CARDIF PINNACLE
A BNP PARIBAS company

SOLVENCY AND FINANCIAL CONDITION REPORT

PINNACLE INSURANCE PLC

Company Registration Number: 1007798
Financial Conduct Authority Firm reference number: 110866

At 31 December 2016

BNP PARIBAS CARDIF

CONTENTS

Summary

Independent Auditor's Report to the member of Pinnacle Insurance plc

Directors' Report

A. Business and Performance
A.1 Business
A.2 Underwriting Performance
A.3 Investment Performance
A.4 Performance of other Activities

B. System of Governance
B.1 General Information on the System of Governance
B.2 'Fit and Proper' requirements
B.3 Risk Management System including the Own Risk and Solvency Assessment
B.4 Internal Control System
B.5 Internal Audit Function
B.6 Actuarial Function
B.7 Compliance
B.8 Outsourcing
B.9 Any Other Information

C. Risk Profile
C.1 Underwriting Risk
C.2 Market Risk
C.3 Credit /Counterparty Risk
C.4 Liquidity Risk
C.5 Operational Risk
C.6 Risk sensitivities

D. Valuation for Solvency Purposes
D.1 Assets
D.2 Technical Provisions
D.3 Other Liabilities
D.4 Alternative Methods for Valuation
D.5 Any other information

E. Capital Management
E.1 Own Funds
E.2 Solvency Capital Requirement and Minimum Capital Requirement
E.3 Any Other Information

ANNEX: Annual Quantitative Reporting Templates (QRT's)

SUMMARY

Pinnacle Insurance plc ("the Company") is a subsidiary of Cardif Pinnacle Insurance Holdings plc (the "UK Parent"), a member of the BNP Paribas Cardif group, a worldwide provider of insurance and savings products. The Company is part of the global banking group BNP Paribas SA ("the Group"), a European leader in banking and financial services, with a Standard and Poor's long-term rating of A (Stable outlook). The Group has one of the largest international banking networks, with a presence in nearly 74 countries and employs more than 190,000 employees.

Today the Company is focused upon the provision of creditor, pet and motor warranty insurance. The strategy of the business is to ensure that customers are well serviced whilst focusing on the operational capabilities and efficiency. The business is making an ongoing investment into its pet and warranty propositions.

The purpose of this report is to satisfy the public disclosure requirement under a European wide regulatory regime for Insurance Companies, known as Solvency II which came into force with effect from 1 January 2016. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management.

Over the past few years, the Company has strengthened its corporate governance and risk framework in readiness for Solvency II. The governance and risk frameworks are detailed further in this report. There have been no significant changes in the current reporting period.

The Company's capital position as at 31 December 2016 is as follows:

	2016	2015 (*)
	£'000	£'000
Eligible Own funds	154,043	146,984
Solvency capital requirement (SCR)	54,821	79,052
Capital Surplus	99,222	67,932
Ratio of Eligible own funds to the SCR	281%	186%

* Day one reporting under Solvency II as at 1 January 2016 (un-audited)

The SCR decreased from £79.0m to £54.8m between 2015 and 2016. This decrease is mainly driven by the SCR non-life underwriting risk following the cessation of household and motor products, resulting in no future exposure to natural catastrophe and steadily decreasing exposure to premium and reserve risk on the run off.

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

A M Wigg
Chief Executive Officer

DIRECTORS' REPORT

Directors

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

G Binet (Chairman)	
P J Box (Independent Non-Executive Director)	
Cardif Assurance Vie	resigned 7 January 2016
M Haderer	appointed 23 November 2016
J-B M Laroche	resigned 24 November 2016
N D Rochez (Independent Non-Executive Director)	
A M Wigg FCA	
M J Lorimer LLB (Hons) Solicitor	
S.L.P.F Chevalet	appointed 7 January 2016

Statements of Directors' Responsibilities

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

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

Compliance with SCR

The Company has complied in all material respects with the requirement of the PRA Rules and Solvency II regulations as applicable throughout the financial year 2016. The Company reasonably believes that it will comply with PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

Disclosing information to the Auditor

Each of the persons who is a Director as at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 19 May 2017 and signed on its behalf by:

M J Lorimer
Director

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF PINNACLE INSURACE PLC ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2016, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S12.01.02, S17.01.02, S23.01.01, S25.01.21, S28.02.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02, S.19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2016is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), and ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the APB's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR") - continued

- the Directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR") - continued

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK [and Ireland]) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

This report is made solely to the Directors of UK insurer preparing the Report in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Pinnacle Insurance Plc statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Elanor Gill

Elanor Gill (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

19th May 2017

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR") - continued

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The relevant elements of the SFCR that are not subject to audit comprise:

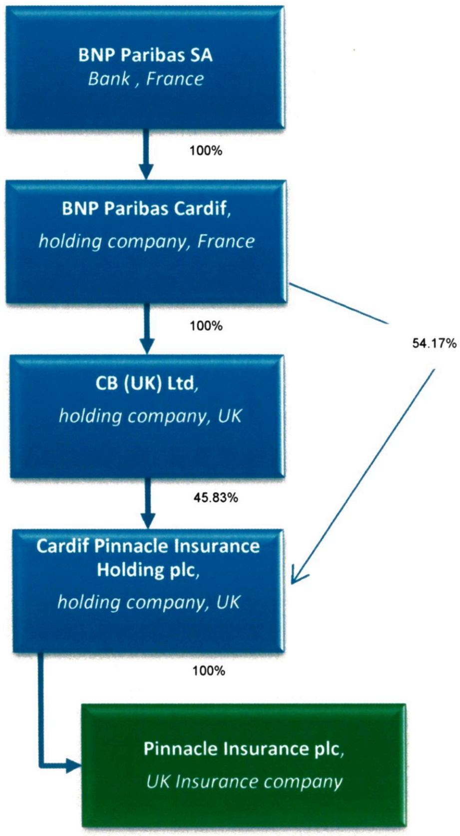
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A. BUSINESS AND PERFORMANCE

A.1 Business

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

Simplified legal group structure



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

Supervision and External Audit
The Company is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pra
www.fca.org.uk

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

A. BUSINESS AND PERFORMANCE – (continued)

A.2 Underwriting performance

The Company reported a pre-tax loss of £0.1m (2015: loss of £31.1m) resulting from the Company's continued focus on a cost reduction, exit from loss making household and motor MGAs (Managing General Agents Arrangements) and growth in pet and warranty.

Company's key performance indicators	2016	2015
	£'000	£'000
Gross Written Premiums	72,807	176,155
Net Earned Premiums	107,744	199,342
Technical Result	13,326	(5,791)
Investment Income	6,538	3,756
Administration Expenses	(20,008)	(25,781)
Loss Before Tax	(144)	(31,119)
Technical Ratio	88%	102%
Claims Ratio	45%	61%
Commission Ratio	43%	41%

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

GWP by line of business	2016	2015	Change
	£'000	£'000	Increase/ (decrease)
Pet	16,481	12,572	31%
Creditor	45,411	55,085	(18%)
Warranty	9,417	12,772	(26%)
Household	519	46,450	(99%)
Motor	(917)	45,889	(102%)
Reinsurance	4	4	0%
General business	**70,915**	**172,772**	**(59%)**
Long-term business	1,892	3,383	(44%)
Gross written premiums	**72,807**	**176,155**	**(59%)**

GWP decreased in the year by £103.3m (59%) largely due to:

- household, motor and long-term business are in run off;
- creditor business continued low level of activity across the sector; and
- market competition in warranty business line.

The overall decrease in the GWP is offset by the growth in the pet business of 31%.

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

A. BUSINESS AND PERFORMANCE – (continued)

A.2 Underwriting performance – (continued)

Net Earned Premiums (NEP): represents the portion of a policy's premium that applies to the expired portion of the policy. The NEP of £107.7m decreased by £91.5m substantially due to the exit of the motor (£46.1m) and household (£28.3m) and Creditor (£11.1m).

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

The technical result improved by £19.1m in 2016 largely driven by the exit of the unprofitable MGA household and motor business combined with growth in pet.

Technical Ratio: reflects the profitability of the general business before direct and indirect costs and is calculated as the sum of commission and net incurred claims expressed relative to NEP. The technical ratio improved from 102% in 2015 to 88% in 2016 following the decision to exit from the MGA motor and household business.

Claims Ratio: calculated as net claims incurred expressed as a percentage of NEP. The claims ratio in 2016 decreased to 45% (2015: 61%) through the exit of the loss making MGA household and motor business. However, the change in Ogden rates which became effective on 27 February 2017, resulted in an additional claim costs of £3.4m (2015: £nil).

Commission Ratio: commission expense incurred expressed as a percentage of NEP. The Commission ratio of 43% (2015: 41%) remained broadly in line with prior year. The marginal increase in the ratio is due to higher commission in the motor warranty business.

A.3 Investment performance

The investment income represents the portfolio investment income, including the impact of mark to market revaluations, foreign exchange movements and realised losses on investments.

The table below investments by assets class:

	2016		2015	
By assets class	**Investments**	**Return on investments**	**Investments**	**Return on investments**
	£'000	£'000	£'000	£'000
Bonds	133,440	4,419	153,725	1,851
Deposits	117,737	2,075	124,700	1,847
Cash at bank	20,178	44	35,716	58
Total	**268,355**	**6,538**	**314,141**	**3,756**

A. BUSINESS AND PERFORMANCE – (continued)

A.3 Investment performance – (continued)

The investment portfolio comprises bonds, cash and term deposits of high credit quality. The total portfolio was valued at £268.3m at 31 December 2016 (2015: £314.1m) of which 49% was in bonds, 44% in deposits with credit institutions and the remaining in cash and cash equivalents.

Total net investment return for the year is £6.5m (2015: £3.7m) which comprises interest earned on financial investments of £6.7m (2015: £7.6m), realised loss on bonds £1.7m (2015: £0.9m), unrealised gains of £1.0m (2015: loss of £2.7m) and the remaining relates to foreign exchange gains of £0.5m (2015: loss of £0.2m).

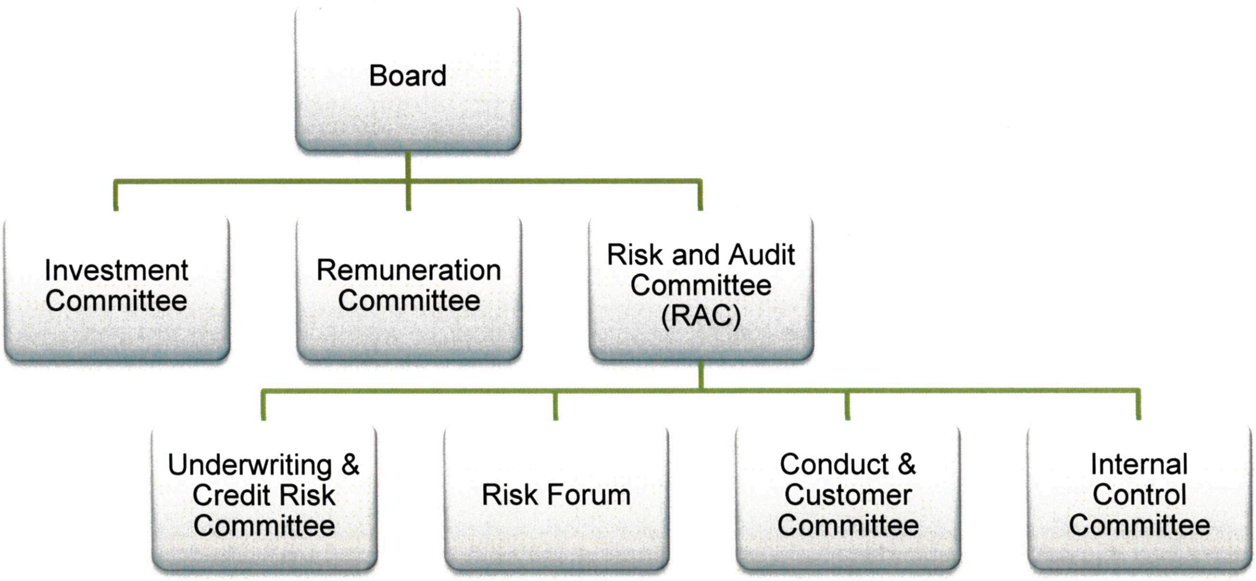
A.4 Performance of other activities

Administration expenses represent those operating expenses incurred by the Company which are not classified as either acquisition or claims handling costs. Administration expenses decreased by £5.8m to £20.0m (2015: £25.8m) mainly due to a continued focus on operational efficiencies.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

The Company's Board comprises Directors and Non-Executive Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board meets at least six times per year to determine the Company's strategic direction, to review the Company's operating and financial performance and to oversee that the Company is adequately resourced and effectively controlled. The Company's governance regime is summarised as follows:



The following were the members of the Board throughout the year (unless stated otherwise):

Name	Function	Description of a controlled function
A M Wigg , FCA	SIMF1	Chief Executive Officer function
	SIMF 20	Chief Actuary
M Haderer	SIMF 22	Chief Underwriting Officer function
M J Lorimer LLB (Hons) Solicitor	SIMF 4	Chief Risk Officer (CRO)
	SIMF 9	Chairman function
G Binet	SIMF 7	Group Entity Senior Insurance Manager function
	SIMF 10	Chair of the Risk Committee
P J Box *	SIMF 11	Chair of the Audit Committee
N D Rochez *	SIMF 12	Chair of the Remuneration Committee
S.L.P.F Chevalet	SIMF 7	Group Entity Senior Insurance Manager function
* Non-Executive Director		

B. SYSTEM OF GOVERNANCE– (continued)

Remuneration Committee
This committee is a formal subcommittee of the Board and is chaired by an Non-Executive Director. This Board sub-committee reviews and makes recommendations to the Board regarding the Company's remuneration policy. It also reviews compliance with the policy in so far as it relates to senior managers and other employees. The Remuneration Committee is specifically responsible for making recommendations for the remuneration of the chairman of the Board, executive directors and other senior managers.

The Remuneration Committee is further responsible for monitoring the level and structure of remuneration of the wider employees of the Company.

The Company's determine remuneration according to three key principles, namely competitiveness, discretion and fairness.

Fixed remuneration: comprises a fixed basic salary and, where applicable, additional fixed remuneration.

a) Individual fixed basic pay:
The Company determine individual basic pay according to the minimum basic salary at a level commensurate with the qualifications required for the post (defined according to collective agreements, salary grids and in line with legal minimums) plus an individual adjustment that takes into account:

- skills and expertise;
- experience;
- scope of responsibility;
- degree of independence;
- current or future potential as an employee; and
- involvement and commitment to the tasks entrusted to him/her.

b) Additional fixed remuneration
Additional fixed remuneration rewards specific expertise, employment in a specific post or a post that meets a key role.

Additional fixed remuneration may be determined from the basic salary using a percentage basis or, where applicable, a scale. That said, additional fixed remuneration does not constitute basic pay, irrespective of the fixed or recurring nature of the work.

More broadly, it is any remuneration whose conditions and amounts awarded meet the following characteristics:

- the remuneration is predetermined;
- it is non-discretionary;
- it is permanent and of a recurring nature, i.e. maintained throughout the period linked to the specific role and organisational responsibilities of the holder;
- the payment of this remuneration may not be unilaterally reduced, suspended or cancelled; and
- it is not dependent on the performance of the holder and/or the company.

B. SYSTEM OF GOVERNANCE– (continued)

Remuneration Committee – (continued)

Variable compensation: It is not a right and is determined each year in accordance with that year's remuneration policy and the principles of governance. It is intended to incentivise and motivate, rewarding performance in all its forms:

a) Personal performance-related variable compensation
Within the company, personal performance-related remuneration rewards achievements that are qualitatively and quantitatively assessed based on a record of sustained performance and on individual appraisals.

Where performance is exceptional, an additional variable compensation payment may be made as a so-called "top-up" bonus.

b) Long-term profit-sharing plan
Additionally, variable compensation may be supplemented by a medium or long-term loyalty plan comprised of stock options, performance shares, a medium or long-term remuneration plan, or any other appropriate instrument designed to retain and motivate key employees.

The Company does not operate any supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders.

Risk and Audit Committee (RAC)
The committee is chaired by an independent Non-Executive Director. The Committee's main responsibilities are to:

- coordinate and have oversight of the Company's financial reporting process;
- review the effectiveness of the system for monitoring compliance with laws and regulations;
- have oversight of internal and external audit functions;
- have oversight of the systems of internal control;
- review matters relating to legal risk;
- provide assurance on the effectiveness of the Company's risk management; and
- review, challenge and make recommendations in respect of Own Risk and Solvency Assessment (ORSA) reports and the Solvency Financial Condition Report; and
- oversee and receive reports from the Conduct and Customer Committee, the Internal Control Committee, the Risk Forum and the Underwriting and Credit Risk Committee.

Investment Committee
The Committee is chaired by the Chief Executive Officer. The Investment Committee meets on a quarterly basis. The Committee's main responsibilities are:

- To ensure asset exposures do not exceed the limit established under Prudential Regulation Authority (PRA) regulations for Admissible Assets for the general and life business;
- Maximise accounting rate of return yielded by the portfolio, within the agreed risk and liability matching framework; and
- Agree investment returns to be used for future investments, new products types, counterparties and removal of counterparties' restrictions.

B. SYSTEM OF GOVERNANCE– (continued)

Conduct and Customer Committee (CCC)

- The committee is chaired by the General Counsel and reports to the RAC. The Committee reviews and provides direction on Company Conduct Risk strategy, including overseeing all product governance controls and reviews, and provides direction on the development of products. The Committee's main responsibilities are to identify, assess and report on key Conduct Risks faced by the Company.
- To promote and encourage a corporate culture that ensures the recognition of Conduct Risk and the fair treatment of customers.
- To continue to encourage the development, analysis and use of further Conduct Risk Indicators (CRI) or other management information and to ensure the CRI measures are constantly challenged.

Conduct and Customer Committee (CCC)

- To ensure that staff appropriately record Conduct Risk issues including the findings and resulting outcome using an agreed process or system such as (but not limited to) the Incident Reporting.
- To review issues brought to the Conduct Risk Committee by the Treating Customers Fairly (TCF) Forum - (TCF is Forum are responsible for monitoring and managing the customer experience and the identification, resolution and, where applicable, escalation of issues which may cause customer detriment to the CCC) and make recommendations that are in the best interests of the customer and ensure those recommendations are acted upon as required.
- To maintain an understanding of developments in the market, regulatory and legal environments that may impact on the Conduct Risk framework, and to research and highlight industry best practice.

Risk Forum

This Committee is chaired by the Chief Executive Officer. This Committee meets monthly and reports to the RAC. The Risk Forum's focus on prudential regulations includes overseeing notably Solvency II quarterly and annual return and Own Risk and Solvency Assessment (ORSA) runs. The Risk Forum also reviews the ORSA triggering events on a regular basis.

Risk appetite monitoring activities conducted by other committees are consolidated and reviewed by the Risk Forum as a second-level control.

B. SYSTEM OF GOVERNANCE– (continued)

Internal Control Committee (ICC)

This Committee is chaired by the General Counsel and reports to the RAC. The Committee's main responsibilities are to:

- embed an effective risk management culture in the Company.
- identify, assess and report on key risks faced by the Company including those relating to outsourced activities.
- review the effectiveness of the internal control and compliance arrangements.
- update the Company's Risk Register on a regular basis.
- identify, assess and report on operational risks faced by the Company including those related to outsourced activities in accordance with the Group Guidance "Control of Risks Associated with Outsourced Processes".
- establish effective systems of internal control and reporting for key risks, appropriate to the size, nature and complexity of the Company.
- establish effective systems of compliance appropriate to the size, nature and complexity of the Company.
- monitor the performance of all suppliers of outsourced activities (operational performance, quality indicators and technical monitoring including KPIs & SLAs).
- monitor the performance of security and business continuity by review of security incidents, test and exercises, critical IT risks and recommendations in progress.

Underwriting and Credit Risk Committee

This Committee is chaired by the Chief Actuarial Officer. The Underwriting and Credit Risk Committee meets quarterly. The Committee's main responsibilities are to:

- provide effective risk monitoring & risk follow up for all the key underwriting & credit risk and provide an escalation process (alert system);
- review the underwriting and credit risk exposure and the related risk mitigation technique and the related risk map;
- review the new products that could lead to a material change of the company's risk profile;
- review the adequacy of the reinsurance programme as part of the risk mitigation techniques; and
- review the underwriting & credit risk management procedures and the underwriting policy at least once a year and make proposal of change to the RAC.

B. SYSTEM OF GOVERNANCE– (continued)

B.2 "Fit and proper" requirements

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

The Company's assessment of individuals' fitness and propriety is assessed by giving consideration to their:

- financial soundness;
- honesty, integrity and reputation;
- competence and capability; and
- regulated references completed by the candidates previous employer (from March 2017).

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

- Compliance with the applicable PRA Conducts Standards and FCA Conduct Rules;
- Compliance with internal policies and procedures;
- Disclosure and Barring Service (DBS) checks;
- Annual performance reviews and assessments;
- Self-attestation annually; and
- Regulated References completed by a candidate's previous employer (from March 2017).

B.3 Risk management system including the own risk and solvency assessment

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Risk and Audit Committee (RAC) oversees how management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The RAC is assisted in its oversight role by Internal Audit, which undertakes both regular and ad-hoc reviews the results of which are reported to the RAC.

Risk management policies and procedures are established to identify and analyse the risks faced by the Company, to set appropriate risk appetites and limits, and to identify, measure, record, manage and report on existing and emerging risks, so that they can be managed within Board-approved risk appetites. Risk management policies and systems are reviewed at least annually to ensure that they remain effective and appropriate for the management of the Company's risks. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Own risk and solvency assessment (ORSA)
As with all insurers, the Company is required to assess its solvency at least every 12 months, by conducting an Own Risk & Solvency Assessment (ORSA). Details of the last ORSA conducted are set out elsewhere in this document. Solvency II also requires insurers to conduct an ORSA immediately their risk profile changes significantly. Risk profile changes are monitored by the Risk Forum. The Risk Forum also reviews the triggering events on a regular basis and reports to the RAC. If a triggering event occurs, the Risk Forum will inform Board to enable decision to re-run the ORSA. Since last ORSA submission in October 2016, there was no further submission as there has been no material deviation of risk profile.

B. SYSTEM OF GOVERNANCE– (continued)

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

B.4 Internal control system

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

The systems are designed to:

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

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

- a Corporate Governance manual including matters reserved for the Board and Terms of Reference for each of the Board's Committees;
- a clear organisational structure, with documented delegation of authority from the Board to executive management;
- a policy and procedures framework, which sets out risk management and control standards for the Company's operations; and
- defined procedures for the approval of major transactions.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company which has operated throughout 2016 and onward. The Company's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of its business objectives. The Company has a set of formal policies which govern the management and control of both financial and non-financial risks.

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

B. SYSTEM OF GOVERNANCE– (continued)

B.5 Internal Audit function

The Internal Audit function has been outsourced to BNP Paribas SA, i.e. the Company's ultimate parent. BNP Paribas uses one central internal audit function for all of its businesses. The Internal Audit reports its findings to the RAC.

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

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

The Internal Audit function is separate from the rest of the Company, in that it has been outsourced to BNP Paribas' central audit function for all of its businesses. None of the Internal Audit function staff is employed by the Company, nor do any of those staff participate in any of the Company's other activities. This ensures their independence and objectivity.

B.6 Actuarial function

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

In addition, the Company has an external actuarial function holder for the life liabilities and also engages external advisors to perform an independent review of its claims reserves.

B.7 Compliance

The Company has an in-house Compliance function which works closely with the BNP Paribas Cardif Compliance function to identify relevant legislative, regulatory and Group requirements. The Compliance function is responsible for ensuring that the Company implements the necessary arrangements, systems and controls so as to facilitate adherence to these obligations. The RAC agrees the annual Compliance monitoring schedule and all findings from the periodic reviews are reported back to the RAC. The findings may contain recommendations which are closely monitored and closed by the Compliance function.

B.8 Outsourcing

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

Before an activity is outsourced, the Company conducts a comprehensive pre-outsourcing assessment of the potential outsource provider. This is performed by staff from the key areas of the business. Each assessment is specific to both the activities being outsourced and the potential outsource provider. The results of the pre-outsourcing assessment are reviewed by senior

B. SYSTEM OF GOVERNANCE– (continued)

B.8 Outsourcing– (continued)

management to assess the balance between risk and reward in respect of the potential outsourcing as well as determining the likely effectiveness of the control of those activities, once outsourced.

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

A number of critical activities are outsourced on a number of schemes, including sales, fulfilment, policy administration, premium collection and claim handling. All activities are outsourced within the UK with the exception of one claims handling, fulfilment and premium collection arrangement in the Republic of Ireland.

It should be noted that the majority of the outsourced activities are in run-off and the level of risk is, therefore, considered to be reducing over time.

B.9 Any other information

There is no other information to disclose.

C. RISK PROFILE

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

C.1 Underwriting risk

The underwriting risk is the main component of Company's risk profile and represents c. 65% of the total capital requirement at the end of 2016.

For the non-life and health cover, the underwriting risk mainly relates to the premium and reserve risk and the catastrophe risk for non-life covers.

The premium and reserve risk arises from the premium exposure and the development of outstanding unsettled claims at year end.

The non-life exposure relates mostly to:

- the line of business miscellaneous (c. 44% of the non-life exposure) comprising notably unemployment risk, pet health insurance and extended warranty for motor; and
- the motor liability and fire (c. 52% of the non-life exposure) comprising motor insurance cover and household for claim outstanding.

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

The Company's exposure to underwriting risk on pet health insurance cover grew steadily during 2016.

On the creditor book, the Company's underwriting risk profile relates mainly to the risk inherent to unemployment and temporary disability. The exposure is reducing in line with the business volumes but the Company remains exposed to the possible economical short term of the Brexit on unemployment rates.

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

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

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

The Company adopts the following to mitigate these risks:

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

C. RISK PROFILE– (continued)

C.2 Market risk

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

The Company is mainly exposed to interest rate risk. It arises mainly from the bond portfolio and bank deposits with credit institutions. The average maturity duration of investment portfolio is between 1 and 10 years and therefore the Company is only exposed to the interest rate fluctuations upon their maturity or when the term of the fixed term deposits expires.

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

C.3 Credit / Counterparty risk

Credit risk is the risk that the Company becomes exposed to loss if counterparty fails to its contractual obligations. The credit risk could, therefore, impact on the Company's ability to meet its claims and other liabilities as they fall due.

The primary source of credit risk for the Company is:

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

Investment activities - the Company, through the Board and the Investment Committee, seeks to limit, as far as is practical, exposure to credit risk from its investment activities. To achieve this objective it has established guidelines, procedures and monitoring requirements to manage credit risk. Particular attention has been paid to the quality of investment counterparties which prescribes credit rating limits in A or better (minimum 20%) and A or lower (maximum 80%), with no holding permitted in BBB- or lower rated investments. Before making investments, the counterparty and investment is reviewed and approved by the members of the Investment Committee.

C. RISK PROFILE– (continued)

C.3 Credit / Counterparty risk– (continued)

The table below provides the financial investments by its credit quality as follows:

Liquid assets by credit rating	Corporate bonds	Government bonds	Deposits with financial institutions	Cash & cash equivalents	Total
	£'000	£'000	£'000	£'000	£'000
AAA	2,824	3,478	-	11,343	17,645
AA	-	-	2,010	-	2,010
AA-	27,268	-	23,940	-	51,208
A+	33,333	-	14,050	397	47,782
A	20,666	-	77,737	7,116	105,519
A-	22,871	-	-	-	22,871
BBB+	17,923	-	-	707	18,630
BBB	2,077	-	-	-	2,077
BB	-	-	-	614	614
	126,962	**3,478**	**117,737**	**20,178**	**268,355**

Reinsurance risk - the Company manages the risk through the use of preferred reinsurers. No reinsurance counterparty has a rating lower than A. The highest exposure to single reinsurance counterparty is £26.0m rated AA- under IFRS on the Life long term business. The best estimate ceded reinsurance liability at 31 December 2016 is £66.3m including impact of Ogden table rates change of £20.0m relating to the motor business.

Insurance debtors and other receivables – the counterparty risk is influenced by the individual characteristics of each customer. However, management also consider the factors that may influence the credit risk of its customer base, including the default risk of industry and country in which customers operate and provide bad debt provisions where appropriate to reflect their recoverable amount. The carrying value of the Insurance receivables at 31 December 2016 is £26.9m.

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

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

C. RISK PROFILE– (continued)

C.4 Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company mitigates the liquidity risk in the following ways:

- The Company, through Investment Committee and dedicated treasury function, manage the liquidity risk through investments in predominately liquid financial assets; and
- The Company prepares forecasts to predict required level of liquidity levels both for short-term and medium-term and adjust assets accordingly.

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

Time to maturity

As at 31 December	2016	1 Year	2-3 Year	4-5 Year	Over 5Year
Highly liquid resources	£'000	£'000	£'000	£'000	£'000
Financial investments	248,177	122,264	83,228	39,863	2,822
Cash & cash equivalents	20,178	20,178	-	-	-
	268,355	142,442	83,228	39,863	2,822
Expected liabilities					
Gross insurance liabilities	152,283	44,158	36,494	27,159	44,472
Other payables	46,408	22,332	24,076	-	-
	198,691	66,490	60,570	27,159	44,472
Surplus funds	**69,664**	**75,952**	**22,658**	**12,704**	**(41,650)**

With regard to liquidity risk, the Expected Profit Included in the Future Premium ("EPIFP") means the expected present value of future cash-flow which result from the inclusion in technical provisions of premium relating to existing insurance contracts that are expected to be received in the future.

As at 31 December	2016
	£'000
EPIFP	553

C. RISK PROFILE– (continued)

C.5 Operational risk

The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events having an adverse impact on the business.

Operational risks are usually more difficult to quantify as such, so that their materiality is assessed using a severity / impact scoring approach. This allows risks to be ranked in order of their potential impact and so to focus risk management activities on those risks warranting the greatest attention.

The Company is exposed to the following material operational risks:

- Payment Protection Insurance (PPI) mis-selling complaints: PPI is an insurance product which covers loan or debt repayments in certain circumstances where the consumer is unable to service the debt. Historically, the Company offered PPI for loans, credit cards and mortgages via its intermediaries. The Company's management closely monitor the exposure to the PPI mis-selling complaints and have taken appropriate action to mitigate the impact on the Company resulting in a provision of £9.4m which is stable compared to 2015.

- Political Risk: Following the UK referendum result in favour of exiting the European Union, it is likely that there could be a period of increased market volatility. The negotiations surrounding any exit are likely to take a significant amount of time and it is then unclear what scope or appetite the UK government would have to amend the UK regulatory framework that applies to insurance companies.

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

- Internal committees reviewing and reporting material operational risks notably those arising from PPI mis-selling and Brexit.
- Incident reporting system: this is used by staff for reporting any operational incidents which are reviewed by the Business Risk and Controls with placing appropriate preventive and corrective actions in place.
- Departmental level risk assessments: departments record their key risks on their departmental risk registers in compliance with company-wide procedures which are discussed by the Company executive management group.
- Corporate level risk register: the risk owners report on their most material risks and their evolution during their weekly meetings.
- Risk reports are sent to the RAC, who in turn report to the Company Board: reports are regularly submitted on operational, compliance and legal risks.

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

C. RISK PROFILE– (continued)

C.6 Risk sensitivities

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

Scenario 1: Adverse development of the motor claims reserves due to a hypothetical under-estimation of the incurred but not reported (IBNR) claims at the valuation date, which the Company considered would materialise as a 50% increase in IBNR claim frequency.

The stressed scenario would lead to an increase in the Company's net BEL of £2.6m (directly reducing own funds) together with an increase in SCR of £0.6m driven by its premium & reserve risk component.

Scenario 2: Instantaneous and unexpected increase in national unemployment rates up to recessionary levels combined with a greater persistency on the Creditor books, which the Company considered would materialise as loss ratios increasing three fold from base BEL levels with lapse rates reducing to nil on Creditor products respectively.

The stressed scenario would trigger an increase in BEL of £0.8m which is partly mitigated by profit share (directly reducing own funds); and an increase in SCR of £0.8m driven by its non-life catastrophe risk component.

Under both of the above stressed scenarios, the Company would still retain its solvency ratio above 250%.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Assets of the Company as at 31 December 2016 are as follows:

Assets-Balance Sheet	IFRS	Reclassification	Valuation of assets under Solvency II	2016 Solvency II
	£'000	£'000	£'000	£'000
Financial investments	248,177	12,592	-	260,769
Reinsurance assets	68,553	-	(2,255)	66,298
Insurance and other receivables	26,928	(1,249)	(6,801)	18,878
Cash and cash equivalents	20,178	(11,343)	-	8,835
Deferred acquisition costs	11,416	-	(11,416)	-
Total Assets	**375,252**	**-**	**(20,472)**	**354,780**

The table below provides reconciliation between Solvency II assets and IFRS assets.

Reconciliation between Solvency II assets and IFRS assets	Notes	2016
		£'000
IFRS – total assets		375,252
Effect of Solvency II adjustments:		
Valuation of reinsurance share of technical provisions under Solvency II	D.1 (b)	(2,255)
Elimination of deferred acquisition costs	D.1 (a)	(11,416)
Reclassifications	D.1 (c)	-
Valuation of insurance receivable	D.1 (d)	(6,801)
Solvency II – total assets		**354,780**

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

D.1 Assets – (continued)

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

Under IFRS basis, financial assets are classified into fair value through profit or loss, held to maturity investments, available-for-sale and loans and receivables. The Company designates its financial investments at fair value through profit or loss. The investments are valued under three tiers of hierarchy based in the characteristics of inputs available in the marketplace. The tiers are:

- **Level 1:**quoted market prices in active markets for the same assets
- **Level 2:** quoted market prices in active markets for the similar assets with adjustments to reflect differences.
- **Level 3:** alternative valuation methods which make use of relevant market inputs.

All of the Company financial investments are valued using quoted market prices; hence no valuation difference arises between IFRS measurement and Solvency II basis.

D.1 (a) Deferred acquisition costs (DAC): arises from accruals accounting in the IFRS balance sheet and is unrelated to the timing of the acquisition cost cash flows which is the criteria under which Solvency II technical provisions are recognised. Future acquisition cost cash flows are valued in Solvency II technical provisions. Hence, DAC asset of £11.4m recognised under IFRS basis has been de-recognised under Solvency II.

D.1 (b) Reinsurance assets: These were valued £68.5m under IFRS basis and £66.3m under Solvency II basis resulting in £2.2m valuation difference.

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

Reinsurance assets	IFRS	Valuation of assets under Solvency II	2016 Solvency II
	£'000	£'000	£'000
Non-life excluding health	34,521	(2,029)	32,492
Health similar to non-life	-	1,123	1,123
Life excluding health	34,032	(1,349)	32,683
Total Assets	**68,553**	**(2,255)**	**66,298**

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

D.1 Assets – (continued)

The valuation difference arises mainly from:

- life & assurance portfolio (shorter life expectancy under Solvency II valuation basis); and
- allowance for an explicit reinsurer default risk on ceded liabilities.

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

D.1 (c) Reclassification: These represent:

- Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. The cash deposits of £11.3m which was previously classified as part of the cash and cash equivalents under IFRS, has now been presented under a designated category of investment funds within Solvency II balance sheet.

  The cash and cash equivalents are considered to be held at fair value under Solvency II.

- The accrued interest of £1.2m is reclassified from "insurance and other receivables" heading within IFRS financial statement to the underlying investments within Solvency II balance sheet.

The effect of the above reclassification is nil on the reconciliation reserves.

D.1 (d) Valuation of insurance receivables: The valuation difference of £6.8m in insurance receivables comprises creditor business of £6.4m and motor warranty business of £0.4m. These amounts relate to the monthly premiums which are annualised under the contractual arrangements. The treatment is acceptable under IFRS basis. However, under Solvency II basis, the monthly future premiums relating to these lines of business is allowed for in the Solvency II BEL calculations as future inflows within the premium provisions. The impact of the adjustment is reflected in the reconciliation reserves to offset against the valuation difference between IFRS and Solvency II technical provisions. (See note E.1).

D. VALUATION FOR SOLVENCY PURPOSES

D.2 Technical provisions

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of a Best Estimate Liabilities (BEL) and the risk margin. The technical provisions as at 31 December 2016 were:

Balance Sheet Extracts –Technical provisions As at 31 December 2016	2016 Solvency II value
	£'000
Technical provisions – non-life (excluding health)	
Best Estimate	108,944
Risk margin	3,727
Technical provisions - health (similar to non-life)	
Best Estimate	15,606
Risk margin	492
Technical provisions – life	
Best Estimate	36,839
Risk margin	538
TECHNICAL PROVISIONS INC. BEST ESTIMATE OF LIABILITIES	**166,146**
TECHNICAL PROVISIONS IFRS Balance Sheet	**175,225**

The technical provisions under IFRS basis reduced from £175.2m to £166.1m under Solvency II basis. The decrease of £9.1m in the technical provision arises from combination of the following elements:

- de-recognition of deferred acquisition costs from unearned premium reserves and the reclassification of the £11.8m profit share payable (as mentioned in section D.3);
- the release of the margins held within IFRS technical provisions (after payment of the portion owed by the Company to intermediaries in the form of profit share);
- the allowance for administration overheads within the Solvency II provisions;
- the discounting of future expected cash-flows reflecting the time value of money under Solvency II basis;
- the quantification of specific Events Not Included in Data (ENIDs) risks within Solvency II provisions;
- the recognition of the expected profits included future premiums which reduces the technical provisions under Solvency II. This corresponds to the expected premium income net of payments (commission and profit share payable to intermediaries, claims and overheads) up to the contractual liabilities terms of policies at risk. This includes premiums generated by policies that are Bound But Not Incepted (BBNI) at the valuation date; and

D. VALUATION FOR SOLVENCY PURPOSES

D.2 Technical provisions– (continued)

- the risk margin as described in section D.2.(a).

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

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

By line of business	2016		
	Best estimate	Risk margin	Total
	£'000	£'000	£'000
Medical expense	215	11	226
Income protection	15,391	482	15,873
Motor vehicle liability	73,499	1,893	75,392
Other motor	852	29	881
Fire & other damage to property	10,191	329	10,520
General liability	2,396	53	2,449
Miscellaneous financial loss	22,005	1,423	23,428
Non-life	**124,549**	**4,219**	**128,768**
Other life	36,839	538	37,377
Life	**36,839**	**538**	**37,377**
TOTAL TECHNICAL PROVISIONS	**161,388**	**4,758**	**166,146**

The gross BEL for miscellaneous financial loss line of business is £22.0m (13% of the overall gross non-life BEL) grouping all the risks related to motor warranty, pet insurance and unemployment cover. The gross BEL for motor liability is £73.9m representing over 45% of the non-life BEL. As the activity on motor ceased in 2015, the BEL relates only to BEL claims. The line of business fire and other damage to property mostly relates to home insurance for a gross BEL of £10.2m and the life long term fund BEL sits at £36.8m.

The risk margin calculated is £4.8m which represents 3% of the overall gross technical reserves mainly due to the short tail of the portfolio.

The recoverable from reinsurance contracts are £66.3m represents £33.6m for Non-Life risk mostly related to motor vehicle liability (excess of loss treaty) and £32.7m mostly related to annuities and assurances (quota share treaty).

D. VALUATION FOR SOLVENCY PURPOSES

D.2 Technical provisions– (continued)

The key movements from IFRS technical provisions to Solvency II best estimates for each material line of business gross of reinsurance basis is:

- Reduction in provisions for motor vehicle liability (-£2.0m) is explained by the release of the IFRS claim reserve margins held in claims reserves and the discounting effect of future cash flows, partially offset by additional administration expenses projected, the inclusion of ENID and the risk margin (+£1.9m);
- Reduction in provision for miscellaneous financial loss (-£4.9m) is explained by accounting retreatment of deferred tax and future receivable and accounting reclassification of profit share payable, and the release of the statutory claim reserve margins and the inclusion of the risk margin (+£1.4m); and
- Reduction in provisions for fire and other damage to property (-£0.5m) is explained by the release of the IFRS claim reserve and the inclusion of the risk margin (+£0.3m).

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

Assessment of the Best Estimate Liabilities

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

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

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

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

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

Assessment of the reinsurance recoverable

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

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

Assessment of Risk Margin

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

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

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

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

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

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

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

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

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

D.2 (d) Details on key assumptions

The key assumptions used in the projection are the following:

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

Overheads

The overheads are projected using 2 main components:

- administration costs; and
- claims management expenses.

The overheads projections are based on the detailed analysis of 2016 costs structure taking into account expected future inflation.

Loss ratio

The loss ratio used for the purpose of BEL premium assessment are calibrated using a tailor made study for most material homogeneous risk group and based on last 12 months experience for others.

D. VALUATION FOR SOLVENCY PURPOSES – (continued)

D.3 Other liabilities

The table below provides total liabilities analysis including other liabilities as at 31 December 2016 of £34.6m.

Liabilities as at 31 December 2016	Notes	2016 Solvency II
		£'000
Technical provisions incl. best estimate of liabilities (BEL)	D.2	**166,146**
Insurance & intermediaries payables		29,824
Insurance payable-reinsurance operations		195
Amounts owed to credit institutions		66
Amounts owed to group undertakings		2,568
Other taxation and social security		1,697
Accruals and deferred income		241
Other liabilities		**34,591**
Ordinary share capital		126,557
Share premium		23,323
Reconciliation reserve	E.1	4,163
Own funds		**154,043**
Total Liabilities		**354,780**

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

Insurance & intermediaries payables

The amount payable represents profit share and claims payable due to be settled after the reporting period. The profit share payable is calculated based on underlying contractual arrangements with intermediaries whereas claims payable are the final agreed amount with claimants to be settled after the balance sheet date.

There is a valuation difference between IFRS carrying value of insurance and intermediaries payable and Solvency II basis. The valuation difference relates to a profit share payable of £11.8m. Under Solvency II Level 1 Directive, Article 77(2), the cash flow projections to estimate the technical provisions should take into account all cash in and out flows required to settle the insurance and reinsurance obligations. Therefore, the profit share payable for contract within the contract boundaries is included within BEL calculations resulting in reclassification of the amount to the reconciliation reserve (See note E.1).

As a result of the valuation difference, the amount relating to insurance & intermediaries payables under IFRS reduced from £41.6m to £29.8m under Solvency II basis.

D. VALUATION FOR SOLVENCY PURPOSES – (continued)

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

Amounts owed to group undertakings

The amounts payable to group undertakings represent short-term intercompany liability which is valued at amortised cost. The carrying value of £2.5m which is subject to 30 days credit terms deemed to be fair value as at the year end. Therefore there is no difference between the IFRS and Solvency II carrying values.

Other taxation and social security

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

The following amounts included within other liabilities above in the table under IFRS principals are deemed to be fair value:

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

D.4 Alternative methods for valuation (article 263)

The Company does not use any alternative methods for valuation.

D.5 Any other information

The Company does not apply the:

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

E. CAPITAL MANAGEMENT

E.1 Own funds

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

The Company's capital management policy is to maintain its own funds in excess of SCR with a target minimum coverage of 140% which provides reasonable assurance to the policyholders that the Company has enough capital to absorb any future significant losses. The business planning horizon is 3 years.

The following table provides Company's own funds position as at 31 December 2016:

Own Funds	2016
	£'000
Ordinary share capital	126,557
Share premiums	23,323
Reconciliation reserve	4,163
Total basic own funds	**154,043**

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds as at 31 December 2016.

The Company classifies its own funds as Tier 1, Tier 2 or Tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. All of the Company's own funds items fall under Tier 1-unrestricted category. The Company does not have any Tier 1 restricted, Tier 2 or Tier 3 capital as at the year-end.

The reconciliation reserve included within Company's own funds represents retained earnings and reconciliation adjustments from IFRS balance sheet to the Solvency II balance sheet analysed as:

Reconciliation reserve	Notes	2016
		£'000
IFRS Retained earnings		3,739
Solvency II valuation differences		
-reinsurance share of technical provisions	D.1(b)	(2,255)
-gross technical provisions liability	D.2	9,079
-premium receivables	D.1(d)	(6,801)
-profit share payable	D.3	11,817
-de-recognition of deferred acquisition costs	D.1(b)	(11,416)
		424
Reconciliation reserve		**4,163**

E. CAPITAL MANAGEMENT – (continued)

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

The Company's SCR as at 31 December 2016 is £54.8m. The Company's MCR as at 31 December 2016 is £18.4m. The SCR of the Company is the aggregation of the market, counterparty and non-life underwriting risks, less a credit for diversification, and an additional charge to represent the operational risks faced by the Company:

Solvency Capital requirement	2016
	£'000
Market risk	4,547
Counterparty default risk	9,964
Life underwriting risk	452
Health underwriting risk	8,605
Non-life underwriting risk	42,312
Diversification	(14,961)
Basic Solvency Capital Requirement	**50,919**
Operational risk	3,902
Solvency Capital Requirement	**54,821**

The Company has used the Standard Formula approach to calculate its Solvency Capital Requirement.

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

Market Risk

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

	2016
	£'000
Interest rate risk	104
Equity risk	-
Property risk	-
Spread risk	3,504
Currency risk	153
Concentration risk	2,779
Diversification	(1,993)
Market risk	**4,547**

E. CAPITAL MANAGEMENT – (continued)

The Market risk of £4.5m (net of diversification) arises from:

- £0.1m Interest rate risk is driven by changes in assets and liabilities of the Company due to changes in term structure of interest rates.
- £3.5m Spread risk is mainly driven by the Company's investment in corporate bonds, covered bonds and money market deposits.
- £0.1m Currency risk mainly driven by exposure of the Company's assets and liabilities denominated in Euros.
- £2.8m Concentration risk driven by accumulation of exposures with counterparties.

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

Counterparty default risk
The Counterparty default SCR risk module of £9.9m arises from risk of default on reinsurance recoverable and cash at bank and deposits. The table below provide breakdown by each asset class.

	2016
	£'000
Type 1 - rated	
Reinsurance recoverable	994
Cash at bank and deposits	6,671
Type 2 - unrated	
Receivables from intermediaries	2,829
Diversification	(530)
Counterparty default risk	**9,964**

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

Health underwriting risk (Non similar to Life techniques)
The table below provides composition of Health underwriting risk:

	2016
	£'000
Health Non-SLT	8,533
Health Catastrophe	273
Diversification	(200)
Health underwriting risk	**8,605**

The Health underwriting SCR arises from:

- £8.5m health non-SLT risk mainly driven by earned premium and reserve volume.
- £0.2m Health Catastrophe risk is driven by accident and Pandemic risk.

E. CAPITAL MANAGEMENT – (continued)

Non- life underwriting risk

The non-life underwriting SCR risk module comprises:

	2016
	£'000
Non-life premium & reserve	36,704
Non-life Lapse	1,743
Non-life Catastrophe	13,721
Diversification	(9,856)
Non-life underwriting risk	**42,312**

The non-life underwriting risk SCR arises from:

- premium and reserve exposure of £36.7m mostly driven by premium exposure to miscellaneous financial loss and fire (based on 2016 earned premium) and claim exposure to motor liability;
- catastrophe exposure of £13.7m mostly driven by future premium exposure on miscellaneous financial loss;
- lapse risk of £1.7m on future premium arising from existing contracts up to their contractual liabilities term.

Operational risk

The operational risk of £3.9m is driven by life and non-life technical provision.

		2016
		£'000
Gross non-life BEL	£124,551 x 3%	3,736
Gross life BEL	£36,839 x 0.45%	166
Operational risk		**3,902**

E. CAPITAL MANAGEMENT – (continued)

The Company has calculated the MCR based on rules set out in the Delegated Regulation. The MCR calculation is mainly based on the net value of technical provisions and premium exposures. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 31 December 2016, the MCR has been set at the minimum level, i.e. equal to 33% of SCR. Overall MCR calculation is analysed as follows:

Minimum Capital Requirement	2016
	£'000
Linear minimum capital requirement	18,523
Solvency capital requirement - SCR	54,821
Minimum capital requirement cap	24,669
Minimum capital requirement floor	13,705
Combined minimum capital requirement	18,523
Absolute floor of the minimum capital requirement	6,664
Minimum Capital Requirement - MCR	**18,523**

Capital position

The Company has Solvency II capital surplus of £99.2m and Solvency ratio of 281%. The Company's capital position as at 31 December 2016 is detailed below:

Company Capital Position	2016
	£'000
Available own funds to meet the solvency capital requirement	154,043
Available own funds to meet the minimum capital requirement	154,043
Solvency capital requirement (SCR)	54,821
Minimum capital requirement (MCR)	18,523
Ratio of Eligible own funds to the solvency capital requirement	281%
Ratio of Eligible own funds to the minimum capital requirement	832%

E.3 Any Other Information

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

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

ANNEX - QUANTITATIVE REPORTING TEMPLATES

The following templates form part of the published SFCR report.

Templates

S.02.01.02	Balance Sheet
S.05.01.02 *	Premiums, claims and expenses by line of business -life
S.05.02.01 *	Premiums, claims and expenses by line of business – non-life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21 *	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement - Both life and non-life insurance activity

* These templates are not subject to external audit opinion.

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	260,769
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	131,690
R0140	*Government Bonds*	3,495
R0150	*Corporate Bonds*	128,195
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	11,343
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	117,736
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	66,298
R0280	*Non-life and health similar to non-life*	33,616
R0290	*Non-life excluding health*	32,493
R0300	*Health similar to non-life*	1,122
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	32,683
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	32,683
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10,753
R0370	Reinsurance receivables	1,065
R0380	Receivables (trade, not insurance)	6,899
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	8,834
R0420	Any other assets, not elsewhere shown	160
R0500	**Total assets**	354,779

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	128,770
R0520	*Technical provisions - non-life (excluding health)*	112,671
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	108,944
R0550	*Risk margin*	3,727
R0560	*Technical provisions - health (similar to non-life)*	16,099
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	15,606
R0590	*Risk margin*	492
R0600	Technical provisions - life (excluding index-linked and unit-linked)	37,377
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	37,377
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	36,839
R0680	*Risk margin*	538
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	66
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	29,824
R0830	Reinsurance payables	195
R0840	Payables (trade, not insurance)	4,264
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	239
R0900	**Total liabilities**	200,736
R1000	**Excess of assets over liabilities**	154,043

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	*Gross - Direct Business*	1,078	24,071		-843	999		521	509				44,580					70,916
R0120	*Gross - Proportional reinsurance accepted*	0	0		0	0		0	0				0					0
R0130	*Gross - Non-proportional reinsurance accepted*																	0
R0140	*Reinsurers' share*	0	68		218	0		1,229	511				2					2,029
R0200	*Net*	1,078	24,003		-1,061	999		-708	-2				44,578					68,887
	Premiums earned																	
R0210	*Gross - Direct Business*	1,085	24,682		10,766	1,721		20,022	747				50,313					109,335
R0220	*Gross - Proportional reinsurance accepted*	0	0		0	0		0	0				0					0
R0230	*Gross - Non-proportional reinsurance accepted*																	0
R0240	*Reinsurers' share*	0	68		1,620	0		1,229	563				2					3,483
R0300	*Net*	1,085	24,613		9,145	1,721		18,792	184				50,311					105,852
	Claims incurred																	
R0310	*Gross - Direct Business*	841	7,608		38,156	1,319		5,290	414				19,306					72,935
R0320	*Gross - Proportional reinsurance accepted*	0	0		0	0		0	0				0					0
R0330	*Gross - Non-proportional reinsurance accepted*																	0
R0340	*Reinsurers' share*	0	297		25,063	0		0	136				13					25,509
R0400	*Net*	841	7,311		13,094	1,319		5,290	279				19,293					47,426
	Changes in other technical provisions																	
R0410	*Gross - Direct Business*	0	15		406	21		0	0				236					678
R0420	*Gross - Proportional reinsurance accepted*	0	0		0	0		0	0				0					0
R0430	*Gross - Non-proportional reinsurance accepted*																	0
R0440	*Reinsurers' share*	0	0		0	0		0	0				0					0
R0500	*Net*	0	15		406	21		0	0				236					678
R0550	**Expenses incurred**	394	16,429		3,115	783		11,478	148				33,497					65,844
R1200	**Other expenses**																	
R1300	**Total expenses**																	65,844

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	*Gross*				1,892					1,892
R1420	*Reinsurers' share*				0					0
R1500	*Net*				1,892					1,892
	Premiums earned									
R1510	*Gross*				1,892					1,892
R1520	*Reinsurers' share*				0					0
R1600	*Net*				1,892					1,892
	Claims incurred									
R1610	*Gross*				1,361					1,361
R1620	*Reinsurers' share*				1,417					1,417
R1700	*Net*				-56					-56
	Changes in other technical provisions									
R1710	*Gross*				-6,038					-6,038
R1720	*Reinsurers' share*				-6,161					-6,161
R1800	*Net*				122					122
R1900	**Expenses incurred**				2,012					2,012
R2500	**Other expenses**									
R2600	**Total expenses**									2,012

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
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	*Gross - Direct Business*	69,927						69,927
R0120	*Gross - Proportional reinsurance accepted*	0						0
R0130	*Gross - Non-proportional reinsurance accepted*	0						0
R0140	*Reinsurers' share*	2,029						2,029
R0200	*Net*	67,898	0	0	0	0	0	67,898
	Premiums earned							
R0210	*Gross - Direct Business*	108,355						108,355
R0220	*Gross - Proportional reinsurance accepted*	0						0
R0230	*Gross - Non-proportional reinsurance accepted*	0						0
R0240	*Reinsurers' share*	3,483						3,483
R0300	*Net*	104,872	0	0	0	0	0	104,872
	Claims incurred							
R0310	*Gross - Direct Business*	72,275						72,275
R0320	*Gross - Proportional reinsurance accepted*	0						0
R0330	*Gross - Non-proportional reinsurance accepted*	0						0
R0340	*Reinsurers' share*	25,245						25,245
R0400	*Net*	47,030	0	0	0	0	0	47,030
	Changes in other technical provisions							
R0410	*Gross - Direct Business*	630						630
R0420	*Gross - Proportional reinsurance accepted*	0						0
R0430	*Gross - Non-proportional reinsurance accepted*	0						0
R0440	*Reinsurers' share*	0						0
R0500	*Net*	630	0	0	0	0	0	630
R0550	**Expenses incurred**	46,200						46,200
R1200	**Other expenses**							
R1300	**Total expenses**							46,200

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
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	*Gross*	1,884						1,884
R1420	*Reinsurers' share*	0						0
R1500	*Net*	1,884	0	0	0	0	0	1,884
	Premiums earned							
R1510	*Gross*	1,884						1,884
R1520	*Reinsurers' share*	0						0
R1600	*Net*	1,884	0	0	0	0	0	1,884
	Claims incurred							
R1610	*Gross*	1,356						1,356
R1620	*Reinsurers' share*	1,417						1,417
R1700	*Net*	-61	0	0	0	0	0	-61
	Changes in other technical provisions							
R1710	*Gross*	-6,038						-6,038
R1720	*Reinsurers' share*	-6,161						-6,161
R1800	*Net*	122	0	0	0	0	0	122
R1900	**Expenses incurred**	1,649						1,649
R2500	**Other expenses**							
R2600	**Total expenses**							1,649

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						36,839				36,839						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						32,683				32,683						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						4,157	0			4,157						
R0100	**Risk margin**					538					538						
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	**Technical provisions - total**					37,377					37,377						

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance				Direct business and accepted proportional reinsurance				Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0	0		0	0		0	0				0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	19	6,376		0	708		378	43				10,176					17,700
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0		0	0		0	37				0					37
R0150	**Net Best Estimate of Premium Provisions**	19	6,376		0	708		378	6				10,176					17,663
	Claims provisions																	
R0160	Gross	196	9,015		73,500	144		9,813	2,353				11,830					106,851
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	1,122		32,249	0		0	208				0					33,579
R0250	**Net Best Estimate of Claims Provisions**	196	7,893		41,250	144		9,813	2,146				11,830					73,272
R0260	**Total best estimate - gross**	215	15,392		73,500	852		10,191	2,396				22,005					124,551
R0270	**Total best estimate - net**	215	14,269		41,250	852		10,191	2,152				22,005					90,935
R0280	**Risk margin**	10	482		1,892	30		329	53				1,423					4,219
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	0	0		0	0		0	0				0					0
R0300	Best estimate	0	0		0	0		0	0				0					0
R0310	Risk margin	0	0		0	0		0	0				0					0
R0320	**Technical provisions - total**	225	15,874		75,391	882		10,521	2,449				23,428					128,770
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	1,122		32,249	0		0	244				0					33,616
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	225	14,752		43,142	882		10,521	2,205				23,428					95,154

S.19.01.21
Non-Life insurance claims

Total Non-life business

Z0010 **Accident year / underwriting year** Accident 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											0		0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0			0	0
R0170	N-8	0	0	0	0	0	0	0	0	0				0	0
R0180	N-7	0	0	0	0	0	0	0	0					0	0
R0190	N-6	0	0	0	0	0	0	0						0	0
R0200	N-5	12,774	15,104	1,974	340	56	12							12	30,260
R0210	N-4	19,686	15,606	1,597	152	47								47	37,087
R0220	N-3	25,152	23,859	2,919	935									935	52,864
R0230	N-2	42,238	32,176	8,345										8,345	82,759
R0240	N-1	50,432	34,436											34,436	84,868
R0250	N	28,921												28,921	28,921
R0260													Tot	72,694	316,759

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											0		0
R0160	N-9	0	0	0	0	0	0	0	0	0	0			0
R0170	N-8	0	0	0	0	0	0	0	0	0				0
R0180	N-7	0	0	0	0	0	0	0	0					0
R0190	N-6	0	0	0	0	0	0	0						0
R0200	N-5	0	0	0	0	0	8							8
R0210	N-4	0	0	0	0	145								144
R0220	N-3	0	0	0	3,451									3,341
R0230	N-2	0	0	20,008										19,360
R0240	N-1	0	50,432											48,775
R0250	N	35,754												35,223
R0260													Total	106,851

S.23.01.01
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	126,557	126,557		0	
R0030	Share premium account related to ordinary share capital	23,323	23,323		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	4,163	4,163			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0				
R0290	**Total basic own funds after deductions**	154,043	154,043	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	154,043	154,043	0	0	0
R0510	Total available own funds to meet the MCR	154,043	154,043	0	0	
R0540	Total eligible own funds to meet the SCR	154,043	154,043	0	0	0
R0550	Total eligible own funds to meet the MCR	154,043	154,043	0	0	
R0580	**SCR**	54,821				
R0600	**MCR**	18,523				
R0620	**Ratio of Eligible own funds to SCR**	280.99%				
R0640	**Ratio of Eligible own funds to MCR**	831.62%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	154,043
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	149,880
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	4,163
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-15
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	569
R0790	**Total Expected profits included in future premiums (EPIFP)**	553

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	4,548		
R0020	Counterparty default risk	9,965		
R0030	Life underwriting risk	451		
R0040	Health underwriting risk	8,605		
R0050	Non-life underwriting risk	42,312		
R0060	Diversification	-14,962		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	50,918		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	3,902
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	
R0200	**Solvency Capital Requirement excluding capital add-on**	54,821
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	54,821
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activitie	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
R0010	**Linear formula component for non-life insurance and reinsurance obligations**	18,326	0

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	215	1,078		
R0030	Income protection insurance and proportional reinsurance	14,269	23,992		
R0040	Workers' compensation insurance and proportional reinsurance	0	0		
R0050	Motor vehicle liability insurance and proportional reinsurance	41,250	0		
R0060	Other motor insurance and proportional reinsurance	852	999		
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0		
R0080	Fire and other damage to property insurance and proportional reinsurance	10,191	0		
R0090	General liability insurance and proportional reinsurance	2,152	0		
R0100	Credit and suretyship insurance and proportional reinsurance	0	0		
R0110	Legal expenses insurance and proportional reinsurance	0	0		
R0120	Assistance and proportional reinsurance	0	0		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	22,005	44,578		
R0140	Non-proportional health reinsurance	0	0		
R0150	Non-proportional casualty reinsurance	0	0		
R0160	Non-proportional marine, aviation and transport reinsurance	0	0		
R0170	Non-proportional property reinsurance	0	0		

		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
R0200	**Linear formula component for life insurance and reinsurance obligations**	0	198

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
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			4,157	
R0250	Total capital at risk for all life (re)insurance obligations				157,823

	Overall MCR calculation	C0130
R0300	Linear MCR	18,523
R0310	SCR	54,821
R0320	MCR cap	24,669
R0330	MCR floor	13,705
R0340	Combined MCR	18,523
R0350	Absolute floor of the MCR	6,664
R0400	**Minimum Capital Requirement**	18,523

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	18,326	198
R0510	Notional SCR excluding add-on (annual or latest calculation)	54,235	585
R0520	Notional MCR cap	24,406	263
R0530	Notional MCR floor	13,559	146
R0540	Notional combined MCR	18,326	198
R0550	Absolute floor of the notional MCR	3,332	3,332
R0560	**Notional MCR**	18,326	3,332