Financial & Legal Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2017

Regulatory Firm Reference Number 202915

Company Number 03034220

Contents

Executive Summary

This is the second Solvency Financial Condition Report (SFCR) for Financial and Legal Insurance Company Limited (the Company) based on the financial position as at 31st December 2017.

This report covers the Business and Performance of the Company, its System of Governance, Risk Management, Valuation for Solvency Purposes, and Capital Management. The ultimate administrative body that has the responsibility for all of these matters is the Company's board of directors, with the help of various governance and control functions that it has put in place to monitor and manage the business.

Financial and Legal Insurance Company Limited are a specialist legal expenses insurer primarily providing Before the Event and After the Event legal expenses insurance policies , as well as Motor Breakdown Assistance insurance to support existing legal expenses business through its business partners.

The overwhelming majority of the Company's business is in relation to After the Event insurance largely for personal injury in relation to road traffic accidents, employers' liability, public and occupiers' liability and industrial disease and deafness, although the Company does insure a small amount of clinical and dental negligence risks as well as other smaller miscellaneous schemes where it is prudent to do so in support of our core After the Event insurance business.

The Company also underwrites Before the Event insurance through insurance brokers or insurance intermediaries, together with a relatively small amount of Motor Breakdown Assistance insurance

Financial and Legal Insurance Company Limited are authorised to insure the following classes of business:

- Class 16 Miscellaneous Financial Loss
- Class 17 Legal Expenses
- Class 18 Assistance

All of Before the Event insurance policies are on a claims made basis. The effect of this is to switch the long tail of these claims from the end to the front and at the same time assisting customers in handling their claim with the current insurer. It also provides for certainty in our results for each year rather than having to include, for each class of business, a provision for IBNR (Incurred But Not Reported) assumptions which can be subjective and lead to uncertainty.

After the Event business is sold principally through solicitors where premiums are deferred and contingent and payable only on successful cases at the end of a claim. Typically such claims supported by After the Event insurance have a life expectancy of between six months and three years but can be longer in exceptional or complex cases.

Directors' Responsibility Statement in respect of the Solvency and Financial Condition Report ("SFCR")

The Directors are responsible for preparing the Solvency and Financial Condition Reports in accordance with applicable law and regulations.

The PRA Rulebook for Solvency II firms in Rule 6.1(2) and Rule 6.2(1) of the reporting Part requires that the Company must have in place a policy of ensuring the ongoing appropriateness of any information disclosed and that the Company must ensure that its SFCR is approved by the directors.

Each director certifies that:

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

By order of the board

M F Timmons
Managing Director
8th May 2018

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF FINANCIAL & LEGAL INSURANCE COMPANY LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2017, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21 and S28.01.01 ('the Templates subject to audit').

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

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

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S05.01.02, S05.02.01 and S19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Emphasis of Matter – Basis of Accounting

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in relation to these matters.

Other Information

The Directors are responsible for the Other Information.

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

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

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

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

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

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

Use of our report

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

Report on Other Legal and Regulatory Requirements.

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

We have nothing to report in this regard.

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
8th May 2018

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

- The relevant elements of the SFCR that are not subject to audit comprise elements of the Narrative Disclosures subject to audit identified as 'unaudited'; and
  Rows R0290 to R0310 in template S.17.01.02 - Amount of transitional measure on technical provisions

A: Business and Performance

A1.Business and external environment

Financial and Legal Insurance Company Limited are a United Kingdom based insurer authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA). Contact details for the PRA and FCA can be found at:

- www. Bankofengland.co.uk/pra
- www.fca.org.uk

Financial and Legal Insurance registered and operating office:

Financial and Legal Insurance Company Limited
No 1. Lakeside
Cheadle Royal Business Park
Cheadle
SK8 3GW

Our auditors name and address:

Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Shareholding structure

Nicholas Garner, who is the Chief Executive Officer, is the majority shareholder and owns 85% of Financial and Legal Insurance.

A2. Performance from underwriting activities

The Company insures approximately 346,500 (325,000 in 2016) Before the Event and Motor Breakdown Assistance insurance risks and 78,476 (58,084 in 2016) After the Event insurance new policies were issued in 2017. The growth in the Before the Event and Motor Breakdown Assistance business has largely been attributable to an increase in Motor Breakdown Assistance new policies insured through an existing business partner. The significant growth in After the Event insurance is as a consequence of organic growth with existing business partners and new business following a competitor going into solvent run off.

It can take many years for After the Event Insurance claims to settle and we experience cancellations or abandonment of a claim resulting in policy cancellation in a number of cases. There are currently 95,484 After the Event insurance policies in force.

The overwhelming majority of risks insured are located in the United Kingdom, the Isle of Man or the Channel Islands with only 8 risks insured in the Republic of Ireland. Risks insured outside the United Kingdom are subject to any legal disputes being brought in a court within the jurisdiction of the United Kingdom.

All underwriting is carried out in the Company's office in Cheadle. In the year to 31st December 2017, the Company made an underwriting surplus of £711k. The table below shows a summary of the technical (underwriting) account.

Summary technical account for the year end 31st December 2017

Technical acccount	2017 £'000	2016 £'000
Gross Written Premiums	11,710	6,063
Provision for unearned premium	(5,497)	(1,157)
Technical income	99	58
Earned premium	6,312	4,963
Claims and provisions	(2,115)	(1,631)
Operating expenses	(3,486)	(2,802)
Balance on technical account	**711**	**530**

Reinsurance

We have no appetite for any type of reinsurance arrangement such as stop loss or excess of loss protection. The maturity of our book of After the Event business is such that any such arrangements would incur large minimum premiums with layers of protection that would be activated only in very extreme circumstances. We previously had a stop loss arrangement but following advice from an independent reinsurance broker it was considered that such an arrangement added no value or real reinsurance protection to our business

A3. Performance from investment activities

The Company operates an extremely risk averse investment policy with all funds held in cash, or cash equivalents, with U.K banks which are rated A, or higher. The total investment income generated in 2017 was £2,698 (2016 6,497)

A4. Operating/other expenses

The main areas of expense are policy linked payments (commission) and staff costs (salaries, pension, and ERS NIC). A breakdown of the operating expenses is listed below:

Operating expenses	2017 £'000	2016 £'000
Insurance commissions	2,340	1,652
Staff costs	825	856
Other expenses	321	294
Total operating expenses	**3,486**	**2,802**

The insurance commissions increase is caused by an increase in the number of cases which have settled successfully. The number of policies settled in 2017 was 31,069 (2016 – 24,229).

Due to investment in a bespoke claims management and accounting software package in prior years the Company has been able to increase its business volume, maintain levels of customer service and marginally reduce its staffing costs.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1.General governance arrangements

The board is currently made up as follows:

N D Garner - Chief Executive Officer
M F Timmons – Managing Director
A S Hughes – Chair of the Board and Non-Executive Director
S M Baldwin – Non Executive Director

Senior Insurance Management Functions are allocated as follows:

Function	Person
Chairman	A S Hughes
Chair of the Risk Committee	A S Hughes
Chair of the Audit Committee	A S Hughes
Chair of the Remuneration Committee	A S Hughes
Chief Executive function	N D Garner
Chief Finance function	N D Garner
Chief Risk function	M F Timmons
Chief Underwriting Officer function	M F Timmons
Head of Internal Audit function	M F Timmons
FCA Compliance	M F Timmons
FCA Money Laundering Reporting	M F Timmons
FCA Customer function	M F Timmons
Senior Independent Director	S M Baldwin

The board is responsible for the oversight of the business, and sets its strategy and risk appetite. The company secretary is Serena Garner.

There are also three other senior managers (Head of Business Development, Claims Manager and Finance & Operations Manager) and there are currently 24 staff.

The board is also responsible for the remuneration and audit committee as well as risk and compliance which form an integral part of the board meetings.

The Board are responsible for the design, implementation and monitoring of the remuneration policy, under the control of the chair of the Board who has the ultimate responsibility for the remuneration committee. The Board

- oversee the design of the remuneration architecture, the implementation of the Remuneration Rules and the respective monitoring process.
- review the Remuneration Rules regularly, at least once a year, and amends them, as necessary.
- is responsible for reviewing and monitoring implementation of this policy.

The Board including the Non-Executive Directors meet on at least an annual basis to review the Remuneration Policy and its implementation.

Link Between Pay and Performance

The Company operate a balanced and effectively managed remuneration system that provides for competitive total remuneration opportunities that are designed to attract, retain, motivate and reward the employees to deliver high performance, with a view to ensure our client's interests are also protected.

- The link between pay and performance is supported by fixed pay (i.e. base salary and benefits) and performance related pay (short and long term bonus schemes as applicable).
- The remuneration system is an important element of the broader risk management framework and is designed to discourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the Company's overall strategy, values and long-term interests.
- Performance related pay is designed to promote sound risk management and does so by ensuring an appropriate balance between fixed and performance based elements and ensuring sufficiently competitive fixed pay to allow non-payment of the performance based component.
- For the avoidance of doubt any instance of failure to comply with relevant legislation, regulations or internal policy will impact upon the level of any element of variable remuneration which might otherwise have been awarded. Equally consideration of adherence to corporate values and delivery of good customer outcomes are directly linked to an individual's remuneration.

The board carries out its other duties by:

a. Attending all monthly management meetings and providing challenge and input to those meetings.
b. Attending monthly board meetings to discuss issues arising from the management meetings in addition to addressing any issues requiring board approval or consent as well as addressing emerging legal, regulatory, market and performance risks and challenges.

The Company also has in place the three lines of defence risk model:

a. First Line of defence
    - Provided by front line managers, staff and operational management. The systems, internal controls, the control environment and culture developed and implemented by the business is crucial in anticipating and managing operational risk.
    - The senior managers will have responsibility and ownership of the first line of defence and will be accountable for any failings.
b. Second Line of defence
    - This is Risk , Compliance , HR and IT
    - These functions provide an oversight and the tools, systems and advice necessary to support the first line of defence in identifying and monitoring risks.
    - Risk and Compliance report directly to the board with separate independent oversight through regular meetings with the Chair of the board who is anon executive director
c. Third Line of defence
    - Provided by internal audit. This provides a level of independent assurance that the risk management and internal control framework is working as desired. The Company use an external business to undertake its independent internal audit.
    - Internal audit is a direct report to the Chair of the Board and the Chair also agrees the nature and extent of the internal audit.

To additionally manage any conflicts of interest the finance function within the Company reports directly to the CEO and other functions report directly to the Managing director who is a direct report to the CEO.

B2. Fit and Proper Requirements

All board members, senior managers and claims and finance staff have to complete a fit and proper requirements form each year. The form is signed by each individual to ensure that such persons are and remain fit and proper to undertake their duties.

Due diligence checks are undertaken including an annual disclosure and barring check to ensure that we are aware of any criminal convictions or financial issues arising.

Each board member has a Statement of Responsibilities which sets out their responsibilities and what is expected of them.

B3. Risk Management System

Overview of risk system

The Company is a classified as a small insurer and as such the board has the responsibility to act as the Administration, Management and Supervisory Body in order to meet the requirements of the Solvency II rules. The board also is responsible for the audit and risk committees and as such the relevant interactions between the board and committees referred to are managed by the board.

Financial and Legal Insurance Company's risk system is embedded in all the procedures and processes that Financial and Legal Insurance Company follow. These procedures and processes are supported by its risk management policies which include:

- Bribery Policy
- Data Protection Policy
- Financial Crime Policy
- Whistle Blowing Policy.
- Conflicts of Interest Policy.
- Reputational Risk Policy.
- Risk Breaches & Failures Policy
- Treating Customers Fairly (TCF) Policy
- Complaint Handling Policy
- Vulnerable Clients Policy
- Money Laundering Policy
- Complaint Handling Procedure Policy
- Risk Breach and Failure Form
- Annual Fitness & Propriety Form
- Money Laundering Report Form

These policies are reviewed every six months (minimum) and updated where appropriate.

In addition there is a monthly requirement for all risk breaches and failures to be reported on an appropriate form (including nil declarations).

To protect against bribery and conflicts of interests all corporate hospitality has to be agreed in advance with the Managing Director and also reported on a monthly declaration form sent to all staff.

Overview of risk appetite document

The risk appetite document is regularly reviewed and discussed at monthly management meetings. The risk appetite document is the cornerstone of the risks we will, and will not accept. All new business or enhancements to existing contracts must meet the criteria in the risk appetite document and our processes have in place the requirement for the risk appetite to be checked for all new business and existing business enquiries.

Any risk outside the risk appetite has to receive board approval and be submitted with a business and financial case as to why we should accept the risks.

Summary of how emerging risks are managed – risk register, risk scoring and new and emerging risks

As part of the overall risk governance and appetite Financial and Legal Insurance Company:

a. Monitor emerging risks by perusing the insurance and trade press, ICO, PRA, ABI, FCA websites and consultations and MOJ statements as well as statements from the Law Society, APIL, FOIL and MASS. In addition any intelligence from business partners and competitors is also carefully monitored and further enquiries made where appropriate. Where an emerging risk is identified it is evaluated and reported at the next monthly management and/or board meeting.

b. In addition any issues with a particular business partner or lost case that may have wider ramifications is reported on and remedial action taken where appropriate.
c. All new products have to be agreed by the board with a business case and confirmation that it meets risk appetite, treats customers fairly and, if necessary, the ORSA will be re-run with stress testing to ensure the efficacy of our capital position before launch.
d. Risk breaches and risk failures are reported monthly.
e. All complaints are monitored with root cause analysis and subsequent action.
f. FOS website is monitored and FOS decisions built into the underwriting guide.
g. Each month a statement is produced and circulated to all managers and key staff providing monthly updates from FCA, PRA, FOS, ICO and MOJ.

Risk register - Summary of legal and industry risks including new emerging and possible merging risks
Financial and Legal insurance Company's risks are classified into;

a. Operational
b. Insurance
c. Credit
d. Financial
e. Strategic
f. Reputational
g. Capital constraints

In assessing the risks under each classification Financial and Legal Insurance Company review Impact, Likelihood and Mitigation to produce a score and a financial value to attach to each risk following an evaluation of these risks. The outcome of this financial assessment is then built into Financial and Legal Insurance Company's ORSA calculations.

Summary of documented process for analysing new, emerging and possible future risks

Financial and Legal Insurance Company have in place processes to enable it to identify and analyse current financial and new and emerging risks.

Counsel's advice

For any legal or other changes which may affect Financial and Legal Insurance Company's business model, Financial and Legal Insurance Company will always seek QC counsel advice in writing to check the efficacy of the proposed processes or models to ensure that they do not breach any regulatory or legal positions.

ORSA (Own Risk and Solvency Assessment)

Content of the ORSA

The ORSA includes the Company's own assessment of its required capital and also references the Solvency capital requirement (SCR) and the Minimum Capital Requirement (MCR) as at 31st December 2017. The Company's capital strategy defines the amount of capital that must be held to cover the risk of losses occurring in the event that the Company goes into run off. Such losses are stressed to a level thus enabling the Company to arrive at its own perceived capital requirement in line with its risk appetite

The SCR defines the amount of capital that the Company must hold to satisfy regulatory requirements. The MCR defines the amount of absolute minimum capital that the Company must hold to avoid any regulatory intervention.

Roles and Responsibilities for producing the ORSA

The board is ultimately responsible for the production of the ORSA and for the efficacy of the content of the ORSA.

The Managing Director's and the Finance and Operation Manager's roles are to ensure that the correct risk appetite and governance is in place in ensuring that all risks, future risks and relevant parameters and stress and scenario testing are included in the ORSA for presentation to the board.

The board will, in reviewing each area and the proposed parameters, focus on the following and will challenge the results where relevant and where prudent to do so.

a. The period affected
b. Financials proposed
c. Agree emerging and new risks as well as changes to existing risks
d. Produce comment and feedback on proposed stress and scenario testing
e. Discuss and challenge the stress and scenario analysis

The Managing Director and the Finance and Operation Manager will then undertake an appropriate review based on the challenge and feedback by the board and present their findings of this further review to the board in a revised ORSA.

Following further challenge and comment by the board, the Managing Director and the Finance and Operation Manager will then obtain agreement for the final parameters to be used in producing the ORSA to the board.

The Managing Director and the Finance and Operation Manager will then present the final ORSA reacting to any further challenges and a detailed sense check by the board.

Sign off of the ORSA by the board

Purpose of the ORSA

a. This document sets out the policy, processes and procedures in developing the ORSA. It identifies the source documents which will be reviewed together with the management information, leading to the production of parameters which will then be used to produce the ORSA.
b. The document will also set out the key management information and assumptions in producing the ORSA and how often such management information is produced and reviewed.
c. The board act as the Administration, Management and Supervisory Body. These parameters will be the subject of challenge by the board and ultimate agreement for the subsequent production of the ORSA.
d. This document also provides for the board to review the ORSA before finalising and sets out the reporting timelines as well as the communication methodology to our staff.
e. The ORSA in its simplest form is a log of the risks facing a business over a longer time horizon than one year – with a financial value and a plan to ensure that we remain, from a worst case scenario, solvent and to have , at all times , adequate capital to support the business.

Period of ORSA

The ORSA is designed to cover the medium and long terms risks for the current and the next five years but takes into account the business fluctuations that we expect to occur in relation to polices issued prior to the ORSA and those policies which will be settled and earned over the next seven to ten years.

Frequency of the ORSA

The ORSA will be produced;

a. Annually as agreed by the board which reflects the consistent and stable nature of the Company.
b. At any other time if requested by the board or the senior management team.
c. At any other time if there is any material change to the risks that we currently face or if there is any other emerging or new risks which may arise in the future. Such risks will include:
    - Court judgements
    - Changes in costs rules

- Legal or legislative proposed and/or agreed changes – European or UK
- Regulatory or compliance changes
- Civil procedure rule changes
- Any other changes which may affect the business and which may have a material effect on the ORSA
- Material change to cancellation rates
- Material change to claims experience – frequency and/or costs

B4. Internal Control System

The governance map is shown below in section B9. This map sets out the compliance functions in relation to complaints, risk register and policies (referred to in this report), risk breaches and risk failures, controls on corporate hospitality as well as treating customers fairly and customer satisfaction surveys. The functions undertaken by compliance feed into the monthly management meetings.
The management meetings are attended by the Chair of the Board, Chief Executive Officer, Managing Director, Non-Executive Director as well as the Finance and Operations Manager, Head of Business Development and the Claims Manager. The Managing Director has the responsibility for producing the management report which identifies underwriting performance, sales activity, performance towards strategic plans, key performance indicators and any relevant legal or regulatory changes or updates including emerging risks. The monthly financial accounts are also reviewed at these meetings.

Internal controls are embedded into processes which include the due diligence procedure for new business partners, conformity with the board agreed risk appetite and a robust process for new and existing business which ensures that at least three persons (including the Managing Director and Finance and Operations Manager) formally sign off new business terms before any contractual arrangements are entered into through compliance vetting.

The Managing Director reports directly to the Chief Executive Officer and the Finance and Operations Manager also independently reports directly to the Chief Executive Officer. This internal control is designed to ensure that there are no conflicts of interests in the production of financial accounts and business performance. Both the Managing Director and the Chief Executive Officer are directors who report to the board. A separate internal audit function is also in place to support the internal controls (see below).

B5. Internal Audit Function

The Company has appointed an independent compliance consultancy (specialising in insurance) to undertake an annual internal audit of systems and controls.
In 2016 the independent audit reviewed the risk register and related items, the detailed policies and procedures and identified evidence of adherence to procedures and processes in relation to sales, solicitor management, underwriting, claims handling as well as compliance and complaint handling. In each area sample transactions for detailed independent testing is undertaken. The report in 2017 focussed on overall governance and the small number of items identified have been addressed and actioned and signed off by the board

The internal audit report is always sent directly to the Chair of the Board to ensure no other influence on the content and findings in the internal audit.

B6. Actuarial function

Article 48 of the Solvency II directive details the requirement of the need for an actuarial function. The Company does not consider that it needs to appoint a full time actuary for the following reasons:

a. A full time actuary would be inappropriate for a small insurer – actuaries need to be in contact with each other and a single actuary operating a mono line insurer would not meet this requirement.
b. FLI have can obtain access to access to actuarial functionality if required.

c. FLI have a strong accountancy presence at board and lower levels (with appropriate accountancy and statistical qualifications) who understand the business and how it operates.
d. In line with our ORSA, FLI consider it imperative that wherever possible it does not outsource critical business functions but recognises the need for actuarial outsourced input when required.
e. To summarise FLI have both board and senior management qualified accountants as well as access to external actuarial functionality if required and consequently do not consider that , as a mono line insurer, the appointment of a full time actuary is necessary. FLI also consider that not having a full time actuary is entirely consistent with the Solvency II directive in relation to proportionality and commensuration with its risks and appetite.

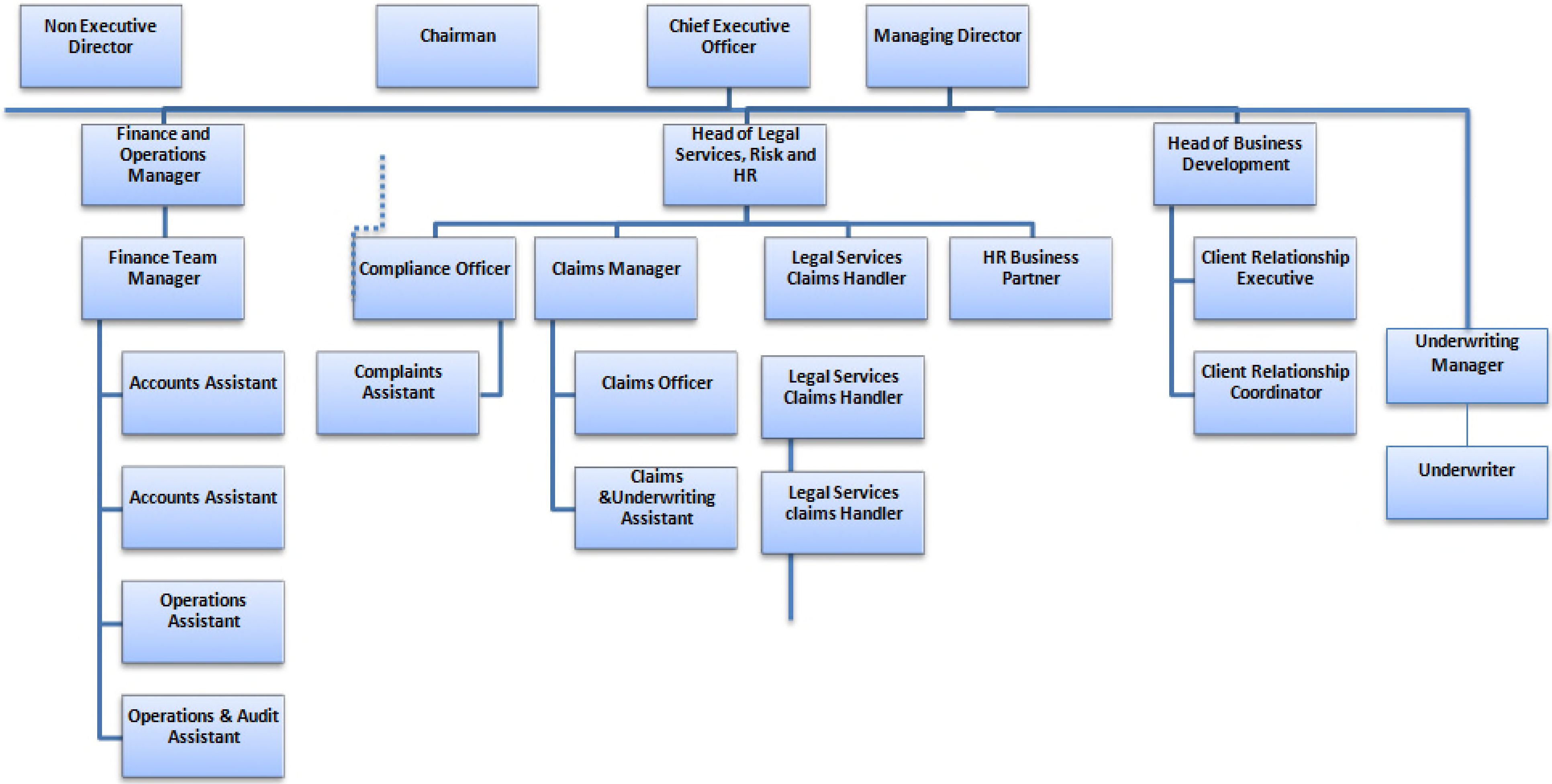
B7. Outsourcing

The Company does not have any outsourcing or claims arrangements in place except in relation to
a. Internal audits – see above.
b. Marketing
c. IT

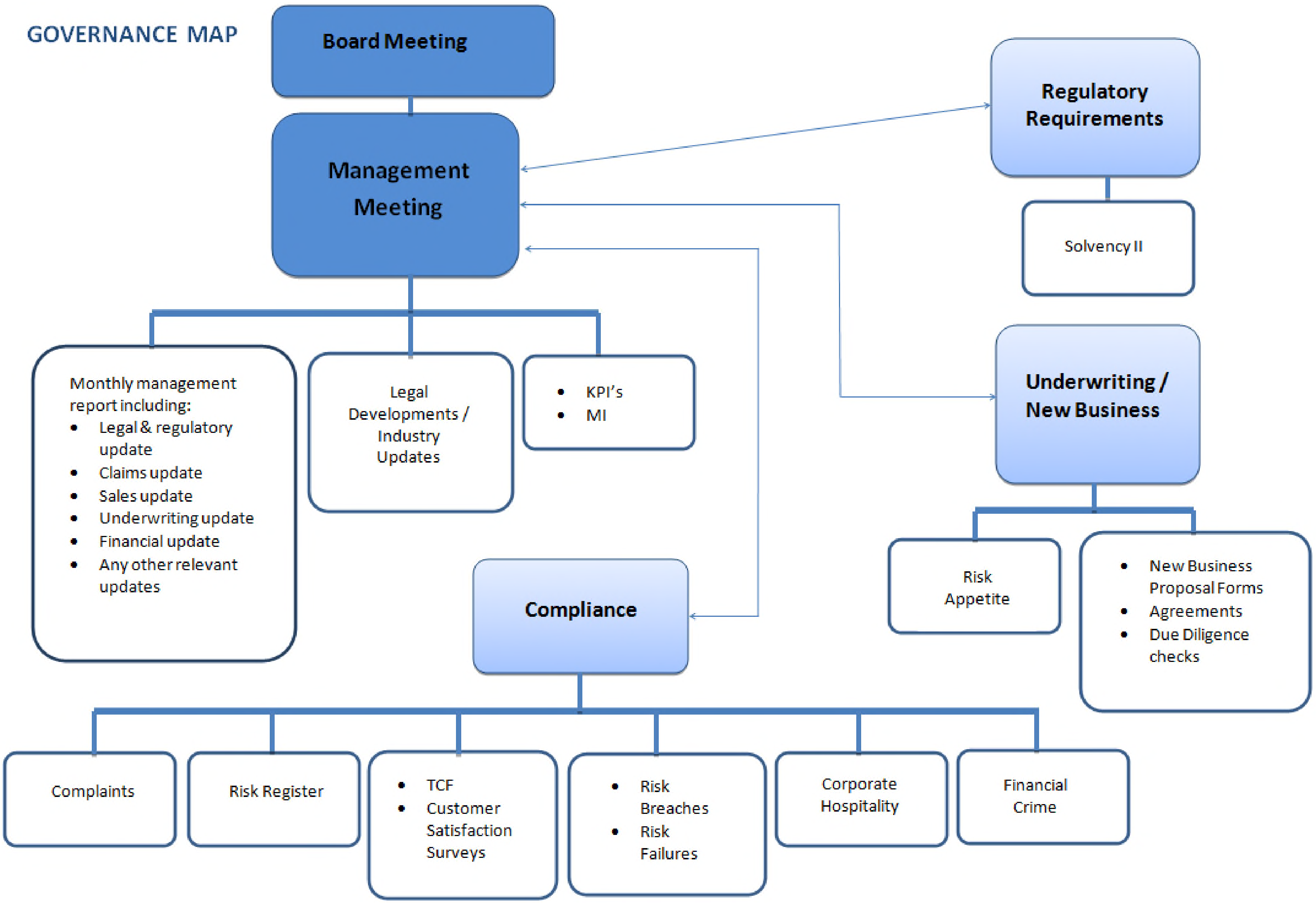
Items b, c above are operated by another company under the same ownership as Financial and Legal Insurance.

B8. Any other disclosures

Organisational Structure



Governance Map



C: Risk Management

C1. Underwriting Risk

As a Legal Expenses insurance company, the key underwriting risks which the Company is exposed to and how these risks are mitigated are set out below;

Adverse claim development (reserve risk):
The reserve risk is managed by the Company's underwriting, claims and finance functions team.

a. Our reserving methodology and how the risks are mitigated are split between BTE and ATE business with ATE business sub divided between Pre LASPO and Post LASPO. LASPO refers to the implementation of the Legal Aid and Punishment of Offenders Act which came into force on 1st April 2013.
b. Under that legislation the recovery of ATE premiums from defendants was prohibited (clients now pay premiums by deduction from damages) and Qualified One Way Cost Shifting was introduced which significantly reduces an ATE insurers liability for adverse costs

a. ATE

- Reports are produced which analyse the following data relative to the year of issue and by type of claim.
  - Number of policy sales
  - Number of cancelled policies
  - Number of cases settled
  - Number of live cases
  - Number of claims
  - Costs of claims
  - Percentage of claims relative to the number of cases settled
  - The average cost of the claim per year.
- Whilst we have relatively few completely closed years, this report does give us a good indication of the level of claims and the associated costs year on year.
- In calculating the required provision we use the worst year to date for the percentage of claims in any year and the second worst average cost per claim by type of policy. The reason for the latter is that there are one or two anomalies that distort the average. We then apply the percentage and the average cost by type of claim to the live policies, which in turn gives us an estimated reserve amount per type of policy.
- We use this average to calculate an individual provision for every source. If the sum held in any of the individual claims reserves falls short of the required provision, we increase our own provision to cover that shortfall. Additionally, there are a few solicitors who cover claims by way of a claims priority agreement rather than a claims reserve pot. For these sources the provision includes 50% of what their claims reserve pot would need to be. The rationale for using 50% is that it is highly unlikely that all sources would default on their agreement at the same time.
- From 1st January 2016 we now reserve all post LASPO settled premiums as the pre LASPO business is in runoff and we therefore consider that as the experience is deteriorating that provision should be made for this risk.

b. BTE

- BTE performance is monitored by analysing
  - written premiums
  - earned premiums
  - claims costs
  - reserves on open claims
  - average claims costs
  - These reports are produced monthly (average claims costs quarterly) and identify the experience by class of policy (e.g. family, commercial, landlord) and by large schemes so that the performance is monitored and remedial action taken for poor performing classes or schemes.

- In addition, for a number of schemes our contracts have an automatic review trigger where the claims experience is above a pre determined percentage. Where a review is triggered any poor performing business sources under a scheme, policy cover and rating are assessed and corrective action is taken.
- IBNR is based on historical claims patterns and analysis. However, please note that the majority of our BTE business is now on a claims made basis, or is converting to a claims made basis and therefore IBNR is becoming less important as the accounts switch from claims occurring to claims made. The claims made conversion exercise will be finalised by mid 2017.
- The BTE reserving methodology is set out below

- BTE Reserving
  - BTE claims are divided in to two distinct categories Motor and Non Motor (Family, Landlord & Business). The two categories are treated differently for the purposes of the reserving methodology.
  - The reason for this is that the frequency of Non Motor claims resulting in a cost and the average claim cost is much higher than for Motor claims. It has therefore been determined that individual claim reserves are appropriate for Non Motor claims. Whereas Motor claims are reserved on a global basis by reference to analysis of the historic data and future trends.

    i. BTE non motor claims

    - For non motor BTE claims immediately upon a claim being reported a reserve is created for the individual claim. This amount of this initial reserve is a pre determined fixed amount calculated by an analysis of previous claims data. Taking into to account a 5 year claims cycle, adjusted to reflect inflation, the types of claims and any changes in the legal environment.
    - Upon acceptance of any claim the initial reserve attached to the individual claim is reviewed and a new reserve is created. This reserve is unique to the claim and varies during the claim lifetime. This reserve is an estimate of likely final gross cost of the claim. The reserve is adjusted taking into account the known factors at the time of each determined. The factors to be taken into account include:

      I. **The litigation risk i.e. the percentage prospect of our insured winning or losing the legal dispute which is the subject of the claim**

      During the lifetime of any legal dispute a percentage is attached to the claim to reflect the prospects of success. This percentage changes as information becomes available and is provided by the solicitor acting for the policyholder. The claim reserve reflects the total costs liability for the claim, which is then reduced to reflect the prospects of success.

      II. **The likely point where the claim may conclude i.e. will the claim conclude pre litigation or go to a final hearing**

      The reserve generally increases as the relevant milestones are passed, subject to the adjustments to reflect the prospects of success and the likelihood of a matter setting early or going to a full trial. These adjustments are made upon receipt of reports from the appointed solicitor as to the current status of the case.

      III. **What might be recovered from the third party**

      The prospect of recovering legal costs is dependent upon a number of factors. For example generally in employment claims no costs are recovered. In other civil litigation disputes, if successful, a certain percentage of costs may be recovered. Subject to whether the third party is insured and if not, the ability to pay. The reserve is adjusted to take into account these factors.

      IV. **Our liability for third party cost**

      The liability for third party costs varies dependent upon the category of claim and the stage the legal dispute concludes. For certain types of claims e.g. employment and landlord disputes it is very rare for a third party cost liability to arise. Similarly third party costs risks are minimal at the early stages of a legal dispute. The total value of third party costs is determined by the experience of the claims handler and by reference to cost estimates provided by the third party and the policyholders own solicitor. This sum is then adjusted to take into account the percentage litigation risk.

V. **The appointed representative and the cost arrangement which is applicable**
Where claims are handled by a panel solicitors we have an agreement as to the legal costs of any claim given the terms of the relevant agreement. The reserve is set by reference to the terms of the agreement. Where a claim is dealt with by a non panel solicitor the solicitor is required to provide a three monthly report in a standard format providing details of their costs, third party costs and the prospects of success. This information is then use to adjust the reserve accordingly.

- During the claim lifetime all Non Motor individual reserves are reviewed at significant milestones e.g. :
  - Payment made or received by us
  - Proceedings issued
  - Defence received
  - Liability admitted
  - Part 36 offer made or received
  - Hearing date set
  - Merits change
  - Third party in financial difficulties
  - Lost at trial
- In any event all accepted claim reserves are reviewed at 3 monthly intervals, regardless of whether a milestone arises.
- On a monthly basis a fixed percentage of premiums received is allocated to the claim provision to meet anticipated future claims cost. This fixed amount is a percentage of the premium, determined by an analysis of previous claims costs over a 5 year period, changes to the volume of policy sales and changes to the legal environment.
- The claim provision is allocated to each claim year and relevant claim costs are then paid from the claim provision amount.
- On a monthly basis a review takes place of the total claim provision held for each claim year, the claim costs incurred and the future anticipated claims costs, to ensure sufficient funds are allocated to the claim provision. Following this review where appropriate the claim provision is adjusted upwards or downwards accordingly.

ii. BTE motor claims

- On a monthly basis a fixed sum is allocated to the claim provision, this sum is calculated on a per policy basis for each sale during the relevant period. The total amount is allocated to meet anticipated future claims cost. This fixed sum per policy sale is determined by analysis of previous claims costs over a 5 year period, changes to the volume of policy sales and changes to the legal environment.
- The claim provision is allocated to each claim year and relevant claim costs are then paid from the claim provision amount.
- On a monthly basis a review takes place of the total claim provision held for each claim year, the claim costs incurred and the future anticipated claims costs, to ensure sufficient funds are allocated to the claim provision. Following this review where appropriate the claim provision is adjusted upwards or downwards accordingly.

Inappropriate underwriting risk (premium)

This is managed by the Company's underwriting team and all underwriting practice is governed by the Risk Appetite which is updated and reviewed quarterly. The underwriting team ensures there is clear underwriting philosophy, procedures and controls in relation to pricing, selection criteria and diversification of risks. The Company also monitors its performance by account and type of business and will negotiate revised terms where it is appropriate and prudent to do so.

The risks are also mitigated by the underwriting function having sign off processes in place which clearly identify where a risk is in or outside the risk appetite and whether board approval is required. If board approval is required a submission has to be made with a business case and detailed underwriting controls, reference to treating customers fairly and any capital constraint issues are also identified. The board then consider the submission and agreement or otherwise is reached in relation to providing a quotation and if so on what terms.

Lapse risk
This is the decrease in future contracts used in the calculation of the technical provisions. The Lapse risk in managed through the sign up process which includes due diligence and senior manager sign off. Lapse risk is included in the non-life underwriting module of the SCR calculation below. To mitigate this risk the lapse rates are monitored regularly and unexpected movement is analysed to determine if this is an emerging trend across the whole book or peculiar to a particular source of work.

Risk Concentrations
The Company does not insure any class or group actions and as such is not exposed to any risk concentrations. As provider of legal expenses insurance the risks insured are in relation to individual legal disputes which are settled independently.

Legal changes
The Company is aware that any legal changes or court decisions can affect its business models. As such the Company has included in its business partner contracts and into its insurance policies an appropriate clause that if any legal or other similar changes occur that may affect solvency either immediately or in the future, that it has the right to re-negotiate the financial terms. To reflect the emerging risk the Company monitors relevant press and parliamentary publications and each month provides an industry update identifying any issues and the current state of progress on these emerging issues.

Risk Sensitivities
The Company, in assessing its capital requirements both currently and forward looking, stresses possible outcomes by assuming various percentage decreases in income and increases in claims costs. In addition, the Company also reverse stresses its results by applying outcomes of a large internal fraud or significant bank insolvency event (and combinations of these), to ensure that the Company has sufficient capital at all times to meet its liabilities.

C2. Market Risk

The Company does not rely on income from its investments to fulfil its insurance liabilities. Fixed interest securities and deposits are kept at 'A' rated institutions and a limit is applied to any one institution. The company does not hold any bonds or structured credit.

C3. Credit Risk

The risks considered are that a bank or reinsurer defaults on amounts held for or due to the Company. The Company's exposure to credit risk has been assessed in the context of the credit worthiness of the relevant counterparties and is controlled and managed accordingly.

C4. Liquidity Risk

Liquidity has not previously been a risk to the Company, but following business growth and to support further growth in the ATE market (where premiums are deferred and contingent with claim payments for certain types of business occurring before premiums are received on case conclusion), the Company is seeking external funding to maintain liquidity. The Company has reduced the options to two lending providers and will shortly decide on the lender to finalise these arrangements. Cash flow forecasts show a potential requirement for funding in an interim period which is currently being serviced by a shareholder loan. The shareholder loan will not be repaid until external funding is secured.

C5. ALM Risk

The Company risk to asset liability management is restricted to liquidity and interest rate risk. The interest rate risk is deemed immaterial. The liquidity and funding risk is considered at management and board meetings on a monthly basis, with detailed projections, linked to financial forecasts presented by senior management.

C6. Operational Risk

Operational risk arises from inadequate processes or controls resulting in a breach or failure causing inaccurate processing of transactions or non-compliance with regulatory or legal obligations as well as the potential for contractual disputes with business partners. The Company has operational risk processes in place to mitigate this risk supported by a management information system which tracks transactions through to the financial accounts this enabling any anomalies to be easily identified and rectified.

C7. Other material risks

Increase in the small claims limit and the end of recovery of cash compensation for soft tissue injuries

The government has introduced the Civil Liability Bill which has commenced its parliamentary passage through the House of Lords and is currently at its second reading stage. The Bill is designed to disincentivise minor, exaggerated and fraudulent Road Traffic Accident related whiplash claims by:

a. the introduction of a tariff of fixed compensation for pain, suffering and loss of amenity for claims with an injury duration of between 0 and 24 months;
b. providing the judiciary with the facility to both decrease the amount awarded under the tariff in cases where there may be contributory negligence or to increase the award (with increases capped at no more than 20%) in exceptional circumstances;
c. introducing a ban on both the offering, payment and requesting of offers to settle claims without medical evidence;
d. increasing the small claims limit for Road Traffic Accident related personal injury claims to £5,000.
e. increasing the small claims limit for all other types of personal injury claim to £2,000.

The changes will have a significant and material effect in relation to the Company's Road traffic accident (RTA) business. The Company has been aware of and recognised, for some considerable time, this emerging risk and consequently, in line with its strategic direction, the reliance on Road Traffic Accident reduced significantly up to October in 2017. However, following Elite insurance and subsequently Alpha insurance (specialist ATE insurers) going into solvent run off, the Company has increased its Road Traffic Accident business as a short term measure to assist those solicitors who were left without an insurer and who were seeking financial protection to enable clients to pursue their right to access to justice.

The Company supports the Access To Justice campaign and is currently active in supporting that group to persuade the government to adopt the Alternative claims framework where it is recommended that the small claims limit for Road Traffic Accident business should be increased to only £2,000 and not the £5,000 suggested.

The changes are anticipated to be effective no earlier than October 2019 and possibly April 2020.

The Company fully anticipates that as a consequence of any changes that it will be able to produce new products and models within parameters to ensure that access to justice for customers is protected

D: Valuation for solvency purposes

D1. Assets

The table below shows a valuation of the Company's assets at 31st December 2017.

Financial year 2017 Total Assets	As per GAAP	As per Solvency II £'000
Investments and cash at bank	773	773
Insurance and intermediaries receivables	27,951	4,506
Fixed assets	28	28
Prepayments and accrued income	48	0
Total Assets	**28,799**	**5,306**

The table below shows a valuation of the Company's assets at 31st December 2016.

Financial year 2016 Total Assets	As per GAAP £'000	As per Solvency II £'000
Investments and cash at bank	1,400	1,400
Insurance and intermediairies receivables	17,152	2,509
Fixed assets	6	6
Prepayments and accrued income	205	205
Total Assets	**18,762**	**4,119**

The Company's investments and cash at bank is valued for Solvency II purposes on the same basis as the UK GAAP valuation. All investments are instant access funds held in UK bank accounts. There are no estimates or judgements involved in valuing these assets, the value is as per the statement received from the institution holding the funds.

In the Solvency II balance sheet insurance and intermediaries receivables only includes amounts due at the valuation date. Any premium value which is not yet due and the unearned value of commissions are included in the technical provision calculation below as per the Solvency II directive.

Prepayments have no value under Solvency II.

D2. Technical Provisions

The table below shows the calculation of the Company's technical provisions as 31st December 2017.

Financial year 2017 Technical Provisions	As per GAAP	As per Solvency II £'000
Technical provisions	16,832	
Best estimate of liabilities (BEL)		(1,413)
Reinsurance recoverables		263
Risk Margin		195
Adjustment for counterparty default risk		4
Discount for future cashflow		10
Total Liabilities	**16,832**	**(941)**

The table below shows the calculation of the Company's technical provisions as 31st December 2016.

Financial year 2016 Technical provisions	As per GAAP £'000	As per Solvency II £'000
Technical provisions as a whole	12,013	
Best Estimate of Liability (BEL)		(894)
Reinsurance recoverables		250
Risk Margin		147
Adjustment for counterparty default risk		3
Discounted for future cashflow		6
Total Technical Provisions	**12,013**	**(489)**

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk at 31st December 2017. Detailed analysis on a policy by policy basis has been undertaken to calculate the most likely aggregate outcome in terms of premium income, claims cost and commission cost. This method has been refined throughout the year when compared to actual results. The allocation of overheads is done based on prior year staff activity which is linked to the issued date of the policy and on the basis that the firm continues to issue new policies. The majority of the technical provisions are made up of deferred premiums which remain outstanding, these premiums will produce net positive cash flows in the future and therefore the technical provisions value is negative.

Reinsurance recoverables are calculated using the same methodology as above and reduce the best estimate of liabilities.

The Risk Margin is added in order that the cost of capital to support the Company's SCR is included. The prescribed rate used is 6% per annum.

The future cash flows in question have been discounted as per EIOPA's rate curve.

Adjustments or transitional measures used to calculate the value of technical provision

The Company is not using a volatility adjustment or matching adjustment or any transitional arrangement within the calculation of technical provisions.

D3. Other Liabilities

The table below the Company's other liabilities at 31st December 2017.

Financial year 2017 Total Other Liabilities	As per GAAP	As per Solvency II £'000
Amounts due to introducers	6,514	370
Other creditors	1,773	1,519
Accruals	347	347
Total Liabilities	**8,634**	**2,235**

The table below the Company's other liabilities at 31st December 2016.

Financial year 2016 Total Other Liabilities	As per GAAP £'000	As per Solvency II £'000
Amounts due to introducers	2,935	305
Other creditors	500	500
Accruals and deferred income	318	318
Total Other Liabilities	**3,752**	**1,122**

The amounts due to introducers under GAAP is calculated based on the contract in force with the individual introducer. Under GAAP the amount which will be due on premiums which are not currently due is included. For the purpose of Solvency II this amount is removed and included in the calculation of technical premiums. The remaining value is related to income which has been earned prior to valuation date.

Other creditors are IPT, PAYE and corporation tax due at valuation date and the Solvency II valuation is the same as under GAAP.

Accruals are valued according to GAAP and relate to expenses already incurred prior to valuation date. There are no differences between the GAAP and Solvency II calculations.

D4. Any other disclosures

The Company does not use any alternative methods for valuation

E: Capital Management

E1. Own Funds

The table below shows the Company's capital and reserves at 31st December 2017.

Financial year 2017 Capital and reserves	As per GAAP	As per Solvency II £'000
Called up share capital	1,480	1,480
Profit and loss account	1,853	1,853
Reconciliation reserve	-	941
Total capital and reserves	**3,333**	**4,275**

The table below shows the Company's capital and reserves at 31st December 2016.

Financial year 2016 Capital and reserves	As per GAAP £'000	As per Solvency II £'000
Called up share capital	1,480	1,480
Profit and loss account	1,517	1,517
Reconciliation reserve	-	489
Total capital and reserves	**2,997**	**3,486**

All own funds are classified as Tier 1. The Company has no ancillary own fund amounts.

E2. Minimum capital requirement (MCR) and solvency capital requirement (SCR)

The table below shows the Company's MCR and SCR as at 31st December 2017.

Capital requirements	2017 £'000	2016 £'000
MCR	2,196	2,251
SCR	3,272	2,472

The MCR is the greater of the absolute, linear, and combined MCR. The absolute minimum capital requirement (AMCR) is calculated using the Solvency II guidelines based on the classes of business written (17 & 18). On that basis the AMCR is €2.5M which is converted to GBP using the PRA year end rate of 0.87853 to give an AMCR of £2.2M as shown above. The linear and combined MCR calculations both produce values lower than the AMCR and therefore the figure of £2.2M is used as the MCR.

The table below shows the modules which make up the Company's SCR at 31st December 2017. The SCR is calculated using the Solvency II standard formula.

Solvency Capital Requirement (SCR)	2017 £'000	2016 £'000
Market risk	3	1
Counterparty risk	255	114
Non life underwriting and reserve risk	2,930	2,264
Basic SCR undiversified	3,188	2,379
Diversification credit	(122)	(56)
Basic SCR	3,066	2,323
Operational risk	206	149
SCR	**3,272**	**2,472**

The table below shows the Company's solvency ratios as at 31st December 2017. The ratios are calculated as own funds divided by the named capital requirement.

Solvency ratios	2017 1:1	2016 1:1
MCR	1.95	1.55
SCR	1.31	1.41

E3. The option set out in Article 305b used for the calculation of its solvency capital requirement

This section is not applicable to the company.

E4. Differences between the standard formula and any internal models used

The company operates the standard model and therefore this section is not applicable to the company.

E5. Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement

The company complied with both its MCR and SCR at all times during the year ended 31st December 2017

E6. Any other disclosures

There are no other disclosures.

SFCR Templates

The following quantitative reporting templates (QRTs) are shown below:

QRT ref	QRT name
S.02.01.02	Balance Sheet
S.05.01 02	Premiums, claims and expenses
S.05.02 01	Premiums, claims and expenses by country
S.17.01.02	Non life technical provisions
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

S.02.01.01
Balance sheet

		Solvency II value	Statutory accounts value
		C0010	C0020
	Assets		
R0010	Goodwill		
R0020	Deferred acquisition costs		
R0030	Intangible assets	27,802.00	27,802.00
R0040	Deferred tax assets		
R0050	Pension benefit surplus		
R0060	Property, plant & equipment held for own use	0.00	
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0.00	0.00
R0080	*Property (other than for own use)*	0.00	
R0090	*Holdings in related undertakings, including participations*	0.00	
R0100	*Equities*	0.00	0.00
R0110	*Equities - listed*		
R0120	*Equities - unlisted*		
R0130	*Bonds*	0.00	0.00
R0140	*Government Bonds*	0.00	
R0150	*Corporate Bonds*	0.00	
R0160	*Structured notes*	0.00	
R0170	*Collateralised securities*	0.00	
R0180	*Collective Investments Undertakings*	0.00	
R0190	*Derivatives*		
R0200	*Deposits other than cash equivalents*	0.00	
R0210	*Other investments*	0.00	
R0220	Assets held for index-linked and unit-linked contracts		
R0230	Loans and mortgages	0.00	0.00
R0240	*Loans on policies*	0.00	
R0250	*Loans and mortgages to individuals*		
R0260	*Other loans and mortgages*		
R0270	Reinsurance recoverables from:	-262,678.00	253,012.00
R0280	*Non-life and health similar to non-life*	-262,678.00	253,012.00
R0290	*Non-life excluding health*	-262,678.00	253,012.00
R0300	*Health similar to non-life*	0.00	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0.00	0.00
R0320	*Health similar to life*		
R0330	*Life excluding health and index-linked and unit-linked*		
R0340	*Life index-linked and unit-linked*		
R0350	Deposits to cedants	0.00	
R0360	Insurance and intermediaries receivables	4,500,069.34	27,429,368.00
R0370	Reinsurance receivables	7,452.00	7,452.00
R0380	Receivables (trade, not insurance)		
R0390	Own shares (held directly)	0.00	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00	
R0410	Cash and cash equivalents	772,883.18	772,882.00
R0420	Any other assets, not elsewhere shown	260,730.00	308,758.00
R0500	**Total assets**	5,306,258.52	28,799,274.00

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
R0510	Technical provisions - non-life	-1,204,068.86	16,831,999.00
R0520	*Technical provisions - non-life (excluding health)*	-1,204,068.86	16,831,999.00
R0530	*TP calculated as a whole*	0.00	
R0540	*Best Estimate*	-1,398,950.00	
R0550	*Risk margin*	194,881.14	
R0560	*Technical provisions - health (similar to non-life)*	0.00	
R0570	*TP calculated as a whole*	0.00	
R0580	*Best Estimate*	0.00	
R0590	*Risk margin*	0.00	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0.00	0.00
R0610	*Technical provisions - health (similar to life)*	0.00	
R0620	*TP calculated as a whole*		
R0630	*Best Estimate*		
R0640	*Risk margin*		
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0.00	
R0660	*TP calculated as a whole*		
R0670	*Best Estimate*		
R0680	*Risk margin*		
R0690	Technical provisions - index-linked and unit-linked	0.00	
R0700	*TP calculated as a whole*		
R0710	*Best Estimate*		
R0720	*Risk margin*		
R0730	Other technical provisions		
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		
R0810	Financial liabilities other than debts owed to credit institutions	600,000.00	600,000.00
R0820	Insurance & intermediaries payables	369,843.86	6,515,170.00
R0830	Reinsurance payables	164,701.00	417,713.00
R0840	Payables (trade, not insurance)	36,916.00	36,916.00
R0850	Subordinated liabilities	0.00	0.00
R0860	*Subordinated liabilities not in BOF*		
R0870	*Subordinated liabilities in BOF*	0.00	
R0880	Any other liabilities, not elsewhere shown	1,064,021.00	1,064,021.00
R0900	**Total liabilities**	1,031,413.00	25,465,819.00
R1000	**Excess of assets over liabilities**	4,274,845.52	3,333,455.00

S.05.01.01

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct — Legal expenses insurance	Total
		C0100	C0200
	Premiums written		
R0110	*Gross - Direct Business*	11,680,557.00	11,680,557.00
R0120	*Gross - Proportional reinsurance accepted*		0.00
R0130	*Gross - Non-proportional reinsurance accepted*		0.00
R0140	*Reinsurers' share*	-29,078.00	-29,078.00
R0200	*Net*	11,709,635.00	11,709,635.00
	Premiums earned		
R0210	*Gross - Direct Business*	6,444,468.00	6,444,468.00
R0220	*Gross - Proportional reinsurance accepted*		0.00
R0230	*Gross - Non-proportional reinsurance accepted*		0.00
R0240	*Reinsurers' share*	132,816.00	132,816.00
R0300	*Net*	6,311,652.00	6,311,652.00
	Claims incurred		
R0310	*Gross - Direct Business*	2,114,574.00	2,114,574.00
R0320	*Gross - Proportional reinsurance accepted*		0.00
R0330	*Gross - Non-proportional reinsurance accepted*		0.00
R0340	*Reinsurers' share*		0.00
R0400	*Net*	2,114,574.00	2,114,574.00
	Changes in other technical provisions		
R0410	*Gross - Direct Business*		0.00
R0420	*Gross - Proportional reinsurance accepted*		0.00
R0430	*Gross - Non-proportional reinsurance accepted*		0.00
R0440	*Reinsurers' share*		0.00
R0500	*Net*	0.00	0.00
R0550	**Expenses incurred**	3,500,542.00	3,500,542.00
	Administrative expenses		
R0610	*Gross - Direct Business*		0.00
R0620	*Gross - Proportional reinsurance accepted*		0.00
R0630	*Gross - Non-proportional reinsurance accepted*		0.00
R0640	*Reinsurers' share*		0.00
R0700	*Net*	0.00	0.00
	Investment management expenses		
R0710	*Gross - Direct Business*		0.00
R0720	*Gross - Proportional reinsurance accepted*		0.00
R0730	*Gross - Non-proportional reinsurance accepted*		0.00
R0740	*Reinsurers' share*		0.00
R0800	*Net*	0.00	0.00
	Claims management expenses		
R0810	*Gross - Direct Business*		0.00
R0820	*Gross - Proportional reinsurance accepted*		0.00
R0830	*Gross - Non-proportional reinsurance accepted*		0.00
R0840	*Reinsurers' share*		0.00
R0900	*Net*	0.00	0.00
	Acquisition expenses		
R0910	*Gross - Direct Business*	2,340,427.00	2,340,427.00
R0920	*Gross - Proportional reinsurance accepted*		0.00
R0930	*Gross - Non-proportional reinsurance accepted*		0.00
R0940	*Reinsurers' share*		0.00
R1000	*Net*	2,340,427.00	2,340,427.00
	Overhead expenses		
R1010	*Gross - Direct Business*	1,160,115.00	1,160,115.00
R1020	*Gross - Proportional reinsurance accepted*		0.00
R1030	*Gross - Non-proportional reinsurance accepted*		0.00
R1040	*Reinsurers' share*		0.00
R1100	*Net*	1,160,115.00	1,160,115.00
R1200	**Other expenses**		
R1300	**Total expenses**		3,500,542.00

S.05.02.01

Premiums, claims and expenses by country

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Non-life	**Home Country**	**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*	11,680,557.00						11,680,557.00
R0120	*Gross - Proportional reinsurance accepted*							0.00
R0130	*Gross - Non-proportional reinsurance accepted*							0.00
R0140	*Reinsurers' share*	-29,078.00						-29,078.00
R0200	*Net*	11,709,635.00	0.00	0.00	0.00	0.00	0.00	11,709,635.00
	Premiums earned							
R0210	*Gross - Direct Business*	6,444,468.00						6,444,468.00
R0220	*Gross - Proportional reinsurance accepted*							0.00
R0230	*Gross - Non-proportional reinsurance accepted*							0.00
R0240	*Reinsurers' share*	132,816.00						132,816.00
R0300	*Net*	6,311,652.00	0.00	0.00	0.00	0.00	0.00	6,311,652.00
	Claims incurred							
R0310	*Gross - Direct Business*	2,114,574.00						2,114,574.00
R0320	*Gross - Proportional reinsurance accepted*							0.00
R0330	*Gross - Non-proportional reinsurance accepted*							0.00
R0340	*Reinsurers' share*							0.00
R0400	*Net*	2,114,574.00	0.00	0.00	0.00	0.00	0.00	2,114,574.00
	Changes in other technical provisions							
R0410	*Gross - Direct Business*							0.00
R0420	*Gross - Proportional reinsurance accepted*							0.00
R0430	*Gross - Non-proportional reinsurance accepted*							0.00
R0440	*Reinsurers' share*							0.00
R0500	*Net*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
R0550	**Expenses incurred**							0.00
R1200	**Other expenses**							
R1300	**Total expenses**							0.00

S.17.01.01
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance Legal expenses insurance	Total Non-Life obligation
		C0110	C0180
R0010	**Technical provisions calculated as a whole**	0.00	0.00
R0020	Direct business		0.00
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		0.00
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	**Gross - Total**	-3,358,797.00	-3,358,797.00
R0070	Gross - direct business	-3,358,797.00	-3,358,797.00
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0.00	0.00
R0110	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*		0.00
R0120	*Recoverables from SPV before adjustment for expected losses*		0.00
R0130	*Recoverables from Finite Reinsurance before adjustment for expected losses*		0.00
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-262,678.00	-262,678.00
R0150	**Net Best Estimate of Premium Provisions**	-3,096,119.00	-3,096,119.00
	Claims provisions		
R0160	**Gross - Total**	1,959,847.00	1,959,847.00
R0170	Gross - direct business	1,959,847.00	1,959,847.00
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0.00	0.00
R0210	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*		0.00
R0220	*Recoverables from SPV before adjustment for expected losses*		0.00
R0230	*Recoverables from Finite Reinsurance before adjustment for expected losses*		0.00
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0.00
R0250	**Net Best Estimate of Claims Provisions**	1,959,847.00	1,959,847.00
R0260	**Total best estimate - gross**	-1,398,950.00	-1,398,950.00
R0270	**Total best estimate - net**	-1,136,272.00	-1,136,272.00
R0280	**Risk margin**	194,881.14	194,881.14
	Amount of the transitional on Technical Provisions		
R0290	TP as a whole		0.00
R0300	Best estimate		0.00
R0310	Risk margin		0.00
R0320	**Technical provisions - total**	-1,204,068.86	-1,204,068.86
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-262,678.00	-262,678.00
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	-941,390.86	-941,390.86
	Line of Business (LoB): further segmentation (Homogeneous Risk Groups)		
R0350	*Premium provisions - Total number of homogeneous risk group*	0	
R0360	*Claims provisions - Total number of homogeneous risk groups*	0	
	Cash-flows of the Best estimate of Premium Provisions (Gross)		
	Cash out-flows		
R0370	*Future benefits and claims*	1,089,919.00	1,089,919.00
R0380	*Future expenses and other cash out-flows*	2,082,597.00	2,082,597.00
	Cash in-flows		
R0390	*Future premiums*	5,193,221.00	5,193,221.00
R0400	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*		0.00
	Cash-flows of the Best estimate of Claims Provisions (Gross)		
	Cash out-flows		
R0410	*Future benefits and claims*	869,928.00	869,928.00
R0420	*Future expenses and other cash out-flows*		0.00
	Cash in-flows		
R0430	*Future premiums*		0.00
R0440	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*		0.00
R0450	Percentage of gross Best Estimate calculated using approximations	100.00%	
R0460	Best estimate subject to transitional of the interest rate		0.00
R0470	Technical provisions without transitional on interest rate		0.00
R0480	Best estimate subject to volatility adjustment		0.00
R0490	Technical provisions without volatility adjustment and without others transitional measures		0.00

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	1,480,000.00	1,480,000.00		0.00	
R0030	Share premium account related to ordinary share capital	0.00	0.00		0.00	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00	0.00		0.00	
R0050	Subordinated mutual member accounts	0.00		0.00	0.00	0.00
R0070	Surplus funds	0.00	0.00			
R0090	Preference shares	0.00		0.00	0.00	0.00
R0110	Share premium account related to preference shares	0.00		0.00	0.00	0.00
R0130	Reconciliation reserve	2,794,845.52	2,794,845.52			
R0140	Subordinated liabilities	0.00		0.00	0.00	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00				0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00	0.00	0.00	0.00	0.00
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0.00	0.00	0.00	0.00	
R0290	**Total basic own funds after deductions**	4,274,845.52	4,274,845.52	0.00	0.00	0.00
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00				
R0320	Unpaid and uncalled preference shares callable on demand	0.00				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0.00				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0.00				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0.00				
R0390	Other ancillary own funds	0.00				
R0400	**Total ancillary own funds**	0.00			0.00	0.00
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	4,274,845.52	4,274,845.52	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	4,274,845.52	4,274,845.52	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	4,274,845.52	4,274,845.52	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	4,274,845.52	4,274,845.52	0.00	0.00	
R0580	**SCR**	3,264,394.87				
R0600	**MCR**	2,196,325.00				
R0620	**Ratio of Eligible own funds to SCR**	130.95%				
R0640	**Ratio of Eligible own funds to MCR**	194.64%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	4,274,845.52
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,480,000.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
R0760	**Reconciliation reserve**	2,794,845.52
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	941,390.37
R0790	**Total Expected profits included in future premiums (EPIFP)**	941,390.37

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S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010	**Article 112**	Regular reporting

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
		C0030	C0040	C0050	C0090	C0120
R0010	Market risk	4,142.00	4,142.00	0.00		
R0020	Counterparty default risk	241,803.19	241,803.19	0.00		
R0030	Life underwriting risk			0.00		
R0040	Health underwriting risk			0.00		
R0050	Non-life underwriting risk	2,929,734.51	2,929,734.51	0.00		
R0060	Diversification	-116,788.13	-116,788.13			
R0070	Intangible asset risk		0.00			
R0100	**Basic Solvency Capital Requirement**	3,058,891.57	3,058,891.57			

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	205,503.30
R0140	Loss-absorbing capacity of technical provisions	0.00
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	3,264,394.87
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	3,264,394.87
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment
R0460	Net future discretionary benefits	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	772,835.91

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	α	β	α.B + β.C
		C0020	C0030			
R0020	Medical expense insurance and proportional reinsurance	0.00		4.7%	4.7%	0
R0030	Income protection insurance and proportional reinsurance	0.00		13.1%	8.5%	0
R0040	Workers' compensation insurance and proportional reinsurance	0.00		10.7%	7.5%	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0.00		8.5%	9.4%	0
R0060	Other motor insurance and proportional reinsurance	0.00		7.5%	7.5%	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0.00		10.3%	14.0%	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0.00		9.4%	7.5%	0
R0090	General liability insurance and proportional reinsurance	0.00		10.3%	13.1%	0
R0100	Credit and suretyship insurance and proportional reinsurance	0.00		17.7%	11.3%	0
R0110	Legal expenses insurance and proportional reinsurance	0.00	11,709,635.00	11.3%	6.6%	772835.91
R0120	Assistance and proportional reinsurance	0.00		18.6%	8.5%	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0.00		18.6%	12.2%	0
R0140	Non-proportional health reinsurance	0.00		18.6%	15.9%	0
R0150	Non-proportional casualty reinsurance	0.00		18.6%	15.9%	0
R0160	Non-proportional marine, aviation and transport reinsurance	0.00		18.6%	15.9%	0
R0170	Non-proportional property reinsurance	0.00		18.6%	15.9%	0
				TS MCR.12		772835.91

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_{L} Result	0.00

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk		
		C0050	C0060		
R0210	Obligations with profit participation - guaranteed benefits			3.7%	0
R0220	Obligations with profit participation - future discretionary benefits			-5.2%	0
R0230	Index-linked and unit-linked insurance obligations			0.7%	0
R0240	Other life (re)insurance and health (re)insurance obligations			2.1%	0
R0250	Total capital at risk for all life (re)insurance obligations			0.07%	0
				TS MCR.13	0

Overall MCR calculation

		C0070
R0300	Linear MCR	772,835.91
R0310	SCR	3,264,394.87
R0320	MCR cap	1,468,977.69
R0330	MCR floor	816,098.72
R0340	Combined MCR	816,098.72
R0350	Absolute floor of the MCR	2,196,325.00
R0400	**Minimum Capital Requirement**	2,196,325.00