CARDIF PINNACLE
A BNP PARIBAS company

UNAUDITED SOLVENCY AND FINANCIAL CONDITION REPORT

PINNACLE INSURANCE PLC

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

At 31 December 2018

BNP PARIBAS CARDIF

CONTENTS

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 75 countries and employs more than 196,000 employees.

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

The Company's strategy is to ensure that customers are well serviced whilst focusing on securing growth of the Pet and Motor Warranty businesses, the optimisation of the Creditor book and improvement of operational capabilities and efficiencies.

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

The exact terms on which the UK will exit from the European Union (EU) and continue to trade with the remaining 27 countries are yet to be determined. The Company's business is in the UK and therefore it is not exposed to the European passporting rights risk.

While there is no wider reliance on employment of EU nationals in the Company, it is recognised that the future limitation on talent pools could impact the business. The wider economic uncertainty resulting from Brexit could impact adversely on the Company's exposure to creditor business in the event of a rise in unemployment.

The risks and uncertainties associate with exiting from EU have been considered by the Directors and, while they continue to monitor the exit negotiations, they do not currently believe there will be a material adverse impact on the Company's results or financial position in the current or following financial year.

The Company's capital position as at 31 December 2018 is as follows:

	Unaudited 2018	2017
	£'000	£'000
Eligible own funds	157,957	150,866
Solvency capital requirement (SCR)	36,008	39,492
Capital Surplus	121,949	111,374
Ratio of Eligible own funds to the SCR	439%	382%

The Company has a strong capital position with solvency capital surplus of £121.9m (2017: £111.3m) in excess of its solvency capital requirement. The Company's eligible own funds increased by £7.1m resulting mainly from profit for the year of £2.1m and Solvency II valuation differences £4.6m. (See section E.1).

SUMMARY – (continued)

The SCR decreased from £39.4m to £36.0m between 2017 and 2018. This decrease is mainly driven by the non-life underwriting risk component of SCR following the decision by the Company to terminate its motor and household activities in 2015.

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

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

The elements of the disclosure relate to the business and performance, system of governance, risk profile, valuation for solvency purposes and the solvency and capital management.

A M Wigg
Chief Executive Officer
16 April 2019

DIRECTORS' REPORT

Directors

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

G Binet (Chairman)
P J Box *
M Haderer
N D Rochez *
A M Wigg FCA
M J Lorimer LLB (Hons) Solicitor
S.L.P.F Chevalet

* Independent Non-Executive Director

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 the Solvency II framework

The Company has complied in all material respects with the requirement of the PRA Rules and Solvency II regulations as applicable throughout the financial year 2018. The Company reasonably believes that it will comply with PRA rules and Solvency II regulations subsequently and will continue to comply for the foreseeable future.

Audit

The Company is exempt from external audit requirement of the SFCR for the year ended 31 December 2018 based on qualifying score of being less 100. The company scored 35 which is well below the qualifying score. The calculations are based on the guidelines published in the PRA consultation paper CP8/18.

Approved by the Board on 16 April 2019 and signed on its behalf by:

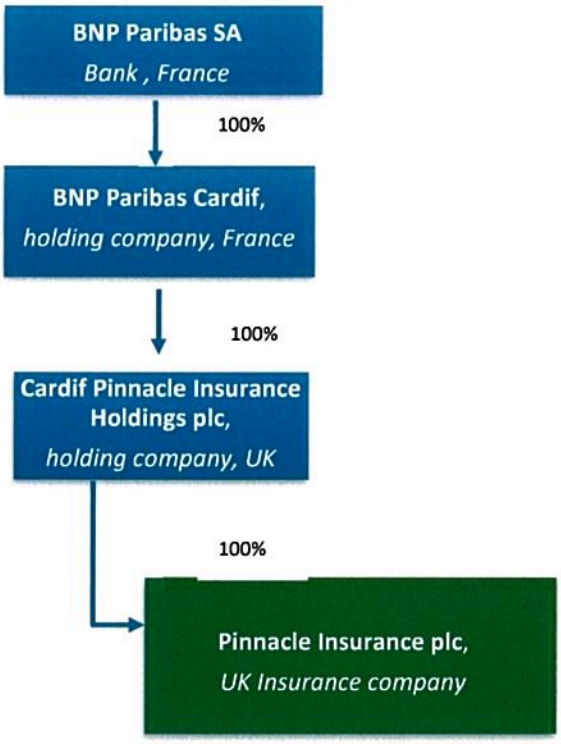
M J Lorimer
Director

A. BUSINESS AND PERFORMANCE

A.1 Business

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

Simplified legal group structure



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

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

A. BUSINESS AND PERFORMANCE – (continued)

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

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

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

A.2 Underwriting performance

The Company reported a pre-tax profit £2.0m (2017: profit of £4.9m) resulting from the Company's improved performance in Pet combined with the run-off of Household, Motor and Creditor.

The pre-tax profit is after taking into account an expenditure incurred by the Company for a new policy management system and a data warehouse.

Company's key performance indicators	Unaudited 2018	2017
	£'000	£'000
Gross Written Premiums	46,136	54,379
Net Earned Premiums	49,885	63,561
Technical Result	18,710	19,638
Investment Income	2,112	3,214
Administration Expenses	(18,757)	(17,944)
Profit Before Tax	2,064	4,908
Technical Ratio	62%	69%
Claims Ratio	24%	28%
Commission Ratio	39%	41%

A. BUSINESS AND PERFORMANCE – (continued)

A.2 Underwriting performance

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

GWP by line of business	Unaudited 2018	2017	Change
	£'000	£'000	Increase/ (decrease)
Pet	17,025	16,545	480
Creditor	24,961	31,318	(6,357)
Warranty	3,410	5,397	(1,987)
Household	5	(42)	47
Motor	(2)	(99)	97
General business	**45,399**	**53,117**	**(7,718)**
Long-term business	737	1,261	(526)
Gross written premiums	**46,136**	**54,379**	(8,243)

GWP decreased in the year by £8.2m (15%) largely due to:

- Creditor business declined by 20% to £25.0m (2017: £31.3m) due to;
    - the continued low level of activity across the sector;
    - termination of contracts with subscale partners; and
    - downward repricing.
- Warranty business decreased by 37% to £3.4m (2017: £5.4m). The decrease reflects motor warranty volumes distributed through BNP Paribas Cardif Limited (formerly known as Warranty Direct Limited) reflecting the competitive environment;
- Pet GWP of £17.0m (2017: £16.6m) remained broadly in line with prior year;
- Household and motor business will continue to run off in 2019 and subsequent years due to long tail of personal injury claims arising in the Motor book; and
- Long-term business which includes business underwritten for mortgage loan protection, leasing creditor and standard living guaranteed income, continued to be in run off with GWP decreased to £0.7m in 2018 (2017: £1.3m).

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

Net Earned Premiums (NEP): represents the portion of the policy's premium that applies to the expired portion of the policy. The NEP of £49.9m decreased by £13.7m due to declining premium on Creditor (£9.4m) and Motor Warranty (£3.5m) and Pet of £0.5m.

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

The technical result decreased by £0.9m in 2018 mainly due to the continued run off the Motor book offset by an improvement in the Creditor book.

A. BUSINESS AND PERFORMANCE – (continued)

Technical Ratio: Reflects the profitability of the general business before direct and indirect costs and are calculated as the sum of commission and net incurred claims expressed relative to NEP. The technical ratio improved from 69% in 2017 to 62% in 2018 due to lower claims costs in the year. The commission cost remained broadly in line with prior year.

Claims Ratio: Calculated as net claims incurred expressed as a percentage of NEP. The claims ratio in 2018 decreased to 24% (2017: 28%) due to claims settled in Motor and Household.

Commission Ratio: Commission expense incurred expressed as a percentage of NEP. The Commission ratio of 39% (2017: 41%) remained broadly in line with prior year.

A.3 Investment Performance

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

The investment portfolio comprises bonds, cash and term deposits of high credit quality. The total portfolio was valued at £226.2m at 31 December 2018 (2017: £251.5m) of which 45% (2017: 44%) was held in bonds, 51% (2017: 43%) in term-deposits with credit institutions and 4% (2017: 13%) in cash and cash equivalents.

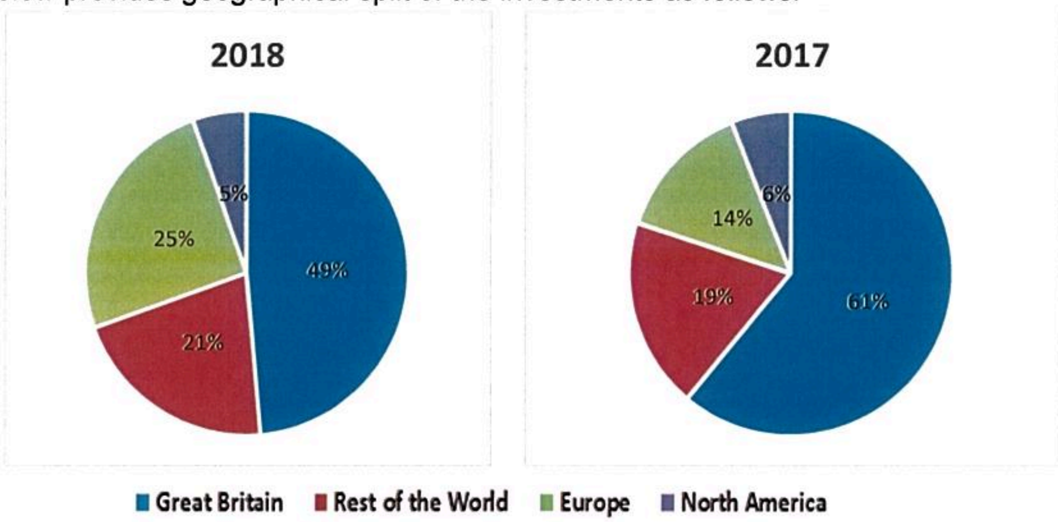
Total net investment return for the year is £2.1m (2017: £3.2m) which comprises interest earned on financial investments of £4.8m (2017: £5.5m), realised losses on bonds of £2.0m (2017: £2.5m) and unrealised loss of £0.8m (2017: gain £0.2m).

The table below provides summary of assets under management and the return on investments:

	Unaudited 2018		2017	
By assets class	Investments	Return on investments	Investments	Return on investments
	£'000	£'000	£'000	£'000
Bonds	101,694	681	111,867	1,699
Deposits	115,476	1,373	107,472	1,482
Cash at bank	9,043	59	32,210	33
Total	**226,213**	**2,112**	**251,549**	**3,214**

A. BUSINESS AND PERFORMANCE – (continued)

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



A.4 Performance of other activities

Administration expenses represent those operating expenses incurred by the Company which are not classified as either acquisition or claims handling costs. Administration expenses increased by £0.9m to £18.8m (2017: £17.9m) mainly due to an additional staff costs not directly attributable to the capitalised projects cost relating to the digitalisation and simplification of the IT infrastructure.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the system of governance

The Company's Board comprises Directors and Non-Executive Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and achieves its objectives. The Board met six times in 2018 to determine the Company's strategic direction, review operating and financial performance, and to ensure that the Company is adequately resourced and effectively controlled. The Company's governance regime is summarised as follows:

B. SYSTEM OF GOVERNANCE – (continued)

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	SMF1	Chief Executive Officer function
	SMF 20	Chief Actuary
M Haderer	SMF 23	Chief Underwriting Officer function
	SMF 4	Chief Risk Officer (CRO)
	SMF 16	Compliance Oversight
M J Lorimer LLB (Hons) Solicitor	SMF 17	Money Laundering Reporting Officer (MRLO)
	SMF 9	Chair of Governing Body
G Binet	SMF 7	Group Entity Senior Manager
	SMF 10	Chair of the Risk Committee
P J Box *	SMF 11	Chair of the Audit Committee
N D Rochez *	SMF 12	Chair of the Remuneration Committee
S.L.P.F Chevalet	SMF 7	Group Entity Senior Manager
* Independent non-Executive Director		

Remuneration Committee
This committee is a formal subcommittee of the Board. It is chaired by, a Non-Executive Director. It reviews and makes recommendations to the shareholder regarding the Company's remuneration policy. It also reviews compliance with the Remuneration 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 Company staff.

The Company determines remuneration according to three key principles, namely competitiveness, discretion and fairness.

a) Individual fixed basic salary:
The Company determines 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).

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

It may be determined from the basic salary using a percentage basis or, where applicable, a scale. However, it does not constitute basic pay irrespective of the fixed or recurring nature of the work.

c) Variable remuneration
It is not a right and is determined at the Group's discretion each year in accordance with that year's remuneration policy and the principles of governance.

It is an incentive and motivation that rewards the long-term performance observed in certain individuals and in part assessed during personal performance evaluations with regard to set objectives.

B. SYSTEM OF GOVERNANCE– (continued)

Remuneration Committee – (continued)

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

Within the framework of established governance, BNPPC Group entities may implement a target-based system of variable compensation in line with their business activities and results.

Each system must nevertheless provide a means for freely adjusting the individual amount awarded, whether by reducing or increasing it, within any financial year in line with the decision of the Group, taking into consideration a number of factors including but not limited to the financial results for the BNPPC Group and the entity in question.

Variable compensation: It is determined each year in accordance with that year's remuneration policy and the principles of governance. It is intended to incentivise 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.

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

- coordinate and have oversight of the Company's financial reporting process, specifically;
  - integrity of the financial statements
  - review and monitor the reserving process and recommend to the Board; and
  - valuation of assets and impairment reviews.
- 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;
- 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.

B. SYSTEM OF GOVERNANCE– (continued)

Investment Committee

The Committee is chaired by the Chief Executive Officer and meets on quarterly basis. Its 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.

Conduct and Customer Committee (CCC)

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

- promote and encourage a corporate culture that ensures the recognition of Conduct Risk and the fair treatment of customers;
- continue to encourage the development, analysis and use of further Conduct Risk Indicators (CRI) or other management information and to ensure the CRI measures are constantly challenged;
- ensure that staff appropriately record Conduct Risk issues including the findings and resulting outcome using an agreed process or system such as (but not limited to) the Incident Reporting;
- review issues brought to the Conduct Risk Committee by the Treating Customers Fairly (TCF) Forum (the TCF Forum is responsible for monitoring and managing the customer experience and the identification, resolution and, where applicable, escalation of issues which may cause customer detriment to the CCC) and make recommendations that are in the best interests of the customer and ensure those recommendations are acted upon as required; and
- 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. It meets at least four times per year and reports to the RAC. The Risk Forum's focus on prudential regulations includes overseeing notably Solvency II quarterly and annual returns and Own Risk and Solvency Assessment (ORSA) runs. The Risk Forum also reviews the ORSA triggering events on a regular basis.

Internal Control Committee (ICC)

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

- embed an effective risk management culture in the Company;

B. SYSTEM OF GOVERNANCE– (continued)

***Internal Control Committee* – (continued)**

- 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); and
- monitor the performance of security and business continuity by review of security incidents, test and exercises, critical IT risks and recommendations in progress.

Underwriting and Credit Risk Committee

This Committee is chaired by the Chief Actuarial Officer and reports to the RAC. The 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 techniques 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 proposals for change to the RAC.

B.2 "Fit and proper" requirements

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

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

- financial soundness;
- honesty, integrity and reputation;
- competence and capability; and
- references completed by the candidates previous employer.

SYSTEM OF GOVERNANCE– (continued)

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.

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

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

Risk management policies and procedures are established to identify and analyse the risks faced by the Company, to set appropriate risk appetites and limits, and to identify, measure, record, manage and report on existing and emerging risks, so that they can be managed within Board-approved risk appetites. Risk management policies and systems are reviewed at least annually to ensure that they remain effective and appropriate for the management of the Company's risks. 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 November 2018, an additional submission has been made to the Board in Q1 2019 to reflect the change of risk profile due to the agreement of a new distribution partner.

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 framework

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

SYSTEM OF GOVERNANCE– (continued)

Internal Control framework – (continued)

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 2018 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.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. This ensures that the Internal Audit function is independent of the Company. The Internal Audit function 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 set out by Internal Audit. Where required, the schedule is adjusted in consultation with the RAC to address new or emerging risks. This might be the case if the RAC or Board wants a particular area of the Company's operations to be reviewed, perhaps in response to external drivers such as new regulations.

SYSTEM OF GOVERNANCE– (continued)

***Internal Audit function*– (continued)**

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.

B.7 Compliance

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

The outsourcing function is carried-out by one full-time employee. However, Subject Matter Experts are drawn from across all functions with a total of 14 contributors.

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 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.

B.9 Any other information

There is no other information to disclose.

C. RISK PROFILE

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

C.1 Underwriting risk

The non-life underwriting risk is the main component of the Company's risk profile, representing 62% of the basic capital requirement at the end of 2018 (2017: 63%).

Non-life underwriting risks mainly relate to the premium and reserve risk 58% (2017: 65%) and the catastrophe risk 36% (2017: 30%), the remainder arising from lapse risk at 6% (2017: 5%).

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:

- the line of business miscellaneous 54% of the non-life exposure (2017: 48%) comprising notably unemployment risk, pet health insurance; and
- the motor liability, general liability and fire lines of business with 30% of exposure (2017: 37%) comprising motor insurance cover and household for claim outstanding mainly, and
- the other motor line of business with 16% of exposure (2017: 15%) corresponding to motor extended warranty products.

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 is slowly increasing with further business growth expected in 2019 triggering a moderate increase in catastrophe risk.

On the creditor book, the Company's underwriting risk profile relates mainly to the risk inherent to unemployment and temporary disability. The exposure is reducing in line with the business volumes but the Company is exposed to the possible economical short-term impact of Brexit on unemployment rates (the impact is captured under scenario 2 in section C.6).

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.

C. RISK PROFILE– (continued)

C.1 Underwriting risk – (continued)

The Company adopts the following to mitigate these risks:

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

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 the counterparty fails to meet 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 portfolio 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. The investment credit risk managed through established guidelines and procedures. The Company's investment policy prescribes the investments limits and credit quality of the investments which are monitored and reviewed by the Investment Committee on quarterly basis.

C. RISK PROFILE– (continued)

C.3 Credit / Counterparty risk– (continued)

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

Investment portfolio by credit quality	Unaudited 2018		2017	
	£'000	%	£'000	%
AAA	25,265	11%	28,101	11%
AA	6,055	3%	22,508	8%
AA-	37,516	17%	68,844	27%
A+	61,155	27%	9,941	3%
A	73,263	32%	93,528	37%
A-	9,725	4%	19,980	8%
BBB+	13,131	6%	6,465	3%
BBB	102	-	2,035	2%
BBB-	-	-	417	1%
	226,212	**100%**	**251,549**	**100%**

Concentration of credit risk exists where the Company has significant exposure to an individual counterparty or a group of counterparties. As at 31 December 2018, the Company has £25.2m investment with a single issuer with a credit rating of "A+" with average duration of 9 months. The single party exposure is within the Company's prescribed investment policy limit.

Reinsurance risk - the Company manages the risk through the use of preferred reinsurers. No reinsurance counterparty has a rating lower than A-.

The highest exposure to single reinsurance counterparty is £22.5m (2017: £25.8m) rated AA- under IFRS on the Long-term business. The best estimate ceded reinsurance liability under IFRS basis as at 31 December 2018 is £46.2m (2017: £56.8m) and £48.0m (2017: £57.7m) under Solvency II basis.

C. RISK PROFILE– (continued)

C.3 Credit / Counterparty risk– (continued)

Insurance debtors and other receivables – the Company regularly reviews receivables, the collectability of these receivables and adequacy of associated impairment. Outstanding premiums receivables balances are monitored by the business operations team on a monthly basis, as a minimum. Concentration risk is also monitored for large partners/brokers. Bad debt provisions are provided where appropriate to reflect recoverability of the receivables.

The carrying value of the insurance and other receivables at 31 December 2018 is £10.8m (2017: £17.8m) net of bad debts provisions of £nil (2017: £nil). The value of these receivables under Solvency II basis is £5.6m (2017: £12.8m). See section D for detail on the valuation differences.

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

- individual counter-party risk assessment using Standard & Poor's rating assigned to each counterparty;
- credit and concentration risk limits relating to cash, short term deposits and bond investments are defined in the Investment policy. The Company has a very low risk appetite for any default by counterparties with whom deposits are placed and will not place funds with counterparties whose S&P credit rating is lower than BBB- or lower rated investments;
- selection of reinsurance counterparts from a preferred list and in any case with a rating above BB+;
- 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

The Company considers Liquidity Risk both in terms of the risk of having insufficient liquidity to satisfy policyholder liabilities and maintain financial flexibility in the event of a stress event.

The Company mitigates liquidity risk in the following ways:

- The Company, through the Investment Committee and dedicated treasury function, manages 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 adjusts assets accordingly.

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

		Time to maturity				
As at 31 December	**2018**	**1 Year**	**2-3 Years**	**4-5 Years**	**Over 5Years**	**2017**
Highly liquid resources	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments	217,169	87,938	74,785	41,681	2,870	219,339
Cash & cash equivalents	9,043	32,210	-	-	-	32,210
	226,212	120,148	74,785	41,681	2,870	251,549
Expected liabilities						
Gross insurance liabilities	88,705	36,022	16,420	5,212	35,487	117,536
Other payables	28,872	38,723	4,755	-	-	43,289
	117,577	74,745	21,175	5,212	35,487	160,825
Surplus funds	**108,365**	**51,174**	**53,610**	**36,469**	**(32,617)**	**90,724**

The Company has surplus funds of £108.4m (2017: £90.7m) in excess of its liabilities. The deficit of £32.6m in the above table is a timing difference between financial investments maturity profiles against the expected liabilities over 5 years. The Company always holds adequate liquid assets to meet any expected obligations.

With regard to liquidity risk, the Expected Profit Included in the Future Premium ("EPIFP") means the expected present value of future cash-flow which results from the inclusion in technical provisions of premium relating to existing insurance contracts that are expected to be received in the future. The small reduction in EPIFP from last year is driven by Pet business attracting a larger proportion of the Company's expenses, relative to other product lines running off.

As at 31 December	**2018**	**2017**
	£'000	£'000
EPIFP	702	1,000

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 risk:

- 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 £8.4m (2017: £9.4m).

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 Department 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; and
- Risk reports are sent to the RAC, which in turn reports to the Board: Reports are regularly submitted on operational, compliance and legal risks.

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

C. 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: Default of our largest reinsurance exposure at 31 December 2018 amongst all such exposures with a credit rating of A[1] or lower, which the Company considered would materialise in an instant loss equal to the amount of the reinsurance exposure after expected liquidation recoveries (40% recovery according the Solvency II standard parameters for such credit rating), leading to an increase in the Company's net liabilities and its reserve risk SCR capital requirement as a result, together with a (relatively smaller) second-order reduction in Counterparty default risk SCR.

The stress scenario would trigger a £1.7m increase in the Company's net BEL (directly reducing own funds) combined with a net £0.3m increase in SCR.

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 £0.5m 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 scenarios, the Company's solvency ratio remains above 400%.

[1] Standard & Poor's or equivalent credit rating

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

The following table summarises the assets held by the Company as at 31 December 2018 with analysis of the differences between Solvency II and IFRS valuation rules:

		Unaudited 2018			2017
Total Assets	**Notes**	**IFRS**	**Adjustment for Solvency purpose**	**Solvency II**	**Solvency II**
		£'000	£'000	£'000	£'000
Financial investments	D.1 (a)	217,169	5,723	222,892	236,121
Reinsurance assets	D.1 (b)	46,216	1,751	47,967	57,748
Insurance and other receivables	D.1 (c)	10,812	(5,201)	5,611	12,834
Cash and cash equivalents	D.1 (d)	9,043	(4,622)	4,421	16,579
Deferred acquisition costs	D.1 (e)	3,543	(3,543)	-	-
Deferred Tax asset		-	471	471	-
Total Assets		**286,783**	**(5,421)**	**281,362**	**323,282**

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.

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

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

	Unaudited 2018			2017
Financial investments	**IFRS**	**Reclassification for Solvency purpose**	**2017 Solvency II**	**Solvency II**
	£'000	£'000	£'000	£'000
Corporate bonds	77,078	982	78,060	84,701
Government bonds	24,616	119	24,735	28,318
Investments funds	-	4,622	4,622	15,630
Deposits with credit institutions	115,475	-	115,475	107,472
Total	**217,169**	**5,723**	**222,892**	**236,121**

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

D.1 Assets – (continued)

Adjustment for Solvency II purposes represents reclassification of:

- highly liquid deposit of £4.6m (2017: £15.6m) into Solvency II balance category of "Investment Fund" which is held within cash and cash equivalents under IFRS basis.
- Accrued interest of £1.1m (2017: £1.1m) is recognised in the valuation of 'investments' on the Solvency II balance sheet, but held within 'other assets' on the IFRS balance sheet.

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

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

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

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

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

D.1 (b) Reinsurance assets: These were valued at £46.2m under IFRS and £48.0m under Solvency II resulting in £1.8m (2017: £1.0m) Solvency II valuation difference.

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

Reinsurance assets	IFRS 2018	Valuation differences (IFRS vs. SII)	Solvency II 2018	2017
	£'000	£'000	£'000	£'000
Non-life excluding health	17,134	4,004	21,138	27,370
Health similar to non-life	13	(13)	-	-
Life excluding health	29,069	(2,240)	26,829	30,378
Total Assets	**46,216**	**1,751**	**47,967**	**57,748**

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

D.1 Assets – (continued)

The net valuation difference of £1.8m from IFRS to Solvency II carrying value arises from

- an allowance for potential adverse developments in the Company's large bodily injury outstanding claims, beyond the level implied by the analysis of the Company's claims historical data (events not in data or ENID) for motor risks of positive main (£4.0m),

offset by the following factors:

- a recognition of the margins included in the mortality assumptions underlying the ceded IFRS reserves relating to the Company's annuities and assurance products of (-£1.0m),
- different discount rates used to convert future cash-flows in today's monetary value (-£0.6m),
- the release of margins included in IFRS share of reinsurance claims reserves (-£0.2m),
- the de-recognition of deferred acquisition costs (not permitted under Solvency II) associated with the unearned portion of Pet premiums received prior to 31 December 2018 in relation to third-party liability risks which are 100% reinsured by the Company (-£0.2m)
- deduction made to the reinsurance assets to reflect potential risk of counterparty default from reinsurers to which the Company transfer its book of annuities (-£0.2m), and
- an allowance for expected profits in future premiums within Solvency II provisions ceded to reinsurance (-£0.03m).

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

D.1 (c) Insurance and other receivables: value as at the year-end is £10.8m (2017: £17.8m) under IFRS and £5.6m (2017: £12.8m) under Solvency II. The difference represents:

- Insurance receivables of £4.1m (2017: £3.8m); and
- Accrued interest of £1.1m (2017: £1.1m).

In accordance with Solvency II guidelines premium cash flows falling due after the valuation date are recognised within technical provisions, and premiums due at the valuation date are recognised as an asset. Hence, the valuation difference of £4.1m is allowed for in the Solvency II BEL calculations as future inflows within the premium provisions.

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

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

Other elements included within other receivables included are, amounts due from group undertakings and prepayments are considered close approximation to the fair value due their short-term nature of due within one year.

D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

D.1 Assets – (continued)

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

Under IFRS, cash & cash equivalents are £9.0m (2017: £32.2m) which have reduced to £4.4m (2017: £16.6m) due to a reclassification of a highly liquid deposit of £4.6m (2017: £15.6m) into Solvency II balance category of "Investment Fund".

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

D.1 (e) Deferred acquisition costs (DAC): Under IFRS, the acquisition costs should be deferred commensurate with the unearned premiums provisions. The deferred acquisition costs (DAC) are separately presented as an asset in the IFRS balance sheet. However, under Solvency II, the DAC of £3.5m (2017: £6.1m) is valued as nil as it is included in the premiums provisions valuation (part of Solvency II best estimates) and therefore not included as an asset.

D.2 Technical provisions

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive 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 2018 were:

Balance Sheet Extracts –Technical provisions As at 31 December	Unaudited 2018	2017
	£'000	£'000
Technical provisions – non-life (excluding health)		
Best Estimate	59,029	80,771
Risk margin	4,623	5,436
Technical provisions - health (similar to non-life)		
Best Estimate	9,706	13,639
Risk margin	345	435
Technical provisions – life		
Best Estimate	29,497	33,980
Risk margin	337	405
TECHNICAL PROVISIONS INC. BEST ESTIMATE OF LIABILITIES	**103,537**	**134,666**
TECHNICAL PROVISIONS IFRS Balance Sheet	**97,457**	**130,519**

D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

D.2 Technical provisions – (continued)

IFRS technical provisions: comprises unearned premium reserves, claims outstanding and long-term business provisions, reduced from £130.5m to £97.5m in 2018 due to:

- *Unearned premium reserve*: decreased from £12.9m in 2017 to £8.8m in 2018 mainly due to the declining Creditor book of £3.0m and others of £1.9m. Pets increased by £0.7m.

- *Claims outstanding:* decreased by £23.6m largely due to:
    - Household reserves reduction through payments and related margin releases of £3.5m and Creditor of £2.6m due to book in run off ; and
    - Motor reserves reduction through payments and related margin releases of £14.0m due to actual bodily injury claims year-end review.

- *Long-term Business Provision:* The gross of reinsurance life mathematical reserves have decreased by £5.3m over 2018 to £30.7m (2017: £36.0m), driven mainly by run off of Guaranteed Underwriting Agency (GUAL) and Risk Assurance Management (RAM) annuity books of business.
    - The GUAL liabilities have decreased by £1.6m due to changes in mortality assumptions to reflect more recent UK mortality studies and decreasing exposure.
    - The RAM liabilities have decreased by £3.5m mainly from changes in interest rate, inflation assumptions and mortality assumptions.

Solvency II technical provisions against IFRS: increased by £6.1m (2017: £4.2m) from £97.5m to £103.6m under Solvency II, which is explained by the combination of the main following factors:

- The reclassification of loss-absorbing element of profit share payables into technical provisions under Solvency II (£8.0m),
- the provision for extra expenses, primarily overheads, within Solvency II provisions (£2.7m),
- an allowance for potential adverse developments in the Company's large bodily injury outstanding claims, beyond the level implied by the analysis of the Company's claims historical data (events not in data or ENID) for motor risks of positive main (£5.4m); and
- the addition of the Solvency II risk margin reflecting the cost of capital (£5.3m),

mainly offset by the following factors:

- the de-recognition of the Company's annualised Creditor, Pet and Warranty premium reserves under IFRS in line with Solvency II contract boundary assumptions (-£3.1m) and deferred acquisition costs not permitted under Solvency II (-£2.8m),
- the recognition of the margin included in the Company's IFRS claims provisions (-£5.4m) and premium provisions (£-1.9m),
- different discount rates used to convert future cash-flows in today's monetary value (-£1.6m),
- an allowance for expected profits in future premiums within Solvency II provisions ceded to reinsurance (-£0.7m).

D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

D.2 Technical provisions – (continued)

Solvency II technical provision against prior year: comprise best estimates claims provisions, premium provisions and the risk margin gross of reinsurance. The technical provisions before reinsurance decreased by £31.1m from £134.7m to £103.5m in 2017 are explained by:

- *Best estimate claims provisions*: reduced by £22.7m from £81.3m to £58.6m, mostly driven by continued reserve run-off of Motor (-£15.1m, also affected by the upwards movement in risk-free discount yields) and Household (-£2.8m) risks. Volume reductions associated with the run-off of continuing live books and recent book terminations of Creditor risks (-£2.8m) is another contributing factor to the yearly reduction. The remainder corresponds to the reduction in redress payment provisions (-£1.2m) and relatively small decreases from Pet and Warranty products (-£0.8m combined).

- *Best estimate premium provisions:* for the unexpired risk reduced by £7.5m from £47.1m to £39.6m mainly due to the reduction in the risks associated with the Company's annuities running-off (-£3.8m, also affected by the upward movement in risk-free discount yields) and the reducing volumes of the Company's Creditor books (-£3.0m). The remainder mostly arises from slight reductions in the sales volumes on Motor Warranty (-£1.3m) partly offset by Pet growth (£0.8m).

- *Risk margin*: decreased by £1.0m from £6.3m to £5.3m in line with the reducing capital requirement following run-off of Motor mainly (-£0.7m), Household and Creditor primarily.

D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

D.2 Technical provisions – (continued)

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

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

By line of business	2018 Best estimate	2018 Risk margin	2018 Total	2017 Best estimate	2017 Risk margin	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Medical expense	18	-	18	71	3	74
Income protection	9,688	344	10,032	13,567	433	14,000
Motor vehicle liability	39,828	3,228	43,056	54,852	3,940	58,792
Other motor	2,203	101	2,304	3,607	110	3,717
Fire & other damage to property	2,024	52	2,076	4,766	132	4,898
General liability	1,449	39	1,488	2,105	54	2,159
Miscellaneous financial loss	13,525	1,204	14,729	15,441	1,199	16,640
Non-life	**68,735**	**4,968**	**73,703**	**94,409**	**5,871**	**100,280**
Other life	29,497	337	29,834	33,981	405	34,386
Life	**29,497**	**337**	**29,834**	**33,981**	**405**	**34,386**
TOTAL TECHNICAL PROVISIONS	**98,232**	**5,304**	**103,537**	**128,390**	**6,276**	**134,666**

In the above table:

- The gross BEL for miscellaneous financial loss line of business is £13.5m (2017: £15.4m) and 20% (2017: 16%) of the overall gross non-life BEL grouping risks relating to pet insurance and unemployment cover;
- The gross BEL for motor liability is £39.8m (2017: £54.9m) representing 58% (2017: 58%) 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 £2.0m (2017: £4.7m);
- The life long term fund BEL including risk margin is £29.8m (2017: £34.3m) representing a relatively stable proportion of the Company's risk at 29% of the provision (2017: 26%)
- The risk margin calculated is £5.3m (2017: £6.3m) and represents 5.1% (2017: 4.8%) of the overall gross technical reserves. It reflects the short tail of the portfolio.

D. VALUATION FOR SOLVENCY II PURPOSES– (continued)

D.2 Technical provisions – (continued)

The recoverables from reinsurance contracts are £48.0m (2017: £57.7m) mostly split as £20.9m for Non-Life excess-of-loss reinsurance treaties on motor vehicle liability and £26.8m quota-share on annuities and assurances (the remainder £0.2m corresponding to Pet liability risks). The decrease in recoverable reflects continued run off of both the Company's motor and the annuities books.

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

Assessment of the Best Estimate Liabilities

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

For annuities and assurances products, the projections are made for each individual policy in line with the financial statement methodology. For the other 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.

Assessment of the reinsurance recoverable

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

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

Assessment of Risk Margin

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

D. VALUATION FOR SOLVENCY PURPOSES– (continued)

D.2 Technical provisions– (continued)

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

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

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

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

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

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

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

D.2 (d) The Deferred tax liability

There was an IFRS deferred tax liability that has been netted of against the solvency II valuation adjustments net deferred tax asset

D.2 (e) Details on key assumptions

The key assumptions used in the projection are the following:

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

Overheads

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

The overheads projections are based on the detailed analysis of 2018 costs structure taking into account expected future inflation.

D. VALUATION FOR SOLVENCY PURPOSES – (continued)

D.2 Technical provisions– (continued)

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

D.3 Other liabilities

The table below provides total liabilities analysis including other liabilities as at 31 December 2018 of £19.3m (2017: £32.9m).

Liabilities as at 31 December 2018	Notes	Unaudited 2018 Solvency II	2017 Solvency II
		£'000	£'000
Technical provisions incl. best estimate of liabilities (BEL)	D.2	**103,537**	**134,666**
Insurance & intermediaries payables		17,425	30,290
Insurance payable-reinsurance operations		62	53
Amounts owed to credit institutions		31	32
Amounts owed to group undertakings		641	824
Other taxation and social security		1,171	1,375
Accruals and deferred income		539	278
Other liabilities	D.3(a)	**19,329**	**32,852**
Excess of assets over liabilities (basic own funds)	E.1	**157,957**	**155,764**
Total Liabilities		**281,362**	**323,282**

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

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

There is a valuation difference between IFRS carrying value of insurance and intermediaries payable and Solvency II basis. The valuation difference relates to a profit share payable of £8.9m (2017: £10.5m).

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).

D. VALUATION FOR SOLVENCY PURPOSES – (continued)

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

As a result of the valuation difference, the amount relating to insurance & intermediaries payables under IFRS reduced from £26.4m (2017: £40.7m) to £17.4m (2017: 30.2m) under Solvency II basis.

Amounts owed to group undertakings: represent short-term intercompany liability which is valued at amortised cost. The carrying value of £0.6m (2017: £0.8m) which is subject to 30 days credit terms deemed to be fair value as at the year end. Therefore there is no difference between the IFRS and Solvency II carrying values.

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

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

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

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

D.4 Alternative methods for valuation (article 263)

The Company does not use any alternative methods for valuation.

D.5 Any other information

The Company does not apply the:

- Matching adjustment referred to in Article 77b of Directive 2009/138/EC.
- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC.
- Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.
- 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 120%. To manage compliance with target, a tolerance threshold indicator is defined at 140% triggering a review of the Company's capital position upon breach. This provides reasonable assurance to the policyholders that the Company has enough capital to absorb any future significant losses. The following table provides Company's own funds position as at 31 December 2018:

Own Funds	Unaudited 2018	2017
	£'000	£'000
Ordinary share capital	126,557	126,557
Share premiums	23,323	23,323
IFRS retained earnings	10,575	8,635
Solvency II valuation differences	(2,968)	(2,751)
Net deferred tax asset	471	-
Excess of assets over liabilities (basic own funds)	**157,957**	**155,764**
Foreseeable dividends	-	(4,898)
Total available own funds to meet SCR	**157,957**	**150,866**

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds as at 31 December 2018. The Company classifies its own funds as Tier 1, Tier 2 or Tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. All of the Company's own funds items fall under Tier 1-unrestricted category except the net deferred tax asset classified as Tier 3 capital.

The Company's eligible own funds increased by £7.1m resulting mainly from profit for the year of £2.1m and Solvency II valuation differences £4.6m The table below provides reconciliation between IFRS retained earnings and the Solvency II reconciliation reserves:

E. CAPITAL MANAGEMENT – (continued)

Reconciliation reserve (£'000)	Notes	Unaudited 2018	2017
IFRS Retained earnings		10,575	8,635
Solvency II valuation differences			
-reinsurance share of technical provisions	D.1(b)	1,751	966
-gross technical provisions liability	D.2	(6,079)	(4,147)
-premium receivables	D.1(e)	(4,100)	(3,847)
-profit share payable	D.3(a)	8,962	10,438
-de-recognition of deferred acquisition costs	D.1(e)	(3,543)	(6,161)
-deferred tax liability		41	-
		(2,968)	**(2,751)**
Foreseeable dividends out of current year profit		-	(4,898)
Reconciliation reserve		**7,607**	**986**

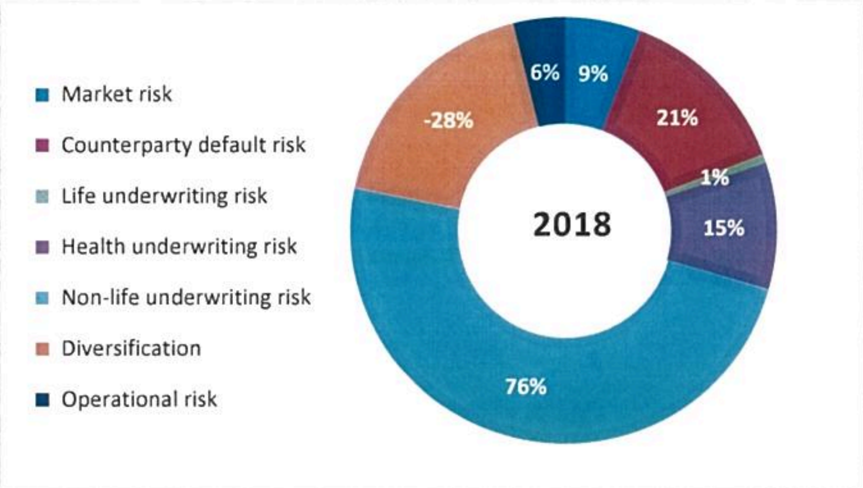
E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Company's SCR as at 31 December 2018 is £36.0m (2017: £39.4m). The Company's MCR as at 31 December 2018 is £10.8m (2017: £14.2m). 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.

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

Solvency Capital requirement(SCR) by risk	Unaudited 2018	2017
	£'000	£'000
Market risk	3,267	2,913
Counterparty default risk	7,649	7,236
Life underwriting risk	428	517
Health underwriting risk	5,373	7,253
Non-life underwriting risk	27,317	30,093
Diversification	(10,220)	(11,505)
Basic Solvency Capital Requirement	**33,813**	**36,507**
Operational risk	2,195	2,985
Solvency Capital Requirement	**36,008**	**39,492**

E. CAPITAL MANAGEMENT – (continued)



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

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

Solvency Capital requirement	**Unaudited 2018**	**2017**
	£'000	£'000
Interest rate risk	186	202
Spread risk	2,590	2,549
Currency risk	33	7
Concentration risk	1,970	1,194
	4,780	**3,952**
Less: Diversification effect	(1,513)	(1,038)
Market risk	**3,267**	**2,913**

E. CAPITAL MANAGEMENT – (continued)

The Market risk SCR net of diversification effect increased from £2.9m to £3.3m in 2018 driven by:

Spread risk: results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate structure. The spread risk applies to the Company's holdings in corporate bonds and money market funds.

The spread risk remained relatively stable at £2.6m (2017: £2.5m). Corporate bonds holdings decreased from £84.7m in 2017 to £78.1m in 2018 and money market funds decreased from £15.6m in 2017 to £4.6m in 2018. Despite the decrease in the volumes of the relevant spread risk assets, the spread risk remained stable as new investment in corporate bonds in the year resulted in bond holdings of longer duration and some with lower credit ratings.

Concentration risk: arises from large investments in individual counterparties and single name exposure. It applies to investment holdings in excess of a specified threshold, and is based on exposure, rating and total assets held. The Company's concentration risk increased to £2.0m (2017: £1.1m) with exposure reducing to £107.4m (2017: £128.6m) in 2018. The increase has been impacted by a lower investment holding resulting in higher proportion per counterparty which resulted in higher capital charge.

Currency risk: arises from changes in the level or volatility of currency exchange rates. The Company's currency risk arises from the Irish creditor book of business. As a result the Company is required to hold Euro currency to settle the liabilities as they fall due from the business. The decrease in Euro cash holding from £2.4m to £2.0m in 2018 resulted in lower currency risk.

The decrease in Euro deposits reflects reduction in liabilities due to the book in run-off.

Interest rate risk: driven by changes in assets and liabilities of the Company due to changes in term structure of interest rates. The Company's interest rate risk remained stable at £0.2m (2017: £0.2m).

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

Diversification effect: between the sub-modules of Market SCR reduced to £1.5m (2017: £1.0m) due to reduction in the overall investment portfolio.

Counterparty default risk: module of £7.6m (2017: £7.2m) arises from risk of default on reinsurance recoverable and cash at bank and deposits. The table below provide breakdown by each asset class.

	Unaudited 2018	2017
	£'000	£'000
Type 1 - rated		
Reinsurance recoverable	586	753
Cash at bank and deposits	6,227	5,072
Type 2 - unrated		
Receivables from intermediaries	1,070	1,757
Diversification	(235)	(345)
Counterparty default risk	**7,649**	**7,237**

E. CAPITAL MANAGEMENT – (continued)

The Counterparty default SCR increased to £7.6m (2017: £7.2m) mainly driven by capital required for:

- Receivables from intermediaries: decreased to £10.8m (2017: £17.8m) resulting in a lower capital charge of £1.0m (2017: £1.7m). The decrease in receivables is due to:
    - continued run off of Motor and Household business; and
    - low level of activity across Creditor business including termination of certain books of creditor business.
- Cash at bank and deposits: increased to £6.2m (2017: £5.0m) mainly due to counterparties mix change.

Life underwriting risk: represents the risk of adverse change in the value of long-term BEL due mainly from mortality rates and longevity risk. The life underwriting risk SCR is £0.4m (2017: £0.5m).

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

	Unaudited 2018	2017
	£'000	£'000
Health Non-SLT	5,343	7,196
Health Catastrophe	116	214
Diversification	(86)	(158)
Health underwriting risk	**5,373**	**7,253**

The Health underwriting SCR arises from:

- £5.3m (2017: £7.2m) health non-SLT risk mainly driven by earned premium and reserve volume decrease of the Company's Creditor books.
- £0.1m (2017: £0.2m) Health Catastrophe risk represents the pandemic and mass accident risks.

Non- life underwriting risk: SCR risk module comprises:

	Unaudited 2018	2017
	£'000	£'000
Non-life premium & reserve	20,937	24,947
Non-life Lapse	2,123	1,985
Non-life Catastrophe	12,953	11,600
Diversification	(8,695)	(8,440)
Non-life underwriting risk	**27,317**	**30,093**

E. CAPITAL MANAGEMENT – (continued)

The non-life underwriting risk SCR arises from:

- premium and reserve risks of £20.9m (2017: £24.9m) mostly driven by premium exposure to miscellaneous financial loss and other motor and claim exposure to motor liability;
- catastrophe exposure of £12.9m (2017: £11.6m) mostly driven by future premium exposure on miscellaneous financial loss; and
- lapse risk of £2.1m (2017: £2.0m) on future premium arising from existing contracts up to their contractual liabilities term.

Operational risk: of £2.2m (2017: £2.9m) is driven by life and non-life technical provision.

Solvency Capital requirement		2018	2017
		£'000	£'000
Gross non-life BEL	65,264 x 3%	2,062	2,832
Gross life BEL	31,833 x 0.45%	133	153
Operational risk		**2,195**	**2,985**

The Company has calculated the MCR based on rules set out in the Delegated Regulation. The MCR calculation is mainly based on the net value of technical provisions and the volume of premiums written in the last year. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. As at 31 December 2018, the MCR is of £10.8m and within the SCR corridor at 30% of SCR.

Minimum Capital Requirement	2018	2017
	£'000	£'000
Linear minimum capital requirement	10,847	14,185
Solvency capital requirement - SCR	36,008	39,374
Minimum capital requirement cap	16,240	17,772
Minimum capital requirement floor	9,002	9,843
Combined minimum capital requirement	10,847	14,185
Absolute floor of the minimum capital requirement	6,577	6,501
Minimum Capital Requirement - MCR	**10,847**	**14,185**

Capital position

The Company has Solvency II capital surplus of £121.9m and Solvency ratio of 439%. The Company's capital position as at 31 December 2018 is detailed below:

E. CAPITAL MANAGEMENT – (continued)

Solvency Ratio	2018	2017
	£'000	£'000
Available own funds to meet the solvency capital requirement	157,957	150,866
Available own funds to meet the minimum capital requirement	157,487	150,866
Solvency capital requirement (SCR)	36,008	39,492
Minimum capital requirement (MCR	10,847	14,185
Ratio of Eligible own funds to the solvency capital requirement	439%	382%
Ratio of Eligible own funds to the minimum capital requirement	1,452%	1,064%

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 un-audited.

Pinnacle Insurance plc

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	Pinnacle Insurance plc
Undertaking identification code	213800EJ677W8HTX3X38
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity - article 73 (2)
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	471
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)	222,893
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	102,795
R0140	*Government Bonds*	24,735
R0150	*Corporate Bonds*	78,060
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	4,622
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	115,476
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:	47,967
R0280	*Non-life and health similar to non-life*	21,138
R0290	*Non-life excluding health*	21,138
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	26,829
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	26,829
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,700
R0370	Reinsurance receivables	538
R0380	Receivables (trade, not insurance)	2,328
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	4,421
R0420	Any other assets, not elsewhere shown	45
R0500	**Total assets**	281,362

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	73,703
R0520	*Technical provisions - non-life (excluding health)*	63,652
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	59,029
R0550	*Risk margin*	4,623
R0560	*Technical provisions - health (similar to non-life)*	10,051
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	9,706
R0590	*Risk margin*	345
R0600	Technical provisions - life (excluding index-linked and unit-linked)	29,834
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)*	29,834
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	29,497
R0680	*Risk margin*	337
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	31
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	17,425
R0830	Reinsurance payables	62
R0840	Payables (trade, not insurance)	1,812
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	539
R0900	**Total liabilities**	123,405
R1000	**Excess of assets over liabilities**	157,957

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: 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	25	12,697		-2	3,263		207	450				28,758					45,399
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	0	52		-44	0		5	449				0					462
R0200	Net	25	12,646		43	3,263		202	1				28,758					44,938
	Premiums earned																	
R0210	Gross - Direct Business	25	14,208		-2	5,015		463	451				29,469					49,630
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	0	52		-44	0		5	470				0					482
R0300	Net	25	14,156		43	5,015		459	-18				29,469					49,148
	Claims incurred																	
R0310	Gross - Direct Business	-47	3,588		-4,404	2,065		-1,910	-518				9,072					7,847
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	0	-8		-3,116	0		0	-114				0					-3,238
R0400	Net	-47	3,596		-1,288	2,065		-1,910	-405				9,072					11,085
	Changes in other technical provisions																	
R0410	Gross - Direct Business	0	0		0	0		0	0				0					0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share	0	0		0	0		0	0				0					0
R0500	Net	0	0		0	0		0	0				0					0
R0550	**Expenses incurred**	-1	9,821		196	4,467		735	283				23,006					38,508
R1200	**Other expenses**																	
R1300	**Total expenses**																	38,508

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross				736					736
R1420	Reinsurers' share				0					0
R1500	Net				736					736
	Premiums earned									
R1510	Gross				736					736
R1520	Reinsurers' share				0					0
R1600	Net				736					736
	Claims incurred									
R1610	Gross				1,566					1,566
R1620	Reinsurers' share				1,457					1,457
R1700	Net				110					110
	Changes in other technical provisions									
R1710	Gross				5,275					5,275
R1720	Reinsurers' share				4,854					4,854
R1800	Net				421					421
R1900	**Expenses incurred**				650					650
R2500	**Other expenses**									
R2600	**Total expenses**									650

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	44,998						44,998
R0120	Gross - Proportional reinsurance accepted	0						0
R0130	Gross - Non-proportional reinsurance accepted	0						0
R0140	Reinsurers' share	462						462
R0200	Net	44,536	0	0	0	0	0	44,536
	Premiums earned							
R0210	Gross - Direct Business	49,186						49,186
R0220	Gross - Proportional reinsurance accepted	0						0
R0230	Gross - Non-proportional reinsurance accepted	0						0
R0240	Reinsurers' share	482						482
R0300	Net	48,704	0	0	0	0	0	48,704
	Claims incurred							
R0310	Gross - Direct Business	7,747						7,747
R0320	Gross - Proportional reinsurance accepted	0						0
R0330	Gross - Non-proportional reinsurance accepted	0						0
R0340	Reinsurers' share	-3,238						-3,238
R0400	Net	10,985	0	0	0	0	0	10,985
	Changes in other technical provisions							
R0410	Gross - Direct Business	0						0
R0420	Gross - Proportional reinsurance accepted	0						0
R0430	Gross - Non-proportional reinsurance accepted	0						0
R0440	Reinsurers' share	0						0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	38,508						38,508
R1200	**Other expenses**							
R1300	**Total expenses**							38,508

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	732						732
R1420	Reinsurers' share	0						0
R1500	Net	732	0	0	0	0	0	732
	Premiums earned							
R1510	Gross	732						732
R1520	Reinsurers' share	0						0
R1600	Net	732	0	0	0	0	0	732
	Claims incurred							
R1610	Gross	1,431						1,431
R1620	Reinsurers' share	1,322						1,322
R1700	Net	108	0	0	0	0	0	108
	Changes in other technical provisions							
R1710	Gross	5,275						5,275
R1720	Reinsurers' share	4,854						4,854
R1800	Net	421	0	0	0	0	0	421
R1900	**Expenses incurred**	650						650
R2500	**Other expenses**							
R2600	**Total expenses**							650

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**						29,497				29,497						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						26,829				26,829						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						2,668	0			2,668						
R0100	**Risk margin**					337					337						
	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**					29,834					29,834						

S.17.01.02

Non-Life Technical Provisions

		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	0	3,687		0	1,770		260	-31				5,419					11,105
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0		0	0		0	-31				0					-31
R0150	**Net Best Estimate of Premium Provisions**	0	3,687		0	1,770		260	0				5,419					11,136
	Claims provisions																	
R0160	Gross	18	6,001		39,828	433		1,765	1,480				8,106					57,630
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0		20,948	0		0	221				0					21,169
R0250	**Net Best Estimate of Claims Provisions**	18	6,001		18,880	433		1,765	1,259				8,106					36,461
R0260	**Total best estimate - gross**	18	9,688		39,828	2,203		2,024	1,449				13,525					68,735
R0270	**Total best estimate - net**	18	9,688		18,880	2,203		2,024	1,259				13,525					47,597
R0280	**Risk margin**	0	344		3,228	101		52	39				1,204					4,968
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	18	10,032		43,056	2,304		2,076	1,488				14,729					73,703
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0		20,948	0		0	190				0					21,138
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	18	10,032		22,108	2,304		2,076	1,298				14,729					52,565

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Accident Year

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

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
R0100	Prior											0	0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2010	0	0	0	0	0	0	0	0	0			0	0
R0180	2011	0	0	0	0	0	0	0	0				0	0
R0190	2012	15,093	17,713	1,706	204	56	40	28					28	34,840
R0200	2013	25,354	24,138	2,844	840	387	187						187	53,750
R0210	2014	42,390	32,357	8,273	5,086	5,527							5,527	93,633
R0220	2015	50,484	34,658	7,532	4,436								4,436	97,110
R0230	2016	28,943	12,994	2,039									2,039	43,977
R0240	2017	13,609	6,916										6,916	20,525
R0250	2018	11,859											11,859	11,859
R0260												Total	30,992	355,694

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
R0100	Prior											0	0
R0160	2009	0	0	0	0	0	0	0	0	0	0		0
R0170	2010	0	0	0	0	0	0	0	0	0			0
R0180	2011	0	0	0	0	0	0	0	0				0
R0190	2012	0	0	0	0	0	0	0					0
R0200	2013	0	0	0	0	0	3,384						2,126
R0210	2014	0	0	0	0	32,754							20,216
R0220	2015	0	0	0	30,209								18,786
R0230	2016	0	0	2,937									2,327
R0240	2017	0	1,915										1,903
R0250	2018	12,342											12,269
R0260												Total	57,628

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	7,607	7,607			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	471				471
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	157,957	157,487	0	0	471
	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	157,957	157,487	0	0	471
R0510	Total available own funds to meet the MCR	157,487	157,487	0	0	
R0540	Total eligible own funds to meet the SCR	157,957	157,487	0	0	471
R0550	Total eligible own funds to meet the MCR	157,487	157,487	0	0	
R0580	**SCR**	36,008				
R0600	**MCR**	10,847				
R0620	**Ratio of Eligible own funds to SCR**	438.67%				
R0640	**Ratio of Eligible own funds to MCR**	1451.88%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	157,957
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	150,351
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	7,607
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	16
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	686
R0790	**Total Expected profits included in future premiums (EPIFP)**	702

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	3,267		
R0020	Counterparty default risk	7,649		
R0030	Life underwriting risk	428		
R0040	Health underwriting risk	5,373		
R0050	Non-life underwriting risk	27,317		
R0060	Diversification	-10,220		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	33,813		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	2,195
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	36,008
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	36,008
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

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

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

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

S.28.02.01

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

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
R0010	**Linear formula component for non-life insurance and reinsurance obligations**	10,724	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	18	25		
R0030	Income protection insurance and proportional reinsurance	9,688	12,641		
R0040	Workers' compensation insurance and proportional reinsurance	0	0		
R0050	Motor vehicle liability insurance and proportional reinsurance	18,880	43		
R0060	Other motor insurance and proportional reinsurance	2,203	3,263		
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0		
R0080	Fire and other damage to property insurance and proportional reinsurance	2,024	202		
R0090	General liability insurance and proportional reinsurance	1,259	1		
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	13,525	28,762		
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	123

		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			2,668	
R0250	Total capital at risk for all life (re)insurance obligations				95,418

	Overall MCR calculation	C0130
R0300	Linear MCR	10,847
R0310	SCR	36,008
R0320	MCR cap	16,204
R0330	MCR floor	9,002
R0340	Combined MCR	10,847
R0350	Absolute floor of the MCR	6,577
R0400	**Minimum Capital Requirement**	10,847

	Notional non-life and life MCR calculation	C0140	C0150
R0500	Notional linear MCR	10,724	123
R0510	Notional SCR excluding add-on (annual or latest calculation)	35,600	408
R0520	Notional MCR cap	16,020	183
R0530	Notional MCR floor	8,900	102
R0540	Notional combined MCR	10,724	123
R0550	Absolute floor of the notional MCR	3,288	3,288
R0560	**Notional MCR**	10,724	3,288