Financial & Legal Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2019

Regulatory Firm Reference Number 202915

Company Number 03034220

Contents

Executive Summary

This is the latest Solvency Financial Condition Report (SFCR) for Financial and Legal Insurance Company Limited (the Company) based on the financial position as at 31st December 2019.

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, 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 the Company's 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.

The Company is authorised to insure the following classes of business:

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

All of the 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 to assist customers in handling their claim with the current insurer. It also provides for certainty in the Company's 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.

The Company wrote circa 180,000 policies in 2019 which is a similar level to the 186,000 written policies in 2018. The Company also insures in the region of 664,000 BTE customers in 2019 (compared to 372,000 in 2018). The significant increase is due to a new account win during 2019 with the transfer of a large account.

The Company anticipated that the implementation of the Civil Liability Act may result in either the cessation of underwriting After the Event Road Traffic Accident business, or that, if there continues to be a market for such risks, it will be a redesigned product. However, in light of Covid 19, the implementation date has been postponed until April 2021, which means that the current product will continue to be sold for a longer period of time.

The Company's objective and strategies are therefore to continue in its core After the Event market in relation to Employers' Liability and Public Liability risks and to support a Road Traffic Accident product post-Civil Liability Act. In addition, the Company will explore the After the Event commercial market as well expanding it's Before the Event portfolio. The Company has also recruited a new Managing Director with expertise in a broader range of general insurance products, thereby expanding the product range during 2020 and beyond in niche, specialist areas.

The Company operates a three line defence model in relation to risk and compliance with governance and controls in place, together with its risk appetite to ensure the efficacy of its board and management controls which includes:

a. First Line of defence
    - Provided by front line managers, colleague 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 a non-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.

A: Business and Performance

A1. Business and external environment

The Company is 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.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

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 94.44% of the Company.

External Environment

Civil Liability Act

The government has introduced the Civil Liability Act (postponed until 1st April 2021). Whilst the final details are still to be clarified there are two principle elements likely to affect the future ATE market for ATE policies:

1. The proposed increase in the Small Claims Limit from the current £1,000 to £5,000. Only if expected damages to the claimant in an RTA exceed the Small Claims Limit is the claimant entitled to recover the costs of marking the claim (including legal costs) from the defendant insurer;
2. The introduction of a tariff of fixed damages for whiplash claims, the effect of which is likely to see claims attracting significantly lower amounts of damages for the claimant than previously. For example, a 3-6 month duration whiplash injury currently might bring gross damages to a claimant of £2,000-2,500 but under the new tariff would only obtain £400. That injury would have to last around 18-24 months instead to achieve the same level of damages under the new tariff.

Claimant lawyers estimate that currently only around 10-15% of RTA whiplash injuries are likely to exceed the new higher Small Claims Limit and/or be viable to run solely on the basis of taking a deduction from the client's damages. The change is therefore expected to result in a very significant reduction in claims volumes and some restructuring of both the claimant personal injury legal services market and the Claims Management market that serves it.

Covid 19

The single largest risk impacting the business currently is the worldwide pandemic associated with Covid 19, an illness caused by the coronavirus. There is a huge amount of uncertainty within both the UK and worldwide to the ultimate impact and clearly the impact on the Company. The Company will and has been impacted in a number of areas:

- Transition to Working from home – the Company transitioned to working from home smoothly including the transfer of technology. There should be no reason why this method of working cannot be successful for as long as is required to support the health and wellbeing of both our colleagues and customers.
- Impact to volume of policy sales – the Company has considered a number of scenarios due to the reduction in sales in particular in relation to ATE policies and the impact has been incorporated into the budgets for the coming period.
- Impact upon claims both in terms of volume and also time to settle claims.

ACSO

The Company is also a founder member of the Association of Consumer Support Organisation (ACSO). The purpose of ACSO is to:

- Represent the interests of the reputable, diverse range of organisations who are united in providing the highest standards of service in support of consumers as a claimant in the civil justice system
- To engage proactively with policymakers, regulators, industry and the media to ensure there is a properly functioning, competitive and sustainable justice system for honest consumers

A2. Performance from underwriting activities

The Company currently insures approximately 664,000 (372,000 in 2018) Before the Event and Motor Breakdown Assistance insurance risks and c180,000 After the Event insurance new policies were issued in 2019 (c186,000 in 2018).

The growth in the Before the Event and Motor Breakdown Assistance business has largely been attributable to an increase in new policies insured through an existing business partner. Volumes of new After the Event insurance policies have broadly stabilized after rapid organic growth in 2018 with existing business partners and also new business following a competitor going into insolvent run off. 2019 has featured some solicitor market consolidation and a number of exits from the claimant RTA market ahead of the forthcoming reforms.

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. At 31 December 2019, there were c230,000 After the Event insurance policies in force.

All the After the Event and Before the Event risks insured relate to risks insured located in the United Kingdom, the Isle of Man or the Channel Islands.

All underwriting is carried out in the Company's office in Cheadle. In the year to 31st December 2019, the Company made a profit before tax of £1,142k (£983k 2018).

Summary technical account for the year end 31st December 2019.

Technical account	**2019 £'000**	**2018 £'000**
Gross Written Premiums	18,829	15,918
Provision for unearned premium	(4,767)	(4,574)
Earned premium	14,062	11,344
Claims and provisions	(5,012)	(3,883)
Operating expenses (incl. Commission)	(7,908)	(6,478)
Balance on technical account	**1,142**	**983**

A3. Performance from investment activities

The Company operates an extremely risk averse investment policy with all funds held in cash with U.K banks, rated 'A' or 'B'. The total investment income generated in 2019 was £35,000 (2018 £1,306).

A4. Operating/other expenses

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

Operating expenses	**2019 £'000**	**2018 £'000**
Insurance commissions	6,169	5,010
Colleague costs	1,109	1,009
Other expenses	630	459
Total operating expenses	**7,908**	**6,478**

The insurance commissions cost has moved closely in line with the value of premiums on settled cases as we would expect.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1. General governance arrangements

There have been changes to the board structure during the year and in early 2020. As at the end of 2019, the board composition was 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
C J Gibson – Chair of the Audit Committee and Non-Executive Director
D Thakrar – Non-Executive Director

MF Timmons resigned as Managing Director in early 2020 and has been replaced by Karen Beales. A new Chief Finance Officer has also been appointed, Anthony Pope, both individuals are awaiting regulatory approval.

Reference to senior management functions are based upon the structure in 2020.

Senior Insurance Management Functions are allocated as follows:

Function	Person	SMF / CF
Chair of the Governing Body	A S Hughes	SMF 9
Senior Independent Director	A S Hughes	SMF 14
Non-Executive Director	A S Hughes	N/A
Chief Executive function	N D Garner	SMF 16
Chief Finance function	A Pope	SMF 2
Chief Risk function	K Beales	SMF 4
Chief Underwriting Officer function	K Beales	SMF 23
Compliance Oversight	K Beales	SMF 10
Money Laundering Reporting Officer (MLRO)	A Pope	SMF 17
Responsible for Insurance Mediation	K Beales	N/A
Chair of the Audit Committee	C Gibson	SMF 11
Director (Appointed Representative)	N D Garner	CF 1
Non-Executive Director	S M Baldwin	N/A
Non-Executive Director	D Thakrar	N/A
Non-Executive Director	C Gibson	N/A
Non-Executive Director	C Gibson	N/A

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

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 ultimate responsibility.

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 colleagues to deliver high performance, with a view to ensuring 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:

- 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.
- Providing challenge and input to relevant meetings.

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

d. First Line of defence
    - Provided by front line managers, colleague 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.

e. 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 a non-executive director

f. 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 and senior managers fall within the PRA / FCA Senior Manager & Certification Regime (SM&CR). All Board members are categorised as senior managers under the regime and senior managers are categorised as certification colleagues under the regime.

All board members and senior managers must complete a Fitness and Propriety Declaration annually, which ensures that they remain fit and proper to undertake their duties as well as recording any training carried out, and sign off that they are competent to carry out the senior management functions that they are responsible for. A certificate is issued annually to senior managers to certify that are competent to carry out the certification functions that they are responsible for.

For the board and senior managers, Disclosure and Barring checks (DBS) are carried out every two years to ensure that we are aware of any criminal convictions or financial issues arising.

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

Other colleagues that have specific responsibilities also complete a Fitness and Propriety Declaration annually, which ensures that they remain fit and proper to undertake their duties. They may also be required to complete a DBS check if required by the board.

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.

The Company's risk system is embedded in all the procedures and processes that the 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 at least annually but also as required in the event of any market changes for example.

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 colleagues.

Overview of risk appetite document

The risk appetite document is reviewed regularly 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 the 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 colleague 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

The 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 analyses current financial and new and emerging risks.

In assessing the risks in each of the classifications the Company reviews impact, likelihood and mitigation using a scoring methodology to produce a RAG status. A financial value is placed upon each of these and built into the Company ORSA calculations.

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.

B4. 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 2019. 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 and the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer will then obtain agreement for the final parameters to be used in producing the ORSA to the board.

The Managing Director and the Chief Finance Officer 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 colleagues.

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 are 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.

B5. Internal Control System

The governance map is shown below in section B11. 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 Chief Executive Officer, Managing Director, Chief Finance Officer and the Head of Legal services. 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 Chief Finance Officer) 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 Chief Finance Officer 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).

B6. Internal Audit Function

The Company has appointed an independent compliance consultancy (specialising in insurance) to undertake a periodic internal audit of systems and controls.

In 2017 the independent audit reviewed s 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 2018 focused on overall governance and the small number of items identified have been addressed and actioned and signed off by the board. The Company is progressing with further audits, however, have been temporarily delayed due to the implications of Covid 19.

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.

B7. Actuarial function

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

- The directive makes it clear that the appointment of an actuary needs to be commensurate with the scale, nature and complexity of the business.

- 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.

- The Company has access to actuarial functionality if required from its accountants and have used this for certain tasks such as reverse stress testing.

- The Company, with the addition of an independent qualified accountant, have a strong accountancy presence at board and lower levels (with appropriate accountancy and statistical qualifications) who understand the business and how it operates.

- In line with our ORSA, the Company consider it is imperative that wherever possible it does not outsource critical business functions but recognises the need for actuarial outsourced input when required.

- To summarise the Company have both board accountants as well as access to actuarial functionality when required and consequently do not consider that, as a mono line insurer, the appointment of a full time actuary is necessary. The Company also considers 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.

B8. Outsourcing

The Company has limited operational outsourcing arrangements in place except in relation to

a. Internal audits – see above.
b. Marketing.
c. IT.

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

In addition to the limited operational outsourcing the business operates a B2B model whereby it permits Solicitors, managing general agents and regulated insurance intermediaries to sell policies on its behalf. The Company delegates authority to sell the policies as detailed in their Terms of Business agreement and does not permit the retailer to set the underwriting risk price nor vary any of the policy documentation without prior approval.

The Company delegates claims handling to the Solicitors and a select number of claims handling companies. The Company undertakes due diligence in advance of any authorisation to handle claims and the authority to handle claims will be detailed within the Terms of Business agreement. The Company claims team will handle any complaints and / or complex claims.

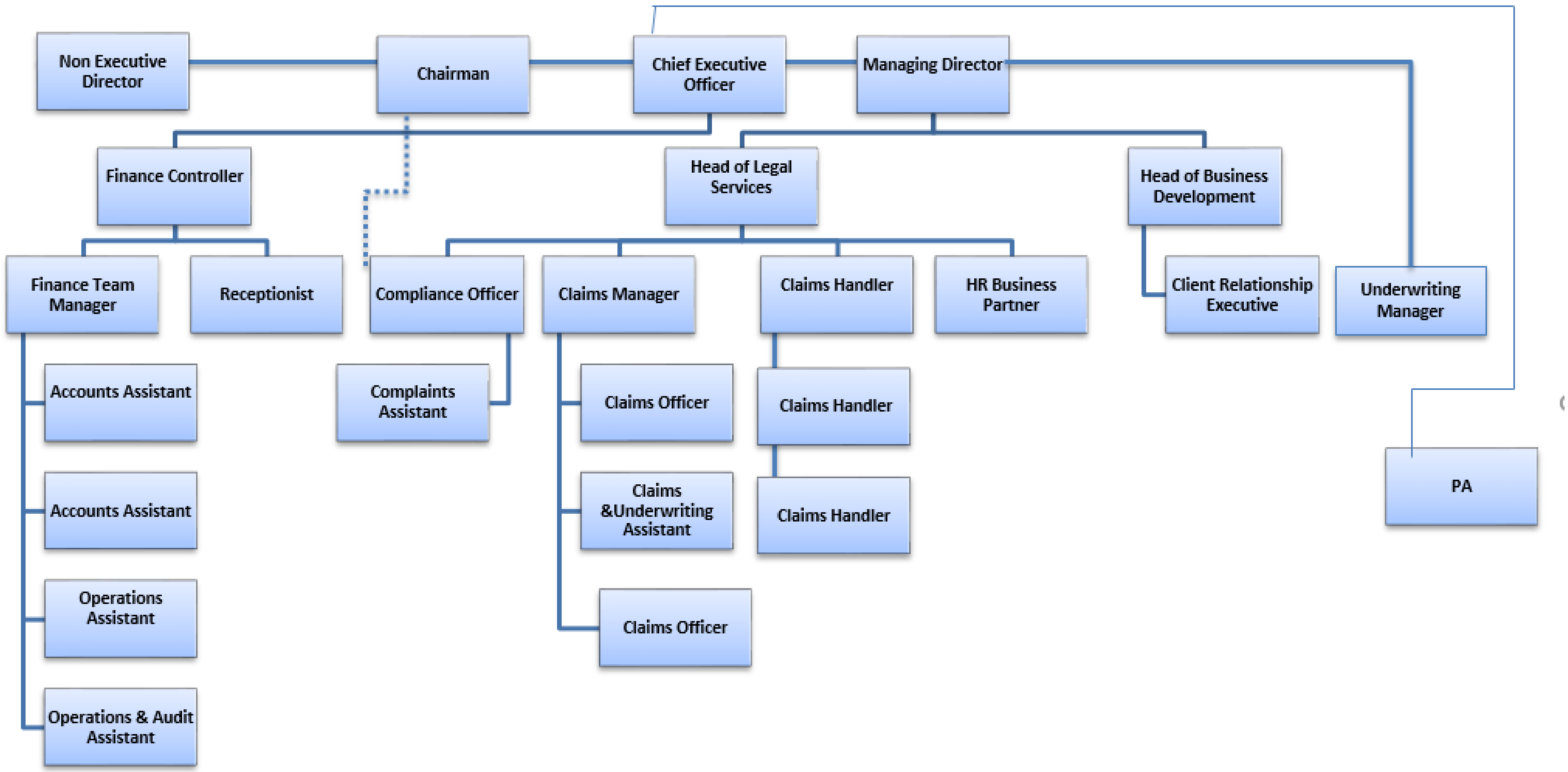
Detailed line by line monthly bordereau are received from business partners to ensure that the Company has the necessary customer information it requires to complete its conduct risk reporting and monitoring of suitability of product.

The Company undertakes regular audits of the Solicitors and intermediaries to monitor their performance and adherence to the TOBA. Any issues are reported to the Board and a detailed report prepared how the matter will be resolved and by when.

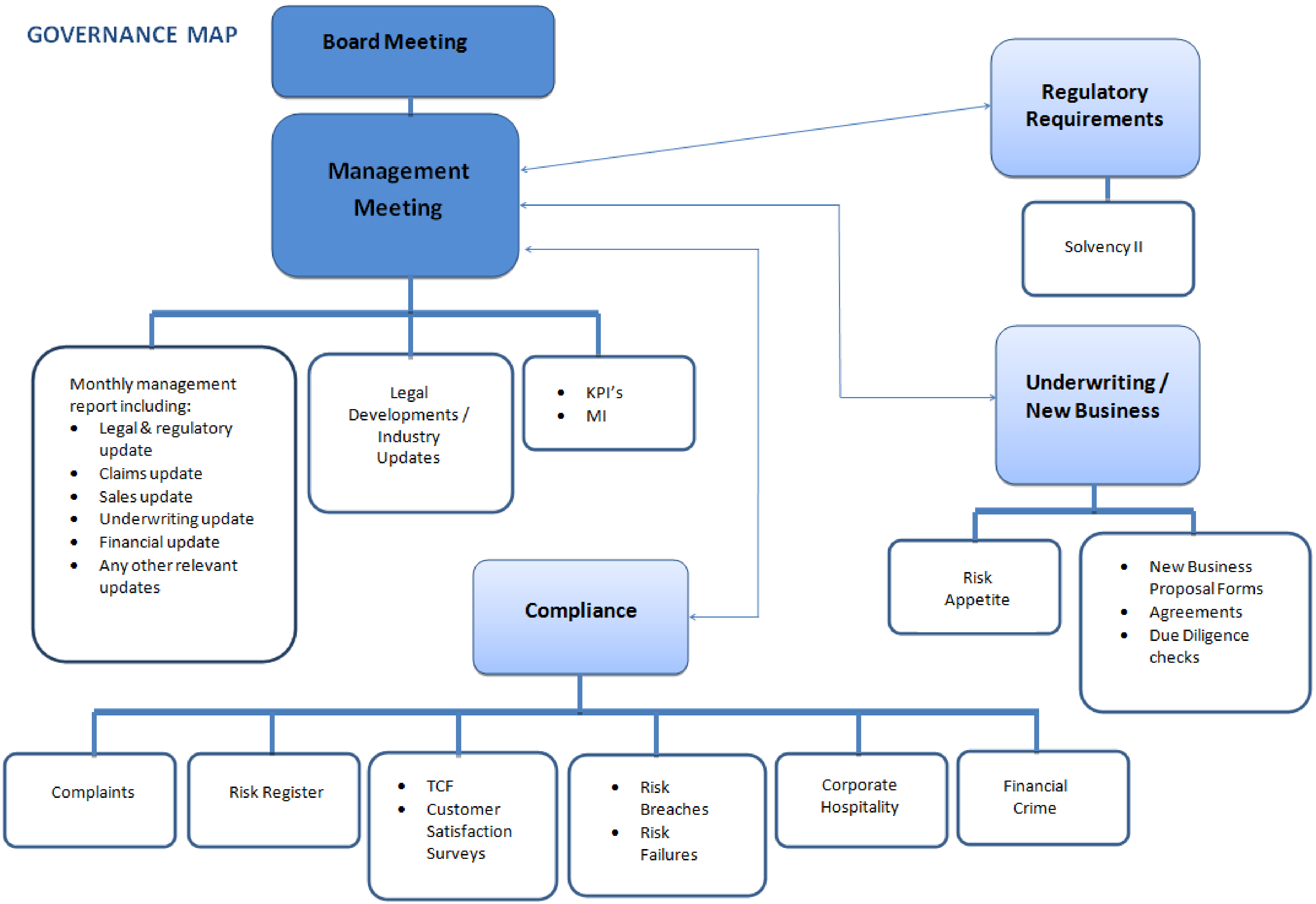
B9. Any other disclosures

There are no other disclosures.

B10.Organisational Structure (as at 31st December 2019)



B11.Governance Map



C: Risk Management

C1. Underwriting Risk

The Company is currently predominantly 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.

Our reserving methodology and how the risks are mitigated are split between Before the Event and After the Event business.

1. After the Event

- Reports are produced which analyses 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.
- For most types of business we have sufficient historical experience in terms of years where the run-off is substantially complete to use average historical data as a basis for considering future settlements, cancellations and claims paid values
- Management review and judgement is applied to the results of this analysis and adjustments made where the Board deem it appropriate to give a realistically prudent view of the expected future run-off of premiums and claims
- Based on this view claims reserves are adjusted periodically to levels which ensure that total claims costs recognized to date on each year's issued policies when seen as a fraction of the value of net underwriting premiums recognized to date on those policies are consistent with a prudent view of the ratio of overall claims cost to underwriting premiums expected ultimately to develop.

2. Before the Event

- Before the Event performance is monitored by analyzing:
  - written premiums
  - earned premiums
  - claims costs
  - reserves on open claims
  - average claims costs
  - These reports are produced monthly 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.
  - The Before the Event reserving methodology is set out below

- Before the Event Reserving
  - Before the Event 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 certain Non Motor claims (shown below). Whereas Motor claims are reserved on a global basis by reference to analysis of the historic data and future trends.

i. Before the Event non motor claims

- For non motor Before the Event claims immediately upon a claim being reported a reserve is created for the individual claim based on the historical average claims costs appropriately adjusted for inflation and any other known potential movements
- Upon acceptance of any claim the average claims cost attached to the individual claim is used as the reserve. Where a claim is in existence for more than a specified period or it is in relation to clinical negligence or where the claim is likely to exceed an pre-determined amount **t**he reserve is adjusted taking into account the known factors at the time. 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.
  - **II.** The likely point where the claim may conclude i.e. will the claim conclude pre litigation or go to a final hearing
  - **III.** What might be recovered from the third party
  - **IV.** Our liability for third party cost
  - **V.** The appointed representative and the cost arrangement which is applicable

- 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 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. Before the Event 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 underwriters ensure 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 or counterparty 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" or "B" 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, reinsurer or other counterparty 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. The company's largest debtor balances are analysed and reviewed on a monthly basis.

C4. Liquidity Risk

As at 31st December 2019 100% (2018: 100%) of the company's investment assets were held in highly liquid short term cash deposits.

The FLI Board have approved a Liquidity Risk Management Framework and a Liquidity Risk Policy comprising the following three elements:

1 Definition of Liquid Resources
2 Liquidity Risk Appetite – Compliance management and Review
3 Measurement, Reporting and Control

Cash flow forecasts are updated and reviewed regularly in the context of this framework.

C5. 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.

C6. Other material risks

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

The government is introducing the Civil Liability Act (postponed until April 2021) which are designed to disincentivise minor, exaggerated and fraudulent Road Traffic Accident related whiplash claims.

The changes will have a significant and material effect in relation to the Company's Road Traffic Accident 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 Company is developing potential models for post these changes and new general insurance products to diversify and replace income.

D: Valuation for solvency purposes

D1. Assets

The table below shows a valuation of the Company's assets at 31st December 2019.

Financial year 2019 Total Assets	As per GAAP	As per Solvency II £'000
Investments and cash at bank	1,271	1,271
Insurance and intermediaries receivables	45,178	5,672
Fixed assets including intangibles	133	123
Prepayments, accrued income and other	5,267	477
Total Assets	**51,849**	**7,543**

The table below shows a valuation of the Company's assets at 31st December 2018.

Financial year 2018 Total Assets	As per GAAP	As per Solvency II £'000
Investments and cash at bank	311	311
Insurance and intermediaries receivables	35,360	5,405
Fixed assets	19	19
Prepayments and accrued income	534	68
Total Assets	**36,223**	**5,803**

The Company's investments and cash at bank are 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 include 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. There are no changes from last year in terms of asset valuations due to their being no significant changes in the nature of the assets carried.

Prepayments and deferred costs are excluded from the Company's total assets under Solvency II reporting.

D2. Technical Provisions

The table below shows the calculation of the Company's technical provisions as 31st December 2018.

Financial year 2019 Technical Provisions	As per GAAP	As per Solvency II £'000
Technical provisions	30,043	
Best estimate of liabilities (BEL)		(3,239)
Reinsurance recoverables		
Risk Margin		159
Adjustment for counterparty default risk		22
Discount for future cashflow		223
Total Liabilities	**30,043**	**(2,835)**

The table below shows the calculation of the Company's technical provisions as 31st December 2018.

Financial year 2018 Technical Provisions	As per GAAP	As per Solvency II £'000
Technical provisions	22,395	
Best estimate of liabilities (BEL)		(2,632)
Reinsurance recoverables		
Risk Margin		250
Adjustment for counterparty default risk		15
Discount for future cashflow		337
Total Liabilities	**22,395**	**(2,031)**

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk at 31st December 2019. 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 colleague 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 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 2019.

Financial year 2019 Total Liabilities	As per GAAP	As per Solvency II £'000
Technical provisions	30,043	(2,835)
Amounts due to introducers	14,416	1,848
Amounts related to reinsurance	1,940	392
Other creditors	1,244	1,244
Accruals	370	370
Total Liabilities	**48,013**	**1,019**

The table below the Company's other liabilities at 31st December 2018.

Financial year 2018 Total Liabilities	As per GAAP	As per Solvency II £'000
Technical provisions	22,395	(2,031)
Amounts due to introducers	8,095	370
Other creditors	2,267	2,114
Accruals	329	329
Total Liabilities	**33,085**	**782**

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. There have been no changes in measurement basis due to nature of financial liabilities remaining constant

D4. Any other disclosures

The Company does not use any alternative methods for valuation

E: Capital Management

E1. Own Funds

Please see table below which summarises the capital requirement and shareholders' funds over the coming 5 years. There have been no changes in measurement basis due to nature of financial liabilities remaining constant:

Medium Term Capital Management Plan (MTCMP)

	2019 £'000s	2020 £'000s	2021 £'000s	2022 £'000s	2023 £'000s	2024 £'000s
Earned premium	13,286	13,470	13,499	14,057	14,858	15,197
Max earned over 3 years	13,470	13,470	14,057	14,858	15,197	15,197
SCR	5,360	5,360	5,401	5,484	5,518	5,472
% of Earned premium + 10% of Tech Provns	33.1%					
Shareholders funds	3,656	4,441	4,884	5,779	6,433	7,070
Technical provisions	27,462	35,801	36,774	38,423	40,520	43,161
Earned Profit in Technical Provisions	2,835	2,396	2,034	1,224	659	356
EPITP / TP %	10.3%					
Total shareholders funds	**6,491**	**6,837**	**6,917**	**7,003**	**7,092**	**7,426**
Excess Funds	1,130	1,477	1,516	1,519	1,575	1,954
SCR Ratio	121%	128%	128%	128%	129%	136%

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

The table below shows the Company's MCR and SCR as at 31st December 2019.

Capital requirements	2019 £'000	2018 £'000
MCR	2,412	2,222
SCR	5,360	4,139

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 0.86133. The linear and combined MCR calculations both produce values lower than the AMCR and therefore the figure of £2.412M is used as the MCR.

The table below shows the modules which make up the Company's SCR at 31st December 2019. The SCR is calculated using the Solvency II standard formula. As a result of growth in the business, the non life underwriting and reserve risk have increased in 2019.

Solvency Capital Requirement (SCR)	2019 £'000	2018 £'000
Market risk	0	0
Counterparty risk	363	311
Non life underwriting and reserve risk	4,653	3,503
Basic SCR undiversified	5,016	3,815
Diversification credit	(172)	(146)
Intangible Asset risk	106	15
Basic SCR	4,950	3,684
Operational risk	410	455
SCR	**5,360**	**4,139**

The table below shows the Company's solvency ratios as at 31st December 2019. The ratios are calculated as own funds divided by the named capital requirement.

Solvency ratios	2019 1:1	2018 1:1
MCR	2.69	2.26
SCR	1.21	1.21

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 2019

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.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0010	Goodwill	
R0020	Deferred acquisition costs	
R0030	Intangible assets	114,234.27
R0040	Deferred tax assets	0.00
R0050	Pension benefit surplus	0.00
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
R0080	*Property (other than for own use)*	0.00
R0090	*Holdings in related undertakings, including participations*	0.00
R0100	*Equities*	0.00
R0110	*Equities - listed*	0.00
R0120	*Equities - unlisted*	0.00
R0130	*Bonds*	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*	0.00
R0200	*Deposits other than cash equivalents*	0.00
R0210	*Other investments*	0.00
R0220	Assets held for index-linked and unit-linked contracts	0.00
R0230	Loans and mortgages	0.00
R0240	*Loans on policies*	0.00
R0250	*Loans and mortgages to individuals*	0.00
R0260	*Other loans and mortgages*	0.00
R0270	Reinsurance recoverables from:	0.00
R0280	*Non-life and health similar to non-life*	0.00
R0290	*Non-life excluding health*	0.00
R0300	*Health similar to non-life*	0.00
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	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	5,706,011.19
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00
R0410	Cash and cash equivalents	1,271,818.26
R0420	Any other assets, not elsewhere shown	476,945.00
R0500	**Total assets**	7,569,008.72

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	-2,835,052.00
R0520	*Technical provisions - non-life (excluding health)*	-2,835,052.00
R0530	*TP calculated as a whole*	0.00
R0540	*Best Estimate*	-2,993,815.00
R0550	*Risk margin*	158,763.00
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
R0610	*Technical provisions - health (similar to life)*	0.00
R0620	*TP calculated as a whole*	0.00
R0630	*Best Estimate*	0.00
R0640	*Risk margin*	0.00
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0.00
R0660	*TP calculated as a whole*	0.00
R0670	*Best Estimate*	0.00
R0680	*Risk margin*	0.00
R0690	Technical provisions - index-linked and unit-linked	0.00
R0700	*TP calculated as a whole*	0.00
R0710	*Best Estimate*	0.00
R0720	*Risk margin*	0.00
R0730	Other technical provisions	
R0740	Contingent liabilities	0.00
R0750	Provisions other than technical provisions	0.00
R0760	Pension benefit obligations	0.00
R0770	Deposits from reinsurers	0.00
R0780	Deferred tax liabilities	0.00
R0790	Derivatives	0.00
R0800	Debts owed to credit institutions	0.00
R0810	Financial liabilities other than debts owed to credit institutions	54,712.57
R0820	Insurance & intermediaries payables	1,848,815.00
R0830	Reinsurance payables	391,705.91
R0840	Payables (trade, not insurance)	65,432.19
R0850	Subordinated liabilities	0.00
R0860	*Subordinated liabilities not in BOF*	0.00
R0870	*Subordinated liabilities in BOF*	0.00
R0880	Any other liabilities, not elsewhere shown	1,493,887.05
R0900	**Total liabilities**	1,019,500.72
R1000	**Excess of assets over liabilities**	6,549,508.00

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 ...	Total
		Legal expenses insurance	
		C0100	C0200
	Premiums written		
R0110	*Gross - Direct Business*	18,829,410.00	18,829,410.00
R0120	*Gross - Proportional reinsurance accepted*		0.00
R0130	*Gross - Non-proportional reinsurance accepted*		0.00
R0140	*Reinsurers' share*		0.00
R0200	*Net*	18,829,410.00	18,829,410.00
	Premiums earned		
R0210	*Gross - Direct Business*	14,563,574.47	14,563,574.47
R0220	*Gross - Proportional reinsurance accepted*		0.00
R0230	*Gross - Non-proportional reinsurance accepted*		0.00
R0240	*Reinsurers' share*		0.00
R0300	*Net*	14,563,574.47	14,563,574.47
	Claims incurred		
R0310	*Gross - Direct Business*	5,012,096.01	5,012,096.01
R0320	*Gross - Proportional reinsurance accepted*		0.00
R0330	*Gross - Non-proportional reinsurance accepted*		0.00
R0340	*Reinsurers' share*		0.00
R0400	*Net*	5,012,096.01	5,012,096.01
	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**	8,424,172.61	8,424,172.61
R1200	**Other expenses**		
R1300	**Total expenses**		8,424,172.61

S.05.02.01

Premiums, claims and expenses by country

Not presented as 100% UK.

S.17.01.02
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
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**	-7,190,338.00	-7,190,338.00
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0.00
R0150	**Net Best Estimate of Premium Provisions**	-7,190,338.00	-7,190,338.00
	Claims provisions		
R0160	**Gross - Total**	4,196,523.00	4,196,523.00
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**	4,196,523.00	4,196,523.00
R0260	**Total best estimate - gross**	-2,993,815.00	-2,993,815.00
R0270	**Total best estimate - net**	-2,993,815.00	-2,993,815.00
R0280	**Risk margin**	158,763.00	158,763.00
	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**	-2,835,052.00	-2,835,052.00
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0.00	0.00
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	-2,835,052.00	-2,835,052.00

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)	1,332,000.00	1,332,000.00		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	5,217,508.00	5,217,508.00			
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				
R0290	**Total basic own funds after deductions**	6,549,508.00	6,549,508.00	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	6,549,508.00	6,549,508.00	0.00	0.00	0.00
R0510	Total available own funds to meet the MCR	6,549,508.00	6,549,508.00	0.00	0.00	
R0540	Total eligible own funds to meet the SCR	6,549,508.00	6,549,508.00	0.00	0.00	0.00
R0550	Total eligible own funds to meet the MCR	6,549,508.00	6,549,508.00	0.00	0.00	
R0580	**SCR**	5,370,303.11				
R0600	**MCR**	2,153,325.00				
R0620	**Ratio of Eligible own funds to SCR**	121.96%				
R0640	**Ratio of Eligible own funds to MCR**	304.16%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	6,549,508.00
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,332,000.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
R0760	**Reconciliation reserve**	5,217,508.00
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	2,835,052.00
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,835,052.00

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	0.00		
R0020	Counterparty default risk	315,703.65		
R0030	Life underwriting risk	0.00		
R0040	Health underwriting risk	0.00		
R0050	Non-life underwriting risk	4,652,577.21		
R0060	Diversification	-150,088.35		
R0070	Intangible asset risk	91,387.42		
R0100	**Basic Solvency Capital Requirement**	4,909,579.93		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	460,723.18
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	0.00
R0200	**Solvency Capital Requirement excluding capital add-on**	5,370,303.11
R0210	Capital add-ons already set	0.00
R0220	**Solvency capital requirement**	5,370,303.11

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	1,242,741.08

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0.00	
R0030	Income protection insurance and proportional reinsurance	0.00	
R0040	Workers' compensation insurance and proportional reinsurance	0.00	
R0050	Motor vehicle liability insurance and proportional reinsurance	0.00	
R0060	Other motor insurance and proportional reinsurance	0.00	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0.00	
R0080	Fire and other damage to property insurance and proportional reinsurance	0.00	
R0090	General liability insurance and proportional reinsurance	0.00	
R0100	Credit and suretyship insurance and proportional reinsurance	0.00	
R0110	Legal expenses insurance and proportional reinsurance	0.00	18,829,410.33
R0120	Assistance and proportional reinsurance	0.00	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0.00	
R0140	Non-proportional health reinsurance	0.00	
R0150	Non-proportional casualty reinsurance	0.00	
R0160	Non-proportional marine, aviation and transport reinsurance	0.00	
R0170	Non-proportional property reinsurance	0.00	

	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		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	1,242,741.08
R0310	SCR	5,370,303.11
R0320	MCR cap	2,416,636.40
R0330	MCR floor	1,342,575.78
R0340	Combined MCR	1,342,575.78
R0350	Absolute floor of the MCR	2,153,325.00
R0400	**Minimum Capital Requirement**	2,153,325.00