Financial & Legal Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2022

Regulatory Firm Reference Number 202915

Company Number 03034220

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 2022.

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.

The Company traditionally operated as a specialist legal expenses insurer primarily providing Before the Event ("BTE") and After The Event ("ATE") legal expenses insurance policies. However, the Company has recently diversified into a limited range of general ancillary insurance products, focusing on motor ancillary, but including excess protect, key insurance and home buyer's insurance.

The Company still has a significant volume of ATE business, however, due to the Civil Liability Reforms the volume of personal injury claims has significantly reduced. however, there are a range of other non-injury ATE products which have been developed but are only offered via partners who have a longstanding relationship with the Company and / or have the relevant expertise.

The Company has also increased the volume of BTE insurance it sells through regulated insurance brokers alongside a range of general insurance products.

The Company has the following regulatory permissions which allows it to write a range of legal expenses and general ancillary products:

- Class 1 Accident
- Class 3 Land Vehicles
- Class 16 Miscellaneous Financial Loss
- Class 17 Legal Expenses
- Class 18 Assistance.

The diversification has allowed the business to continue to develop both in its traditional markets of legal expenses but also in new specialist ancillary product lines.

ATE business is sold principally through solicitors ATE policies insurance generally have a life expectancy of between six months and three years but can be longer in exceptional or complex cases.

The Company wrote circa 125,000 ATE policies in 2022 which is slightly higher than 2021 (c116,000) due to the implementation of the Civil Liability Act (see below) offset by replacement new product lines, notably financial mis-selling. The Company also insures in the region of 2m BTE and General Insurance policies.

Whilst the Company has seen a significant reduction in the volume of RTA ATE policies with the trend continuing, the diversification into a greater range of general insurance products will mitigate and ultimately replace any lost income, but offer longer term stability for the business, writing more annually renewable policies and less one-off ATE insurance.

Financial Overview

In 2022, the Company experienced an expected fall in profitability due to the impact of the Civil Liability Act. Underwriting profit fell from £1.3m to £0.8m, against a budget of £1.0m with the majority of the fall anticipated. Profitability is budgeted to remain flat in 2023 before returning to consistent growth thereafter with significant growth in new Non ATE business replacing the core legacy ATE Road Traffic Accident business impacted by the Civil Liability reforms.

Total GWP dropped from £11.0m to £8.0m with ATE experiencing a sizeable reduction due to the Civil Liability reforms (2022 £4.2m versus 2021 £8.1m), offset in part by an increase of Non ATE GWP (2022 £3.8m versus 2021 £2.9m). It should be noted that the ATE GWP is stated net of expected cancellations where the Company has adopted a conservative approach on new product lines (most notably financial mis-selling) such that if successful, the impact on GWP and corresponding underwriting profit could be significant.

Net assets increased by £0.5m year on year with a notable improvement in cash at bank balances which rose by over £3.2m (£6.0m to £9.2m).

Solvency Capital Ratio

During the year the Board decided to undertake an external review of the methodology and assumptions used to derive the Company's solvency capital ratio ("SCR"), which remains the Company's most important key performance indicator.

This review was primarily focussed on the 31 December 2022 SCR calculation and recommended a small number of corrections to classification and other improvements which indicated a modest historic under reporting of the SCR.

It was the Company's intention and clear strategic goal to increase the SCR over the forecast period and it is pleasing to see that this has increased from 141% in 2021 to 163% in 2022 with further increases forecast in the coming years.

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.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:

PKF Littlejohn LLP
3rd Floor
1 Park Row
Leeds
LS1 5HN

Shareholding structure

Nicholas Garner, who is the Chief Executive Officer, is the majority shareholder and owns 94.44% of the Company. His spouse, Serena Garner holds the remaining 5.56%.

External Environment

Civil Liability Act

The Government introduced the Civil Liability Act (CLA) implemented from 31st May 2021. The new rules means that the average level of compensation due to a claimant has significantly reduced which in turn has reduced the ATE policy volumes with some restructuring of both the claimant and personal injury legal services market and the claims management market that serves it.

The Company still continues to receive fast track and multi-track claims for personal injury whilst the volume of small claims is very limited. There are still a number of small personal injury claims to be settled and we expect the majority to conclude within the next 12 to 18 months, thereby reducing the volumes of live policies.

Covid 19

The single largest impact to the business since 2020 has been Covid 19. The UK suffered a high incidence of infections, hospitalisations and deaths resulting in various business lockdown measures being enforced by the Government on businesses nationwide although the vaccine programme has reduced the severity of the illness although there is still a significant volume of individuals testing positive for the virus. The Company has transitioned to a hybrid working model allowing colleagues to work from home, in the office or indeed in most cases a combination of the two which has offered colleagues a good work life balance with no impact to any customers.

A2. Performance from underwriting activities

The Company historically has distributed mainly ATE Insurance products, whilst the policy volumes are less than BTE, the premium per policy is greater hence the majority of the income and in turn profit has resulted from the ATE product range. The general insurance ancillary products are still in their infancy therefore the policy volumes remain relatively small.

The Underwriting performance of the legal expenses product lines are considered and reported upon separately as the premiums are earned differently and the profile of claims is also significantly diverse, with earnings patterns developed for the new general insurance products depending upon the individual product line.

It can take many years for ATE Insurance claims to settle, and we experience cancellations or abandonment of a claim resulting in policy cancellation in a large number of cases.

The current number of unpaid ATE insurance policies (gross of anticipated future cancellations) in force is shown below :

Number of Live Policies (Unpaid ATE) **(prior to cancellation provision)**	**2022** **No.**	**2021** **No.**
Road Traffic Accidents	187,767	178,202
Employers Liability	16,196	15,855
Public Liability	21,919	21,337
Clinical Negligence	1,592	1,430
Industrial Disease	21,924	15,413
Housing Disrepair	19,860	9,553
Financial Mis-selling	11,540	7,268
Other Claim types	24,154	23,879
Total Live ATE Policies	**304,952**	**272,937**

All the products insured relate to risks insured located in the United Kingdom

All underwriting is carried out in the Company's office. In the year to 31st December 2022, the Company made a profit before tax of £946k (2021 - £1,322k).

The summary technical account for the year end 31st December 2022 is presented below:

Technical acccount **£'000**	**2022** **£'000**	**2021** **£'000**
Written Premiums	7,714	10,217
Provision for unearned premium	(515)	(3,645)
Earned premium	7,199	6,572
Claims Paid	(3,715)	(4,493)
Provision for claims	177	1,152
Commissions	(627)	(96)
Operating expenses	(2,214)	(1,814)
Balance on technical account	**818**	**1,322**

A3. Performance from investment activities

Cash Deposits:

The Company operates a risk averse investment policy with all liquid funds held in cash with Barclays Bank. The total investment income generated in 2022 was £61k (2021 £2k) reflecting the increased rates of interest being paid by banks.

Related Party Loans:

The Company has a secured loan arrangement with a related party (MSL Vehicle Solutions Limited) attracting an interest rate of 5%. The outstanding balance at 31 December 2022 was £2.2m (2021 £0.5m) with interest of £67k (2021 £2k) earned in the year.

A4. Operating/other expenses

A breakdown of the operating expenses is listed below:

Operating expenses	2022 £'000	2021 £'000
Insurance commissions	(627)	(96)
Colleague costs	(1,599)	(1,181)
Other expenses	(616)	(633)
Total operating expenses	**(2,842)**	**(1,910)**

Commissions (not deducted at source) relate entirely to ATE business and were affected in the prior year by a change in accounting treatment and have now returned to a more normalised level.

Colleague numbers have increased to service growth plans and to respond to increasing regulatory reporting requirements. The Company also offered an inflationary pay rise to all colleagues equating to c10%.

Other operating expenses have remained fairly flat.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1. General governance arrangements

There has been two changes to the board structure during the year, being the recruitment of a Commercial Director and Deven Thakrar resigned from the board, resulting in the following board structure:

N D Garner - Chief Executive Officer
K A Beales – Managing Director
A J Pope – Chief Financial Officer
Jonathan Daniels – Commercial Director *
C J Gibson – Chair of the Board and the Audit Committee and Non-Executive Director
A S Hughes –Non-Executive Director
D Ross – Non-Executive Director and Consumer Duty Champion

Senior Insurance Management Functions are allocated as follows:

Function	Person	SMF / CF
Chief Executive	Nick Garner	SMF1
Chief Finance	Tony Pope	SMF2
Chief Risk	Tony Pope	SMF4
Chair of the Governing Body	Colin Gibson	SMF9
Chair of Audit Committee	Colin Gibson	SMF11
Compliance Oversight	Karen Beales	SMF16
Money Laundering Reporting Officer (MLRO)	Tony Pope	SMF17
Chief Underwriting Officer Function	Karen Beales	SMF23
Responsible for Insurance Distribution	Karen Beales	N/A
Director (Appointed Representative)	Nick Garner	CF1
Director	Jonathan Daniels*	TBA
Non-Executive Director	Anthony Hughes	N/A
Non-Executive Director	David Ross	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. David Ross was appointed as Consumer Duty Champion in 2022.

There are also three other senior managers, Head of Underwriting, Head of Claims and Head of Risk and Compliance and there are currently 25 colleagues. As part of the overall governance strategy, each senior manager has a clearly defined role with ownership and responsibilities to act as the first line of risk defence (referred to below). The board continually review the resources to ensure there are sufficient resources and/or development in infrastructure to support such growth.

The Board is also responsible for the remuneration and audit committees, of which all members are NEDs, as well as risk and compliance which form an integral part of the board meetings.

The Board is responsible for the remuneration terms 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 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 clients' 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 (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.
- The Company does not pay bonuses based upon policy sales or volumes.
- 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:

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 various specialist external consultants to undertake its independent internal audit dependent on the area of focus each year.
    - 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

As an insurer the Company must assess that certain colleagues within the firm are fit and proper to do their job. This includes the following colleagues:

- Senior Managers
- Certification colleagues
- Non-Executive Directors

We assess the above colleagues on an ongoing basis, and at least once a year. The assessment considers relevant FCA rules around the qualifications, training, competence, and personal characteristics required for the role (where applicable).

When carrying out the assessment we consider the following for a colleague:

- Honesty, integrity and reputation
- Competence and capability, including whether the colleague satisfies any relevant FCA training and competence requirements
- Financial soundness

In addition to the assessments, we also collect other evidence:

(1) We carry out Disclosure and Barring Service (DBS) checks regularly
(2) Request regulatory references for new colleagues, where the colleague has worked within a PRA / FCA regulated firm

Obtaining the above helps us to make better-informed decisions about new or existing colleagues.

All senior managers have a Statement of Responsibility (SOR), which sets out their responsibilities and what is expected of them.

In addition to the above, we also request certain other colleagues within the firm to complete a fitness and propriety declaration each year. The declaration is signed by a colleague confirming whether they remain fit and proper to undertake their duties. Permission is obtained to carry out DBS checks on these colleagues, however this is only done where necessary.

The colleagues and their roles subject to the fit and proper requirements are:

C Gibson	Chair of the Governing Body, Chair of the Audit Committee
N Garner	Chief Executive Officer
A Pope	Chief Financial Officer
K Beales	Managing Director
J Daniels	Commercial Director
D Ross	Non-Executive Director
A Hughes	Non-Executive Director
G Davies	Head of Underwriting
T Sharrock	Head of Client Relationships
S Whitaker	Delegated Authority Manager
E Parkes	Head of Risk and Compliance
R Mycroft	Interim Head of Claims
D Shingleton	Compliance Officer
All Claims colleagues	
All Finance colleagues	

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 to meet the requirements of the Solvency II rules. The board also is responsible for the audit committee 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:

- Complaint Handling
- Money Laundering
- Product Oversight & Governance
- Risk Breaches & Risk Failures
- Audit Risk
- Bribery, Corporate Hospitality & Gifts
- Conflicts of Interest
- Data Protection
- Environmental
- Expenses
- Financial Crime
- Internal Controls
- Investment, Credit & Liquidity Risk & Asset Liability
- IT Security
- Operational Risk
- Outsourcing
- Reputational
- Reserving
- Risk Register
- Social Media

- Treating Customers Fairly (TCF)
- Vulnerable Customers
- Whistleblowing
- Financial Promotions
- Anti-Fraud
- Recruitment
- Termination of Client Terms of Business
- Remuneration

These policies are reviewed at least annually but also as required in the event of any market changes for example. The Homeworking policy has now been removed, with the details incorporated into our new Colleague Handbook. A number of additional policies have been added following a review of all policies by our Head of Risk and Compliance.

In addition, there is a monthly requirement for all risk breaches and failures to be reported on an appropriate form.

Overview of risk appetite & Underwriting Committee

The risk appetite of the business is reviewed regularly and is the cornerstone of the risks we will and will not accept. All new business or enhancements to existing products must meet the criteria in the Underwriting manual and as detailed in the risk appetite with approval processes to ensure we meet our criteria.

Any opportunity outside the risk appetite has to receive board approval and be submitted with a business and financial case as to why we should accept it.
The Company considers new products, individual business opportunities, and general account performance at the Underwriting Committee. The Committee will consider, challenge and may approve the proposition.

However, where the product is a new product not previously underwritten, the Underwriting Committee is required to make a recommendation to the Board who may also challenge and ultimate has the responsibility for approval or rejection. This process ensures all management and board colleagues within the business are also fully aware of all new products and opportunities.

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. 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. Financial (including Liquidity and Credit Risks and Capital Constraints)
d. Compliance and Legal
e. Strategic
f. Reputational

In assessing the risks under each classification, the Company reviews 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

The Company has processes in place to identify and analyse current and new / 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.

B4. ORSA (Own Risk and Solvency Assessment)

Content of the ORSA

The ORSA includes the Company's own assessment of its required capital and references the Solvency capital requirement (SCR) and the Minimum Capital Requirement (MCR) as at 31st December 2022. 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 Financial 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 Financial 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 Financial 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 Financial 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, Chief Financial Officer, Managing Director, Commercial Director, Head of Underwriting and Head of Claims, Head of Risk and Compliance, the Delegated Authority Manager and the Account Managers (BDMs). The Managing Director has the responsibility for producing the management report which identifies 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 as produced by the Chief Financial Officer.

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 two persons (one of which must be either the Managing Director or the Chief Financial 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 Financial 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 uses an independent compliance consultancy (specialising in insurance) and certain other external consultancies with specialist skills (as and when needed) to undertake a regular internal audit of systems and controls. The business also outsources elements of its partner audit process to two experienced auditors, both with over 20 years' experience in the relevant product line. They conduct audits of partners, clients and claims handlers producing audit reports which are then reviewed at the management meeting.

The internal audit report are always sent directly to the Chair of the Audit Committee 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.

- During the period the Audit Committee recommended that the internal audit focus in relation to 2022 should include the involvement of an external actuarial firm to review the Company's approach to and specific calculations of the Solvency Capital Requirement ("SCR") ratio. Their review highlighted a number of misclassifications and other matters requiring adjustment and all material elements from their recommendations have been taken into account in relation to the 2022 year end SCR regulatory reporting.

- The Company, with an independent qualified accountant as Chair, have a strong accountancy presence at board who understand the business and how it operates. In addition, the Company, in agreement with the PRA, in 2020, appointed another full-time qualified accountant as CFO to further strengthen its financial management and control capability.

- 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 is commensurate with its risks and appetite.
- The appointment of a full-time actuary is reviewed at least annually and as new products are introduced to the portfolio, the matter will be considered further.

B8. Outsourcing

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

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

Item b above is 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 but 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.

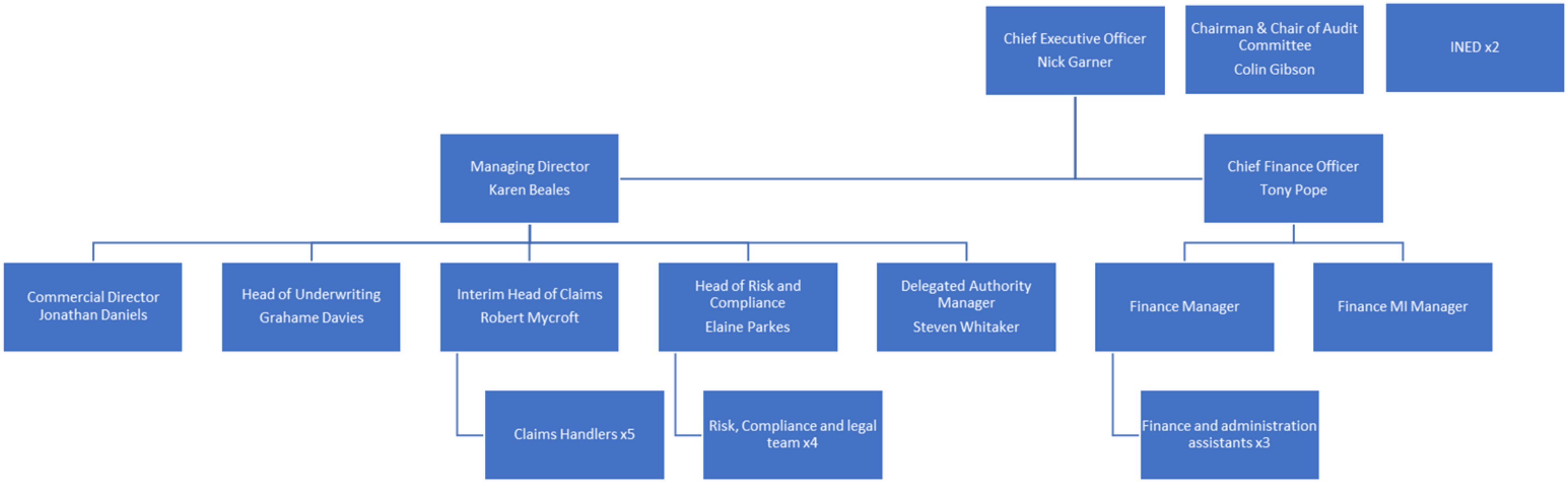
The Company recruited a Delegated Authority Manager in 2020 strengthening the oversight of all delegated authority arrangements for both new and existing clients.

The Company undertakes 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.

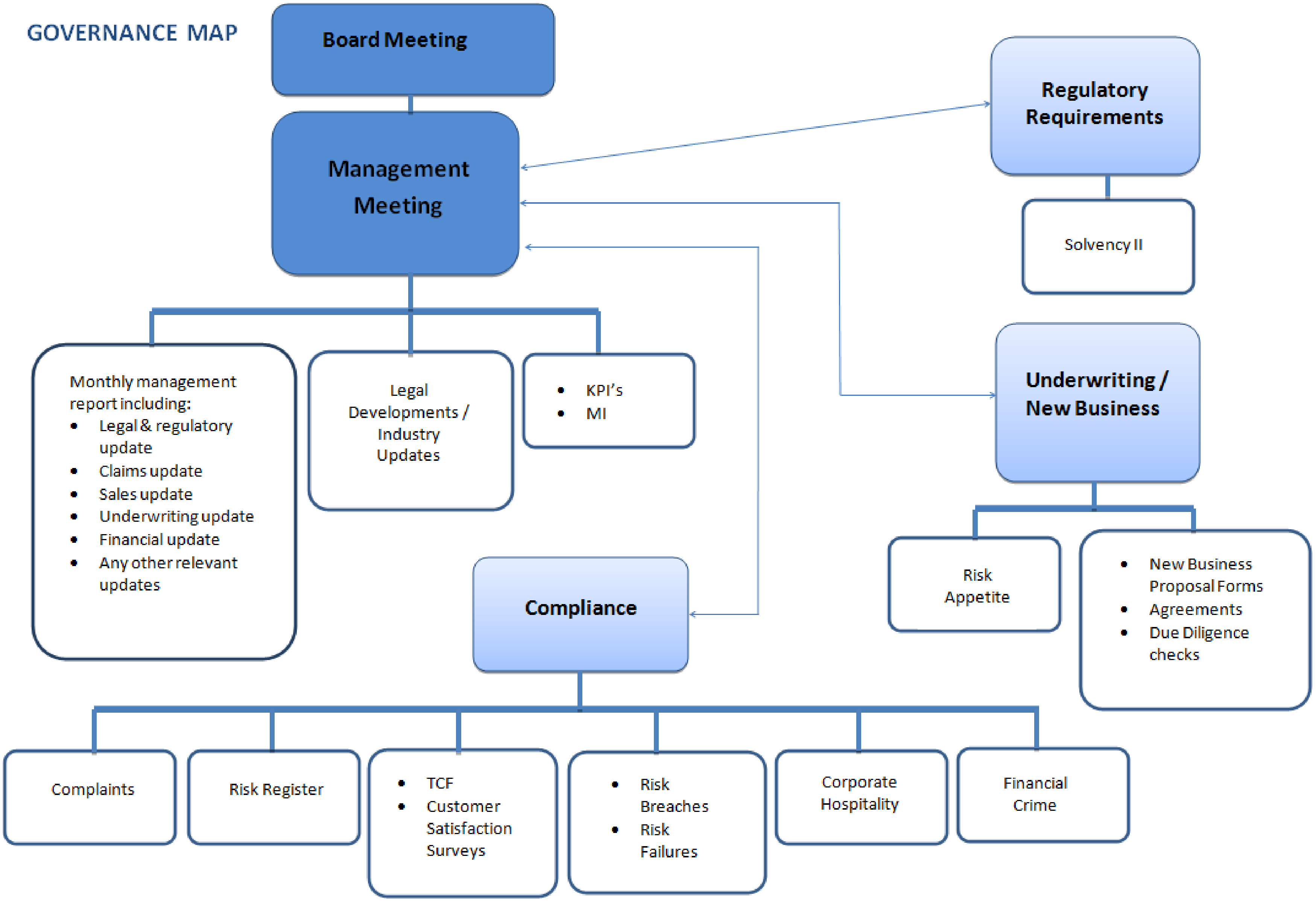
B9. Any other disclosures

There are no other disclosures.

B10.Organisational Structure (as at March 2023)



B11.Governance Map



C: Risk Management

C1. Underwriting Risk

The Company has historically predominantly offered Legal Expenses insurance, however over the last 12 months have started the product diversification to specialist ancillary products. However, the income from these product lines is currently low, which was our intention to grow the portfolio on a steady basis. There are different underwriting considerations for the different product lines however the legal expenses product lines still remain the overwhelming volume in terms of policy count and premium income.

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. Claims cost inflation is considered across all business areas based on the nature of the likely elements of claims cost in each area.

The Company's reserving methodology and how the risks are mitigated are split between BTE and ATE business.

1. After the Event

- 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.

- This reporting provides a significant volume of data on which to base future predictions.
- In calculating the required provision, we consider and compare the most recent patterns in claims paid with "chain ladder" projections based on historical data and trends in settlement and claims volumes and for average settlement and claims paid values at a level disaggregated by product and major acquisition channel/basis.

2. Before the Event

- BTE performance is monitored by analysing:
  - 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. motor, family, commercial, landlord) and by large schemes so that the performance is monitored, and remedial action taken for poor performing classes or schemes.
  - The BTE reserving methodology is set out below

- Before the Event 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 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 BTE 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 24 months or it is in relation to clinical negligence or where the claim is likely to exceed an pre-determined amount the 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
- All accepted claim reserves are reviewed at 3 monthly intervals, and also reviewed at various “milestone events” which may include such as Part 36 offer made or received or proceedings issued.
- 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.

General Insurance Products

Reports are produced which analyses the following data:

- Number of policy sales
- No of cancelled policies
- Written premiums
- Earned premiums

- Claims costs
- Reserves on open claims
- Average claim costs
- The policy volumes currently sold are relatively small as the products have only been live for c12 months, with a strategic decision to grow the portfolio steadily, considering our partners carefully. However there are a number of larger accounts going live in 2023 which will see policy volumes grow and the Company follows its diversification strategy.

Inappropriate underwriting risk (premium)

This is managed by the Company's Underwriting Committee which reviews both existing and new business opportunities. 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 Committee as determined by the Terms of Reference for the committee. Any new products or variation to existing products are referred to the Committee and if necessary, in turn referred to the board for review and sign off.

All new products are reviewed in detail and the information recorded on the Product Development Checklist which considers not only the underwriting or risk premium but also the value of the product to the end customer to ensure it meets their needs and there is full transparency of all remuneration within the distribution chain.

Lapse risk

This is the decrease in future contracts used in the calculation of the technical provisions. The Lapse risk is 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 (unless approved by the Board) and as such is not exposed to any risk concentrations. The majority of business written in the legal expenses product range 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.

C2. Market Risk

The Company is exposed to three elements of Market Risk – Concentration Risk, Interest Rate Risk and Spread Risk - and includes calculated elements for each in its SCR calculations. Concentration risk related to, in particular, two related party loans form a material part of the total Market Risk requirement calculation but the exposure from these loans is mitigated substantially by security arrangements in place and the Board is satisfied that the total net Market Risk arising is manageable and acceptable for the Company.

C3. Credit Counterparty Risk

The risks considered are that a bank or other counterparty defaults on amounts held for or due to the Company. The Company's exposure to counterparty risk has been assessed in the context of the credit worthiness of the relevant counterparties (the only material exposure being an A rated bank) and is controlled and managed accordingly.

C4. Liquidity Risk

As at 31st December 2021 100% (2020: 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
3 Measurement, Reporting and Control

Cash flow forecasts are updated and reviewed as necessary by the Board 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. The business is also preparing its Operational Resilience policy including consideration of tolerance levels and testing working closely with the newly recruited Head of Risk and Compliance and the IT manager.

C6. Other material risks

Increase in the small claims limit and the end of recovery of legal fees for minor soft tissue injuries

The government introduced the Civil Liability Act effective from 31st May 2021 which had the main impact of reducing volumes of RTA claims that solicitors could profitably run.

The impact of these changes was incorporated into the 2021 budget numbers, although these were proven to be slightly conservative. Future plans include ATE products, but the key strategic focus relates to the development of the BTE products and new general insurance products as detailed in the budget. Additional stress tests will be applied to the main assumptions used to assess any further downside exposure.

D: Valuation for solvency purposes

D1. Assets

The following tables summarise the main differences between GAAP and Solvency II balance sheet valuations.

The table below shows a valuation of the Company's assets at 31st December 2022 together with comparatives for the prior year.

Total Assets (£'000)	2022 As per GAAP	2022 As per Solvency II	2021 As per GAAP	2021 As per Solvency II
Investments and cash at bank	9,199	9,199	5,968	5,968
Insurance receivables	8,044	218	10,552	-
Amounts Due from Related Parties	4,540	4,540	2,985	-
Fixed assets including intangibles	439	-	276	271
Other Assets	1,204	39	661	14,203
Total Assets	**23,427**	**13,997**	**20,442**	**20,442**

The Company's investments and cash at bank are valued for Solvency II purposes on the same basis as the UK GAAP valuation. All cash is held in instant access funds within major UK bank accounts. Investments comprise interest bearing loans made to related parties. There are no estimates or judgements involved in valuing these assets.

In the Solvency II balance sheet insurance 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.

Amounts due from related parties comprise loans made to three companies under common ownership.

Fixed assets largely comprise a new computer system under development and since the Company now view this as an item that cannot be sold to an external party, no value is attributed for SII purposes.

Other assets largely comprise accrued income which is included within the BEL calculation within Technical Provisions (see below).

D2. Technical Provisions

The table below shows the calculation of the Company's technical provisions as 31st December 2022 together with comparatives for the prior year.

Technical Provisions	2022 As per GAAP	2022 As per Solvency II	2021 As per GAAP	2021 As per Solvency II
Technical provisions	(8,387)		(8,572)	
Best estimate of liabilities (BEL)		(3,541)		2,703
Risk Margin		(391)		(132)
Adjustment for counterparty default risk		-		(181)
Discount for future cashflow		356		(58)
Total Technical Provisions	**(8,387)**	**(3,576)**	**(8,572)**	**2,331**

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk at 31st December 2022. 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.

The BEL comprises:

- ATE deferred premiums which remain outstanding, these premiums will produce net positive cash flows in the future after payment of all related claims and therefore the technical provision arising from this element is negative;
- ATE upfront premiums where payment has been received but the underlying legal case is ongoing. Although the Company is confident these revenue stream will be ultimately profitable, a conservative approach has been adopted regarding the return of these premiums when quantifying both the GAAP and SII liabilities. At 31 December 2022 these premiums amounted to £4.7m which is the primary reason for the variation in the Technical Provision from prior year;
- Non ATE claims reserve – settlement of all claims including incurred but not reported;
- Non ATE accrued income – policies incepted by 31 December 2022 where payment had not yet been received;
- Operating expenses estimated to be incurred in running off the book.

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 shows the Company's other liabilities as 31st December 2022 together with comparatives for the prior year.

Total Liabilities (£'000)	2022 As per GAAP	2022 As per Solvency II	2021 As per GAAP	2021 As per Solvency II
Technical provisions	(8,387)	(3,576)	(8,572)	2,331
Other provisions	-	-	(161)	-
Insurance payables	(7,355)	(221)	(4,355)	-
Accruals / deferred income	(270)	-	(230)	-
Other creditors	(1,658)	(1,927)	(1,870)	(15,331)
Total Liabilities (£'000)	**(17,669)**	**(5,724)**	**(15,189)**	**(12,999)**

Insurance payables primarily comprise creditor balances relating to ATE deferred premiums and a provision to repay upfront ATE premiums, both of which are included in SII Technical Provision calculation.

Other creditors are primarily IPT, PAYE and corporation tax due at valuation date.

D4. Any other disclosures

The Company does not use any alternative methods of valuation.

E: Capital Management

E1. Own Funds

Please see table below which summarises the capital requirement and shareholders' funds over the coming 5 years.

Medium Term Capital Management Plan		ACT 2022	FC 2023	FC 2024	FC 2025	FC 2026	FC 2027
Earned Premium	£'000	7,199	9,497	13,297	13,845	14,329	14,099
Max Earned Current & Prior Year	£'000	9,497	13,297	13,845	14,329	14,329	14,099
SCR	£'000	5,037	6,360	6,773	6,965	7,179	7,306
% Earned premium + 10% TP	%	49%	44%	44%	44%	46%	47%
Shareholders' Funds	£'000	5,757	6,423	7,620	9,235	11,125	12,867
Technical Provisions	£'000	8,387	12,901	14,744	14,629	14,378	13,911
EPITP	£'000	2,475	3,654	5,186	5,505	6,270	6,665
EPITP %	%	30%	28%	35%	38%	44%	48%
Eligible Own Funds	£'000	8,232	10,077	12,806	14,740	17,395	19,532
Excess Funds	£'000	3,195	3,717	6,032	7,774	10,216	12,226
SCR Ratio	%	163%	158%	189%	212%	242%	267%

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

The table below shows the Company's MCR and SCR as at 31st December 2022 together with prior year comparatives.

Solvency Capital Requirement	2022 £'000	2021 £'000
Market risk	1,143	-
Counterparty risk	617	379
Non life underwriting and reserve risk	4,029	4,637
Basic SCR undiversified	5,789	5,016
Diversification credit	(987)	(179)
Intangible asset risk	-	217
Basic SCR	4,802	5,055
Operational risk	235	212
SCR	**5,037**	**5,267**

Capital Requirements & Solvency Ratio	2022 Capital Requirement £'000	2021 Capital Requirement £'000	2022 Solvency Ratio	2021 Solvency Ratio
MCR	2,325	2,112	3.54	3.52
SCR	5,037	5,267	1.63	1.41

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 €2.7M which is converted to GBP using the PRA year end rate of 0.86115 to give an AMCR of £2.3m as shown above. The linear and combined MCR calculations both produce values lower than the AMCR and therefore this figure is used as the MCR.

The SCR is calculated using the Solvency II standard formula and has increased from 1.41 to 1.63 in the year primarily due to the increase in shareholder funds.

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 2022

E6. Any other disclosures

There are no other disclosures.

SFCR Templates

See next page.

S.01.02.01

Basic information - General

General information		C0010
R0010	Undertaking name	Financial & Legal Insurance Company
R0020	Undertaking identification code	213800QY2AY6VELK3427
R0030	Type of code of undertaking	LEI
R0040	Type of undertaking	Non-life undertakings
R0050	Country of authorisation	GB
R0070	Language of reporting	en
R0080	Reporting submission date	2023-04-06
R0081	Financial year end	2022-12-31
R0090	Reporting reference date	2022-12-31
R0100	Regular/Ad-hoc submission	Regular reporting
R0110	Currency used for reporting	GBP
R0120	Accounting standards	IFRS
R0130	Method of Calculation of the SCR	Standard formula
R0140	Use of undertaking specific parameters	Don't use undertaking specific parameters
R0150	Ring-fenced funds	Not reporting activity by RFF
R0170	Matching adjustment	No use of matching adjustment
R0180	Volatility adjustment	No use of volatility adjustment
R0190	Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
R0200	Transitional measure on technical provisions	No use of transitional measure on technical provisions
R0210	Initial submission or re-submission	Initial submission
R0250	Exemption of reporting ECAI information	Not exempted

R0255	URL to the webpage where the Solvency and Financial Condition Report (SFCR) is disclosed	https://www.financialandlegal.co.uk/news-reports/
R0260	Direct URL to download the Solvency and Financial Condition Report (SFCR) corresponding to this financial year reporting obligation (R0090)	NOT PROVIDED/NOT AVAILABLE

S.02.01.01
Balance sheet

		Solvency II value	Statutory accounts value
	Assets	C0010	C0020
R0010	Goodwill		
R0020	Deferred acquisition costs		
R0030	Intangible assets	-	439
R0040	Deferred tax assets	-	-
R0050	Pension benefit surplus	-	-
R0060	Property, plant & equipment held for own use	-	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	-	-
R0080	*Property (other than for own use)*	-	-
R0090	*Holdings in related undertakings, including participations*	-	-
R0100	*Equities*	-	-
R0110	*Equities - listed*	-	-
R0120	*Equities - unlisted*	-	-
R0130	*Bonds*	-	-
R0140	*Government Bonds*	-	-
R0150	*Corporate Bonds*	-	-
R0160	*Structured notes*	-	-
R0170	*Collateralised securities*	-	-
R0180	*Collective Investments Undertakings*	-	-
R0190	*Derivatives*	-	-
R0200	*Deposits other than cash equivalents*	-	-
R0210	*Other investments*	-	-
R0220	Assets held for index-linked and unit-linked contracts	-	-
R0230	Loans and mortgages	4,540	-
R0240	*Loans on policies*	-	-
R0250	*Loans and mortgages to individuals*	-	-
R0260	*Other loans and mortgages*	4,540	-
R0270	Reinsurance recoverables from:	218	218
R0280	*Non-life and health similar to non-life*	218	218
R0290	*Non-life excluding health*	218	218
R0300	*Health similar to non-life*	-	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-	-
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	-	-
R0360	Insurance and intermediaries receivables	-	8,916
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	-	-
R0410	Cash and cash equivalents	9,199	9,199
R0420	Any other assets, not elsewhere shown	39	4,580
R0500	**Total assets**	13,997	23,352

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
R0510	Technical provisions - non-life	3,617	8,312
R0520	*Technical provisions - non-life (excluding health)*	3,617	8,312
R0530	*TP calculated as a whole*	-	
R0540	*Best Estimate*	3,186	
R0550	*Risk margin*	431	
R0560	*Technical provisions - health (similar to non-life)*	-	-
R0570	*TP calculated as a whole*	-	
R0580	*Best Estimate*	-	
R0590	*Risk margin*	-	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-	-
R0610	*Technical provisions - health (similar to life)*	-	-
R0620	*TP calculated as a whole*	-	
R0630	*Best Estimate*	-	
R0640	*Risk margin*	-	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-	-
R0660	*TP calculated as a whole*	-	
R0670	*Best Estimate*	-	
R0680	*Risk margin*	-	
R0690	Technical provisions - index-linked and unit-linked	-	-
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	-	-
R0820	Insurance & intermediaries payables	-	7,135
R0830	Reinsurance payables	221	221
R0840	Payables (trade, not insurance)	-	-
R0850	Subordinated liabilities	-	-
R0860	*Subordinated liabilities not in BOF*	-	-
R0870	*Subordinated liabilities in BOF*	-	-
R0880	Any other liabilities, not elsewhere shown	1,927	1,927
R0900	**Total liabilities**	5,765	17,594
R1000	**Excess of assets over liabilities**	8,232	5,757

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*	7,940	7,940
R0120	*Gross - Proportional reinsurance accepted*	-	-
R0130	*Gross - Non-proportional reinsurance accepted*		-
R0140	*Reinsurers' share*	(225)	(225)
R0200	*Net*	8,165	8,165
	Premiums earned		
R0210	*Gross - Direct Business*	7,820	7,820
R0220	*Gross - Proportional reinsurance accepted*	-	-
R0230	*Gross - Non-proportional reinsurance accepted*		-
R0240	*Reinsurers' share*	(621)	(621)
R0300	*Net*	8,442	8,442
	Claims incurred		
R0310	*Gross - Direct Business*	(3,539)	(3,539)
R0320	*Gross - Proportional reinsurance accepted*	-	-
R0330	*Gross - Non-proportional reinsurance accepted*		-
R0340	*Reinsurers' share*	-	-
R0400	*Net*	(3,539)	(3,539)
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	-	-
R0420	*Gross - Proportional reinsurance accepted*	-	-
R0430	*Gross - Non-proportional reinsurance accepted*		-
R0440	*Reinsurers' share*	-	-
R0500	*Net*	-	-
R0550	**Expenses incurred**	(2,415)	(2,415)
	Administrative expenses		
R0610	*Gross - Direct Business*	-	-
R0620	*Gross - Proportional reinsurance accepted*	-	-
R0630	*Gross - Non-proportional reinsurance accepted*		-
R0640	*Reinsurers' share*	-	-
R0700	*Net*	-	-
	Investment management expenses		
R0710	*Gross - Direct Business*	-	-
R0720	*Gross - Proportional reinsurance accepted*	-	-
R0730	*Gross - Non-proportional reinsurance accepted*		-
R0740	*Reinsurers' share*	-	-
R0800	*Net*	-	-
	Claims management expenses		
R0810	*Gross - Direct Business*	-	-
R0820	*Gross - Proportional reinsurance accepted*	-	-
R0830	*Gross - Non-proportional reinsurance accepted*		-
R0840	*Reinsurers' share*	-	-
R0900	*Net*	-	-
	Acquisition expenses		
R0910	*Gross - Direct Business*	-	-
R0920	*Gross - Proportional reinsurance accepted*	-	-
R0930	*Gross - Non-proportional reinsurance accepted*		-
R0940	*Reinsurers' share*	-	-
R1000	*Net*	-	-
	Overhead expenses		
R1010	*Gross - Direct Business*	(2,415)	(2,415)
R1020	*Gross - Proportional reinsurance accepted*	-	-
R1030	*Gross - Non-proportional reinsurance accepted*		-
R1040	*Reinsurers' share*	-	-
R1100	*Net*	(2,415)	(2,415)
R1200	**Other expenses**		
R1300	**Total expenses**		(2,415)

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**	-	-
R0020	Direct business		-
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		-
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	**Gross - Total**	(1,925)	(1,925)
R0070	Gross - direct business	(1,925)	(1,925)
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	-	-
R0110	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*		-
R0120	*Recoverables from SPV before adjustment for expected losses*		-
R0130	*Recoverables from Finite Reinsurance before adjustment for expected losses*		-
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	218	218
R0150	**Net Best Estimate of Premium Provisions**	(2,143)	(2,143)
	Claims provisions		
R0160	**Gross - Total**	5,110	5,110
R0170	Gross - direct business	5,110	5,110
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	-	-
R0210	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*		-
R0220	*Recoverables from SPV before adjustment for expected losses*		-
R0230	*Recoverables from Finite Reinsurance before adjustment for expected losses*		-
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-
R0250	**Net Best Estimate of Claims Provisions**	5,110	5,110
R0260	**Total best estimate - gross**	3,186	3,186
R0270	**Total best estimate - net**	2,968	2,968
R0280	**Risk margin**	431	431
	Amount of the transitional on Technical Provisions		
R0290	TP as a whole		-
R0300	Best estimate		-
R0310	Risk margin		-
R0320	**Technical provisions - total**	3,617	3,617
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	218	218
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	3,399	3,399
	Line of Business (LoB): further segmentation (Homogeneous Risk Groups)		
R0350	*Premium provisions - Total number of homogeneous risk group*		
R0360	*Claims provisions - Total number of homogeneous risk groups*		
	Cash-flows of the Best estimate of Premium Provisions (Gross)		
	Cash out-flows		
R0370	*Future benefits and claims*		-
R0380	*Future expenses and other cash out-flows*		-
	Cash in-flows		
R0390	*Future premiums*	1,925	1,925
R0400	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*		-
	Cash-flows of the Best estimate of Claims Provisions (Gross)		
	Cash out-flows		
R0410	*Future benefits and claims*	3,209	3,209
R0420	*Future expenses and other cash out-flows*	1,902	1,902
	Cash in-flows		
R0430	*Future premiums*		-
R0440	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*		-
R0450	Percentage of gross Best Estimate calculated using approximations	100%	
R0460	Best estimate subject to transitional of the interest rate		-
R0470	Technical provisions without transitional on interest rate		-
R0480	Best estimate subject to volatility adjustment		-
R0490	Technical provisions without volatility adjustment and without others transitional measures		-

Gross Claims Paid (non-cumulative)

(absolute amount)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Year								**Development year**									**In Current year**	**Sum of years (cumulative)**
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		
Prior																		0.00
N-14	2	3	27	87	99	54	99	10	-	-	-	-	-	-				381
N-13	4	46	147	177	99	95	36	-	23	4	-	-	-					631
N-12	7	133	230	257	286	103	137	35	31	-	-	-						1,218
N-11	9	197	269	383	196	129	59	27	-	-	9							1,278
N-10	19	191	485	339	351	184	102	27	-	67	50						50	1,815
N-9	27	291	366	302	208	126	54	22	30	5							5	1,431
N-8	30	236	267	348	264	111	69	24	27								27	1,375
N-7	77	311	661	461	251	153	99	5									5	2,019
N-6	63	709	804	634	300	254	111										111	2,875
N-5	335	1,049	1,047	882	678	216											216	4,208
N-4	211	890	1,019	971	367												367	3,458
N-3	172	940	1,187	839													839	3,137
N-2	171	907	908														908	1,985
N-1	267	785															785	1,052
N	402																402	402
																Total	3,715	27,267

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350		C0360
Year	Development year																	Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		
Prior																		
N-14	216	71	47	28	13	3	1	-	-	-	0	0	-	-				
N-13	247	166	60	40	15	5	-	-	-	1	2	-	-					
N-12	583	232	168	76	19	-	-	-	4	10	-	-						
N-11	489	246	142	49	29	-	-	5	15	-	-							
N-10	547	309	74	27	143	71	14	29	-	-								48
N-9	479	65	4	104	44	19	66	11	-									5
N-8	250	64	108	73	32	106	76	-										26
N-7	71	269	193	67	81	157	-											5
N-6	378	397	109	169	93	-												107
N-5	1,182	295	324	294	14	208												208
N-4	1,264	1,069	944	134	352													352
N-3	1,290	1,315	216	806														806
N-2	1,302	737	872															872
N-1	1,785	754																754
N	386																	386
																	Total	3,567

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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	1,332		-	
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	6,900	6,900			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
	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	-				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	-				
R0290	**Total basic own funds after deductions**	8,232	8,232	-	-	-
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,232	8,232	-	-	-
R0510	Total available own funds to meet the MCR	8,232	8,232	-	-	
R0540	Total eligible own funds to meet the SCR	8,232	8,232	-	-	-
R0550	Total eligible own funds to meet the MCR	8,232	8,232	-	-	
R0580	**SCR**	5,087				
R0600	**MCR**	2,325				
R0620	**Ratio of Eligible own funds to SCR**	0				
R0640	**Ratio of Eligible own funds to MCR**	0				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	8,232
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	1,332
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	**Reconciliation reserve**	6,900
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	3,617
R0790	**Total Expected profits included in future premiums (EPIFP)**	3,617

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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	1,143	1,143	-		
R0020	Counterparty default risk	617	617	-		
R0030	Life underwriting risk			-		
R0040	Health underwriting risk			-		
R0050	Non-life underwriting risk	4,029	4,029	-		
R0060	Diversification	(987)	(987)			
R0070	Intangible asset risk		-			
R0100	**Basic Solvency Capital Requirement**	4,802	4,802			

	Calculation of Solvency Capital Requirement	C0100
R0120	Adjustment due to RFF/MAP nSCR aggregation	
R0130	Operational risk	235
R0140	Loss-absorbing capacity of technical provisions	-
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**	5,037
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	5,037
	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	

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	

	Calculation of loss absorbing capacity of deferred taxes	Before the shock	After the shock	LAC DT
		C0110	C0120	C0130
R0600	**DTA**			
R0610	DTA carry forward			
R0620	DTA due to deductible temporary differences			
R0630	**DTL**			
R0640	**LAC DT**			
R0650	LAC DT justified by reversion of deferred tax liabilities			
R0660	LAC DT justified by reference to probable future taxable economic profit			
R0670	LAC DT justified by carry back, current year			
R0680	LAC DT justified by carry back, future years			
R0690	Maximum LAC DT			