherence to the agreed risk appetite and its relation to anticipated capital levels. The committee also oversees the risk governance framework, risk strategy, risk policies, implementation and management and monitoring of the operational risk of the business.

The Audit & Risk Committee membership consists of two independent Non-Executive Directors and the CEO and is chaired by one of the Non-Executive Directors. The Committee meets at least four times a year with the mandate to convene additional meetings as circumstances require. The minutes of the Audit & Risk Committee meetings are available to the Board and the Chair of the Committee will report at each Board meeting on the activities of the Committee.

The Audit & Risk Committee carries out the duties below on behalf of the Company Board:

### **Financial Reporting**

The Audit & Risk Committee monitors the integrity of the financial statements of the Company, reviewing significant financial reporting issues and judgments, including on reserving and approving any changes to accounting policies.

### **Actuarial**

The Audit & Risk Committee is responsible for reviewing and making recommendations to the Board regarding reserving to ensure:

- reserves are set at an appropriate level such that liabilities can be met as they fall due
- reserves have been established using appropriate actuarial techniques and that they comply with accepted actuarial standards

The Audit & Risk Committee considers and recommends to the Board the appointment, re-appointment and removal of the Independent Chief Actuary of the Company.

### **Internal Controls**

The Audit & Risk Committee keeps under review the effectiveness of the Company's internal controls and is responsible for understanding the scope of internal and external auditors' review of internal control over financial reporting, and obtaining reports on significant findings and recommendations, together with management's responses.

### **Internal Audit**

The Audit & Risk Committee monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. The Internal audit function is outsourced to Mazars LLP. The Audit & Risk Committee is responsible for recommending to the Board the appointment of the outsourced Internal Audit provider. The Audit & Risk Committee is further responsible for reviewing and assessing the annual plan of internal audit activities for the Company, reviewing all internal audit reports and monitoring management's responsiveness to the findings and recommendations from Internal Audit.

## External Audit

The Audit & Risk Committee considers and recommends to the Board the appointment, re-appointment and removal of the external auditors of the Company and oversees the relationship with the external auditors. This includes approval of their remuneration, terms of engagement, assessing their independence and objectivity and ensuring co-ordination with the Internal Audit function. The Audit & Risk Committee further reviews the findings of the audit with the external auditors, including discussing any major issues which arise during the audit, any accounting and audit judgements and the effectiveness of the audit.

## Risk Management

The Audit & Risk Committee carry out the following in relation to risk

- Review and recommend to the Board the Company's attitude towards risk;
- Ensure that risk is managed in accordance with the Board's expectations and regulatory requirements applicable;
- Maintain oversight of the Company's risk processes and procedures; monitor their effectiveness and adequacy; ensure the function is adequately resourced; and that it has appropriate standing within the Company;
- Review and assess the current top risks run by the Company and the way in which these risks are being managed and/or mitigated;
- Recommend to the Board, risk policies from time to time and any changes thereto.

## Compliance

The Audit & Risk Committee reviews the effectiveness of the system for monitoring compliance with laws and regulations, the findings of any examinations by regulatory agencies and any auditor and the process for communicating the code of conduct/business principles to the Company's personnel as well as monitoring compliance.

## Whistleblowing

The Audit & Risk Committee oversees the Company's arrangements for individuals to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit & Risk Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Chairman of the Audit & Risk Committee is also the Company's Whistle-blower Champion.

## EXECUTIVE COMMITTEE

The Executive Committee monitors the day-to-day running of the business, implementation of the business plan, and any other matters that the Board may delegate from time to time, making decisions within the authority delegated by the Board and ensuring that appropriate information is escalated to the Board to allow them to oversee the achievement of these objectives.

The Executive Committee membership consists of the Executive Directors. The Executive Committee will normally meet once every two months but can meet more frequently if required to conduct urgent business. Each area of the business is represented by an executive on the committee and feedback on the activities of each department is provided at the meeting. Additional members of senior management are usually in attendance.

The main responsibilities of the Executive Committee are to:

- Implement and monitor the business plan;
- Review business plans and recommend changes for approval by the Board;
- Structure the operations to maximise efficiency;
- Ensure that effective systems of controls are established and maintained which facilitate identification and effective management of all significant risks facing the business;
- Decide upon priorities for allocating capital and operating resources within the current business plan;

- Ensure the functional areas provide accurate and timely management information to enable the business to be effectively managed;
- Pass relevant and specific information to the Board, including any recommendations by the Executive Committee that require approval by the Board;
- Review financial and operational performance of the business and authorise appropriate actions;

#### UNDERWRITING COMMITTEE

The Underwriting Committee assists the Board in the following areas:

- Pricing
- To review and approve the underwriting risk selection framework
- To monitor and recommend strategic changes to relationships with intermediaries
- To monitor market developments
- To monitor the quality and timeliness of data submitted to the Motor Insurance Database and the Employers' Liability Tracing Office

The Underwriting Committee membership consists of Executive Directors and is chaired by the Chief Executive Officer. The Company Pricing Actuary and Company Underwriters are normally in attendance. The Committee meets not less than six times each year but can meet more frequently if required to conduct urgent business.

#### INVESTMENT COMMITTEE

The purpose of the Investment Committee is to ensure that the assets of the Company are invested optimally within the risk appetite determined by the Board. Investment management is outsourced to professional investment managers.

The Investment Committee membership consists of both Executive and Non-Executive Directors and is chaired by a Non-Executive Director. The Investment Committee meets at least annually and more frequently if required.

#### NOMINATIONS & REMUNERATION COMMITTEE

The Committee regularly reviews the structure, size and composition of the Board, in particular the range and balance of skills, diversity, knowledge and background on the Board, and considers succession planning for Directors. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board and Executive Management vacancies as and when they arise.

The Committee is also responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy of the Company, and for reviewing compliance with the policy. Within the context of the policy, the Remuneration Committee is specifically responsible for making recommendations for the remuneration packages of the Executive Directors and other senior managers of the Company.

The Committee is further responsible for monitoring the level and structure of remuneration of the wider employees of the Company. The Nominations & Remuneration Committee membership consists of Non-Executive Directors.

### B.1.1. CHANGES TO GOVERNANCE ARRANGEMENTS

The governance structure of the Company has not changed materially in the year to 31 December 2021 and up to the date of this report.

Susannah Tilbury was appointed as the Chief Financial Officer in October 2021, following which Steve Braine, the previous Chief Financial Officer, retired.

The composition of the Company Board at 31 March 2022 is shown below:

Position	Director
Non-Executive Chairman	Garry Fearn
Non-Executive Director	Roy Sampson
Chief Executive Officer	Nick Taylor
Chief Financial Officer	Susannah Tilbury
Underwriting Director	Debbie Austin

### B.1.2. REMUNERATION ARRANGEMENTS

The remuneration arrangements for the Company are structured in such a way that they do not encourage excessive risk taking by senior individuals (persons who effectively run the Company). Where remuneration arrangements include both variable and fixed elements for senior staff, the variable component is relatively small such that the relevant individuals are not overly dependent on the variable component. Any variable remuneration, including bonuses, is to be paid only if it is sustainable according to the financial situation of the Company as a whole and is justified based on the performance of the individual or business unit concerned.

The Company does not operate a share option scheme for its employees.

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders. The Company offers all staff the choice of making contributions into a defined contribution pension scheme, which the Company will match up to a limit. The pension funds are held separately from the Company.

### B.1.3. MATERIAL RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with entities which are subject to common control. These include Clegg Gifford & Co Limited and RWC Investments Limited in which the majority shareholder has an interest. All transactions are conducted within the normal course of business and on an arm's length basis.

The material related party transactions were:

- i. Clegg Gifford & Co Limited, a company controlled by R W Clegg, a Shareholder of TIH, placed motor insurance premiums with the Company amounting to a gross written premium of £67,763k (2020 - £71,087k) on which Clegg Gifford & Co Limited earned brokerage of £13,230k (2020 - £14,217k). At the year-end amounts due were £15,717k (2019 - £19,458k).

- ii. During 2016 the Company sold the rights to its Wholesale business to Clegg Gifford & Co Limited for a consideration of £7,500k. The balance outstanding at the year-end was £1,163k (2020: £1,948k), is unsecured, and is repayable over 5 years from 2018. The outstanding amount bears interest at a rate equivalent to a commercial borrowing from a bank.
- iii. During 2016 the Company received a £5,000k subordinated loan from Clegg Gifford & Co Ltd which was outstanding at the year-end (2020: £5,000k). The loan bears an interest rate of 10% per annum for the year. Interest of £500k (2020 -£500k) was charged during the year.
- iv. The Company occupies leasehold premises which are owned by Clegg Gifford & Co Limited. Rentals amounting to £49k (2020: £49k) have been charged during the year.
- v. In prior years the Company granted a loan to RWC Investments Limited, a company owned by R W Clegg. At the year end the balance of the loan, inclusive of outstanding interest was £2,975k (2020- £2,927k). The loan is secured by a personal guarantee from R W Clegg, bears interest at 2% points above Bank of England Base Rate and the interest charge for the year amounted to £48k (2020 - £50k).
- vi. During the year the Company incurred net expenses of £447k from Clegg Gifford & Co Limited (2020 - £423k) and earned £901k (2020 - £964k) from premium finance facilities. The amount owed at the year-end was £935k (2019 - £2,636k).

## B.2. FIT AND PROPER REQUIREMENTS

The Company ensures that all persons (Senior Managers) who run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

Senior Management collectively and individually possess extensive expertise, experience, and professional qualifications in a range of disciplines including:

- Insurance and financial markets;
- Business strategy and business model;
- System of governance;
- Financial and actuarial analysis;
- Risk management; and
- Regulatory framework and requirements.

The Company's Fit and Proper Policy identifies how fitness and propriety of senior managers will be assessed for both new starters and on an on-going basis and the governance arrangements in relation to individuals being approved as being fit and proper. This includes the Company's requirements concerning skills, knowledge and expertise applicable to persons who effectively run the business.

The Company's assessments of individuals' fitness and propriety is based on the regulatory fit and proper requirements, namely:

- Financial soundness
- Honesty, integrity and reputation
- Competence and capability

The Company's Fit and Proper Policy identifies the following procedures to assess fitness and propriety at appointment:

- References from past employers;
- Qualification and professional registration checks;
- Right to work checks;
- Proof of identity checks;
- Disclosure & barring service checks
- Search of insolvency and bankruptcy register; Equifax and or Experian checks
- Search of disqualified directors' register.

In addition to the Directors listed in B1.1 above, the following officers are also part of the regulatory Senior Manager Functions and are subject to the Company’s Fit and Proper policy:

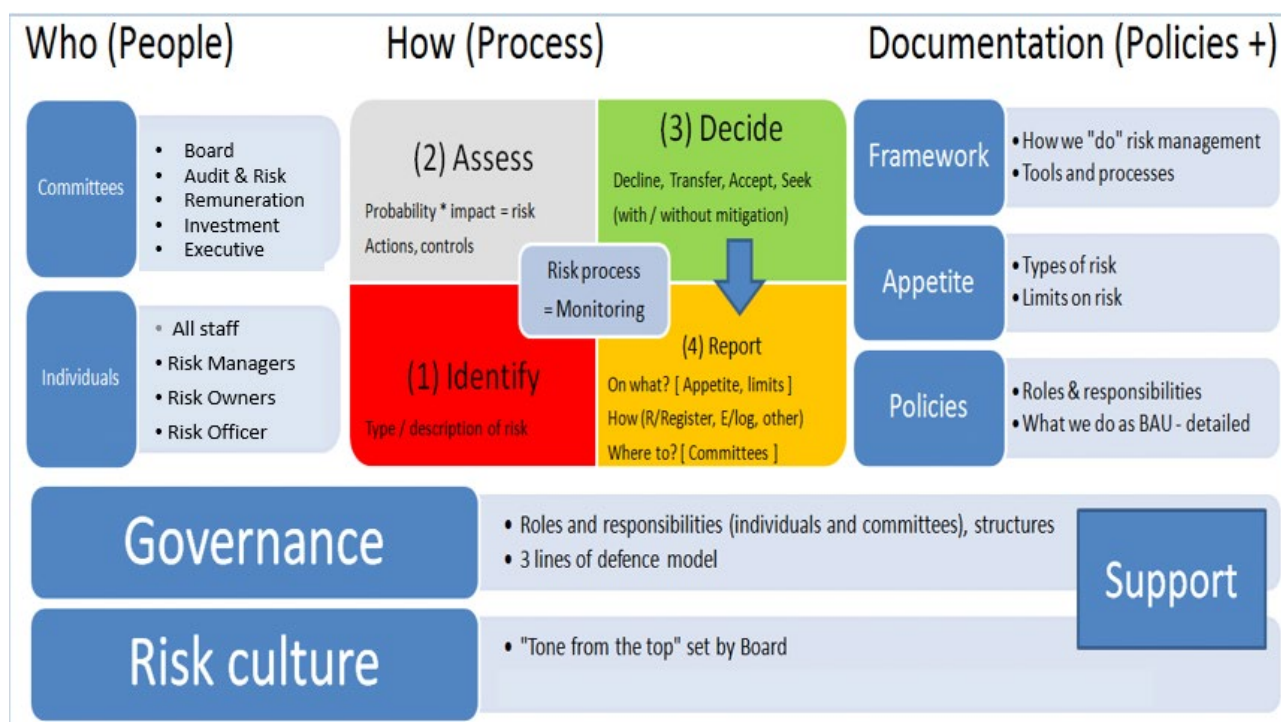
Position	Officer
Risk Officer	Bansi Shah
Chief Actuary	Outsourced to Sukie Harrar of Holborn Underwriting Limited
Head of Compliance	Leon Harrison
Chief Information Officer	Sarb Lota

### B.3. RISK MANAGEMENT SYSTEM

The Company’s overall Risk Management Framework is illustrated below.

#### B.3.1 RISK MANAGEMENT ROLES AND RESPONSIBILITIES

The Risk Management Key Function Holder is responsible for the function and is supported by the Audit & Risk Committee on behalf of the Board. The key function holder and the Audit & Risk Committee reviews monitors, and updates as required, all the components of the Framework, engaging other members of the Board, key function or key role holders as necessary. However, the Board collectively are responsible for the implementation of the Framework components.



#### B.3.2. RISK MANAGEMENT PROCESS

The Company’s risk management system is articulated in the Risk framework document and is supported by various documents including the risk appetite, risk policies and processes.

The Company has adopted a “three lines of defence approach” as follows:

- First line of defence (Business Management) - Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.
- Second line of defence (Oversight) - the risk management function and compliance function act as 2nd line providing independent oversight of the risk management activities of the first line of defence.
- Third line of defence (Assurance) - the internal audit function is outsourced to Mazars LLP. Internal Audit provide an independent challenge and feedback mechanism on the management of risk. The Internal Audit function report significant findings to the Audit & Risk Committee. In addition, relevant audit findings and progress reports against Internal Audit actions are provided to the Company’s committees set out above, as appropriate.

All material risks are recorded in a risk register. The Risk Register is a central log of all key risks identified in the business. It includes the risk description, risk factors, risk owner, risk manager, mitigating controls, risk tolerances and any further measures where risks are assessed as materially breaching tolerance limits. The Risk Officer as the owner of the risk register reviews, challenges and maintains the content within the risk registers.

The process of risk management is a continuous and systematic one, comprising

Core elements	Description
Identification	<p>Executive directors as the risk owners are responsible for the identification and the management of risks arising within their area of control. They are supported by risk managers within their area to assist in the management of these risks.</p> <p>New risks identified are discussed with and reviewed by the Risk Officer prior to inclusion within the risk register.</p>
Assessment	<p>Risks are assessed on a gross basis without any form of mitigation and then on a net basis with the addition of risk mitigation activities. There are various mitigation measures that are used to manage a risk that on a gross basis is outside risk appetite so that on a net basis it is within. These activities include policies, procedures, controls and strategic decision making.</p>
Further mitigating actions	<p>Where the net risks are assessed as being above acceptable tolerance limits, further actions are identified to reduce the net risk to an acceptable level over a period of time.</p>
Reporting	<p>The Risk Officer reviews the material risks to the business to ensure they are given appropriate consideration within the Committees through the reporting and challenge process. This includes</p> <ol style="list-style-type: none"> <li>a. Evaluating the top risks identified in the risk register, for consideration and challenge by the Board and the Audit &amp; Risk Committee.</li> <li>b. Ensuring timely and appropriate reporting and escalation of all significant control and risks issues to the Audit &amp; Risk Committee and, where required, the Board</li> <li>c. New or emerging risks for consideration by the Board and the Audit &amp; Risk Committee</li> </ol> <p>A Risk Officer report is prepared and presented to the Audit &amp; Risk Committee/Board covering the above areas on a regular basis, in line with the respective meeting schedules.</p>

Core elements	Description
Monitoring	<p>The Risk Officer meets the risk managers from the individual business areas on a regular basis to discuss developments within their area and consider the risk implications thereof as well as follow up on any identified risk work. The risk registers are updated accordingly.</p> <p>On a regular basis, at least annually the risk owners review and certify content of the risk register relevant to their area. The outcome of this is presented to and reviewed by the Audit &amp; Risk Committee.</p> <p>The content of the risk register is subject to a detailed review by Executive committee members as a group on a quarterly basis. The detailed risk registers are presented to and reviewed by the Audit &amp; Risk Committee annually.</p>

### B.3.3. RISK APPETITE, TOLERANCES AND LIMITS

The risk appetite document sets out the risk strategy and specifies the type and level of risks acceptable to the Company. This document is owned by the Board and reviewed on a regular basis as new risks emerge, or at least annually. The statement of risk appetite is translated into risk tolerances which are observed by the business. Those limits are approved by the Board.

Risk management reporting will highlight the top net risks where these are assessed as breaching or being close to breaching risk tolerances. The Board and Audit & Risk Committee will review and consider whether any further mitigation activities are required.

### B.3.4 OWN RISK AND SOLVENCY ASSESSMENT

The ORSA is a process that links the Company's risk management framework to its business strategy and decision-making framework. The ORSA represents the Company's opinion and understanding of its risks, overall solvency needs, and own funds held. This assessment requires the Company to properly determine its overall solvency needs to cover both short and long-term risks.

The ORSA process brings together existing activities by the Company to effectively manage risk and capital. The ORSA report will link all these activities into one document. Broadly the steps followed are:

- I. The Board carries out the initial assessment, encompassing:
  - o Review of business objectives and draft business plan, including determination of the reinsurance programme;
  - o Identification of risks to meeting business objectives and plan;
  - o Review of risk profile against risk tolerances and appetites;
  - o Consideration of appropriate scenario/stress tests to be applied to each risk area;
  - o Reverse stress tests
- II. The business planning process begins, and the first draft business plan is circulated
- III. The ORSA is completed using the parameters set during step I
- IV. The results are considered by the Board, along with the results of the capital calculations, to determine the required regulatory capital under the Solvency II rules. In drawing its conclusions, the Board considers whether it has sufficient capital to mitigate its risks, whether additional capital needs to be sourced, whether any capital buffer should be applied, or whether the business plan should be amended
- V. If the business plan needs to be amended after consideration of capital, the cycle returns to step II. If not, the Board approves the ORSA and business plan



As part of the ORSA assessment the Board conducts additional stress and scenario testing, including reverse stress testing, to determine the adequacy of the capital under stressed conditions. Reverse stress tests consider risks and extreme scenarios that could render the business model as non-viable.

The ORSA process is conducted through the year to facilitate integration with decision making, culminating in the annual ORSA report which is owned and shaped by the Board. The Risk Officer coordinates the relevant processes with subject matter experts across the business and oversees the production of the ORSA report. The annual ORSA report is produced and submitted to the PRA.

## **B.4. INTERNAL CONTROL SYSTEM**

The Company's internal control system is designed to provide reasonable assurance that its financial reporting is reliable and compliant with applicable laws and regulations and its operations are effectively controlled. The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. In practice this involves the participation of the Board, the Audit & Risk Committee, the Nominations & Remuneration Committee, the Investment Committee identified above, Senior Management, Risk, Finance, Compliance and Internal Audit.

Primary responsibility for ensuring day-to-day oversight of the internal control system lies with the Company's relevant Senior Managers. The Company promotes the importance of appropriate internal controls by ensuring that all personnel are aware of their role in the internal control system as per the Governance Map; ensuring a consistent implementation of the internal control systems across the Company; and establishing monitoring and reporting mechanisms for decision making processes.

Further information is provided in the Risk Management System section above regarding a brief description of the internal control systems relating to the risk function. Please also refer to the Compliance section below for the description of how the compliance function is implemented.

### **B.4.1 COMPLIANCE FUNCTION**

The Compliance function operates independently from the business. Whilst Compliance reports to the Chief Executive Officer, the Head of Compliance also has direct access to the Board and the Audit & Risk Committee, in order to assist with management of possible conflicts of interest.

The key responsibilities of the Company's Compliance function are to:

- i) Support and monitor the business from a regulatory perspective ensuring the business complies with all key regulations. Proactively identify regulatory issues arising from internal/external sources and communicate implications to senior Management, including the Board
- ii) Develop and maintain best practice policies in key areas of compliance and ensure they remain current. Implement procedures to deliver effective operational compliance
- iii) Develop and implement an annual Compliance Monitoring Plan
- iv) Oversee Customer Complaints to ensure development and maintenance of effective internal systems and controls, procedures and policies for this department
- v) Communicate as required and where necessary with the regulatory bodies including FCA/PRA. Regularly review the publicly available regulatory records maintained by the FCA/PRA to ensure these remain current and appropriate

## B.5. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to Mazars LLP. Internal Audit independently examine and evaluate the functioning effectiveness and efficiency of the Company's internal control system and the system of governance.

The Audit & Risk Committee in conjunction with Internal Audit establish, implement and maintain an audit plan that sets out the audit work to be undertaken in the upcoming years. The internal audit plan is based on a methodical risk analysis and covers all significant activities over a three-year period. The plan takes a risk-based approach in deciding priorities.

The Audit & Risk Committee has oversight responsibility over the internal audit function and reviews and approves the annual internal audit plans, ensuring they are properly resourced and that they have appropriate standing within the Company; reviews all material internal audit findings and recommendations, and Management's response thereto; and reviews and assesses the appropriateness of the Company's internal controls and risk management system.

The Internal audit policy requires maintenance of independence and states that the outsourced internal audit, as a firm, may only provide consulting services within their sphere of expertise, provided that these do not conflict with the internal audit services being provided. The provision of any such non-internal audit services will be subject to approval by the Audit & Risk Committee.

The outsourced internal audit provider also manages its own conflicts of interest and will ensure, where appropriate, staff are rotated. Internal audit will ensure that no persons providing non-Internal audit services subsequently work on the internal audit engagement, managing potential conflicts of interest.

The Audit & Risk Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the outsourced internal audit function.

## B.6. ACTUARIAL FUNCTION

The actuarial function continues to be outsourced to Holborn Underwriting Ltd with Sukie Harrar as the Chief Actuary (SMF 20).

The actuarial function is responsible for

- a) Coordinating the calculation of the Technical Provisions
  - ensuring the appropriateness of the methodologies and the assumptions made in the calculation of technical provisions;
  - assessing the sufficiency and quality of the data used in the calculation of technical provisions;
  - comparing best estimates against experience;
- b) Expressing an opinion on the overall underwriting policy. The opinion includes conclusions regarding the sufficiency of the premiums to be earned to cover future claims and expenses, amongst other matters.
- c) Expressing an opinion on the adequacy of reinsurance arrangements. This includes analysis on the adequacy of the Company's risk profile and underwriting policy; reinsurance providers taking into account their credit standing and the expected cover under stress scenarios in relation to the underwriting policy.
- d) Liaising with the Risk Officer and contributing to the effective implementation of the risk-management system, in particular providing expertise and carrying out the risk modelling underlying the calculation of the ORSA capital requirements, if required

The Chief Actuary maintains regular contact with the Chief Executive Officer, the Chief Financial Officer and regular liaison with the Audit & Risk Committee and provides an annual report to the Board on the activities of the actuarial function – Actuarial Function Holders Report. This is supplemented with a quarterly review of the Company's reserves

and regular contact with the Audit & Risk Committee and Board on matters relating to the solvency capital requirement, reinsurance and profitability.

## **B.7. OUTSOURCING**

The Company has chosen to outsource some of its operational functions and activities in order to take advantage of economies of scale and external expertise. During the period, the following key functions and key activities were outsourced:

- Internal audit function to Mazars LLP
- Actuarial function to Holborn Underwriting Limited
- Investment management has historically been outsourced to two professional investment managers. Currently there are no investments under their management.
- Certain claims handling activities to Clegg Gifford & Co Limited and to Premia Services UK Ltd.
- Delegated underwriting authority to Clegg Gifford & Co Limited.
- Provision of IT support activities to Wanstor Ltd including systems hosting and file storage.

All the current providers are located within the United Kingdom.

The Company has adopted an Outsourcing Policy to establish a prudent risk management framework in relation to the management of the outsourcing arrangements and ensure compliance with the relevant regulatory requirements. The Policy covers the entire outsourcing lifecycle, from identifying the need for outsourcing through relationship management and oversight and provides processes to effectively manage the risk associated with outsourcing relationships.

## **B.8. ANY OTHER INFORMATION**

There are no other matters to report.

## C) RISK PROFILE

The Company activities expose it to a variety of financial and non-financial risks. It manages the exposure to these risks and where possible introduces controls and procedures to mitigate the effects of the exposure to these risks.

This section summarises the principal risks and the way the Company manages them:

### C.1. UNDERWRITING RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main underwriting risks which affect the Company are: -

- Inadequate premium rates/Inappropriate risk selection
- Late large loss reporting or development
- Inadequate case estimates and IBNR provision

#### **Inadequate Premium Rates/Inappropriate Risk Selection**

The Company produces a 3 year forward looking business plan annually, which includes anticipated rating levels taking account of expected claims loss ratios, inflation and other factors, for each class of business that it writes. Performance against the plan is monitored on a regular basis through a system of underwriting and executive committees, as well as regular review by the Board. If market conditions change significantly after the plan is produced, a revised forecast is prepared and approved by the Board.

The Company writes a spread of business within the commercial motor sector and monitors its exposure to each category separately. These sectors provide diversity and are not highly correlated with regard to premium rates. The Company is essentially an insurance carrier providing a delegated underwriting authority for the majority of its business to Clegg Gifford & Co Limited. The risks of the intermediary exceeding its delegated authority is mitigated by the following:

- The delegated authority is with Clegg Gifford & Co Limited, a connected party;
- Delegated authority limits are specified in the contracts with the intermediary;
- Clegg Gifford & Co Limited are provided with rates and underwriting guidelines which are regularly reviewed by the Underwriting Committee to ensure they are fit for purpose;
- The performance of Clegg Gifford & Co Limited, including adherence to delegated authority limits, is monitored by the Underwriting Committee.
- 2<sup>nd</sup> line and 3<sup>rd</sup> line underwriting audit reviews are conducted according to the risk presented to the Company.

#### **Large Losses**

Large losses can occur typically as a result of severe personal injury or a catastrophe event usually an extreme weather event.

The Company purchased an excess of loss reinsurance programme to protect the motor and liability accounts and provided cover for each and every loss in excess of £2m for the 2021 underwriting years. For Property risks coinsurance on an individual basis is arranged where the exposure is greater than the Company's risk appetite.

Risks are accepted throughout the UK and Channel Islands and are widespread geographically. High concentrations of risk are monitored, and action taken by the Underwriting Committee in order to mitigate the impact of a catastrophe event. Historically, when such events have occurred only small numbers of individual policyholders have been affected. So far as Motor is concerned, such losses are also protected by the excess of loss reinsurance programme.

#### **Reserving**

The failure to reserve the ultimate costs of claims accurately is a significant risk to the Company.

The Company has outsourced the reserving function to a small independent firm of actuaries, who also fulfil the role of Actuarial Function Holder. The agreed remit includes an assessment of the ultimate claims cost by underwriting year and class of business at a gross of reinsurance level. The methodology includes a range of standard actuarial techniques to better inform the result and emerging experience, where the most appropriate estimation technique is selected taking into account the characteristics of the class of business and the stage of the development of each underwriting year. A key focus of the analysis is to consider the development of large claims, where the greatest level of uncertainty exists. In addition, the review includes an assessment of the net of reinsurance amount of ultimate claims, which acts as a check on the gross to net transformation performed by the Finance Department.

For 2017 and prior years, the LPTA protects the Company from deterioration arising from all losses (including Large Losses) up to a set limit.

Going forward, a significant element of insurance risk is mitigated through extensive use of reinsurance arrangements. In addition to the excess of loss protection described above, the Company also places quota share reinsurance for certain lines with several major reinsurers.

#### *RISK SENSITIVITY FOR UNDERWRITING RISKS*

The Company carries out stress and scenario testing as part of the ORSA process and this includes stress testing for material underwriting risks. The outcome of these stress tests demonstrates that the Company's ability to meet its capital requirements remains resilient. Key sensitivities for underwriting risk:

<b>Underwriting sensitivities</b>	<b>Solvency impact</b>
	£'000
1% fall in prices and volumes from planned levels	(264)
1% point increase in outstanding reserve levels	(342)
1% increase in ultimate loss ratios	(230)

## **C.2. MARKET RISK**

Market risk arises where the value of assets and liabilities change as a result of movements in interest rates, inflation foreign exchange and market prices. However, the majority of investments are held in cash or government / company bonds and the risk of a fall in the asset values is considered extremely low. The investments in bonds and deposits were disinvested in Q1 2018 to fund the LPTA. The business plans envisages a progressive build-up of investment balances during the plan period 2022-2024. It is not envisaged that this will change the existing investment strategy of investing only in cash, short-term cash deposits and UK Government Gilts

#### *RISK SENSITIVITY FOR MARKET RISKS*

The investment amounts are not significant and are in cash, short-term cash deposits and UK Government Gilts that are intended to be held to maturity.

### C.3. CREDIT RISK

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are: -

- Reinsurers: Whereby credit risk arises on the recoverability of reinsurers' share of claims paid and outstanding.
- Intermediaries: Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the Company.
- Investments: Whereby issuer default results in the Company losing all or part of the value of a financial instrument.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single reinsurance counterparty, or groups of counterparties. Such risks are subject to regular review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The Company strategy is to use highly rated reinsurers with a minimum rating of A- or above (Standard & Poors, AM Best or equivalent). Management utilise the services of its specialist reinsurance brokers market security department to regularly assess the creditworthiness of all its reinsurers.

The Company's exposure to the LPTA reinsurer is fully collateralised.

The Company has exposure to credit risk arising from amounts owed by Clegg Gifford & Co Limited under normal terms of credit in relation to insurance business underwritten. There are also other amounts due arising from sale of the rights to the wholesale business and intercompany balances with Clegg Gifford & Co Limited relating to expenses charged to them.

#### RISK SENSITIVITY FOR CREDIT RISK

The sensitivity of the Company's solvency ratio to credit rating downgrades of the Company's two largest reinsurance counterparties and a drop in estate recovery upon insolvency of Clegg Gifford & Co Limited was assessed.

Credit Risk sensitivities	Solvency impact
	£'000
Downgrade of 2 largest reinsurers by one rating level	(829)
5% drop in estate recovery upon insolvency of Clegg Gifford	(330)

### C.4. LIQUIDITY RISK

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled using actuarial techniques.

The Company's approach is to maintain an adequate level of liquid assets that can be translated into cash at short notice without any significant capital loss. These funds are monitored by management on a daily basis and as a result the Company does not consider that there is a material risk of loss arising from liquidity risk.

**RISK SENSITIVITY FOR LIQUIDITY RISK**

A key liquidity risk arises from potential delays in settlement by reinsurers. Stressing the key reinsurer recoveries under the quota share reinsurance program by a delay of a quarter still results in a positive cash flow and does not suggest that the Company will need short term financing.

**C.5. OPERATIONAL RISK**

The Company is exposed to operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the failure of key outsourcing arrangements, business disruption, fraud and loss of key management.

All material operational risks which the Company is exposed to, are identified and recorded in the risk register. The risks are assessed, including the actions required to manage the risks. These risks are reported to senior management and the Audit & Risk Committee/Board. See the risk management section above.

The key operational risks facing the Company relate to Outsourcing; IT infrastructure and data security risks; effective governance and people risks. The Company continues to actively manage these risks.

**RISK SENSITIVITY FOR OPERATIONAL RISK**

Operational risk makes up circa 22% of the regulatory Solvency Capital Requirement.

**C.6. OTHER MATERIAL RISKS**

There are no other material risks facing the Company.

**C.7. ANY OTHER INFORMATION**

There are no other material matters in respect to the risk profile of the Company.

## D) VALUATION FOR SOLVENCY PURPOSES

The starting point for valuation of assets and liabilities on a Solvency II basis for the Company is the UK GAAP values used in the preparation of its financial statements. Specific adjustments are made to the UK GAAP values where the Solvency II requirements differ from UK GAAP. The guidance issued by the Prudential Regulation Authority on consistency of UK GAAP with the Solvency II directive has been followed in considering the need for adjustments to UK GAAP values.

### D.1. ASSETS

The material classes of assets shown in the Company’s financial statements, Solvency II Balance sheet and the values as at 31 December 2021 and 2020 are summarised in the table below:

Item	2021 UK GAAP Value £'000	2020 UK GAAP Value £'000	Summary of Financial Statement Basis	2021 Solvency II Value £'000	2020 Solvency II Value £'000	Summary of Solvency II Basis
<b>Assets</b>						
Financial						
Investments - Cash & Deposits	15,735	7,816	Cost	15,735	7,816	Market value
Financial Investments – government Gilts	10,055		Amortised Cost	10,044		Market value
Plant & Equipment	2,307	2,778	Lower of amortised cost or net realisable value	1,165	2,013	Fair value (simplification). Software development cost not recognised
Insurance & Intermediary receivables	15,764	19,558	Best Estimate of recoverable value. No discounting as amounts due within one year.	6	7,712	Values per financial statements. Under Solvency II premium amounts not yet due are reclassified to premium provisions
Reinsurance receivables	3,025	872	Best Estimate of recoverable value. No discounting as amounts due within one year.	3,025	872	Values per financial statements adjusted for unwind of unearned premium reserves
Receivables other	7,403	7,972	Best Estimate of recoverable value. Amounts due over one year bear interest at market rates.	8,554	7,949	Fair value - measured using discounted cash flow method. Accrued interest reclassified here from financial investments.
Deferred Tax asset	2,800	3,400	Prudent estimate of expected tax benefit arising from timing differences over the 3 year business planning horizon	2,315	1,693	Audited financial statement value amended for some valuation adjustments made to transition to Solvency II

#### Financial Investments- Cash and deposits

Cash at bank and deposits with credit institutions are valued at fair value by the financial institutions. Valuation is at the par amount of the cash at bank and deposits made plus any attaching accrued interest.



### Financial Investments- Short Term Government Gilts

These are short-term UK Government Gilts intended to be held to collect. The valuation for UK GAAP is on an amortised cost basis whilst for Solvency II the initial valuation is at the purchase price, with subsequent measurement at fair value. Fair value measurements are those derived from inputs that are observable either directly or indirectly for the asset.

### Plant and Equipment

The UK GAAP valuation of the Company Plant and Equipment is stated at cost less accumulated depreciation. This mainly relates to IT equipment and computer systems. Under Solvency II Plant and Equipment can be valued at depreciated replacement value. The depreciated cost is deemed to be a materially fair approximation for fair market value. Under solvency II, software costs are not recognised, and an appropriate adjustment is made to move from UK GAAP to a Solvency II valuation.

### Insurance & Intermediary receivables

Insurance & Intermediary receivables represents best estimate of recoverable value from policyholders/ intermediaries. Under Solvency II premiums receivable not yet due, of £14,595k (2020 - £11,845k), are reclassified to technical premium provisions.

### Reinsurance receivables

Reinsurance receivables represents amounts owed from quota share reinsurers (their share of claims net of premiums and commissions due). These are all due within one year.

### Receivables other

Receivables other include certain loans and amounts due from RWC Investments Limited, a company owned by R W Clegg and from Clegg Gifford & Co Limited, a company controlled by R W Clegg. These amounts bear interest at market rates and have been fair valued by discounting expected cash flows. They remain unchanged from the financial statement value as the amounts due bear interest at a market rate.

### Deferred Tax asset

Deferred Tax asset is a prudent estimate of tax benefit expected to be realised over the business planning horizon arising from timing differences, at current tax rates. This assumes that the expected future profits will arise. The Solvency II value is based on the audited financial statement value, reduced for the impact of the capital tiering restrictions which has been estimated in arriving at the Solvency II valuation.

## D.2. TECHNICAL PROVISIONS

Technical provisions are valued in accordance with the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of a best estimate and an explicit risk margin.

The net technical provisions by line of business are

Line of Business	31-Dec-21				31-Dec-21	31-Dec-21
	Gross (GAAP)	Reinsurance rec- (GAAP)	Reclassification	Other SII Adj (net)	Risk Margin	Net Technical Provisions
	£'000	£'000	£'000	£'000	£'000	£'000
Motor Vehicle liability						
Insurance	85,871	(66,534)	(11,676)	2,965	1,155	11,781
Other motor Insurance	21,468	(18,430)	(2,919)	2,960	311	3,389
Fire and other damage to property insurance	374	(0)	-	92	24	491
General liability	772	(126)	-	33	35	714
Annuities stemming from non-life insurance contracts*	7,186	(7,186)	-	2	0	2
<b>Total</b>	<b>115,671</b>	<b>(92,277)</b>	<b>(14,595)</b>	<b>6,052</b>	<b>1,525</b>	<b>16,376</b>

\* - these relate to payments under the Company's 3 (2020-3) Periodic Payment Orders ("PPOs").

Line of Business	31-Dec-20				31-Dec-20	31-Dec-20
	Best Estimate liabilities				Risk Margin	Net Technical Provisions
	Gross (GAAP)	Reinsurance rec (GAAP)	Reclassification	Other SII Adj (net)		
	£'000	£'000	£'000	£'000	£'000	£'000
Motor Vehicle liability Insurance	74,320	(63,183)	(9,476)	4,153	795	6,608
Other motor Insurance	20,480	(17,696)	(2,369)	3,064	304	3,783
Fire and other damage to property insurance	362	(58)	-	97	21	422
General liability	540	(248)	-	27	17	336
Annuities stemming from non-life insurance contracts*	7,601	(7,601)	-	2	0	2
<b>Total</b>	<b>103,303</b>	<b>(88,786)</b>	<b>(11,845)</b>	<b>7,343</b>	<b>1,136</b>	<b>11,151</b>

### Reclassification

Under Solvency II, a reclassification adjustment is made from the insurance receivable asset that reduces the net technical provisions by future premium cash inflows for premiums not yet due on incepted business.

The components of net technical provisions (before the distorting effect of the reclassification adjustment) have increased as there is one additional year that does not benefit from the LPTA - 2017 and prior reserves are fully reinsured by the LPTA.

### D.2.1 BEST ESTIMATE LIABILITIES

The starting point for the calculation of Technical Provisions is the UK GAAP reserves, which are calculated on Best Estimate basis, before discounting. The Chief Actuary carries out a quarterly assessment of the UK GAAP reserves and presents the results for challenge to the Audit & Risk Committee. The Company has established a transformation of the UK GAAP claims estimates to a Solvency II basis by considering each of the key components identified below, in much the same way as other aspects of the Solvency II Balance Sheet. The Chief Actuary has reviewed the transformation and has confirmed that in his opinion, taking into account materiality and proportionality the process is appropriate.

### Outstanding Claims

The provision for outstanding claims at the balance sheet date comprise case estimates in relation to known claims that are not settled, a provision for unknown claims, to include late reported and future development of known claims (IBNR and IBNER) that have occurred before the balance sheet date, together with the provision for related claims handling costs. Case estimates are assessed on a claim by claim basis by experienced claims handlers, taking into account the claim specific details. The IBNR provision is based on the UK GAAP reserving exercise, which uses a range of standard actuarial methods. These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to emerge for more recent underwriting, taking into account changes in the business mix, evolving legislation and claims management and settlement process variations in the business.

### Events not in data (ENID)

Under Solvency II the best estimate technical provisions must consider “all possible outcomes” rather than “reasonably foreseeable” as per the GAAP accounts. This includes latent claims or very extreme high severity, low probability claims. These items (both latent claims and extreme events) are referred to as “Events not in data” and adjustment are required to ensure that they are included within the technical provisions.

Following discussions and guidance from our Chief Actuary, a scenario-based approach was considered to be the most appropriate method under which potential adverse circumstances were considered using a frequency-severity approach to arrive at an ENID provision. It should be noted that given the excess of loss and quota share reinsurance arrangements the impact of a single large loss to the Company is limited. In addition, the majority of the business relates to Motor Road Risk (95%) which is less subject to latent exposure, that is claims are reported relatively quickly after the date of loss.

**Premium Provisions**

Premium provisions relate to claims events occurring after the financial year end date in relation to the remaining in-force coverage period of policies. The projections comprise all future claims payments and claims management expenses arising from those events. These projections are based on rating and other models used for current business to determine the likely level of ultimate claims to be incurred. For UK GAAP an unearned premium provision is made for this business.

Premium provisions are reduced by the amount of expected future premium cash inflows, including premiums not yet due on incepted business (reclassification amounts are shown in the table above).

**Legal Obligation Basis**

Under the legal obligation basis of Solvency II, all existing contracts must be valued, whether the contracts have incepted or not. Under UK GAAP contracts relating to business incepted after the year-end are not recognised. This adjustment has impacted the following areas

- Gross future premium and claims cash-flows for policies not yet incepted by the valuation date, but already forming part of contractual obligations (“un-incepted” business), now form part of the premium provision. This has been estimated to be the renewals in the first 4 weeks in January 2022.
- The basis for recognising existing contracts also affects reinsurance contracts and their expected cash-flows. All our reinsurance contracts are on a risk attaching basis. Minimum deposit premiums on the outward excess of loss reinsurance treaties on which the Company was contractually obliged have been provided for at the end of 2021.

Overall, the adoption of the Legal Obligation basis has resulted in a more conservative position being taken by the Company when compared to the UK GAAP basis.

**Cash flows included**

The Company project best estimate liabilities gross of cash flows provided by reinsurance contracts. The value of reinsurance recoverable is then separately included on the Solvency II balance sheet. The calculation of best estimate liabilities will include all contractual cash flows.

**Discount rate**

The Company uses Solvency II’s basic risk-free term structure to discount the cash flows.

As at 31 December 2021, the Company did not make use of a matching or a volatility adjustment which is appropriate given the nature of the assets supporting the balance sheet.

Transitional risk-free interest rate term structure is not applied as the Company did not discount liabilities under the previous Solvency I provisions. Consequently, no transitional deduction is applied to technical provisions.

**Level of uncertainty**

There is a level of inherent uncertainty within all insurance claims liabilities. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating models used for determining premium provisions are fair reflections of the likely level of ultimate claims to be incurred.

## D.2.2. RISK MARGIN

Under Solvency II, insurers are required to hold a 'risk margin' on their balance sheet. This risk margin is designed to represent the amount a shell (re)insurance company would require to take on the obligations of a given insurance company. It effectively means that if an insurer were, as a result of a shock, to exhaust its free surplus and capital, then it would still have sufficient assets to safely wind-up and transfer its obligations to a third party.

The Delegated Acts outlines the formula which should be used to calculate the risk margin. The Solvency II guidelines on the valuation of technical provisions outline a hierarchy of simplifications for the calculation of the risk margin in Guideline 61. The Company makes use of the 'modified duration' approach detailed in this guideline.

The Chief Actuary on an annual basis, verifies the continued appropriateness of this simplification for the Company and based on the relative complexity of the business the approach used has been confirmed as being appropriate.

## D.2.3. COMPARISON TO FINANCIAL STATEMENT

Technical Provisions	2021	2021	2020	2020
	Financial Statements Value £'000	Solvency II Value £'000	Financial Statements Value £'000	Solvency II Value £'000
<b>Assets -A</b>				
Reinsurance Recoverable on Best Estimate liabilities	92,277	102,030	88,786	97,646
Reinsurance Recoverable on Unearned Premium Provisions	24,052		26,246	
Deferred Acquisition costs	5,801	-	6,778	-
<b>Sub total</b>	<b>122,130</b>	<b>102,030</b>	<b>121,810</b>	<b>97,646</b>
<b>Liabilities - B</b>				
Best Estimate liabilities	115,671	116,881	103,303	107,661
Unearned Premium Provisions	34,914		37,743	
Deferred Acquisition costs	2,641		3,464	
Risk Margin		1,525		1,137
<b>Sub total</b>	<b>153,227</b>	<b>118,406</b>	<b>144,510</b>	<b>108,798</b>
<b>Net Technical Provisions B-A</b>	<b>31,097</b>	<b>16,376</b>	<b>22,700</b>	<b>11,152</b>

Under Solvency II, there are some key changes for the valuation of technical provisions, when compared to UK GAAP that result in valuation differences. These changes, required to transition from UK GAAP basis to Solvency II, are consistent for all lines of business. These are explained in more detail in D2.1 and 2.2 above.

### Reinsurance Recoverable

Reinsurance Recoverable relates to the extensive reinsurance arrangements that the Company has entered into. These are described further in section C1 above.

Recoverables from reinsurance contracts are shown separately on the asset side of the balance sheet (as "Recoverables from reinsurance contracts"). The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies.

**D.3. OTHER LIABILITIES**

Item	2021	2020	Summary of Financial Statement Basis	2021	2020	Summary of Solvency II Basis
	UK GAAP Value £'000	UK GAAP Value £'000		Solvency II Value £'000	Solvency II Value £'000	
<b>Liabilities</b>						
Reinsurance payables	3,049	3,496	Stated at amounts due. No discounting	3,052	3,496	Amount discounted for time value
Other Creditors	2,574	2,532	Stated at amounts due. No discounting	2,574	2,532	Same as financial statement value. No discounting as amounts short term.
Subordinated Debt	5,000	5,000	At Cost	5,000	5,000	Subordinated debt qualified as own funds under Solvency II.

At 31 December 2021 and 2020, the Company had no Contingent liabilities.

**Other Creditors**

Other Creditors mainly relate to taxes and social security. These have been stated at amounts due, which are all due within one year.

The Company does not have any exposure to defined benefit pension plans.

**Subordinated Debt:**

	2021	2020
Subordinated Loan Note:	£'000	£'000
<b>Tier 2</b>		
Amount repayable in more than 10 years	5,000	5,000
	<b>5,000</b>	<b>5,000</b>

The £5m subordinated loan note is from Clegg Gifford & Co Limited.

In order to be accepted as subordinated securities, there are various conditions relating to the loss absorbency, payment of interest and redemption of the loan notes that these loan notes must meet. Further details on the instrument are in B1.3 above.

**D.4. ALTERNATIVE METHODS FOR VALUATION**

See explanation under receivables other under D.1 above.

**D.5. ANY OTHER INFORMATION**

Not applicable for the Company.

## E) CAPITAL MANAGEMENT

### E.1. OWN FUNDS

#### E.1.1 MANAGEMENT OF OWN FUNDS

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with appropriate buffers. These should be of sufficient quality to meet the eligibility requirements in the Solvency II Regulations.

The Company has set itself a target level of capital resources above the SCR requirement to act as a buffer against potential deterioration.

The Company holds regular meetings of senior management, in which the ratio of eligible own funds over SCR and MCR is reviewed. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

#### E.1.2. OWN FUNDS BY TIERS

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.

Own Funds	2021 Company £'000	2020 Company £'000	Detail
<b>Capital Instrument</b>			
Tier 1 - Ordinary Equity	11,528	10,186	Comprised of share capital, share premium and reconciliation reserves*. Held by TIH at Tradex Insurance Company Ltd level
Tier 2 - Subordinated Debt	5,000	5,000	The subordinated loan note is held by Clegg Gifford & Co Limited.
Tier 3 - Reserves	2,315	1,693	Tier 3 Reserves relate to the Deferred Tax asset
Total pre tiering restrictions	18,843	16,879	

\*The reconciliation reserve represents retained earnings after taking account of reconciliation adjustments from UK GAAP balance sheet to SII balance sheet.

### Changes in Own Funds

The changes in own funds at the Company level are given below:

<b>Company</b>				
<b>Change in Own Funds</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance brought forward	10,186	5,000	1,693	16,879
Results for the year under Solvency II	1,342	-	622	1,964
Pre tiering limits	11,528	5,000	2,315	18,843

### E.1.3. ELIGIBILITY OF OWN FUNDS

<b>Company: Basic Own Funds</b>	<b>31/12/2021</b>			<b>31/12/2020</b>		
	<b>Pre tiering</b>	<b>Capital tiering restrictions</b>	<b>Post tiering</b>	<b>Pre-tiering</b>	<b>Capital tiering restrictions</b>	<b>Post tiering</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tier 1 capital	11,528		11,528	10,186		10,186
Tier 2 - Subordinated debt	5,000		5,000	5,000		5,000
Tier 3- Deferred tax	2,315	(26)	2,289	1,693	(54)	1,639
	<b>18,843</b>	<b>(26)</b>	<b>18,817</b>	<b>16,879</b>	<b>(54)</b>	<b>16,825</b>

	<b>2021</b>	<b>2020</b>
	<b>Company</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
Post SCR tiering limits		
Tier 1 capital	11,528	10,186
Tier 2 capital	5,000	5,000
Tier 3 capital	2,289	1639
<b>Eligible Own Funds to meet SCR</b>	<b>18,817</b>	<b>16,825</b>
SCR	15,260	13,350
SCR coverage %	<u>123%</u>	<u>126%</u>
<b>Eligible Own Funds to meet MCR</b>	<b>12,291</b>	<b>10,854</b>
MCR	3,815	3,338
MCR coverage %	<u>322%</u>	<u>325%</u>

**Notes on Capital tiering restrictions**

The following capital tiering restrictions applied to own funds eligible to cover SCR

- i. The Tier 2 + Tier 3 < 50% SCR restrictions mean that part of tier 3 own funds (deferred tax) are restricted by 26k (2020- 54k).

The Company's Tier 1 and Tier 2 own funds may be used to cover the Minimum Capital Requirements (MCR). However, only 20% of MCR can be covered by Tier 2 capital and hence eligible capital to meet MCR requirements is further restricted to £12,291k (£10,854k at 31 December 2020).

**E.1.4. COMPARISON TO FINANCIAL STATEMENT**

	<b>2021</b>	<b>2020</b>
	<b>Company</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
<b>Equity per Financial Statements</b>	15,370	14,061
Adjustment for Solvency II valuations:	(1,527)	(2,120)
Subordinated Debt recognised as Own Funds under Solvency II	5,000	5,000
<b>Own Funds under Solvency II</b>	18,843	16,941

**E.2. SOLVENCY CAPITAL REQUIREMENT (SCR) AND MINIMUM CAPITAL REQUIREMENT (MCR)**

The Solvency II Pillar 1 Capital Requirements by type of risk are shown below:

	<b>2021</b>	<b>2020</b>
	<b>Company</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
Solvency Capital requirement		
By risk type		
Underwriting Risk	9,669	7,722
Market Risk	298	6
Counterparty Risk	3,526	3,982
Diversification	(1,573)	(1,401)
	11,919	10,309
Operational Risk	3,341	3,041
<b>Solvency Capital requirement (SCR)</b>	15,260	13,350
<b>Minimum Capital Requirement (MCR)</b>	3,815	3,338
MCR as % of SCR	25%	25%

The Company calculate its SCR in accordance with the standard formula (SF) prescribed in the Solvency II regulations. The SCR coverage is shown in the table under E1.3 above.

There have been no simplifications or undertaking specific parameters used in the calculation of the SCR results.



### **E.3. NON COMPLIANCE WITH MINIMUM CAPITAL REQUIREMENT (MCR) AND SOLVENCY CAPITAL REQUIREMENT (SCR)**

There have been no periods of non-compliance with the MCR or the SCR during 2021.

### **E.4. ANY OTHER INFORMATION**

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

## F) TEMPLATES

The following Quantitative Reporting Templates (QRTs) are required for the SFCR:

### Company Templates

QRT ref	QRT Template name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business (non-life)
S.05.01.02	Premiums, claims and expenses by line of business (life)
S.05.02.01	Premiums, claims and expenses by country (non-life)
S.05.02.01	Premiums, claims and expenses by country (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 – Underwriting Year
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

The templates are included at the end of this report.

## G) RESPONSIBILITY STATEMENT

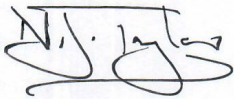
Tradex Insurance Company Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial year ended 31 December 2021

The Company Board certify that:

1. the Solvency and Financial Condition Report (“SFCR”) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations and
2. the Board are satisfied that:
  - a) throughout the financial year in question, the Company have complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company respectively and
  - b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company have continued so to comply and will continue so to comply in the future.



**Nick Taylor**

Chief Executive Officer

For and on behalf of the Board of Directors

Date: 8 April 2022

# Tradex Insurance Company Limited

## Solvency and Financial Condition Report

### Disclosures

31 December

**2021**

(Monetary amounts in GBP thousands)

## General information

Undertaking name	Tradex Insurance Company Limited
Undertaking identification code	21380092HRNZ2H8HOH96
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- 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.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
	<b>Assets</b>	
R0030	Intangible assets	0
R0040	Deferred tax assets	2,315
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	1,165
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	20,048
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	10,044
R0140	<i>Government Bonds</i>	10,044
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	0
R0200	<i>Deposits other than cash equivalents</i>	10,004
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	0
R0270	Reinsurance recoverables from:	102,030
R0280	<i>Non-life and health similar to non-life</i>	95,532
R0290	<i>Non-life excluding health</i>	95,532
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	6,498
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	6,498
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6
R0370	Reinsurance receivables	3,025
R0380	Receivables (trade, not insurance)	6,998
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	5,731
R0420	Any other assets, not elsewhere shown	1,556
R0500	<b>Total assets</b>	<b>142,874</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
	<b>Liabilities</b>	
R0510	Technical provisions - non-life	111,906
R0520	<i>Technical provisions - non-life (excluding health)</i>	111,906
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	110,381
R0550	<i>Risk margin</i>	1,525
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	6,500
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	6,500
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	6,500
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	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	3,052
R0840	Payables (trade, not insurance)	2,100
R0850	Subordinated liabilities	5,000
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	5,000
R0880	Any other liabilities, not elsewhere shown	474
R0900	<b>Total liabilities</b>	129,031
R1000	<b>Excess of assets over liabilities</b>	13,843





## S.05.01.02

## Premiums, claims and expenses by line of business

## Life

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

## S.05.02.01

## Premiums, claims and expenses by country

## Non-life

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0010							
	<b>Premiums written</b>						
R0110	Gross - Direct Business	68,634					68,634
R0120	Gross - Proportional reinsurance accepted	0					0
R0130	Gross - Non-proportional reinsurance accepted	0					0
R0140	Reinsurers' share	45,549					45,549
R0200	Net	23,085					23,085
	<b>Premiums earned</b>						
R0210	Gross - Direct Business	71,462					71,462
R0220	Gross - Proportional reinsurance accepted	0					0
R0230	Gross - Non-proportional reinsurance accepted	0					0
R0240	Reinsurers' share	47,743					47,743
R0300	Net	23,719					23,719
	<b>Claims incurred</b>						
R0310	Gross - Direct Business	59,119					59,119
R0320	Gross - Proportional reinsurance accepted	0					0
R0330	Gross - Non-proportional reinsurance accepted	0					0
R0340	Reinsurers' share	41,744					41,744
R0400	Net	17,375					17,375
	<b>Changes in other technical provisions</b>						
R0410	Gross - Direct Business	0					0
R0420	Gross - Proportional reinsurance accepted	0					0
R0430	Gross - Non-proportional reinsurance accepted	0					0
R0440	Reinsurers' share	0					0
R0500	Net	0					0
R0550	<b>Expenses incurred</b>	11,312					11,312
R1200	<b>Other expenses</b>						-8,226
R1300	<b>Total expenses</b>						3,086

S.05.02.01

Premiums, claims and expenses by country

Life

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

S.12.01.02

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees						
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010 <b>Technical provisions calculated as a whole</b>								0		0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0		0						
R0020																
<b>Technical provisions calculated as a sum of BE and RM</b>																
<b>Best estimate</b>																
R0030 <b>Gross Best Estimate</b>								6,500		6,500						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								6,498		6,498						
R0080																
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re								2		2						
R0100 <b>Risk margin</b>								0		0						
<b>Amount of the transitional on Technical Provisions</b>																
R0110 Technical Provisions calculated as a whole								0		0						
R0120 Best estimate								0		0						
R0130 Risk margin								0		0						
R0200 <b>Technical provisions - total</b>								6,500		6,500						



S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9			10 & +	
R0100	Prior										454	454	454	
R0160	2012	7,255	23,974	13,626	6,602	7,689	2,287	8,049	3,025	974	415	415	73,897	
R0170	2013	6,719	23,188	11,791	6,326	4,174	18,379	2,150	962	2,041		2,041	75,729	
R0180	2014	6,812	25,248	12,553	4,875	4,199	4,005	9,480	875			875	68,047	
R0190	2015	8,296	27,972	11,823	6,134	5,375	6,757	3,199				3,199	69,557	
R0200	2016	8,699	27,744	12,480	7,029	4,695	12,284					12,284	72,931	
R0210	2017	6,693	20,443	11,315	4,748	4,726						4,726	47,926	
R0220	2018	5,298	13,168	5,517	3,266							3,266	27,250	
R0230	2019	3,779	10,745	4,542								4,542	19,065	
R0240	2020	3,386	13,559									13,559	16,946	
R0250	2021	3,628										3,628	3,628	
R0260												<b>Total</b>	<b>48,989</b>	<b>475,429</b>

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9		10 & +	
R0100	Prior										1,949	1,886	
R0160	2012	12,261	18,267	12,666	8,792	6,563	10,405	4,672	1,118	496	198	192	
R0170	2013	12,979	20,668	13,324	13,083	18,862	8,214	3,218	2,035	2,071		2,003	
R0180	2014	15,118	22,115	11,405	11,605	11,456	5,676	1,256	1,678			1,623	
R0190	2015	17,676	20,347	16,320	14,365	9,899	3,732	2,571				2,486	
R0200	2016	16,307	28,693	20,339	27,161	24,738	19,133					18,511	
R0210	2017	20,665	32,230	23,024	17,301	13,648						13,215	
R0220	2018	15,040	18,212	14,441	15,783							15,276	
R0230	2019	13,782	17,642	13,016								12,630	
R0240	2020	13,002	21,592									20,994	
R0250	2021	16,901										16,459	
R0260												<b>Total</b>	<b>105,276</b>

S.23.01.01

**Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
<b>R0220</b>	<b>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</b>
<b>R0230</b>	<b>Deductions for participations in financial and credit institutions</b>
<b>R0290</b>	<b>Total basic own funds after deductions</b>

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
<b>R0400</b>	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

**R0580 SCR**

**R0600 MCR**

**R0620 Ratio of Eligible own funds to SCR**

**R0640 Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
<b>R0760</b>	<b>Reconciliation reserve</b>

**Expected profits**

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
<b>R0790</b>	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
12,138	12,138		0	
10,080	10,080		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-10,690	-10,690			
5,000		0	5,000	0
2,315				2,315
0	0	0	0	0
0				
0	0	0	0	0
18,843	11,528	0	5,000	2,315

0			0	
0			0	
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0
0			0	0

18,843	11,528	0	5,000	2,315
16,528	11,528	0	5,000	
18,817	11,528	0	5,000	2,289
12,291	11,528	0	763	

15,260
3,815
123.30%
322.16%

C0060
13,843
0
0
24,533
0
-10,690

0
317
317

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	298		
R0020 Counterparty default risk	3,526		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	9,669		
R0060 Diversification	-1,574		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>11,920</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	3,341		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>15,260</b>		
R0210 Capital add-ons already set	0		
<b>R0220 Solvency capital requirement</b>	<b>15,260</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate	0		
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
	<b>LAC DT</b>		
	C0130		
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

## USP Key

## For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

## For health underwriting risk:

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

## For non-life underwriting risk:

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



S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR<sub>NL</sub> Result

C0010

3,233
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

C0020	C0030
0	0
0	0
0	0
10,626	11,569
3,079	9,855
0	0
466	1,051
678	610
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0

Linear formula component for life insurance and reinsurance obligations

R0200 MCR<sub>L</sub> Result

C0040

0
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Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

C0050	C0060
0	
0	
0	
2	
	0

Overall MCR calculation

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	<b>Minimum Capital Requirement</b>

C0070

3,233
15,260
6,867
3,815
3,815
3,126
3,815