



Financial & Legal Insurance Company Limited

Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2021

Regulatory Firm Reference Number 202915

Company Number 03034220

Contents

Executive Summary	4
A1. Business and external environment	6
A2. Performance from underwriting activities	7
A3. Performance from investment activities	7
A4. Operating/other expenses.....	8
A5. Any other disclosures	8
B: System of Governance.....	9
B1. General governance arrangements	9
B2. Fit and Proper Requirements.....	11
B3. Risk Management System.....	12
B4. ORSA (Own Risk and Solvency Assessment)	14
B5. Internal Control System	15
B6. Internal Audit Function	16
B7. Actuarial function	16
B8. Outsourcing.....	16
B9. Any other disclosures.....	17
B10.Organisational Structure (as at 31 st December 2021)	18
B11.Governance Map	19
C: Risk Management	20
C1. Underwriting Risk.....	20
1. After the Event.....	20
2. Before the Event	20
C2. Market Risk	22
C3. Credit Risk	22
C4. Liquidity Risk	23
C5. Operational Risk.....	23
C6. Other material risks	23
D: Valuation for solvency purposes	24
D1. Assets.....	24
D2. Technical Provisions	25
D3. Other Liabilities.....	25
D4. Any other disclosures	26
E: Capital Management.....	27
E1. Own Funds	27
E2. Minimum capital requirement (MCR) and solvency capital requirement (SCR)	27

E3. The option set out in Article 305b used for the calculation of its solvency capital requirement.....	28
E4. Differences between the standard formula and any internal models used	28
E5. Non-compliance with the minimum capital requirement and significant non-compliance with the solvency capital requirement	28
E6. Any other disclosures	28
SFCR Templates.....	29

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 2021.

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, over the last two years the Company has started its diversification into a limited range of ancillary insurance products, focusing on motor ancillary, but including excess protect, key insurance and home buyer's insurance.

However, the overwhelming majority of the Company's business is relation to volume still remains in ATE insurance largely for personal injury in relation to road traffic accidents, employers' liability and public (including 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 has also increased the volume of BTE insurance it sells through regulated insurance brokers alongside a range of general insurance products including excess protect, home buyers, and key insurance.

During 2020 the Company reviewed its strategic aims and decided to diversify its product range, initially within its regulatory permission before deciding to apply for additional regulatory permissions to allow the it to underwrite additional classes of business. In October 2021, the business was granted permission for two additional classes and now has the following regulatory permissions:

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

The diversification will allow 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 where premiums are deferred and contingent and payable only on successful cases at the end of a claim. Typically, such claims supported by ATE 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 2021 which is slightly lower than 2020 (c130,000) due to the implementation of the Civil Liability Act (see below) offset by the reduced impact year on year of the Covid pandemic. The Company also insures in the region of 1.5m BTE customers in 2021 (compared to 700,000 in 2020) the increase due to the development of existing relationships and also several new intermediary relationships.

The implementation of the Civil Liability Act on the 31st May 2021 resulted in significant changes to the ATE Road Traffic Accident market. The market is still considering the opportunity to offer policies for small claims, although it is likely that they will only be offered by Solicitors with excellent processes which make the product cost effective for the customer and also efficient for them. The market for ATE insurance for Fast Track and Multi-Track claims where damages exceed £5k and £25k respectively does remain but at higher average premium than before although it is currently estimated to represent only 15-20% of the total policy volumes that existed previously and this has been reflected in the budgetary forecasts for the Company.

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

During 2021 the Company successfully exceeded its budgeted profit, with a significant improvement from the Covid impacted 2020 year. The 2021 profit was £1.3m against a budget of £1.2m, which increased from a profit of £522k in 2020, an excellent result for the business.

However, the Civil Liability Reforms implemented in 2021 has resulted in less ATE insurance being forecast for 2022 and beyond. The income is forecast to reduce from the 2021 number of £10.7m down to £8m in 2022 with a corresponding reduction in profit from £1.3m down to £1m, however, the diversification of the products will, over time, replace the income and continue the growth of the Company.

Net assets increased by £0.9m year on year with a notable improvement in cash at bank balances which rose by over £2m (£3.9m to £6.0m).

It was the Company's intention and clear strategic goal to increase the Solvency ratio over the forecast period and it is pleasing to see that this has increased from 126% in 2020 to 141% in 2021 with significant increases forecast in the budgeted period.

There is also a new accounting policy introduced which impacts the recognition of ATE insurance debtors and associated unearned premium creditors (and related commission balances). This is mainly due to an under-reporting of cancellations from our insurance partners. To rectify this a new accounting policy has been implemented, with more details provided in Section D below.

Importantly, this adjustment does not affect profit, net assets or solvency capital ratios. It only affects the presentation of gross assets and gross liabilities.

The Board is currently in dialogue with the Company's auditors (PKF Littlejohn LLP) regarding this change in accounting policy and full details will be disclosed in the December 2021 Statutory Accounts.

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/pru
- 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

The previous audit company, Deloitte LLP had reached its audit period limit, which required the Company to select a new audit partner. Following a review, PKF were selected as the new audit partner.

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. There are two principal elements which affect the ATE market:

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 has seen claims attracting significantly lower amounts of damages for the claimant than previously. For example, a 3-6-month duration whiplash injury in 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.

The change has therefore seen 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 two years 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 the new strains appear very contagious resulting in a high number of individuals testing positive. The Company has been impacted in several areas:

- Transition to hybrid working model – the Company transitioned to working from home smoothly during 2020 including the transfer of technology. The Company took the decision (similar to many other businesses) to continue a hybrid working model allowing colleagues to work from home, in the office or a combination of the two. This approach has provided tangible benefits to both the Company, but also to colleagues to ensure a good work life balance, whilst there has been no negative impact to any customers.
- Impact to volume of policy sales – the impact to the Company was seen during 2020 but much less so during the 2021 period.

A2. Performance from underwriting activities

The Company currently insures approximately 1.5m (700,000 in 2020) BTE and general insurance policies and c116,000 After the Event insurance new policies were issued in 2021 (c130,000 in 2020).

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

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 significant percentage of cases. At 31 December 2021, there were c273,000 ATE insurance policies in force.

All the ATE and BTE 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 2021, the Company made a profit before tax of £1,322k (2020 - £522k).

The summary technical account for the year end 31st December 2021 is presented below:

Technical account £'000	2021 £'000	2020 £'000
Written Premiums	10,716	12,236
Provision for unearned premium	(4,144)	(750)
Earned premium	6,572	11,486
Claims Paid	(4,493)	(3,592)
Provision for claims	1,152	(825)
Commissions	(95)	(4,795)
Operating expenses	(1,815)	(1,752)
Balance on technical account	1,322	522

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 2021 was £2,000 (2020 £2,000) reflecting the very low levels of interest being paid by banks on instant access deposits.

A4. Operating/other expenses

A breakdown of the operating expenses is listed below:

Operating expenses	2021 £'000	2020 £'000
Insurance commissions	(95)	(4,795)
Colleague costs	(1,181)	(1,133)
Other expenses	(633)	(619)
Total operating expenses	(1,910)	(6,547)

Commissions have decreased markedly due to a change in commercial arrangements for a major ATE client (commissions are now dealt with via an intermediary and premiums received net), provisions made in the prior year against advance commissions paid and a more granular approach to estimating commissions due on ongoing RTA and EL ATE policies.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1. General governance arrangements

There were no 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

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

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 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 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 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 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	Delegated Authority Manager
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 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

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.

Overview of risk appetite & Underwriting Committee

The risk appetite 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 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. 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 of the Board who may also challenge and ultimately 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:

- 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.
- 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.
- 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.
- Risk breaches and risk failures are reported monthly.
- All complaints are monitored with root cause analysis and subsequent action.
- 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:

- Operational
- Insurance
- Financial (including Liquidity and Credit Risks and Capital Constraints)
- Compliance and Legal
- Strategic
- 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 2021. 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 policies 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, Head of Underwriting and Claims, 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.

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) to undertake a regular internal audit of systems and controls. The business is in the process of recruiting an experienced auditor who will also conduct internal audits to strengthen this area further.

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.
- The Company has access to actuarial functionality if required from its accountants.
- 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.
- 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 this might be 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.

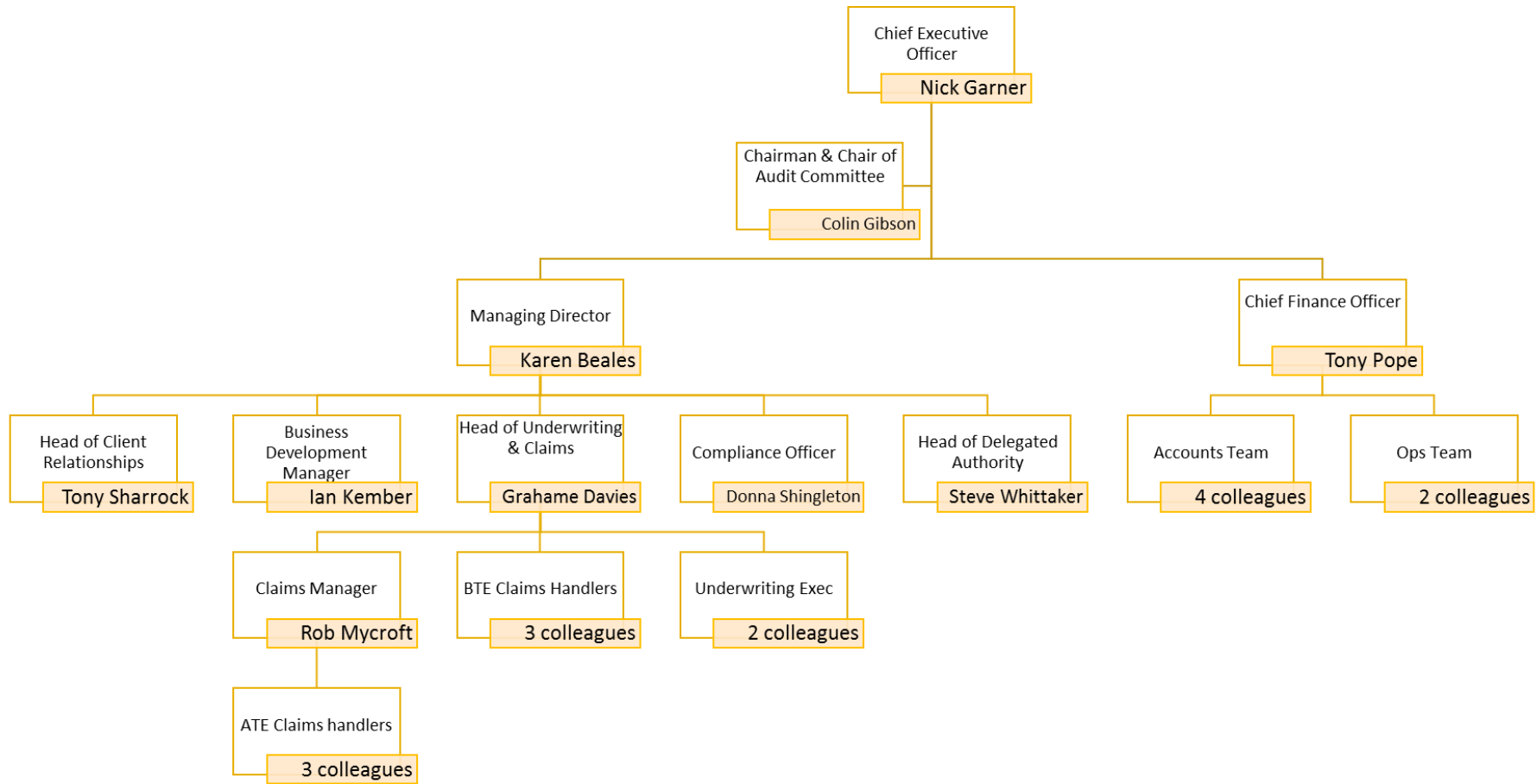
The Company recruited a Delegated Authority Manager in 2020 strengthening the oversight of all delegated authority arrangements for both new and existing clients.

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.

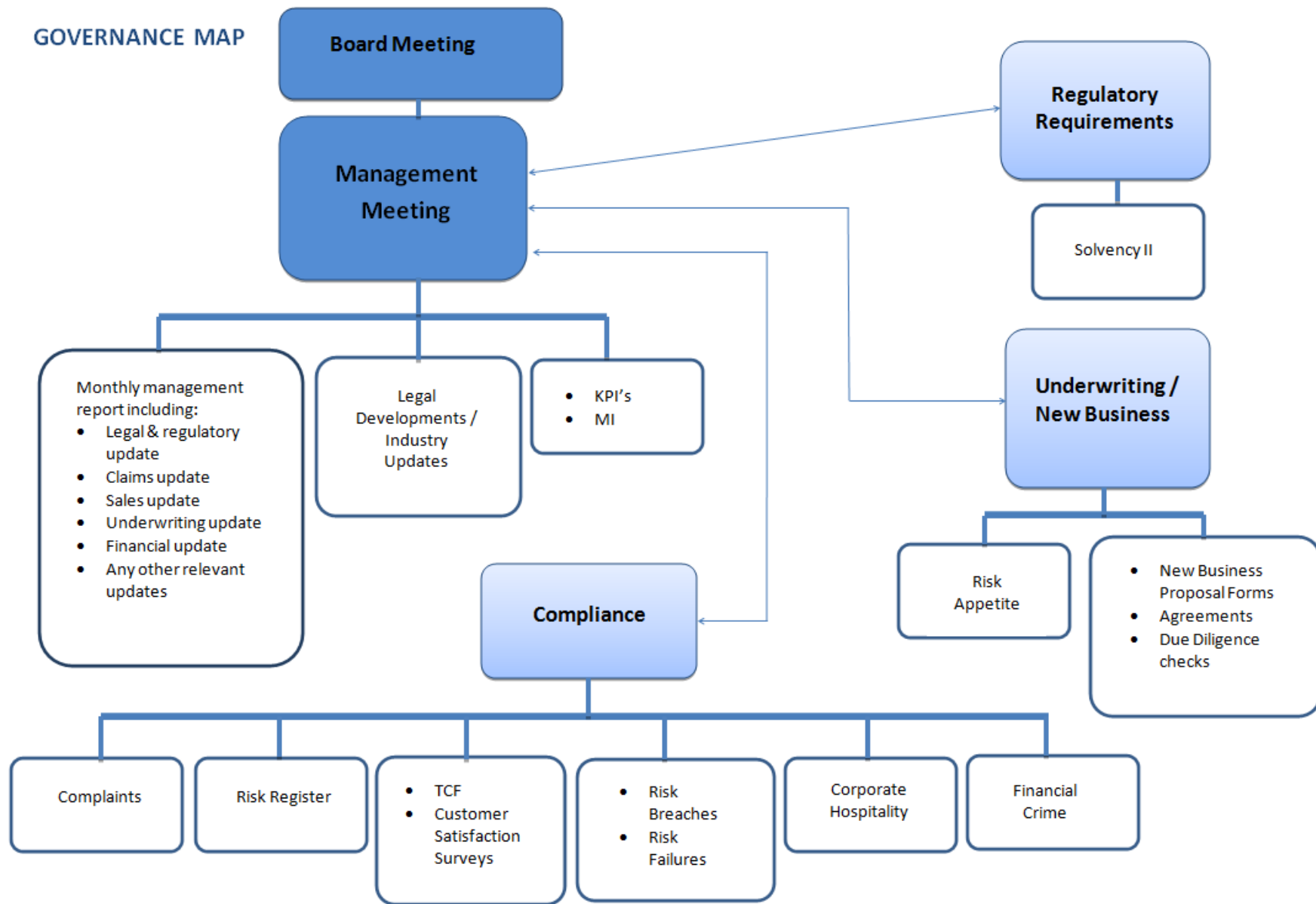
B9. Any other disclosures

There are no other disclosures.

B10.Organisational Structure (as at 31st December 2021)



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 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. 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 a specified period 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 but the focus will increase significantly in this area during 2022 as the policy volumes grow and the Company further diversifies its products.

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 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 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.

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 – 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. The business is also preparing its Operational Resilience policy including consideration of tolerance levels and testing.

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. There are two principle elements which have affected the ATE market:

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 has seen claims attracting significantly lower amounts of damages for the claimant than previously. For example, a 3-6-month duration whiplash injury in March 2020 might bring gross damages to a claimant of £2,000-2,500 but under the new tariff only obtains between £240 and £500. That injury would have to last around up to c15 months instead to achieve the same level of damages under the new tariff.

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 GAAP numbers presented below take into account the impact of the accounting policy change as detailed below, including prior year figures which have been restated accordingly.

Until the year ended December 2020, the business followed an accounting policy in relation to the recognition of ATE insurance debtors and associated unearned premium creditors (and related commission balances) that focussed on recognising in full the premiums (and commission) attaching to all policies written and still recorded as live. The development of an increasingly reliable forecasting approach for future expected settlements and claims costs for the major classes of ATE business written has highlighted that there has been and continues to be a significant under-reporting to the business of cancellations by our insurance partners which is only corrected very slowly over time in a sporadic manner through reconciliation audits and similar processes.

The result of this over time as the business has grown, is that the balance sheet value of debtors for ATE premiums and creditors for Unearned Premiums have become inflated to levels that are increasingly unrealistic. Those balances under the existing accounting policy were c£40m at 31 December 2021 when the realistic forecasts of the business indicate a best estimate of the future settlement value of c£10m. Maintaining the current approach will potentially see these balances grow further and is likely on an unpredictable basis periodically to result in significant “negative written premium” reporting for particular periods when a large volume of newly reported cancellations is suddenly processed.

The Board has therefore decided to implement a change in accounting policy for the recognition of Premium Debtors and Unearned Premium. whereby a provision for under-reported and expected future cancellations will be made to reduce the gross values from the total value of premiums on the live policies recorded in the Company’s records to the level of premiums actually expected on a best estimate basis to be recovered over the next five years. The Board believes that this will support a more realistic and useful presentation of both these significant balance sheet balances and the Gross Written Premium figures reported.

Importantly, this adjustment does not affect profit, net assets or solvency capital ratios. It only affects the presentation of gross assets and gross liabilities.

The Board is currently in dialogue with the Company’s auditors (PKF Littlejohn LLP) regarding this change in accounting policy and full details will be disclosed in the December 2021 Statutory Accounts.

The table below shows a valuation of the Company’s assets at 31st December 2021 together with comparatives for the prior year.

	2021 As per GAAP	2021 As per Solvency II	2020 As per GAAP	2020 As per Solvency II
Total Assets (£'000)				
Investments and cash at bank	8,953	8,953	3,857	3,857
Insurance and Intermediary receivables	10,552	-	13,802	-
Fixed assets including intangibles	276	271	222	214
Other Assets	661	11,218	200	14,009
Total Assets	20,442	20,442	18,080	18,080

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 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.

D2. Technical Provisions

The table below shows the calculation of the Company's technical provisions as 31st December 2021 together with comparatives for the prior year.

Technical Provisions	2021 As per GAAP	2021 As per Solvency II	2020 As per GAAP	2020 As per Solvency II
Technical provisions	(8,188)		(4,611)	
Best estimate of liabilities (BEL)		2,703		2,221
Reinsurance recoverables				
Risk Margin		(132)		(62)
Adjustment for counterparty default risk		(181)		(12)
Discount for future cashflow		(58)		(22)
Total Technical Provisions	(8,188)	2,331	(4,611)	2,125

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk at 31st December 2021. 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 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 as 31st December 2021 together with comparatives for the prior year.

	2021 As per GAAP	2021 As per Solvency II	2020 As per GAAP	2020 As per Solvency II
Total Liabilities (£'000)				
Technical provisions	(8,188)	2,331	(4,611)	2,125
Other provisions	(161)	-	(186)	-
Amounts due to introducers	(2,850)	-	(3,816)	-
Amounts related to reinsurance	(527)	-	(842)	-
IBNR	(1,297)	-	(2,118)	-
Other creditors	(2,159)	(15,331)	(2,186)	(13,907)
Total Liabilities (£'000)	(15,183)	(12,999)	(13,759)	(11,782)

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

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 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 2021	FC 2022	FC 2023	FC 2024	FC 2025	FC 2026
Earned Premium	£'000	6,572	6,528	9,725	10,182	10,726	11,517
Max Earned Current & Prior Year	£'000	11,486	6,572	9,725	10,182	10,726	11,517
SCR	£'000	5,267	3,799	4,419	4,552	4,749	5,038
% Earned premium + 10% TP	%	43%	51%	42%	41%	41%	41%
Shareholders' Funds	£'000	5,111	5,655	6,394	6,940	7,598	8,388
Technical Provisions	£'000	8,188	9,359	8,190	7,867	8,165	8,757
EPITP	£'000	2,331	1,534	1,465	1,477	1,581	1,735
EPITP %	%	28%	16%	18%	19%	19%	20%
Eligible Own Funds	£'000	7,443	7,189	7,858	8,417	9,179	10,123
Excess Funds	£'000	2,176	3,390	3,440	3,866	4,431	5,086
SCR Ratio	%	141%	189%	178%	185%	193%	201%

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

The table below shows the Company's MCR and SCR as at 31st December 2021 together with prior year comparatives.

Solvency Capital Requirement	2021 £'000	2020 £'000
Market risk	-	-
Counterparty risk	379	36
Non life underwriting and reserve risk	4,637	4,464
Basic SCR undiversified	5,016	4,500
Diversification credit	(179)	(18)
Intangible asset risk	217	171
Basic SCR	5,055	4,654
Operational risk	212	335
SCR	5,267	4,989

Capital Requirements & Solvency Ratio	2021 Capital Requirement £'000	2020 Capital Requirement £'000	2021 Solvency Ratio	2020 Solvency Ratio
MCR	2,112	2,255	3.52	2.79
SCR	5,267	4,989	1.41	1.26

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 0.8403 to give an AMCR of £2.1m 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 1.26 to 1.41 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 2020

E6. Any other disclosures

There are no other disclosures.

SFCR Templates

See next page.

S.01.02.01

Basic information - General

General information

- R0010 Undertaking name
- R0020 Undertaking identification code
- R0030 Type of code of undertaking
- R0040 Type of undertaking
- R0050 Country of authorisation
- R0070 Language of reporting
- R0080 Reporting submission date
- R0081 Financial year end
- R0090 Reporting reference date
- R0100 Regular/Ad-hoc submission
- R0110 Currency used for reporting
- R0120 Accounting standards
- R0130 Method of Calculation of the SCR
- R0140 Use of undertaking specific parameters
- R0150 Ring-fenced funds
- R0170 Matching adjustment
- R0180 Volatility adjustment
- R0190 Transitional measure on the risk-free interest rate
- R0200 Transitional measure on technical provisions
- R0210 Initial submission or re-submission
- R0250 Exemption of reporting ECAI information

C0010

Financial & Legal Insurance Company
213800QY2AY6VELK3427
LEI
Non-life undertakings
GB
en
2022-04-08
2021-12-31
2021-12-31
Regular reporting
GBP
IFRS
Standard formula
Don't use undertaking specific parameters
Not reporting activity by RFF
No use of matching adjustment
No use of volatility adjustment
No use of transitional measure on the risk-free interest rate
No use of transitional measure on technical provisions
Initial submission
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
	C0010	C0020
Assets		
R0010 Goodwill		0
R0020 Deferred acquisition costs		0
R0030 Intangible assets	271	271
R0040 Deferred tax assets	0	0
R0050 Pension benefit surplus	0	0
R0060 Property, plant & equipment held for own use	0	5
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	0	2,985
R0080 <i>Property (other than for own use)</i>	0	0
R0090 <i>Holdings in related undertakings, including participations</i>	0	0
R0100 <i>Equities</i>	0	0
R0110 <i>Equities - listed</i>	0	0
R0120 <i>Equities - unlisted</i>	0	0
R0130 <i>Bonds</i>	0	0
R0140 <i>Government Bonds</i>	0	0
R0150 <i>Corporate Bonds</i>	0	0
R0160 <i>Structured notes</i>	0	0
R0170 <i>Collateralised securities</i>	0	0
R0180 <i>Collective Investments Undertakings</i>	0	0
R0190 <i>Derivatives</i>	0	0
R0200 <i>Deposits other than cash equivalents</i>	0	0
R0210 <i>Other investments</i>	0	2,985
R0220 Assets held for index-linked and unit-linked contracts	0	0
R0230 Loans and mortgages	0	0
R0240 <i>Loans on policies</i>	0	0
R0250 <i>Loans and mortgages to individuals</i>	0	0
R0260 <i>Other loans and mortgages</i>	0	0
R0270 Reinsurance recoverables from:	0	471
R0280 <i>Non-life and health similar to non-life</i>	0	471
R0290 <i>Non-life excluding health</i>	0	471
R0300 <i>Health similar to non-life</i>	0	0
R0310 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	0	0
R0320 <i>Health similar to life</i>	0	0
R0330 <i>Life excluding health and index-linked and unit-linked</i>	0	0
R0340 <i>Life index-linked and unit-linked</i>	0	0
R0350 Deposits to cedants	0	0
R0360 Insurance and intermediaries receivables	0	10,081
R0370 Reinsurance receivables	0	0
R0380 Receivables (trade, not insurance)	0	0
R0390 Own shares (held directly)	0	0
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
R0410 Cash and cash equivalents	5,968	5,968
R0420 Any other assets, not elsewhere shown	14,203	661
R0500 Total assets	20,442	20,442
Liabilities		
R0510 Technical provisions - non-life	-2,331	9,434
R0520 <i>Technical provisions - non-life (excluding health)</i>	-2,331	9,434
R0530 <i>TP calculated as a whole</i>	0	
R0540 <i>Best Estimate</i>	-2,464	
R0550 <i>Risk margin</i>	132	
R0560 <i>Technical provisions - health (similar to non-life)</i>	0	0
R0570 <i>TP calculated as a whole</i>	0	
R0580 <i>Best Estimate</i>	0	
R0590 <i>Risk margin</i>	0	
R0600 Technical provisions - life (excluding index-linked and unit-linked)	0	0
R0610 <i>Technical provisions - health (similar to life)</i>	0	0
R0620 <i>TP calculated as a whole</i>	0	
R0630 <i>Best Estimate</i>	0	
R0640 <i>Risk margin</i>	0	
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0	0
R0660 <i>TP calculated as a whole</i>	0	
R0670 <i>Best Estimate</i>	0	
R0680 <i>Risk margin</i>	0	
R0690 Technical provisions - index-linked and unit-linked	0	0
R0700 <i>TP calculated as a whole</i>	0	
R0710 <i>Best Estimate</i>	0	
R0720 <i>Risk margin</i>	0	
R0730 Other technical provisions	0	0
R0740 Contingent liabilities	0	0
R0750 Provisions other than technical provisions	0	0
R0760 Pension benefit obligations	0	0
R0770 Deposits from reinsurers	0	0
R0780 Deferred tax liabilities	0	0
R0790 Derivatives	0	0
R0800 Debts owed to credit institutions	0	0
R0810 Financial liabilities other than debts owed to credit institutions	0	0
R0820 Insurance & intermediaries payables	0	3,063
R0830 Reinsurance payables	0	527
R0840 Payables (trade, not insurance)	14	14
R0850 Subordinated liabilities	0	0
R0860 <i>Subordinated liabilities not in BOF</i>	0	0
R0870 <i>Subordinated liabilities in BOF</i>	0	0
R0880 Any other liabilities, not elsewhere shown	15,317	2,145
R0900 Total liabilities	12,999	15,183
R1000 Excess of assets over liabilities	7,443	5,259

S.05.01.01

Premiums, claims and expenses by line of business

Non-life

Line of Business for: non-life insurance and reinsurance obligations (direct	Total
Legal expenses insurance	

C0100

C0200

Premiums written

R0110	Gross - Direct Business	10,980	10,980
R0120	Gross - Proportional reinsurance accepted	0	0
R0130	Gross - Non-proportional reinsurance accepted		0
R0140	Reinsurers' share	264	264
R0200	Net	10,716	10,716

Premiums earned

R0210	Gross - Direct Business	7,071	7,071
R0220	Gross - Proportional reinsurance accepted	0	0
R0230	Gross - Non-proportional reinsurance accepted		0
R0240	Reinsurers' share	499	499
R0300	Net	6,572	6,572

Claims incurred

R0310	Gross - Direct Business	3,340	3,340
R0320	Gross - Proportional reinsurance accepted	0	0
R0330	Gross - Non-proportional reinsurance accepted		0
R0340	Reinsurers' share	0	0
R0400	Net	3,340	3,340

Changes in other technical provisions

R0410	Gross - Direct Business	0	0
R0420	Gross - Proportional reinsurance accepted	0	0
R0430	Gross - Non-proportional reinsurance accepted		0
R0440	Reinsurers' share	0	0
R0500	Net	0	0

R0550 Expenses incurred

1,857	1,857
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Administrative expenses

R0610	Gross - Direct Business	0	0
R0620	Gross - Proportional reinsurance accepted	0	0
R0630	Gross - Non-proportional reinsurance accepted		0
R0640	Reinsurers' share	0	0
R0700	Net	0	0

Investment management expenses

R0710	Gross - Direct Business	0	0
R0720	Gross - Proportional reinsurance accepted	0	0
R0730	Gross - Non-proportional reinsurance accepted		0
R0740	Reinsurers' share	0	0
R0800	Net	0	0

Claims management expenses

R0810	Gross - Direct Business	0	0
R0820	Gross - Proportional reinsurance accepted	0	0
R0830	Gross - Non-proportional reinsurance accepted		0
R0840	Reinsurers' share	0	0
R0900	Net	0	0

Acquisition expenses

R0910	Gross - Direct Business	0	0
R0920	Gross - Proportional reinsurance accepted	0	0
R0930	Gross - Non-proportional reinsurance accepted		0
R0940	Reinsurers' share	0	0
R1000	Net	0	0

Overhead expenses

R1010	Gross - Direct Business	1,857	1,857
R1020	Gross - Proportional reinsurance accepted	0	0
R1030	Gross - Non-proportional reinsurance accepted		0
R1040	Reinsurers' share	0	0
R1100	Net	1,857	1,857

R1200 Other expenses

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R1300	Total expenses		1,857
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S.17.01.01
Non-Life Technical Provisions

Direct business and accepted proportional reinsurance	Total Non-Life obligation
Legal expenses insurance	

C0110	C0180
0	0
	0
	0

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	-5,597	-5,597
R0070	Gross - direct business	-5,597	-5,597
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0	0
R0110	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses		0
R0120	Recoverables from SPV before adjustment for expected losses		0
R0130	Recoverables from Finite Reinsurance before adjustment for expected losses		0
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	-5,597	-5,597

Claims provisions			
R0160	Gross - Total	3,134	3,134
R0170	Gross - direct business	3,134	3,134
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0	0
R0210	Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses		0
R0220	Recoverables from SPV before adjustment for expected losses		0
R0230	Recoverables from Finite Reinsurance before adjustment for expected losses		0
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	3,134	3,134

R0260	Total best estimate - gross	-2,464	-2,464
R0270	Total best estimate - net	-2,464	-2,464

R0280	Risk margin	132	132
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Amount of the transitional on Technical Provisions

R0290	TP as a whole		0
R0300	Best estimate		0
R0310	Risk margin		0

R0320	Technical provisions - total	-2,331	-2,331
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	-2,331	-2,331

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		0
R0380	Future expenses and other cash out-flows		0
Cash in-flows			
R0390	Future premiums	5,597	5,597
R0400	Other cash in-flows (incl. Recoverables from salvages and subrogations)		0

Cash-flows of the Best estimate of Claims Provisions (Gross)

Cash out-flows			
R0410	Future benefits and claims		0
R0420	Future expenses and other cash out-flows	3,134	3,134
Cash in-flows			
R0430	Future premiums		0
R0440	Other cash in-flows (incl. Recoverables from salvages and subrogations)		0

R0450	Percentage of gross Best Estimate calculated using approximations	0	
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R0460	Best estimate subject to transitional of the interest rate		0
R0470	Technical provisions without transitional on interest rate		0
R0480	Best estimate subject to volatility adjustment		0
R0490	Technical provisions without volatility adjustment and without others transitional measures		0

S.19.01.01

Non-Life insurance claims

Z0010	Line of business	Legal expenses insurance
Z0020	Accident year / underwriting year	Accident year
Z0030	Currency	Total
Z0040	Currency conversion	Reporting currency

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year															C0170 In Current year	C0180 Sum of years (cumulative)	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150			C0160
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		
Prior																		0
R0110 N-14	16	13	22	31	18	41	35	3	10	0	0	0	0	0	0			189
R0120 N-13	2	3	27	87	99	54	99	10	0	0	0	0	0	0	0			381
R0130 N-12	4	46	147	177	99	95	36	0	23	4	0	0	0	0	0			631
R0140 N-11	7	133	230	257	286	103	137	35	31	0	0	0	0	0	0			1,218
R0150 N-10	9	197	269	383	196	129	59	27	0	0	9						9	1,278
R0160 N-9	19	191	485	339	351	184	102	27	0	67							67	1,765
R0170 N-8	27	291	366	302	208	126	54	22	30								30	1,426
R0180 N-7	30	236	267	348	264	111	69	24									24	1,349
R0190 N-6	77	311	661	461	251	153	99										99	2,014
R0200 N-5	63	709	804	634	300	254											254	2,764
R0210 N-4	335	1,049	1,047	882	678												678	3,992
R0220 N-3	211	890	1,019	971													971	3,091
R0230 N-2	172	940	1,187														1,187	2,298
R0240 N-1	171	907															907	1,078
R0250 N	267																267	267
R0260																		
Total																	4,493	23,740

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year															C0360 Year end (discounted data)	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340		C0350
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	
Prior																	
N-14	145	62	20	11	5	2	1	0	0	0	0	0	0	0	0		
N-13	216	71	47	28	13	3	1	0	0	0	0	0	0	0	0		
N-12	247	166	60	40	15	5	0	0	0	1	2	0	0	0	0		
N-11	583	232	168	76	19	0	0	0	4	10	0						
N-10	489	246	142	49	29	0	0	5	15	0							
N-9	547	309	74	27	143	71	14	29	0								
N-8	479	65	4	104	44	19	66	11									
N-7	250	64	108	73	32	106	76										
N-6	71	269	193	67	81	157											
N-5	378	397	109	169	93												
N-4	1,182	295	324	294	14												14
N-3	1,264	1,069	944	134													134
N-2	1,290	1,315	216														216
N-1	1,302	737															737
N	1,785																1,785
Total																	2,885

S.19.01.01

Non-Life insurance claims

Z0010	Line of business	Legal expenses insurance
Z0020	Accident year / underwriting year	Underwriting year
Z0030	Currency	Total
Z0040	Currency conversion	Reporting currency

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year															C0170 In Current year	C0180 Sum of years (cumulative)	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150			C0160
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +		
R0100	Prior																	0
R0110	N-14	16	13	22	31	18	41	35	3	10	0	0	0	0	0	0	0	189
R0120	N-13	2	3	27	87	99	54	99	10	0	0	0	0	0	0	0	0	381
R0130	N-12	4	46	147	177	99	95	36	0	23	4	0	0	0	0	0	0	631
R0140	N-11	7	133	230	257	286	103	137	35	31	0	0	0	0	0	0	0	1,218
R0150	N-10	9	197	269	383	196	129	59	27	0	0	9	0	0	0	0	9	1,278
R0160	N-9	19	191	485	339	351	184	102	27	0	67	0	0	0	0	0	67	1,765
R0170	N-8	27	291	366	302	208	126	54	22	30	0	0	0	0	0	0	30	1,426
R0180	N-7	30	236	267	348	264	111	69	24	0	0	0	0	0	0	0	24	1,349
R0190	N-6	77	311	661	461	251	153	99	0	0	0	0	0	0	0	0	99	2,014
R0200	N-5	63	709	804	634	300	254	0	0	0	0	0	0	0	0	0	254	2,764
R0210	N-4	335	1,049	1,047	882	678	0	0	0	0	0	0	0	0	0	0	678	3,992
R0220	N-3	211	890	1,019	971	0	0	0	0	0	0	0	0	0	0	0	971	3,091
R0230	N-2	172	940	1,187	0	0	0	0	0	0	0	0	0	0	0	0	1,187	2,298
R0240	N-1	171	907	0	0	0	0	0	0	0	0	0	0	0	0	0	907	1,078
R0250	N	267	0	0	0	0	0	0	0	0	0	0	0	0	0	0	267	267
R0260																		
	Total																4,493	23,740

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year															C0360 Year end (discounted data)	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340		C0350
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	
Prior																	0
N-14	145	62	20	11	5	2	1	0	0	0	0	0	0	0	0	0	0
N-13	216	71	47	28	13	3	1	0	0	0	0	0	0	0	0	0	0
N-12	247	166	60	40	15	5	0	0	0	1	2	0	0	0	0	0	0
N-11	583	232	168	76	19	0	0	0	4	10	0	0	0	0	0	0	0
N-10	489	246	142	49	29	0	0	5	15	0	0	0	0	0	0	0	0
N-9	547	309	74	27	143	71	14	29	0	0	0	0	0	0	0	0	0
N-8	479	65	4	104	44	19	66	11	0	0	0	0	0	0	0	0	0
N-7	250	64	108	73	32	106	76	0	0	0	0	0	0	0	0	0	0
N-6	71	269	193	67	81	157	0	0	0	0	0	0	0	0	0	0	0
N-5	378	397	109	169	93	0	0	0	0	0	0	0	0	0	0	0	0
N-4	1,182	295	324	294	14	0	0	0	0	0	0	0	0	0	0	0	14
N-3	1,264	1,069	944	134	0	0	0	0	0	0	0	0	0	0	0	0	134
N-2	1,290	1,315	216	0	0	0	0	0	0	0	0	0	0	0	0	0	216
N-1	1,302	737	0	0	0	0	0	0	0	0	0	0	0	0	0	0	737
N	1,785	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,785
	Total																2,885

5.23.01.01
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
1,332,000.00	1,332,000.00		0.00	
0.00	0.00		0.00	
0.00	0.00		0.00	
0.00		0.00		0.00
0.00			0.00	
0.00			0.00	0.00
6,110,663.00	6,110,663.00			
0.00		0.00	0.00	0.00
0.00				0.00
0.00	0.00	0.00	0.00	0.00

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

0.00

Deductions

0.00				
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R0290 Total basic own funds after deductions

7,442,663.00	7,442,663.00	0.00	0.00	0.00
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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 - other than 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
R0380 Other ancillary own funds
R0400 Total ancillary own funds

0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00			0.00	0.00

Available and eligible own funds

R0500 Total available own funds to meet the SCR
R0510 Total available own funds to meet the MCR
R0540 Total eligible own funds to meet the SCR
R0550 Total eligible own funds to meet the MCR

7,442,663.00	7,442,663.00	0.00	0.00	0.00
7,442,663.00	7,442,663.00	0.00	0.00	0.00
7,442,663.00	7,442,663.00	0.00	0.00	0.00
7,442,663.00	7,442,663.00	0.00	0.00	0.00

SCR

R0600 MCR
R0620 Ratio of Eligible own funds to SCR
R0640 Ratio of Eligible own funds to MCR

5,266,719.37
2,112,250.00
141.31%
352.36%

Reconciliation reserve

R0700 Excess of assets over liabilities
R0710 Own shares (held directly and indirectly)
R0720 Foreseeable dividends, distributions and charges
R0730 Other basic own fund items
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760 Reconciliation reserve

7,442,663.00
0.00
1,332,000.00
0.00
6,110,663.00

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business
R0780 Expected profits included in future premiums (EPIFP) - Non- life business
R0790 Total Expected profits included in future premiums (EPIFP)

2,331,300.00
2,331,300.00

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010

Article 112

Regular reporting

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustment portfolios	USP	Simplifications
	C0030	C0040	C0050	C0090	C0120
R0010 Market risk	0	0	0		
R0020 Counterparty default risk	379	379	0		
R0030 Life underwriting risk			0		
R0040 Health underwriting risk			0		
R0050 Non-life underwriting risk	-4,637	-4,637	0		
R0060 Diversification	-179	-179			
R0070 Intangible asset risk	217	217			
R0100 Basic Solvency Capital Requirement	5,055	5,055			

Calculation of Solvency Capital Requirement

	C0100
R0120 Adjustment due to RFF/MAP nSCR aggregation	
R0130 Operational risk	212
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	
R0200 Solvency Capital Requirement excluding capital add-on	5,267
R0210 Capital add-ons already set	
R0220 Solvency capital requirement	5,267

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	0

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			