Financial & Legal Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2020

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 2020.

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 have historically operated as 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. However, during 2020 the Company started its diversification into a limited range of ancillary insurance products, including excess protect, key insurance and home buyer's insurance.

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. . There are a range of other non-injury ATE products which are only offered via partners who have a longstanding relationship with FLI and / or have the relevant expertise.

The Company also underwrites Before the Event insurance through regulated insurance brokers 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 116,000 policies in 2020 which is lower than 2019, where the volumes were c174,000 due to the impact of Covid and various lockdown measures implemented. The Company also insures in the region of c700,000 BTE customers in 2020 (compared to 664,000 in 2019) the increase due to a number of new intermediary relationships.

The implementation of the Civil Liability Act scheduled for 31st May 2021 will result in significant changes to the After the Event Road Traffic Accident claims. It still remains unclear whether a viable ATE insurance market will remain for lower value RTA claims ("Small Claims") on which a claimant's own solicitors' costs will no longer be recoverable from the defendant. A market for ATE insurance for Fast Track and Multi-Track claims where damages exceed £5k and £25k respectively will certainly remain and at higher average premiums than before but is estimated to represent only perhaps 15-20% of the total policy volumes that existed previously so there will undoubtedly be a very significant overall market reduction and the Company's forecasts are now built on this basis.

In light of the forthcoming changes, the Company took the strategic decision to diversify its product range. It will 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, as referred to above. In addition, the Company has explored a range of other After the Event products but has focused more predominantly on it’s Before the Event products. During 2020 the Company recruited a new Managing Director with expertise in a broader range of general insurance products, who has reset the strategy for future years to expand the product range niche, specialist areas with an initial focus upon motor ancillary products and a longer term focus on general insurance products.

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:
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 now to be implemented from 31st May 2021. There are still some areas to be finalised, but the general rules and principles are now known and there are two principal elements which affect the future ATE market for ATE policies:

1. The increase in the Small Claims Limit from the current £1,000 to £5,000.
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 (March 2020) might bring gross damages to a claimant of £2,000-2,500 but under the new tariff would only obtain between £240 and £500. That injury would have to last around up to c.15 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 impact to the business during the last 12 months has been Covid 19. The UK have suffered significant disease and deaths resulting in various business lockdown measures being enforced by the Government on businesses nationwide. The vaccine programme currently underway is proving to be very successful, with a reducing number of deaths and infections. The Government has issued a transparent plan to transition the Country back to "open" no earlier than 21st June 2021. The Company 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. This method of working has been successful, with a longer term plan for more flexible ways of working which offer benefits to both the Company, but also to colleagues to ensure a good work life balance., whilst there is no negative impact to any customers.
- Impact to volume of policy sales – the Company was impacted significantly due to a reduction in motor liability, public liability and employer's liability 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 claimants 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 700,000 (664,000 in 2019) Before the Event and general insurance risks and c116,000 After the Event insurance new policies were issued in 2020 (c180,000 in 2019).

The growth in the Before the Event business has largely been attributable to the focus upon Before the Event insurance products and the introduction of a number of new clients to the Company, who are insurance intermediaries and specialists in Before the Event Legal expenses products. Volumes of new After the Event insurance policies have reduced due to the impact of Covid and business lockdowns.

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 significant percentage of cases. At 31 December 2020, there were c256,000 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

All underwriting is carried out in the Company's office. In the year to 31st December 2020, the Company made a profit before tax of £506k(£1,162k 2019).

Summary technical account for the year end 31st December 2020.

Technical acccount £'000	**2020 £'000**	**2019 £'000**
Gross Written Premiums	13,478	18,708
Provision for unearned premium	(2,311)	(4,633)
Earned premium	11,167	14,074
Claims and provisions	(4,417)	(4,827)
Operating expenses	(6,261)	(8,066)
Balance on technical account	**490**	**1,182**

A3. Performance from investment activities

The Company operates an extremely risk averse investment policy with all funds held in cash, or cash equivalents, with UK banks, 90% of which are rated B, or higher. The total investment income generated in 2020 was £2,000 (2019 £35,000) reflecting the very low levels of interest being paid by banks on instant access deposits.

A4. Operating/other expenses

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

Operating expenses	2020 £'000	2019 £'000
Insurance commissions	4,454	6,233
Colleague costs	1,093	1,108
Other expenses	714	725
Total operating expenses	**6,261**	**8,066**

Commissions represent 40% of GEP (2019 - £44%) and other than the reduction in volumes, the cost has been reduced by positive shifts in product mix and in some cases renegotiation of commercial terms.

Colleague costs have been held to a level close to last year with a degree of non-replacement where possible but only very limited use of Government furlough schemes.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1. General governance arrangements

There were changes to the board structure during the year. The current board composition is as follows:

N D Garner - Chief Executive Officer
K A Beales – Managing Director
A J Pope – Chief Financial Officer
C J Gibson – Chair of the Board and the Audit Committee and Non-Executive Director
A S Hughes –Non-Executive Director
D Thakrar – Non-Executive Director
D Ross – Non-Executive Director

During 2020 SM Baldwin resigned as a Non-Executive Director and was replaced by D Ross as a Non-Executive Director.

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
Non-Executive Director	Anthony Hughes	N/A
Non-Executive Director	Deven Thakrar	N/A
Non-Executive Director	David Ross	N/A

* Pending approval from the PRA / FCA; Permission currently held by Karen Beales

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

There are also one other senior manager (Head of Claims & Underwriting) and there are currently 26 colleagues. As part of our 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 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 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.
- 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 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

As an insurer we 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 takes into account 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
D Ross	Non-Executive Director
A Hughes	Non-Executive Director
D Thakrar	Non-Executive Director
G Davies	Head of Underwriting & Claims
T Sharrock	Head of Client Relationships
S Whitaker	Head of Delegated Authority
D Shingleton	Compliance Officer
R Mycroft	Claims Manager
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
- Homeworking
- 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
- Liquidity Policy

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).

<u>Overview of risk appetite document & Underwriting Committee</u>

The risk appetite document is reviewed regularly and 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. During 2020 we further enhanced the internal processes by introducing an Underwriting Committee where new product opportunities are first considered, alongside any significant new business opportunities or where the risk falls outside the risk appetite. If the opportunity is approved by the Underwriting Committee it is then submitted to the board for final review and sign off. This process ensures all management within the business are also fully aware of all new products and opportunities.

<u>Summary of how emerging risks are managed – risk register, risk scoring and new and emerging risks</u>

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 also references the Solvency capital requirement (SCR) and the Minimum Capital Requirement (MCR) as at 31st December 2020. 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.

<u>Sign off of the ORSA by the board</u>

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.

<u>Period of ORSA</u>

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.

<u>Frequency of the ORSA</u>

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 Financial Officer and the Head of Underwriting and Claims. 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 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 has appointed an independent compliance consultancy (specialising in insurance) to undertake a periodic internal audit of systems and controls.

In 2020 the independent company conducted a detailed audit of the Company, its operational processes with a focus upon risk. It reviewed the risk register and related items, the detailed policies and procedures and identified evidence of adherence to procedures and processes. There were a small number of findings predominantly in relation to the functioning of the Audit Committee. All recommendations following the report have been implemented and now form part of "business as usual".

The internal audit report is 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.
- 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 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.
- 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 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.

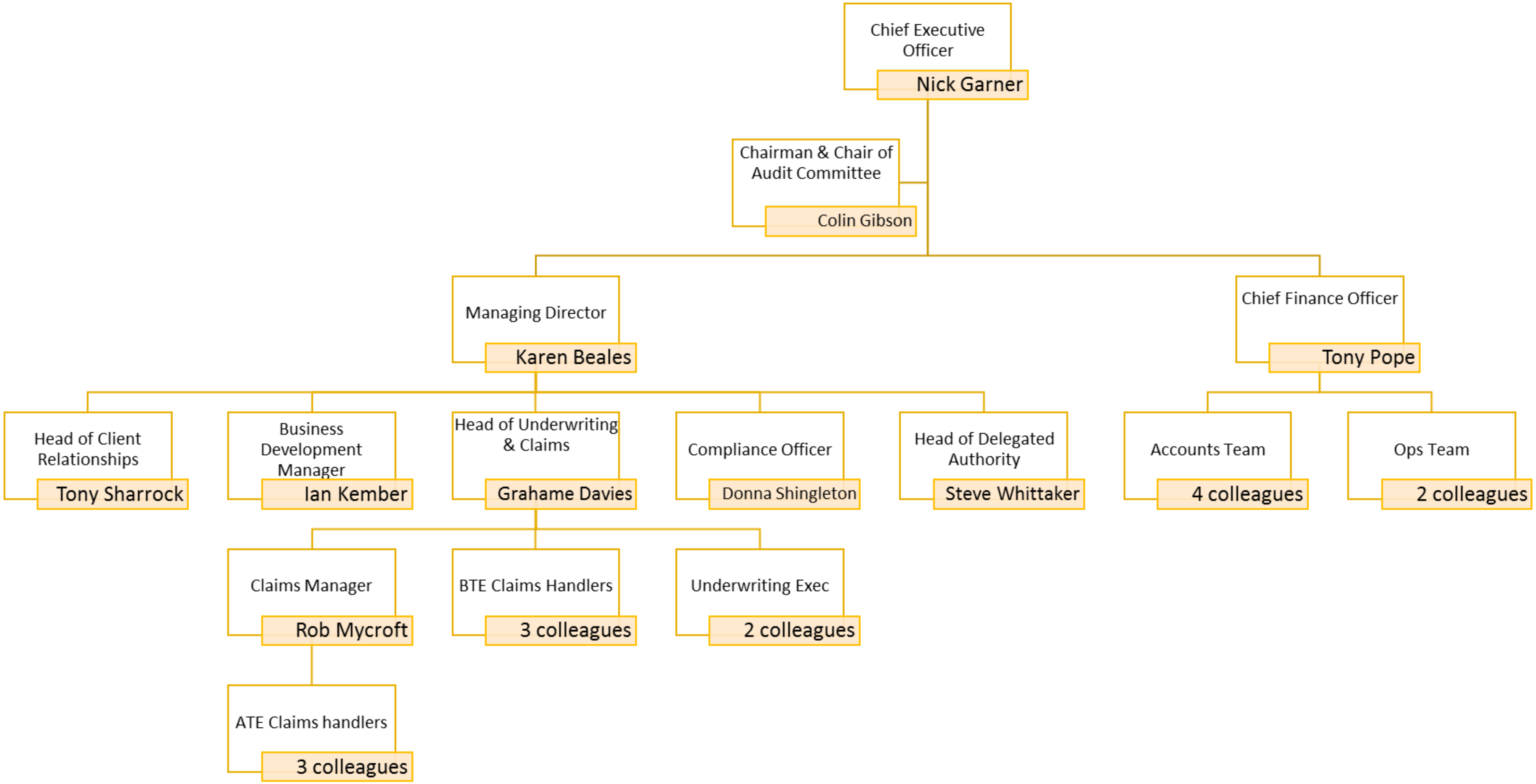
The Company has recently recruited into a new role of Delegated Authority Manager, an experienced individual who has responsibility for oversight of all delegated authority arrangements both new and existing and the ongoing monitoring of data, conduct management information and general oversight. This role reports directly to the Managing Director.

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.

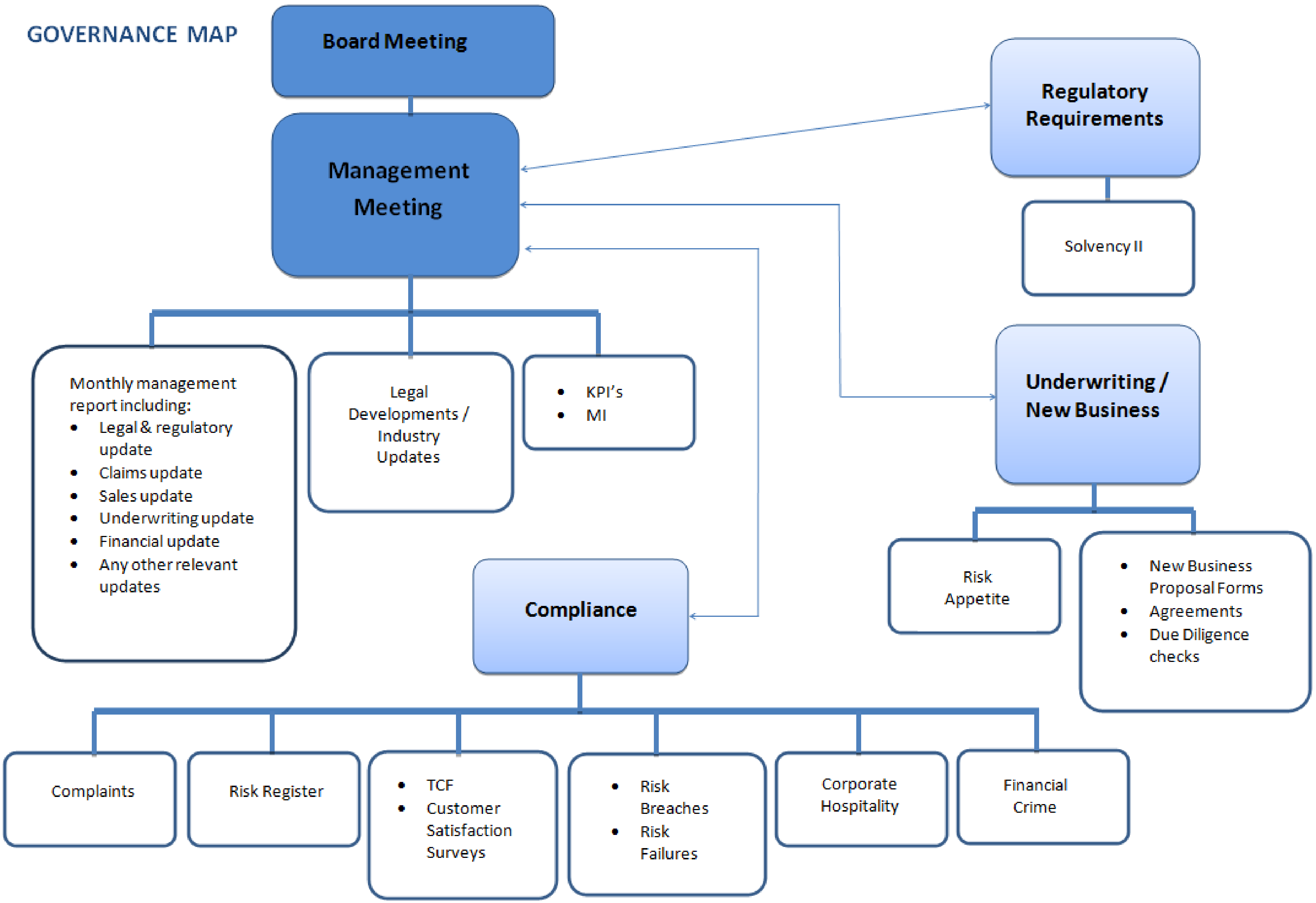
B9. Any other disclosures

There are no other disclosures.

B10.Organisational Structure (as at 31st December 2020)



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.

The Company's 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 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

- Before the Event 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. 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
- 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.

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 generally cover any class or group actions 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. 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 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. During 2020 a number of steps have been taken to ensure a reduction to a lower and more acceptable level of the Company's credit exposure under advance commission arrangements to the limited number of business partners where such arrangements have applied

C4. Liquidity Risk

As at 31st December 2020 100% (2019: 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 – The activities generating the liquidity ratio are to include a significant majority element of lower risk Core business which is:

- Historically predictable
- Short tail

- Consistently cash generative in underlying terms
- Conducted on Standard commercial terms that do not impair these cash generative characteristics

3 Measurement, Reporting and Control

Cash flow forecasts are updated and reviewed monthly 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.

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 is introducing the Civil Liability Act effective from 31st May 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 2020.

Financial Year 2020 Total Assets (£'000)	As per GAAP	As per Solvency II
Investments and cash at bank	4,098	4,098
Insurance and Intermediary receivables	46,113	-
Fixed assets including intangibles	222	214
Prepayments and accrued income	200	3,141
Total Assets	**50,633**	**7,454**

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

Financial Year 2019 Total Assets (£'000)	As per GAAP	As per Solvency II
Investments and cash at bank	2,451	2,451
Insurance and Intermediary receivables	45,152	-
Fixed assets including intangibles	124	114
Prepayments and accrued income	849	5,004
Total Assets	**48,576**	**7,569**

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 intermediary's 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 2020.

Financial Year 2020 Technical Provisions	As per GAAP	As per Solvency II
Technical provisions	32,470	
Best estimate of liabilities (BEL)		(2,221)
Reinsurance recoverables		
Risk Margin		62
Adjustment for counterparty default risk		12
Discount for future cashflow		22
Total Technical Provisions	**32,470**	**(2,125)**

The table below shows the calculation of the Company's technical provisions as 31st December 2019

Financial Year 2019 Technical Provisions	As per GAAP	As per Solvency II
Technical provisions	29,926	
Best estimate of liabilities (BEL)		(3,239)
Reinsurance recoverables		
Risk Margin		159
Adjustment for counterparty default risk		22
Discount for future cashflow		223
Total Technical Provisions	**29,926**	**(2,835)**

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk at 31st December 2020. 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.

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 2020.

Financial Year 2020 Total Liabilities (£'000)	As per GAAP	As per Solvency II
Technical provisions	32,470	(2,125)
Amounts due to introducers	11,190	1,864
Amounts related to reinsurance	842	136
Other creditors	1,473	1,281
Accruals	338	-
Total Liabilities (£'000)	**46,312**	**1,156**

The table below the Company's other liabilities at 31st December 2019

Financial Year 2019 Total Liabilities (£'000)	As per GAAP	As per Solvency II
Technical provisions	29,926	(2,835)
Amounts due to introducers	10,804	1,848
Amounts related to reinsurance	1,940	392
Other creditors	1,706	1,615
Accruals	337	-
Total Liabilities (£'000)	**44,713**	**1,020**

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.

Medium Term Capital Management Plan	ACT 2020	BUD 2021	BUD 2022	BUD 2023	BUD 2024	BUD 2025
Earned Premium	11,167	10,659	10,184	11,793	13,925	16,157
Max Earned Current & Prior Year	12,148	10,659	11,793	13,925	16,157	16,157
SCR	4,989	4,535	4,655	5,109	5,643	5,840
% Earned premium + 10% TP	32%	32%	31%	29%	28%	29%
Shareholders' Funds	4,173	4,930	5,613	6,658	8,062	9,809
Technical Provisions	32,470	32,959	33,488	36,101	39,282	43,193
EPITP	2,125	1,156	1,282	1,474	1,658	1,901
EPITP %	7%	4%	4%	4%	4%	4%
Eligible Own Funds	6,298	6,087	6,895	8,132	9,720	11,710
Excess Funds	1,309	1,552	2,240	3,023	4,077	5,870
SCR Ratio	**126%**	**134%**	**148%**	**159%**	**172%**	**200%**

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

The table below shows the Company's MCR and SCR as at 31st December 2020.

Capital requirements	**2020 £'000**	**2019 £'000**
MCR	2,255	2,412
SCR	4,989	5,360

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 0.90208 to give an AMCR of £2.26M as shown above. The linear and combined MCR calculations both produce values lower than the AMCR and therefore the figure of £2.26M is used as the MCR.

The table below shows the modules which make up the Company's SCR at 31st December 2020. The SCR is calculated using the Solvency II standard formula. As a result of some contraction in 2020 linked mainly to the Covid 19 pandemic, the non-life underwriting and reserve risk as well as the operational risk have decreased in 2020.

Solvency Capital Requirement	2020 £'000	2019 £'000
Market risk	-	-
Counterparty risk	36	316
Non life underwriting and reserve risk	4,464	4,653
Basic SCR undiversified	4,501	4,968
Diversification credit	(18)	(150)
Intangible asset risk	171	91
Basic SCR	4,654	4,910
Operational risk	335	461
SCR	**4,989**	**5,370**

The table below shows the Company's solvency ratios as at 31st December 2020. The ratios are calculated as own funds divided by the named capital requirement.

Solvency ratios	2020 £'000	2019 £'000
MCR	2.79	3.04
SCR	1.26	1.22

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 2020

E6. Any other disclosures

There are no other disclosures.

SFCR Templates

See next page.

Financial & Legal Insurance Company

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in GBP thousands)

General information

Undertaking name	Financial & Legal Insurance Company
Undertaking identification code	213800QY2AY6VELK3427
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	214
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
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
R0360	Insurance and intermediaries receivables	2,000
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
R0410	Cash and cash equivalents	3,857
R0420	Any other assets, not elsewhere shown	1,384
R0500	**Total assets**	7,455

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	-2,125
R0520	*Technical provisions - non-life (excluding health)*	-2,125
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-2,221
R0550	*Risk margin*	96
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
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	2,000
R0830	Reinsurance payables	136
R0840	Payables (trade, not insurance)	34
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,112
R0900	**Total liabilities**	1,156
R1000	**Excess of assets over liabilities**	6,298

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business										13,478							13,478
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net										13,478							13,478
	Premiums earned																	
R0210	Gross - Direct Business										11,174							11,174
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net										11,174							11,174
	Claims incurred																	
R0310	Gross - Direct Business										4,417							4,417
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net										4,417							4,417
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net										0							0
R0550	**Expenses incurred**										6,268							6,268
R1200	**Other expenses**																	
R1300	**Total expenses**																	6,268

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**										0							0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross										-10,167							-10,167
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**										-10,167							-10,167
	Claims provisions																	
R0160	Gross										7,946							7,946
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**										7,946							7,946
R0260	**Total best estimate - gross**										-2,221							-2,221
R0270	**Total best estimate - net**										-2,221							-2,221
R0280	**Risk margin**										96							96
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**										-2,125							-2,125
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**										0							0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**										-2,125							-2,125

S.19.01.21

Non-Life insurance claims

Total Non-life business

	Accident year / underwriting year	
Z0020	Accident year / underwriting year	Accident Year

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2011	9	197	269	383	196	129	59	27	0	0		0	1,269
R0170	2012	19	191	485	339	351	184	102	27	0			0	1,698
R0180	2013	27	291	366	302	208	126	54	22				22	1,396
R0190	2014	30	236	267	348	264	111	69					69	1,325
R0200	2015	77	311	661	461	251	153						153	1,915
R0210	2016	63	709	804	634	300							300	2,510
R0220	2017	335	1,049	1,047	882								882	3,313
R0230	2018	211	890	1,019									1,019	2,120
R0240	2019	172	940										940	1,112
R0250	2020	171											171	171
R0260												Total	3,556	16,828

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2011	489	246	142	49	29	0	0	5	15	0		0
R0170	2012	547	309	74	27	143	71	14	29	0			0
R0180	2013	479	65	4	104	44	19	66	11				11
R0190	2014	250	64	108	73	32	106	76					76
R0200	2015	71	269	193	67	81	157						157
R0210	2016	378	397	109	169	93							93
R0220	2017	1,182	295	324	294								294
R0230	2018	1,264	1,069	944									944
R0240	2019	1,290	1,315										1,315
R0250	2020	1,302											1,302
R0260												Total	4,193

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2011	9	197	269	383	196	129	59	27	0	0		0	1,269
R0170	2012	19	191	485	339	351	184	102	27	0			0	1,698
R0180	2013	27	291	366	302	208	126	54	22				22	1,396
R0190	2014	30	236	267	348	264	111	69					69	1,325
R0200	2015	77	311	661	461	251	153						153	1,915
R0210	2016	63	709	804	634	300							300	2,510
R0220	2017	335	1,049	1,047	882								882	3,313
R0230	2018	211	890	1,019									1,019	2,120
R0240	2019	172	940										940	1,112
R0250	2020	171											171	171
R0260												Total	3,556	16,828

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2011	489	246	142	49	29	0	0	5	15	0		0
R0170	2012	547	309	74	27	143	71	14	29	0			0
R0180	2013	479	65	4	104	44	19	66	11				11
R0190	2014	250	64	108	73	32	106	76					76
R0200	2015	71	269	193	67	81	157						157
R0210	2016	378	397	109	169	93							93
R0220	2017	1,182	295	324	294								294
R0230	2018	1,264	1,069	944									944
R0240	2019	1,290	1,315										1,315
R0250	2020	1,302											1,302
R0260												Total	4,193

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	1,332		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	4,966	4,966			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	6,298	6,298	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	6,298	6,298	0	0	0
R0510	Total available own funds to meet the MCR	6,298	6,298	0	0	
R0540	Total eligible own funds to meet the SCR	6,298	6,298	0	0	0
R0550	Total eligible own funds to meet the MCR	6,298	6,298	0	0	
R0580	**SCR**	4,989				
R0600	**MCR**	2,255				
R0620	**Ratio of Eligible own funds to SCR**	126.24%				
R0640	**Ratio of Eligible own funds to MCR**	279.27%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	6,298
R0710	Own shares (held directly and indirectly)	0
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	0
R0760	**Reconciliation reserve**	4,966
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	2,125
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,125

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		
R0020	Counterparty default risk	36		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	4,464		
R0060	Diversification	-18		
R0070	Intangible asset risk	171		
R0100	**Basic Solvency Capital Requirement**	4,654		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	335
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	4,989
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	4,989
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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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	936

		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	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	14,178
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	0

		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	936
R0310	SCR	4,989
R0320	MCR cap	2,245
R0330	MCR floor	1,247
R0340	Combined MCR	1,247
R0350	Absolute floor of the MCR	2,255
R0400	**Minimum Capital Requirement**	2,255