Solvency and Financial Condition Report (SFCR)

For the year ending 31st December 2024

Executive Summary

Introduction

This report relates to Financial and Legal Insurance Company Limited (the Company) which is authorised by the PRA and jointly regulated by the FCA and PRA.

The purpose of the Solvency Financial Condition Report (SFCR) report for Financial and Legal Insurance Company Limited (the Company) is to provide information required by the Solvency II (SII) regulatory frameworks as of 31st December 2024, based on the financial position as of 31st December 2024.

This report sets out aspects of 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.

Business and Performance

Historically, the Company operated as a specialist legal expenses insurer primarily providing Before the Event ("BTE") and After the Event ("ATE") legal expenses insurance policies. However, since 2021 the Company made a strategic decision to diversify into general insurance products with the majority of the GWP in 2024 being BTE and general insurance business.

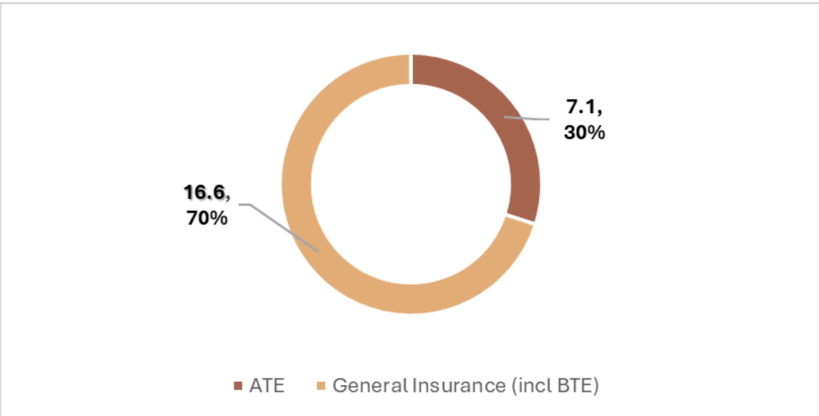
The strategy is to remain agile, whilst building strategic relationships with partners that is underpinned by our vision and values.

Our values are embedded in our vision statement:

We are ***passion***ate to **Drive** service ***excellence*** and enable exceptional outcomes for our customers. Through the ***development*** of, and ***collaboration*** with our colleagues, we will **Further** ourselves with effective ***engagement*** to deliver our purpose.

The current product split is below:

Category	**Value (£)**	Percentage (%)
ATE	7.1	30
General Insurance Business / BTE legal expenses	16.6	70



The chart above illustrates the written premium (net of reinsurance) distribution for ATE and general products including BTE in 2024. This visual representation is crucial as it highlights the substantial portion of our business dedicated to each category, providing a clear understanding of our financial structure. It underscores the emphasis we place on General Insurance, which now makes up nearly 70% of our written premium, signalling strong performance and strategic focus in this area and a significant increase in premiums from 2023.

Underwriting Performance

The Company continues to increase the volume and range of General Insurance Business (Including BTE legal expenses) it sells through regulated insurance brokers.

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

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

In 2024 the Company has increased sales in Motor Ancillary products, predominantly Motor Warranty and GAP insurance. The GAP market has undergone a significant overhaul following the FCA review in 2024. The Company's focus was to initially offer GAP products sold via online providers and the business did not have any legacy dealer relationships with significant commission levels which were highlighted as a particular area of concern.

On 29th May 2024 the Company agreed with the Financial Conduct Authority (the 'FCA') to certain requirements on the Company's Part 4A permissions which meant that sales were only permitted via online routes to market. This Voluntary Application for Imposition of Requirements (VREQ), which was also entered by all GAP contracts in the UK market meant that the Company must, without written consent, enter into or take up or effect any GAP contracts, whether directly or through another person.

Events after the reporting date has led to the lifting of the VREQ with effect from 31st March 2025. This followed a collaboration with the FCA and a thorough review of our product offering.

The Company continues to maintain a significant volume of ATE business. The portfolio is now more diverse, including non-injury ATE products developed and offered through partners who have a longstanding relationship with the Company and possess the relevant expertise.

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

BTE legal expenses policies are typically distributed by insurance brokers alongside a primary policy, such as motor, home, or landlords. In recent years the Company extended its offering to include more general insurance policies, which are typically distributed by insurance brokers or MGAs.

The Company wrote circa 175,00 ATE policies in 2024, a similar number to 2023 (c180,000). The Company also insures in the region of 1.8m BTE and General Insurance policies.

Financial Overview

In 2024 the Company experienced significantly increased profitability with underwriting profit rising from £1.4m to £4.5m against a budget of £1.1m. This result includes net earned premium of £2.6m in relation to funded ATE premiums versus a conservative budget of nil. These premiums largely relate to financial mis-selling where a number of high-profile court cases are dictating the pace of progress with the underlying legal claims.

Total written premium (net of reinsurance) decreased from £28.6m to £23.7m, with a significant decrease in ATE business (driven by a reduction in funded ATE business) offset by a significant increase in BTE, Motor GAP and Motor Warranty product lines.

Net assets increased by £3.9m year on year with a notable improvement in cash at bank balances which rose from £22.0m to £30.8m.

Systems of Governance

Section B outlines the system of governance and risk management, detailing how the Company is directed and controlled. It describes the remuneration policy and practices, as well as adherence to the ‘Fit and Proper Requirements,’ which are standards mandated by regulators for appointing individuals who run the business or perform key functions.

The governance system centres on the Board, the Risk Committee, the Underwriting Committee, the Audit Committee, and various subcommittees, with some functions outsourced to external service providers. The core component of governance is the risk management system, designed to identify all material risks, establish policies and procedures to assess these risks, consider their potential impact, and report them so they can be effectively managed or mitigated.

The Board

- Governance structure – we have a formal governance structure of committees to oversee risk reporting to the Board. This encourages constructive challenge on our approach and helps to ensure that our risk exposure remains appropriate and within the defined limits.
- Organisational structure – the reporting lines, roles and responsibilities of the directors and senior management to support the delivery of the Company’s strategy and implement appropriate risk policies and controls.
- Risk Management System (RMS) – is designed to help us manage our risks effectively and includes our risk appetite and policies. It is underpinned by a strong risk culture.
- Internal Control System (ICS) – methods and processes put in place to achieve effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

During 2024 the Head of Risk and Compliance was promoted to the Chief Risk and Compliance Officer with an additional recruitment of 6 colleagues into the Risk and Compliance Team to ensure appropriate resource is available. This investment has enabled the commitment of growth whilst acknowledging the regulatory requirements.

Solvency Capital Ratio

The Company uses an external actuarial consultancy business to review the methodology and assumptions used to derive the Company’s solvency capital ratio (“SCR”), which remains the Company’s most important key performance indicator.

This year the Company has seen a reduction in SCR level (from 163% in 2023 to 147% in 2024) due largely to the impact of a change in treatment of funded ATE business which has significantly increased future earned premiums in respect of business already written. These volumes are not forecast to be repeated as the Company becomes increasingly focused on developing its General Insurance book.

The remaining unearned funded ATE business, which was largely written in 2023 and the early part of 2024, is forecast to be earned in 2026 and 2027 which in turn is likely to mean that the SCR does not start to demonstrate year on year increases until 2026.

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:

Supervisory authority	Details	Link
PRA	12 Endeavour Square, London, E20 1JN +44 (0)20 7066 1000	www. bankofengland.co.uk/pra
FCA	20 Moorgate, London, EC2R 6DA +44 (0)20 7601 4444	www.fca.org.uk

Financial and Legal Insurance registered and operating office:

Financial and Legal Insurance Company Limited
5400 Lakeside
Cheadle Royal Business Park
Cheadle
SK8 3GQ

Auditors name and address:

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

Shareholding structure

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

Following an issue of shares in 2023, Karen Beales and Tony Pope own 1 ordinary share each, a negligible holding out of the 1,332,002 shares in issue.

External Environment

ATE RTA policies historically were the single largest product, so it is pleasing that the company has returned to growth in a relatively short timescale.

The company has also diversified into new product lines, including GAP insurance. This move has necessitated a focus on the economic environment, particularly the value of vehicles. Following the shortage of vehicles throughout and after the Covid pandemic, where vehicles showed little depreciation, the market has returned to a more usual state with vehicles showing high levels of depreciation (20-40% in the first year). This shift has influenced the company's strategy and product offerings, ensuring that they remain relevant and valuable to customers in the current economic climate.

UK Economic Climate

The UK population is still experiencing a challenging financial period, with an inflated cost of living, stemming from utility and food price rises following the pandemic and the invasion of Ukraine. The regulatory focus and wider economy place significant stress on the insurance market, with the focus on fair value for customers limiting the ability to increase insurance costs despite the escalating costs of operating in this market. The population has an increasing number of vulnerable individuals all of which make the insurance market challenging and has to be considered as part of the Company's strategic goals.

During 2024, the change brought by the new UK government introduced new policies aimed at stabilising the economy and addressing inflation. These policies could have varied impacts on the insurance sector, ranging from adjustments in regulatory requirements to shifts in market dynamics. It is crucial for the insurance industry to stay adaptable and continually reassess its strategies in light of these evolving political and economic conditions.

Regulatory development

In the last 3-5 years the Financial Conduct Authority has significantly "raised the bar" in terms of insurance consumer protection (and the clear demonstration of this). The FCA has implemented several key actions, including tightening regulations, increasing transparency requirements, and enhancing consumer rights. Additionally, their updated strategy focuses on fostering competition, improving market integrity, and addressing emerging risks. The result for the Company and all others involved in the retail insurance market has been a significant increase in the focus, time and cost devoted to ensuring full compliance with all requirements to ensure we can clearly demonstrate how the Company meet all duties to the customer and deliver value in the products we manufacture and distribute.

A2. Performance from underwriting activities

The Company historically has distributed mainly ATE Insurance products, whilst the policy volumes are less than BTE, the premium per policy is greater hence the majority of the income and in turn profit has resulted from the ATE product range.   General insurance GWP has seen significant growth in 2024 through GAP Insurance and Warranty business with the general product premium now exceeding the GWP from ATE Insurance products The Company have refined their underwriting approach and philosophy to account for the wider General Insurance product range, with reserving/earnings patterns tailored for individual schemes and products.

The nature of ATE Insurance business leads to a prolonged settlement period for claims. With the expectation of cancellations or abandonment of a claim for a significant percentage of policies, which is monitored.

All the products insured, relate to risks insured located in the United Kingdom: All underwriting is carried out in the Company's office. In the year to 31st December 2024, the Company made a profit before tax of £6.4m (2023 - £2.2m), reflecting increases in both underwriting profit and interest income.

The summary technical account for the year end 31st December 2024 is presented below:

Technical account £'000	**2024 £'000**	**2023 £'000**
Written Premiums	23,720	28,584
Provision for unearned premium	(5,566)	(18,041)
Earned premium	18,154	10,544
Claims Paid	(9,040)	(4,955)
Provision for claims	(1,432)	(750)
Commissions	(457)	(856)
Operating expenses	(2,738)	(2,626)
Balance on technical account	**4,486**	**1,357**

In 2024, the **written premiums** amounted to £23.7m which is a decrease from £28.6m in 2023. This reduction in written premiums is primarily due to a significant decrease in funded ATE premiums offset to a large extent by an increase in BTE and General Insurance business lines. **Earned premium** for 2024 was £18.2m, a notable increase from £10.5m in 2023, reflecting the increase in BTE and General Insurance business together with the recognition of £2.6m of funded ATE premiums.

The **claims paid** in 2024 were £9.0m, almost double the £5.0m paid in 2023, largely driven by the increase in BTE and General Insurance volumes (claims relating to funded ATE business have as yet not materialised to any material extent).

Operating expenses remained relatively stable, with a slight increase from £2.6m in 2023 to £2.7m in 2024. Overall, the **balance on the technical account** for 2024 was £4.5m, a substantial improvement from £1.4m in 2023

During 2024 the Company reconsidered its reinsurance needs and has a small number of reinsurance arrangements in place which provides protection to the business as well as capital relief.

A3. Performance from investment activities

Cash Deposits: The Company operates a risk averse investment policy with all liquid funds held in cash with Barclays Bank. The total investment income generated in 2024 was £1.4m (2023 £0.7m), primarily reflecting the significant increase in cash reserves.

Related Party Loans: The Company has a secured loan arrangement with two related party (MSL Vehicle Solutions Limited and MSL Legal Expenses Limited) attracting an interest rate as of December 2024 of 7%.
The combined outstanding balance from these two loans on 31 December 2024 was £7.1m (2023 £5.8m) with interest of £0.5m (2023 £0.2m) earned in the year.

A4. Operating/other expenses

A breakdown of the operating expenses (net of salary recharges to related parties) is listed below:

Operating expenses	2024 £'000	2023 £'000
Insurance commissions	(457)	(856)
Colleague costs	(1,782)	(1,873)
Other expenses	(956)	(753)
Total operating expenses	**(3,196)**	**(3,482)**

Commissions (not deducted at source) relate entirely to deferred ATE business with the reduction reflecting the continued decrease in legacy personal injury business.

Colleague numbers and other operating expenses have remained fairly steady overall.

A5. Any other disclosures

There are no other disclosures.

B: System of Governance

B1. General governance arrangements

The Board is responsible for the long-term sustainable success, oversight of the business and sets its strategy and risk appetite in line with the Company's values, with the goal of achieving sound and prudent management.

The terms of reference for the Board were reviewed in 2024 without material change to Governance, there have been several changes to the Board structure during the 2024 year, the Board ensures that there are adequate and suitably qualified resource to safeguard the operation of the Company.

During 2024 approval for the promotion of Elaine Parkes from Head of Risk and Compliance to the role of Chief Risk Officer, was granted from the FCA and PRA in June 2024 she holds the responsibilities for risk and compliance including SMF4 and SMF16 transferring from Tony Pope and Karen Beales accordingly.

Karen Beales, Chief Underwriter Officer and Managing Director resigned from her post on the 31st of October 2024: The Board approved Jon Daniels (Subject to approval) as the Managing Director with responsibilities of Chief Underwriting Officer Function and Responsible for Insurance Distribution. Karen Beales will remain on the Board as a Non-Executive Director (Subject to regulatory approval)

Two appointments have been made for Commercial Director and Operations Director, with the latter starting in February 2025. The necessary applications will be submitted accordingly to the FCA and PRA for their respective areas of responsibility.

During 2024, Board matters included challenging, approving and overseeing the evolution of the Company's purpose, strategy and values and the responses to the FCA oversight, working with the FCA on the GAP permission.

The Board acts collectively and in accordance with the Boards terms of reference: The composition is reviewed regularly and is of sufficient size and expertise to oversee the operations of the Company. The Board has been formed to ensure it can:

- Adequately discharge its responsibilities and duties
- Upholds high standards of business conduct
- Ensures judgements and decisions are taken that preserve adequate capital and avoid conduct risk
- Considers all risks, has a full and detailed understanding of the challenges facing the Company and has the experience to deal with any issues.
- Sets the strategy and policies of the Company and reviews business performance
- Determines the nature and extent of significant risks and the appetite for risk acceptance
- Takes responsibility for the Own Risk and Solvency Assessment (ORSA)
- Consider consumer outcomes ensuring access to necessary details to ensure clarity of decisions.
- Drives and monitors the system of governance to ensure that the Company's established functions, controls and systems are effective and in line with the Company's policies and regulatory requirements. This is achieved through established policies, procedures, committee and board meetings.

The Board of Directors comprises a mix of individuals with the following skills:

- Business Strategy – a detailed understanding of the business strategy with the skills and knowledge to challenge accordingly to ensure a robust business strategy.
- Insurance and financial markets
- Financial – to interpret the financial information, identifying key issues and put into place key controls.
- Regulatory frameworks – understanding of the regulatory framework within which the Company operates, with a focus on customer outcomes.

All Directors have been assessed to be fit and proper for the roles.

The Board structure as of 31st December 2024 as follows:

N D Garner - Chief Executive Officer
K A Beales – Managing Director resigned on the 31st of October 2024
A J Pope – Chief Financial Officer
E V Parkes – Chief Risk and Compliance Officer
J Daniels – Managing Director (subject to approval) w.e.f. 1st November 2024
C J Gibson – Chair of the Board and the Audit Committee and Non-Executive Director
K A Beales - Non-Executive Director (subject to approval) w.e.f. 1st November 2024
A S Hughes –Non-Executive Director
D Ross – Non-Executive Director and Consumer Duty Champion.

The Company Secretary is Serena Garner.

Senior Insurance Management Functions are allocated as follows:

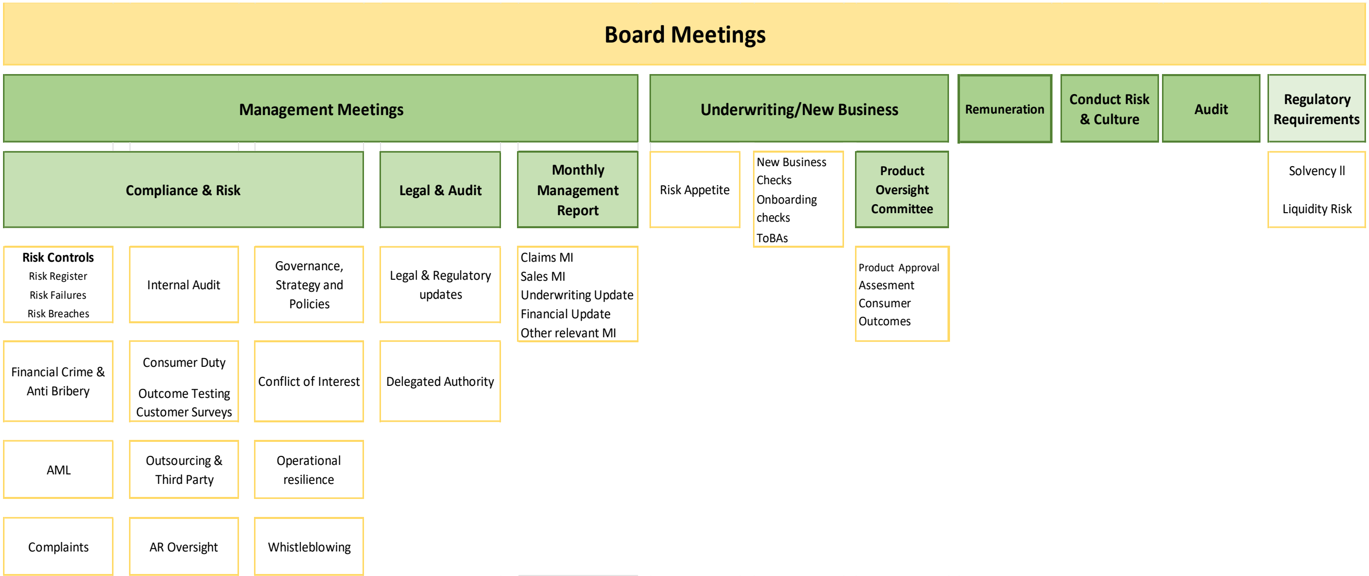
Role	Name	SMF/CF
Chief Executive	Nick Garner	SMF1
Chief Finance Officer	Tony Pope	SMF2
Chief Risk and Compliance Officer	Elaine Parkes	SMF4 & SMF16
Chair of the Governing Body Chair of Audit Committee	Colin Gibson	SMF9 & SMF11
Compliance Oversight	Elaine Parkes	SMF16
Money Laundering Reporting Officer (MLRO)	Tony Pope	SMF17
Chief Underwriting Officer Function	Jon Daniels*	SMF23
Responsible for Insurance Distribution	Jon Daniels	N/A
Director (Appointed Representative)	Nick Garner	CF1
Director	Jonathan Daniels	SMF3
Non-Executive Director	Karen Beales**	N/A
Non-Executive Director	Anthony Hughes	N/A
Non-Executive Director	David Ross	N/A

*Subject to regulatory approval. After the reporting period has subsequently been approved

**Subject to regulatory approval.

There are also three other senior managers, Head of Underwriting, Head of Claims and Head of Product Governance and Oversight (started Q4 2024) plus c25 other colleagues. As part of the overall governance strategy, each senior manager has a clearly defined role with ownership and responsibilities to act as the first line of risk defence (referred to below). The Board continually review the resources to ensure there are sufficient resources and/or development in infrastructure to support such growth.

The Board and Board Committee Structure



The Board Committees

The Board of the Company appointed various committees to assist it in its governance role, however it still retains the ultimate responsibility for these functions. The Board Committees each perform a function on behalf of the Board

Audit Committee

The purpose of the Audit Committee is to provide oversight and assessment of the integrity and accuracy of the financial reporting, along with the effectiveness of the internal controls. It is also responsible for the management, coordination and oversight of the internal and external audit functions. All members are independent NEDs.

Remuneration Committee

Is responsible for the remuneration for the setting and oversight of the Remuneration Policy: This has been revised during the last 12 months. It details how Senior Managers, and colleagues are compensated, is structured around prioritising the needs and satisfaction of customers. This means that the policy is designed to reward behaviours and actions that enhance the customer experience and fulfil the four outcomes outlined in Consumer Duty regulations. These outcomes typically focus on ensuring fair treatment, appropriate products and services, effective communication, and overall customer satisfaction. So, the remuneration policy incentivises colleagues to prioritise customer needs and uphold their rights and interests in line with regulatory standards.

Risk Committee

The risk committee oversees the implementation and performance of the Company's Risk Management Framework, Compliance Frameworks within the Regulatory Risk appetite set by the Board

Underwriting Committee

The Underwriting Committee reviews the insurance needs of the customers and the adequacy of the policies in place, meetings are held monthly it manages the balance between risk and reward, analysing and making informed decisions, evaluating the risks associated with the product ensuring that the product delivers good outcomes for the client and meets the strategic objectives.

Product Oversight Committee

Reports into the Underwriting Committee it oversees the product fair value and ensures that products both new and existing products meet the requirements of Consumer Duty and the Company's own objectives for the delivery of good customer outcomes.

Remuneration Policy and Practices

The Board is responsible for the remuneration terms under the control of the chair of the Board who has ultimate responsibility.

The Board:

- oversee the design of the remuneration architecture, the implementation of the Remuneration Rules and the respective monitoring process.
- review the Remuneration Rules regularly, at least once a year, and amend 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, whilst always supporting the aims of Regulatory requirements.

1. The link between pay and performance is supported by fixed pay (i.e. base salary and benefits) and performance-related pay (bonus schemes as applicable).
2. The remuneration system is an important element of the broader risk management framework with a clear focus of the targets and measures to support customer centric behaviours. It 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.
3. Performance-related pay, based upon a balanced set of SMART objectives which are 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.
4. The Company does not pay bonuses based upon policy sales or volumes.
5. 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. Good customer outcomes have been strengthened in the setting of objectives for each individual throughout the Company and are monitored frequently, with clear reportable outcomes.

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.

B2. Fit and Proper Requirements

Skills, knowledge and expertise

The Senior Managers & Certification Regime (SM&CR) aims to strengthen individual accountability in regulated UK financial services firms.

The company's SM&CR policy sets out the approach to managing and assessing colleagues in senior roles. The policy defines minimum standards for colleagues to follow, including a Fit & Proper (F&P) assessment. The company is fully compliant with the SM&CR Regime and has provided a Responsibilities Map to the PRA and the FCA.

The Responsibilities Map contains Senior Management Functions and Key Function Holders. As an insurer the Company must assess that certain colleagues within the firm are fit and proper and maintain skills, knowledge and expertise to do their job.

The SM&CR policy defines the following requirements on skills and experience:

- Senior management and certified functions must meet the Fitness and Propriety policy standards before commencing their role. Ongoing compliance that standards are met is certified at least annually thereafter

- The Chair of each Group entity is accountable for ensuring that their respective Board has the relevant skills and training to exercise their duties. This includes ensuring that Non-Executive Directors are fit and proper to perform their role on an ongoing basis

- Senior Management Functions role holders are accountable for understanding their role and accountabilities under SM&CR. This includes compliance with the Conduct Rules, completing required training, and ensuring they have documented reasonable steps and frameworks

- Certified function role holders are responsible for ensuring that they have an up-to-date certificate at all times, informing the People function of relevant changes

- Where applicable, colleagues must comply with related policies and procedures to ensure competence, that Group standards are maintained, and performance is managed appropriately.

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

Assessing fitness and propriety

All relevant colleagues must be fit for their role and responsibilities and hold the qualifications, knowledge and experience relevant to the role to ensure that it is performed in a professional manner with the appropriate degree of management and professional competence.

Appointment of all individuals must comply with the rules as set out in the rules and guidelines. 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:

- Disclosure and Barring Service (DBS) checks regularly

- Previous employment references
- Request regulatory references for new colleagues, where the colleague has worked within a PRA / FCA regulated firm.
- Politically exposed persons and sanctions checks
- Verification of qualification and satisfactory personal and professional references.

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:

Name	Role
C Gibson	Chair of the Governing Body, Chair of the Audit Committee
N Garner	Chief Executive Officer
A Pope	Chief Financial Officer
K Beales	Non-Executive Director
J Daniels	Managing Director
D Ross	Non-Executive Director
A Hughes	Non-Executive Director
G Davies	Head of Underwriting
E Parkes	Chief Risk and Compliance Officer
R Mycroft	Head of Claims
D Shingleton	Compliance Officer
C Snell	Head of Product and Governance
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 management system is designed to help us manage our risks effectively and includes our risk appetites and policies. It is underpinned by a strong risk culture.
- We define risk appetites to quantify the nature and level of risk we are prepared to accept to deliver our strategy. Our risk appetites are aligned to the Company's vision, values and strategy and are approved by the Board.
- Our risk policies outline the way we manage and control risks in line with our risk appetite and are embedded in all the procedures and processes that the Company follow.

Which include:

Policy list

Anti-Bribery Policies, Gifts & Inducements Policy	Anti-Fraud Policy
Anti-Money Laundering (AML) Policy	Audit Risk Policy
AR Oversight Policy Binder Termination Policy	Business Continuity Plan
Claims Policy	Communications Policy
Complaints and Foreseeable Harm Policy	Conduct Risk Policy
Conflicts of Interest Policy	Consumer Duty Policy
Corporate and Social Responsibility Policy	Diversity & Inclusion Policy
Data Protection Policy	Document, Record and Data Retention Policy
Environment, Social and Governance (ESG) Policy	Financial Crime Policy
Financial Promotions Policy	Internal Controls Policy
Investment, Credit & Liquidity Risk & Asset Liability	IT Outsourcing Policy
IT Security Policy	Modern Slavery Policy and Human Trafficking Policy
Onboarding Policy & Due Diligence Policy	Ongoing Fitness & Propriety Policy
Operational Resilience Policy	Outsourcing Policy
Principal/AR Oversight & Monitoring Policies (incl. AR onboarding and offboarding)	Product Oversight & Governance Policy
Product Pricing Policy	Recruitment Policy
Remuneration Policy	Reputational Risk Policy
Reserving Policy	Risk Breach and Risk Failure Policy
Risk Register Policy	Senior Manager Handover Policy SM&CR Policy
Social media	Tax Evasion Policy
Training and Competence Scheme	Treating Customers Fairly (TCF)
Vulnerable Customers Policy	Whistleblowing Policy

These policies are reviewed at least annually but also as required in the event of any market changes. In addition, there is a monthly requirement for all risk breaches and failures to be reported on an appropriate form.

The RMS enables the Board to gain assurance that:

- The risks faced by the Company are being appropriately identified and managed within risk appetite.
- risks that may result in significant financial loss or reputational damage are being mitigated.
- The achievement of the Company's objectives is not undermined by unexpected events.

The Company operates a three – lines of defence model

Three lines' model

Effective risk management in day-to-day activities and decision making is demonstrated across our 'three lines' model. The model defines the ownership of and responsibilities for risk and provides internal assurance on our risk management practices

First Line	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
Second Line	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.
Third Line	Provided by internal audit. This provides a level of independent assurance that the risk management and internal control framework is working as desired. The Company use various specialist external consultants to undertake its independent internal audit dependent on the area of focus each year. The Board have appointed two independent external consultants to offer support and advice in regard to Compliance and Regulatory matters.

Overview of risk appetite & Underwriting Committee

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

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

The Company operates a Product Oversight Committee (POC) which reviews all new products / schemes and changes to any existing products. It considers the product value, customer outcomes and ensuring the target market is considered and understood before progressing to commercial considerations. The Product Assessment documentation has recently been updated to ensure a more robust approach to product oversight from the offset. The revised process has been finalised with the assistance of an outsourced Compliance Consultancy to ensure a robust process.

If the POC approves a product it may require referral to the Underwriting Committee which considers new products, individual business opportunities, and general account performance. The Committee will consider, challenge and may approve the proposition.

However, where the product is a new product not previously underwritten, the Underwriting Committee is required to make a recommendation to the Board who may also challenge and 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.

Risk Management Process

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 colleagues 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)

The ORSA process is connected to the business planning process and is conducted as part of the overall governance and control system.

A Company ORSA is produced.

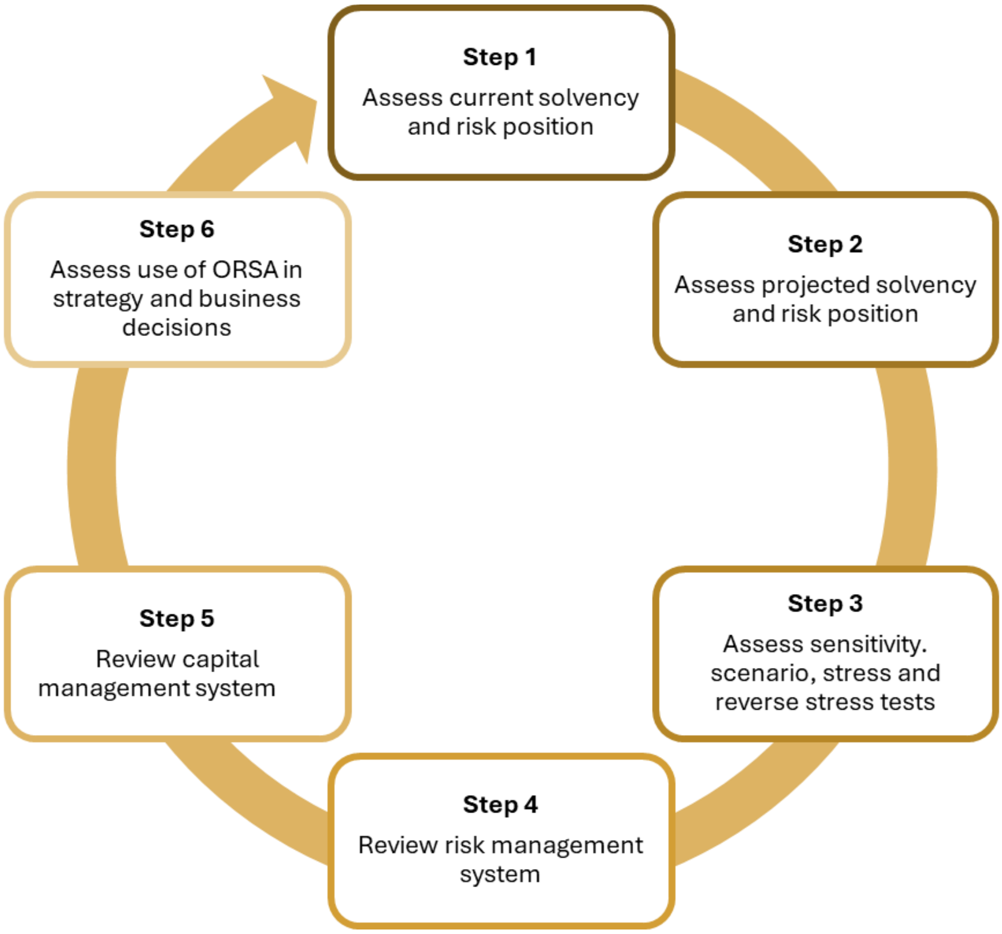
Purpose of the ORSA

The ORSA document:

- Establishes **policies, processes, and procedures** for ORSA development.
- Identifies **source documents and management information** used for ORSA production.
- Outlines key assumptions and review frequencies for management information.
- Defines the Board**'s role** as the Administration, Management, and Supervisory Body.
- Sets **reporting timelines** and the **communication methodology** for internal stakeholders.
- Ensures that all parameters and risk assessments undergo **thorough Board review, challenge, and ultimate agreemen**t before finalising the ORSA.

At its core, the ORSA provides a **long-term risk assessment**, incorporating financial valuations and contingency planning to ensure continuous solvency and adequate capital reserves.

The ORSA is based on a range of inputs, processes and outputs as illustrated in the diagram below



ORSA Period & Scope

- The ORSA covers **medium- and long-term risks** over a **five-year period**.
- It considers business fluctuations from policies issued before the ORSA, along with policies that will be **settled and earned over the next 7-10 years**.

Frequency of the ORSA

The ORSA will be produced:

1. **Annually**, as agreed by the Board, in line with the Company's stable nature.
2. **Upon request** by the Board or senior management team.
3. **In response to material changes** in risks, including but not limited to:
    - Court judgments.
    - Changes in cost rules.
    - Legal or legislative changes (UK or European).
    - Regulatory or compliance changes.
    - Civil procedure rule changes.
    - Material change in cancellation rates.
    - Significant variations in claims experience (frequency/costs).
    - Any other changes which may affect the business, and which may have a material effect on the ORSA.

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 board and management meetings.

The management meetings are attended by the Chief Executive Officer, Chief Financial Officer, Chief Risk and Compliance Officer, Managing Director, Commercial Director, Head of Product Oversight and Governance, Head of Underwriting and Head of Claims. The Managing Director has the responsibility for producing the management report which provides a general overview of activity within the month, performance towards strategic plans, key performance indicators and any relevant legal or regulatory changes or updates including emerging risks.

The monthly financial accounts are also reviewed at these meetings as produced by the Chief Financial Officer with sales activity updated by the Commercial Director and regulatory information provided by the Chief Risk and Compliance Officer.

Internal controls are embedded into processes which include the due diligence procedure for new business partners, conformity with the Board agreed risk appetite and a robust process for new and existing business which ensures that at least two persons (one of which must be either the Chief Risk and Compliance Officer) formally sign off new business terms before any contractual arrangements are entered into through compliance vetting.

The process has been further enhanced with the creation of the Product Oversight Committee (POC), reporting to the Underwriting Committee. The POC is the body responsible for the product assessment and will ensure that products offer fair value to customers.

B6. Internal Audit Function

The Company engages an independent compliance consultancy specialising in insurance, along with other external consultancies with specialised skills as needed, to conduct regular internal audits of its systems and controls. Additionally, the business outsources parts of its partner audit process to seasoned auditors, each with over 20 years of experience in the relevant product line. These auditors examine partners, clients, and claims handlers, producing audit reports that are subsequently reviewed during management meetings, with any significant issues escalated to the Board as necessary.

To maintain the integrity of the internal audit, the report is always sent directly to the Chair of the Audit Committee, ensuring that the content and findings remain uninfluenced by other parties.

B7. Actuarial function

Article 48 of the Solvency II directive details the requirement of the need for an actuarial function.

Having considered this and sought advise The Company does not feel 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.
- We include the involvement of an external actuarial firm to review the Company's approach to and specific calculations of the Solvency Capital Requirement ("SCR") ratio. All material elements from their recommendations have been considered in relation to the 2024-year end SCR regulatory reporting.
- The Company, with an independent qualified accountant as Chair, have a strong accountancy presence at board who understand the business and how it operates. In addition, the Company, in agreement with the

PRA, in 2020, appointed another full-time qualified accountant as CFO to further strengthen its financial management and control capability.

- To summarise the Company, have both board accountants as well as access to actuarial functionality when required and consequently do not consider that, as a mono line insurer, the appointment of a full-time actuary is necessary. The Company also considers that not having a full-time actuary is entirely consistent with the Solvency II directive in relation to proportionality and is commensurate with its risks and appetite.
- The appointment of a full-time actuary is reviewed at least annually, external advice is also considered, 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
c. Claims

Item b above is operated by another company under the same ownership as the Company.

During November 2023 the Company experienced a system outage due to a cyber-attack at our outsourced IT company, whilst there was no customer detriment it did lead to a thorough review of our provider and led to a change in provider in June 2024.

While the Board are satisfied that the incident demonstrated the Company's ability to cope very successfully with this temporary compromise in its system functionality in a manner which resulted no customer detriment, it recognises the need to learn appropriate lessons. This led to a review of processes and improvements to our Disaster Recovery was implemented further improving operational resilience.

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

The Company delegates claim 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.

To manage and mitigate potential risk, key controls are in place, with our TPAs and include, but not limited to

- Due Diligence Reviews
- Terms of Business Agreements
- Regular monitoring
- Audits of counterparties
- Review of credit rating

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 Chief Risk and Compliance Officer and team are responsible for both oversight of clients and the products sold. A revised audit approach was drafted in 2024 to improve oversight and best practice.

This is based on risk-based assessment based on three risk categories
1. Product & Value Risk.
2. Business & Operational Risk; and
3. Governance & Board Risk.

The Audit Reports provide the Board with the findings, observations, and recommendations from the audit, ensuring we have an understanding of firm's compliance strength and areas for improvement.

This comprehensive approach includes the following audit themes:

1. Governance, Risk & Controls
2. Claims Audit

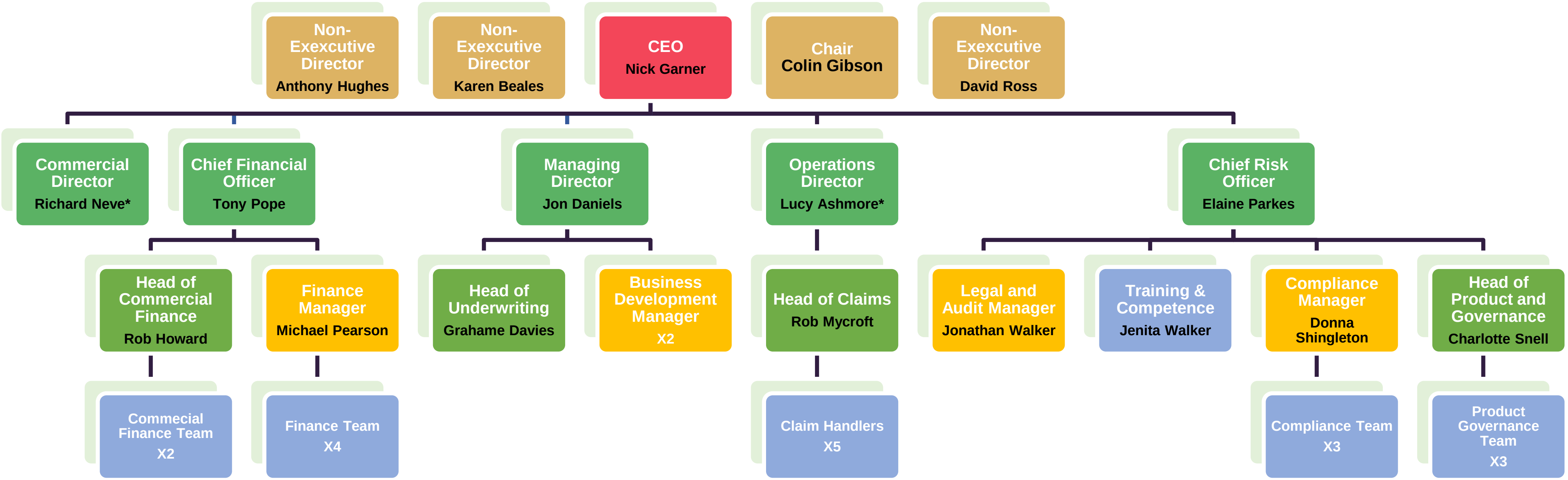
3. MI/Financial

- On-Site Inspection: Physical examination of the firm's facilities, processes, and controls to assess operational efficiency and compliance.
- Interviews and Observations: In-person interviews with management and colleagues and direct observation of operations to evaluate the firm's adherence to policies and procedures.
- Verification of Records: Cross-checking on-site records with submitted documentation to ensure accuracy and completeness.
- Risk Assessment: Identifying and evaluating potential risks through a detailed analysis of the firm's operations, financial health, and governance practices.

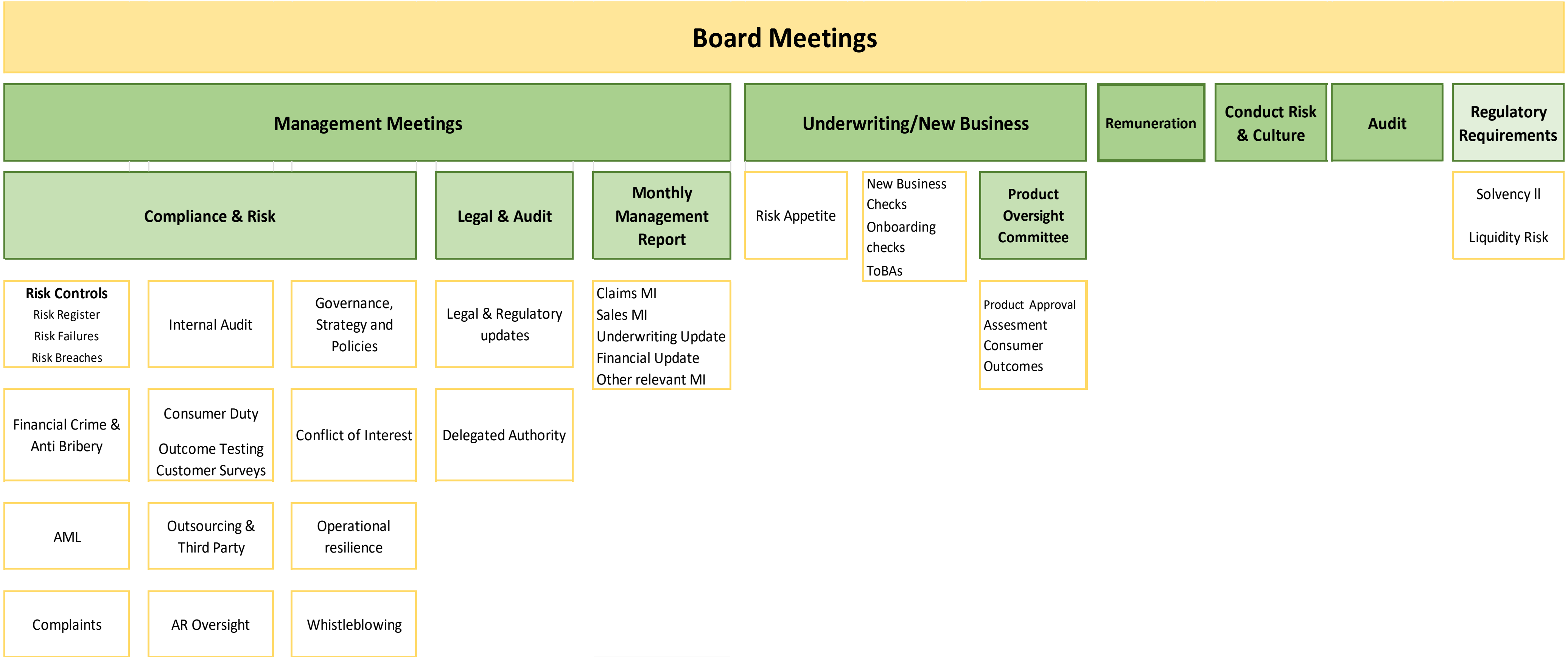
B9. Any other disclosures

There are no other disclosures.

B10.Organisational Structure (as of March 2025)



B11. Governance Map



C: Risk Management

The Company accepts the risk of managing its business as an Insurance Company. The material risks associated with the Company are:

- Underwriting Risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Other material risks, including strategic and emerging risks.

C1. Underwriting Risk

The Company has predominantly offered Legal Expenses insurance, however over the last two years have followed the product diversification strategy into specialist ancillary products. The introduction of the new Consumer Duty rules and enhanced product oversight has meant a shift in the business and the creation of the Product Oversight Committee, with additional reporting and KPIs. Whilst the business clearly considers its risk appetite and underwriting performance. The business focus is firstly to ensure that products offer value to the customer before any risk is even considered. The approach is being refined and developed, with improvements continuing to enhance the process further.

Whilst the Company supports niche products, it will only permit new bespoke products after detailed analysis. The preference is for clients to sell the products already developed and tested by the Company ensuring of course it meets the consumer needs and that the target market is clearly defined.

The Company has continued to follow the strategy of product diversification but in doing so took the decision during 2023 to purchase reinsurance support from a small number of key reinsurers depending upon product line and this strategy has continued through 2024 The selection of reinsurers has been approved by the Board and continues to be monitored by the Underwriting Committee.

The Company has refined its Underwriting Guide to ensure a consistent approach in terms of product, pricing and governance.

A key feature of the Underwriting consideration also relates to Value Measures, considering the KPIs from the regulatory reports (including but not limited to):

- Claims Frequency
- Claims cost compared to retail premiums.
- Claims Acceptance rates.
- Complaints volumes

The Company considers each product type and has a number of rating criteria and in turn reserving methodology depending upon the type of product, period of cover and product features. Claims inflation is a key consideration at the current time in light of economic climate and is considered at Board meetings when reviewing the financial performance.

Client performance is reviewed at least quarterly with the client meetings and the premium and claims data is assessed monthly at the management meeting for each client. The clients are always updated with any potential issues and clearly discussed and recorded with actions agreed.

Inappropriate product and underwriting risk (premium)

This is managed by the Company's Product Oversight Committee and Underwriting Committees. The former reviews all new business, any products which change during the period and all products at least annually to ensure that they offer fair value to customers and there is clarity of the products, their distribution, target market and appropriate KPIs.

The POC reports to the Underwriting Committee, making its recommendations for either acceptance, changes or declinature to individual products and schemes. There is clear underwriting philosophy, procedures and controls in relation to pricing, selection criteria and diversification of risks, all of which are predicted on acceptance of the product by the POC. 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.

Lapse risk

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

Risk Concentrations

The Company does not insure any class or group actions (unless approved by the Board) and as such is not generally exposed to any risk concentrations. The majority of business written in the legal expense's product range are in relation to individual legal disputes which are settled independently.

To date the Board has only approved the Company's limited involvement in a very small number of class actions related to car engine emissions where the legal grounds for the case against the particular car manufacturer appeared to be well established. One of these cases (against Volkswagen) concluded successfully in 2023.

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 in 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, it has the right to re-negotiate the financial terms. To reflect the emerging risk, the Company monitors relevant press and parliamentary publications, and each month provides an industry update identifying any issues and the current state of progress on these emerging issues.

Risk Sensitivities

The Company, in assessing its capital requirements both currently and forward looking, stresses possible outcomes by assuming various percentage decreases in income and increases in claims costs.

C2. Market Risk

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

C3. Credit Counterparty Risk

The risks considered are that a bank or other counterparty defaults on amounts held for or due to the Company. The Company's exposure to counterparty risk has been assessed in the context of the credit worthiness of the relevant counterparties with by far the largest exposure being Barclays Bank, which is obviously an A rated bank.

Other counterparties are reinsurance entities, comprising both rated and unrated vehicles.

C4. Liquidity Risk

As of 31st December 2024 100%, (2023: 100%) of the Company's investment assets were held in highly liquid short term cash deposits.

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

1. Definition of Liquid Resources
2. Liquidity Risk Appetite
3. Measurement, Reporting and Control

Cash flow forecasts are updated and reviewed as necessary by the Board in the context of this framework.

C5. Operational Risk

Operational risk arises from inadequate processes or controls resulting in a breach or failure causing inaccurate processing of transactions or non-compliance with regulatory or legal obligations as well as the potential for contractual disputes with business partners.

The Company has operational risk processes in place to mitigate this risk, supported by a management information system which tracks transactions through to the financial accounts, this enables any anomalies to be easily identified and rectified.

The Company has defined the following as the principal operational risk.

- Customer outcomes - The risk that the Group does not act to deliver good outcomes for its customers.
- Processing - The risk associated with the design and execution of business processes. This includes incorrect or poorly designed processes, data entry or loading errors, accounting and attribution errors or incorrect use of models.
- Cyber security and information security -The risk associated with protecting the customers, MI and information processing facilities from threats.
- Third party - The risk arising from outsourcing processes or obtaining key goods or services from third-party providers.
- Change The risk arising from the Company's change management processes and programmes.
- Operational resilience - The risk associated with service resilience, business continuity management and disaster recovery processes and plans.
- Technology -The risk arising from development, delivery and maintenance activity for the Group's IT infrastructure.
- Legal and regulatory the risk of material non-compliance with law, regulation, or other obligations resulting in breaches which would pose a risk:
    - to the regulators' objectives and the Group's relationships with them
    - of loss or damage to Company
    - of poor outcomes for the Company customers or members
- Financial crime: The risk that the Company's customers or assets are subject to any kind of criminal conduct relating to money or to financial services.
- Data protection: The risk that personal employee and/or customer information is unfairly or unlawfully collected, processed, retained or shared.
- People and talent: The risk associated with the Company's processes to attract and retain people with the right skills to deliver the strategy and maintain a values-based culture.

Operational risk exposures are managed through risk governance arrangements, the operational risk types listed above are reviewed on a regular basis to determine the Group's position against risk appetite.

During the year, the primary focus was on cyber and operational resilience, operational risk profile remained largely stable. However, it has been challenging given the rapidly evolving risk environment. Cyber security and IT controls will continue to be monitored in 2025.

C6. Other material risks

Strategic Risks that arise from the Company's choice of strategy or its strategic objectives. This includes the risk to business plans (including budgets and resource allocations), which could prevent the firm from achieving the business objectives. This type of risk could directly impact the Company's future, its position in the market, its profitability, and its solvency or capital adequacy. In addition, ESG risk is a sub risk of strategic risk and exposes business areas across the Company to new impacts that are to be considered as an extension to existing risk management activity.

Emerging risks are threats and opportunities that could emerge from the external environment where the potential impact is not fully known. They can create new exposures or increase the existing exposure to Strategic, Financial and Insurance, or Operational risks, or known principle risks and uncertainties that could impair the Company's financial strength, competitive position or reputation.

D: Valuation for solvency purposes

D1. Assets

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

The table below shows a valuation of the Company's assets on 31st December 2024 together with comparatives for the prior year.

Asset Provisions	2024 As per GAAP	2024 As per Solvency II	2023 As per GAAP	2023 As per Solvency II
Investments and cash at bank	30,778	30,778	21,954	21,954
Insurance receivables	8,018	-	10,452	-
Reinsurance recoverables	18,963	13,142	2,917	2,093
Amounts Due from Related Parties	7,937	7,937	7,340	7,340
Fixed assets including intangibles	464	-	468	-
Other Assets	8,293	204	3,420	142
Total Assets	**74,454**	**52,062**	**46,550**	**31,528**

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 short term access funds within Barclays bank. Amounts due from Related Parties are largely interest bearing as noted earlier. There are no estimates or judgements involved in valuing these assets.

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

Reinsurance recoverables have increased significantly due to the volume increase in reinsured business as noted earlier.

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

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

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

D2. Technical Provisions

The table below shows the calculation of the Company's technical provisions as 31st December 2024 together with comparatives for the prior year.

Technical Provisions	2024 As per GAAP	2024 As per Solvency II	2023 As per GAAP	2023 As per Solvency II
Technical provisions	(51,630)		(31,780)	
Best estimate of liabilities (BEL)		(15,580)		(10,607)
Risk Margin		(1,710)		(917)
Adjustment for counterparty default risk		-		-
Discount for future cashflow		409		787
Total Technical Provisions	**(51,630)**	**(16,881)**	**(31,780)**	**(10,737)**

The Best Estimate of Liabilities (BEL) is calculated based on all policies in force and on risk on 31st December 2024. Detailed analysis has been undertaken to calculate the most likely aggregate outcome in terms of premium income, claims cost, commission cost and operating expenses.

The increase is driven by the increased business volumes.

The BEL comprises:

- ATE deferred premiums which remain outstanding, these premiums will produce net positive cash flows in the future after payment of all related claims and therefore the technical provision arising from this element is negative.
- Estimated future claims costs relating to ATE funded premiums where payment has been received upfront, but the underlying legal case is ongoing. On 31 December 2024 unearned premiums amounted to £19.0m (2023: £18.3m).
- Non-ATE claims reserve – settlement of all claims including both incurred but not reported and unearned.
- Non-ATE accrued income – policies incepted by 31 December 2024 where payment had not yet been received.
- Operating expenses estimated to be incurred in running off the book.

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

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

D3. Other Liabilities

The table below shows the Company's other liabilities as 31st December 2024 together with comparatives for the prior year.

Total Liabilities (£'000)	2024 As per GAAP	2024 As per Solvency II	2023 As per GAAP	2023 As per Solvency II
Technical provisions	(51,630)	(16,881)	(31,780)	(10,737)
Other provisions	-	-	-	-
Insurance payables	(7,530)	(5,796)	(3,796)	(1,359)
Accruals / deferred income	(262)	-	(342)	-
Deferred Tax	-	(3,525)	-	(2,114)
Other creditors	(4,176)	(4,430)	(3,679)	(4,021)
Total Liabilities (£'000)	**(63,599)**	**(30,633)**	**(39,597)**	**(18,232)**

SII insurance payables comprise reinsurance creditor balances.

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

D4. Any other disclosures

The Company does not use any alternative methods of valuation.

E: Capital Management

E1. Own Funds

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

Medium Term Capital Management Plan		ACT 2024	FC 2025	FC 2026	FC 2027	FC 2028	FC 2029
Shareholders' Funds	£'000	10,855	13,661	22,807	31,232	36,851	42,982
Technical Provisions	£'000	15,171	20,398	20,162	20,103	21,484	23,042
SCR	£'000	14,583	16,686	16,624	16,867	16,469	17,396
Eligible Own Funds	£'000	21,429	23,664	32,321	39,753	46,409	53,387
Excess Funds	£'000	6,846	6,978	15,696	22,886	29,940	35,991
SCR Ratio	%	147%	142%	194%	236%	282%	307%

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

The tables below show the Company's MCR and SCR as of 31st December 2024 together with prior year comparatives.

Solvency Capital Requirement	2024 £'000	2023 £'000
Market risk	2,719	1,653
Counterparty risk	3,167	1,472
Non life underwriting and reserve risk	10,624	6,288
Basic SCR undiversified	16,510	9,414
Diversification credit	(2,994)	(1,660)
Intangible asset risk	-	-
Basic SCR	13,516	7,753
Operational risk	1,067	407
SCR	**14,583**	**8,160**

Capital Requirements & Solvency Ratio	2024 Capital Requirement £'000	2023 Capital Requirement £'000	2024 Solvency Ratio	2023 Solvency Ratio
MCR	3,646	2,359	5.88	3.54
SCR	14,583	8,160	1.47	1.63

The MCR is the greater of the absolute, linear and combined MCR.

The SCR is calculated using the Solvency II standard formula and has decreased from 1.63 to 1.47 in the year due to the reasons outlined in the Executive Summary.

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 2024

E6. Any other disclosures

There are no other disclosures.

SFCR Templates

IR.02.01.01
Balance sheet

		Solvency II value	Statutory accounts value
	Assets	C0010	C0020
R0010	Goodwill		
R0020	Deferred acquisition costs		
R0030	Intangible assets	0.00	464,429.00
R0040	Deferred tax assets	0.00	0.00
R0050	Pension benefit surplus	0.00	0.00
R0060	Property, plant & equipment held for own use	0.00	0.00
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	0.00	0.00
R0080	*Property (other than for own use)*	0.00	0.00
R0090	*Holdings in related undertakings, including participations*	0.00	0.00
R0100	*Equities*	0.00	0.00
R0110	*Equities - listed*	0.00	0.00
R0120	*Equities - unlisted*	0.00	0.00
R0130	*Bonds*	0.00	0.00
R0140	*Government Bonds*	0.00	0.00
R0150	*Corporate Bonds*	0.00	0.00
R0160	*Structured notes*	0.00	0.00
R0170	*Collateralised securities*	0.00	0.00
R0180	*Collective Investments Undertakings*	0.00	0.00
R0190	*Derivatives*	0.00	0.00
R0200	*Deposits other than cash equivalents*	0.00	0.00
R0210	*Other investments*	0.00	0.00
R0220	Assets held for index-linked and unit-linked contracts	0.00	0.00
R0230	Loans and mortgages	0.00	0.00
R0240	*Loans on policies*	0.00	0.00
R0250	*Loans and mortgages to individuals*	0.00	0.00
R0260	*Other loans and mortgages*	0.00	0.00
R0270	Reinsurance recoverables from:	13,142,276.00	18,963,348.00
R0280	*Non-life and health similar to non-life*	13,142,276.00	18,963,348.00
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	0.00	0.00
R0340	*Life index-linked and unit-linked*	0.00	0.00
R0350	Deposits to cedants	0.00	0.00
R0360	Insurance and intermediaries receivables	0.00	16,106,399.00
R0370	Reinsurance receivables	0.00	0.00
R0380	Receivables (trade, not insurance)	0.00	0.00
R0390	Own shares (held directly)	0.00	0.00
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0.00	0.00
R0410	Cash and cash equivalents	30,777,987.00	30,777,987.00
R0420	Any other assets, not elsewhere shown	8,141,566.00	8,141,566.00
R0500	**Total assets**	52,061,829.00	74,453,729.00

		Solvency II value	Statutory accounts value
	Liabilities	C0010	C0020
R0505	**Technical provisions - total**	16,881,443.00	51,645,160.00
R0510	Technical provisions - non-life	16,881,443.00	51,645,160.00
R0515	Technical provisions - life	0.00	0.00
R0542	**Best estimate - total**	15,171,443.00	
R0544	Best estimate - non-life	15,171,443.00	
R0546	Best estimate - life	0.00	
R0552	**Risk margin – total**	1,710,000.00	
R0554	Risk margin - non-life	1,710,000.00	
R0556	Risk margin - life	0.00	
R0565	**Transitional (TMTP) - life**	0.00	
R0730	Other technical provisions		0.00
R0740	Contingent liabilities	0.00	0.00
R0750	Provisions other than technical provisions	0.00	0.00
R0760	Pension benefit obligations	0.00	0.00
R0770	Deposits from reinsurers	0.00	0.00
R0780	Deferred tax liabilities	3,524,801.00	0.00
R0790	Derivatives	0.00	0.00
R0800	Debts owed to credit institutions	0.00	0.00
R0810	Financial liabilities other than debts owed to credit institutions	0.00	0.00
R0820	Insurance & intermediaries payables	0.00	1,727,388.00
R0830	Reinsurance payables	5,796,114.00	5,796,114.00
R0840	Payables (trade, not insurance)	4,176,032.00	4,176,032.00
R0850	Subordinated liabilities	0.00	0.00
R0860	*Subordinated liabilities not in Basic Own Funds*	0.00	0.00
R0870	*Subordinated liabilities in Basic Own Funds*	0.00	0.00
R0880	Any other liabilities, not elsewhere shown	254,160.00	254,158.00
R0900	**Total liabilities**	30,632,550.00	63,598,852.00
R1000	**Excess of assets over liabilities**	21,429,279.00	10,854,877.00

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance			
		Other motor insurance	**Legal expenses insurance**	**Miscellaneous financial loss**	**Total Non-Life obligation**
	Best estimate				
	Premium provisions	C0060	C0110	C0130	C0180
R0060	**Gross - Total**	0.00	1,492,382.00	4,851,496.00	6,343,878.00
R0070	Gross - direct business	0.00	1,492,382.00	4,851,496.00	6,343,878.00
R0080	Gross - accepted proportional reinsurance business				0.00
R0090	Gross - accepted non-proportional reinsurance business				0.00
R0100	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0.00	5,074,785.00	4,008,309.00	9,083,094.00
R0110	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*	0.00	5,074,785.00	4,008,309.00	9,083,094.00
R0120	*Recoverables from SPV before adjustment for expected losses*				0.00
R0130	*Recoverables from Finite Reinsurance before adjustment for expected losses*				0.00
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0.00	5,074,785.00	4,008,309.00	9,083,094.00
R0150	**Net Best Estimate of Premium Provisions**	0.00	-3,582,403.00	843,187.00	-2,739,216.00
	Claims provisions				
R0160	**Gross - Total**	0.00	7,589,611.00	1,237,954.00	8,827,565.00
R0170	Gross - direct business	0.00	7,589,611.00	1,237,954.00	8,827,565.00
R0180	Gross - accepted proportional reinsurance business				0.00
R0190	Gross - accepted non-proportional reinsurance business				0.00
R0200	Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	0.00	2,267,764.00	1,791,418.00	4,059,182.00
R0210	*Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses*	0.00	2,267,764.00	1,791,418.00	4,059,182.00
R0220	*Recoverables from SPV before adjustment for expected losses*				0.00
R0230	*Recoverables from Finite Reinsurance before adjustment for expected losses*				0.00
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0.00	2,267,764.00	1,791,418.00	4,059,182.00
R0250	**Net Best Estimate of Claims Provisions**	0.00	5,321,847.00	-553,464.00	4,768,383.00
R0260	**Total best estimate - gross**	0.00	9,081,993.00	6,089,450.00	15,171,443.00
R0270	**Total best estimate - net**	0.00	1,739,444.00	289,723.00	2,029,167.00
R0280	**Risk margin**	0.00	1,023,647.00	686,353.00	1,710,000.00
	Technical provisions - total (best estimate plus risk margin)				
R0320	**Technical provisions - total**	0.00	10,105,640.00	6,775,803.00	16,881,443.00
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0.00	7,342,549.00	5,799,727.00	13,142,276.00
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total**	0.00	2,763,091.00	976,076.00	3,739,167.00
	Cash-flows of the Best estimate of Premium Provisions (Gross)				
	Cash out-flows				
R0370	*Future benefits and claims and allocated loss adjustment expenses*		12,734,538.00	7,307,035.00	20,041,573.00
R0380	*Future expenses that are not ALAE and other cash-out flows*				0.00
	Cash in-flows				
R0390	*Future premiums*		11,242,156.00	2,455,539.00	13,697,695.00
R0400	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*				0.00
	Cash-flows of the Best estimate of Claims Provisions (Gross)				
	Cash out-flows				
R0410	*Future benefits and claims and allocated loss adjustment expenses*		7,589,611.00	1,237,954.00	8,827,565.00
R0420	*Future expenses that are not ALAE and other cash-out flows*				0.00
	Cash in-flows				
R0430	*Future premiums*				0.00
R0440	*Other cash in-flows (incl. Recoverables from salvages and subrogations)*				0.00
R0460	Best estimate subject to transitional of the interest rate				0.00
R0470	Technical provisions without transitional on interest rate				0.00
R0480	Best estimate subject to volatility adjustment				0.00
R0490	Technical provisions without volatility adjustment and without transitional on interest rate				0.00

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Own Funds

		Total
	Basic own funds	C0010
R0010	Ordinary share capital (gross of own shares)	1,332,000.00
R0030	Share premium account related to ordinary share capital	30,375.00
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0.00
R0050	Subordinated mutual member accounts	0.00
R0070	Surplus funds	0.00
R0090	Preference shares	0.00
R0110	Share premium account related to preference shares	0.00
R0130	Reconciliation reserve	20,066,904.00
R0140	Subordinated liabilities	0.00
R0160	An amount equal to the value of net deferred tax assets	0.00
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0.00
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0.00
R0290	**Total basic own funds**	21,429,279.00
	Ancillary own funds	
R0300	Unpaid and uncalled ordinary share capital callable on demand	0.00
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0.00
R0320	Unpaid and uncalled preference shares callable on demand	0.00
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0.00
R0340	Letters of credit and guarantees	0.00
R0350	Letters of credit and guarantees - other	0.00
R0360	Supplementary members calls	0.00
R0370	Supplementary members calls - other	0.00
R0390	Other ancillary own funds	0.00
R0400	**Total ancillary own funds**	0.00
	Available and eligible own funds	
R0500	Total available own funds to meet the SCR	21,429,279.00
R0510	Total available own funds to meet the MCR	21,429,279.00
R0540	Total eligible own funds to meet the SCR	21,429,279.00
R0550	Total eligible own funds to meet the MCR	21,429,279.00
R0580	**SCR**	14,583,446.79
R0600	**MCR**	3,645,861.70
R0620	**Ratio of Eligible own funds to SCR**	146.94%
R0640	**Ratio of Eligible own funds to MCR**	587.77%
	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	21,429,279.00
R0710	Own shares (held directly and indirectly)	0.00
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	1,362,375.00
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0.00
R0760	**Reconciliation reserve**	20,066,904.00

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Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	950,310.00
R0080	Equity risk	0.00
R0090	Property risk	0.00
R0100	Spread risk	119,059.00
R0110	Concentration risk	2,522,452.00
R0120	Currency risk	0.00
R0125	Other market risk	
R0130	Diversification within market risk	-872,782.35
R0140	**Total Market risk**	2,719,038.65
	Counterparty default risk	
R0150	Type 1 exposures	3,205,779.00
R0160	Type 2 exposures	0.00
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-38,365.00
R0180	**Total Counterparty default risk**	3,167,414.00
	Life underwriting risk	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	**Total Life underwriting risk**	0.00
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	**Total Health underwriting risk**	0.00
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	10,577,277.21
R0340	Non-life catastrophe risk	0.00
R0350	Lapse risk	992,120.00
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-945,692.81
R0370	**Non-life underwriting risk**	10,623,704.40
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	1,067,243.93
R0424	Other risks	
R0430	**Total Operational and other risks**	1,067,243.93
R0432	**Total before all diversification**	19,434,241.14
R0434	Total before diversification between risk modules	17,577,400.98
R0436	Diversification between risk modules	-2,993,954.19
R0438	**Total after diversification**	14,583,446.79
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	14,583,446.79
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	14,583,446.79
R0482	Undisclosed capital add-on - residual model limitation	
R0484	Capital add-on	0.00
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	